believing in change
succeeding through change

Annual Report 2007

Koç

Koç Holding in the Global League

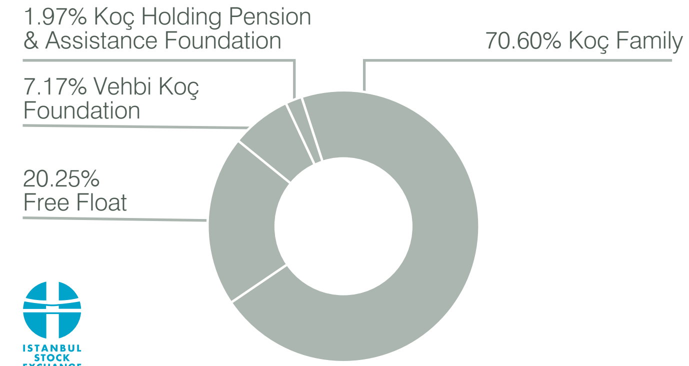
- Koç Holding is the only Turkish company in the "Fortune Global 500" list and within the top 200 largest companies in the world (190th with the 2006 results)
- Koç Holding is the 49th largest company in Europe according to the 2006 rankings compiled by Handelsblatt.
- The combined revenues of Koç Group correspond to 9% of Turkey's GDP.
- Koç Group generates 11% of Turkey's total exports.
- Koç Holding is on Boston Consulting Group's list of "2008 BCG 100 New Global Challengers: How Top Companies from Rapidly Developing Economies Are Changing the World".
- The China International Institute of Multinational Corporations (CIIMC) rated Koç Holding as one of the most competitive international companies in China.
- Koç Holding is the first Turkish company in the "World's Most Admired Companies" compiled by the Hay Group and Fortune magazine among companies from 25 countries.
- Koç Holding is the first Turkish company among the world's top 1000 companies by R&D investment.

Contents

Koç Group at a Glance

Koç Group, which reported USD39.5 billion in consolidated revenues in 2007, is Turkey's largest industrial and services group, with leading positions in four core sectors that offer strong growth potential: energy, consumer durables, automotive and finance.

Shareholder Structure



ISTANBUL STOCK EXCHANGE

Koç Holding shares are listed on the Istanbul Stock Exchange (ISE) under the symbol KCHOL .

Koç Holding

29 countries
85,000 employees

Energy

Main Companies
Tüpraş*
Aygaz*
Opet
Mogaz
Entek

Number of Companies Included in Consolidation
Domestic: 11
International: 5

International Alliances
Statoil

Number of Employees
7,431

Domestic Market Position
- #1 in petroleum refining
- #1 in LPG distribution
- #3 in petroleum products distribution

Share in consolidated revenues
51.0%

Share in operating profit
42.9%

Consumer Durables

Main Companies
Arçelik*
Beko Elektronik*
Arçelik - LG
Artic
Blomberg
Elektra Bregenz
Grundig

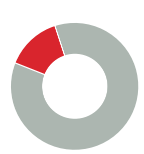
Number of Companies Included in Consolidation
Domestic: 4
International: 40

International Alliances
LG Electronics

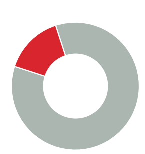
Number of Employees
18,131

Domestic Market Position
- #1 in refregirators, washing machines, dishwashers and ovens,
- #1 in TVs
- #1 in air conditioners

Share in consolidated revenues
13.8%



Share in operating profit
15.1%



Automotive

Main Companies
Ford Otosan*
Tofaş*
Türk Traktör*
Otokar*
Otoyol
Otokoç

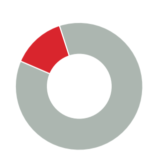
Number of Companies Included in Consolidation
Domestic: 13

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

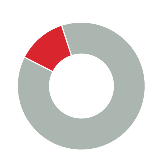
Number of Employees
19,590

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

Share in consolidated revenues
12.7%



Share in operating profit
12.3%



Finance

Main Companies
Koç Finansal Hizmetler
Yapı Kredi Bankası*
Koç Allianz Sigorta
Koç Allianz Hayat ve Emeklilik
Yapı Kredi Sigorta*
Yapı Kredi Emeklilik
Yapı Kredi Finansal Kiralama*
Yapı Kredi Yatırım Menkul Değerler
Yapı Kredi Yatırım Ortaklığı*
Yapı Kredi Faktoring
Yapı Kredi Portföy Yönetimi
Koç Tüketici Finansmanı

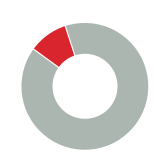
Number of Companies Included in Consolidation
Domestic: 13
International: 7

International Alliances
UniCredit
Allianz
Tokyo Marine

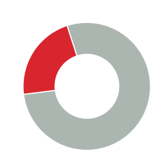
Number of Employees
17,924

Domestic Market Position
- #4 in total banking assets among private banks
- #1 in credit cards
- #1 in insurance (life and non-life, total premium production)
- #1 in leasing, factoring and mutual funds

Share in consolidated revenues
10.5%



Share in operating profit
22.6%



Food & Retailing

Main Companies
Migros*
Koçtaş
Tat*
Düzey

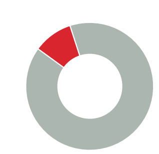
Number of Companies Included in Consolidation
Domestic: 6
International: 5

International Alliances
B&Q
Kagome Sumitomo
Kaneka Seeds

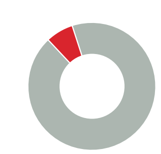
Number of Employees
16,840

Domestic Market Position
- #1 in FMCG retailing
- #1 in DIY retailing
- #1 in Tomato products

Share in consolidated revenues
10.5%



Share in operating profit
7.5%



Other

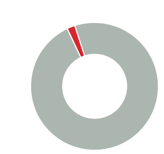
Main Companies
Koç Sistem
Koç.net
Setur
Mares*
Palmira
Setur Marinaları
RMK Marine
Demir Export

Number of Companies Included in Consolidation
Domestic: 15

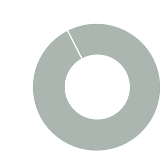
Number of Employees
4,771

Domestic Market Position
- #1 in marina capacity

Share in consolidated revenues
1.6%



Share in operating profit
-0.5%



* Listed companies.

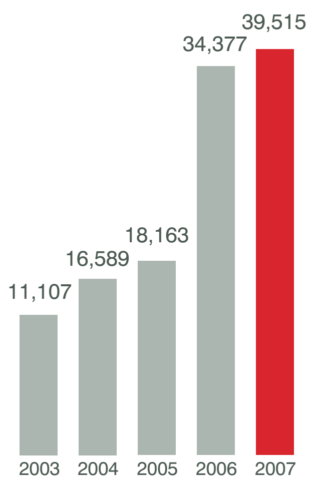
Financial Highlights

KOÇ HOLDİNG A.Ş. CONSOLIDATED FINANCIAL HIGHLIGHTS

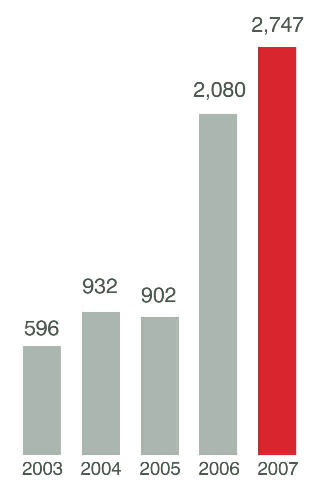
	2007(1) (USD millions)	2006(2) (USD millions)	2007(1) (EUR millions)	2006(2) (EUR millions)	2007 (YTL millions)	2006 (YTL millions)	Change (%) USD	Change (%) EUR	Change (%) YTL
Revenues	39,515	34,377	28,922	27,332	51,429	49,197	15	6	5
Non-Finance Sectors	35,364	31,084	25,884	24,714	46,027	44,484	14	5	3
Finance Sector	4,151	3,293	3,038	2,618	5,402	4,713	26	16	15
Operating Profit	2,747	2,080	2,010	1,654	3,575	2,977	32	22	20
Non-Finance Sectors	2,126	1,612	1,556	1,282	2,767	2,307	32	21	20
Finance Sector	621	468	454	372	808	670	33	22	21
Income Before Taxes on Income and Minority Interest	3,601	1,451	2,636	1,153	4,687	2,076	148	129	126
Net Income	1,764	392	1,291	312	2,295	561	350	314	309
Total Assets	51,264	40,732	34,912	30,922	59,707	57,253	26	13	4
Fixed Assets-Net	8,489	7,504	5,781	5,697	9,887	10,548	13	1	-6
Total Financial Liabilities	12,940	12,583	8,813	9,552	15,072	17,686	3	-8	-15
Total Shareholders' Equity	6,742	3,620	4,591	2,748	7,852	5,088	86	67	54
Number of Employees					84,687	88,248			

(1) Convenience translation with 2007 average exchange rates for income statement items (including net income), and 2007 year end exchange rates for balance sheet items; Average exchange rates: YTL1.3015=USD1 and YTL1.7782=EUR1; Year end exchange rates: YTL1.1647=USD1 and YTL1.7102=EUR1
(2) Convenience translation with 2006 average exchange rates for income statement items (including net income), and 2006 year end exchange rates for balance sheet items; Average exchange rates: YTL1.4311=USD1 and YTL1.8000=EUR1; Year end exchange rates: YTL1.4056=USD1 and YTL1.8515=EUR1

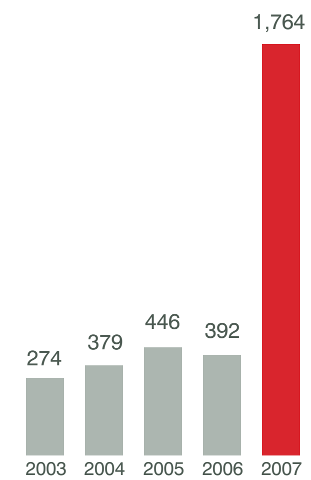
Revenues
USD millions



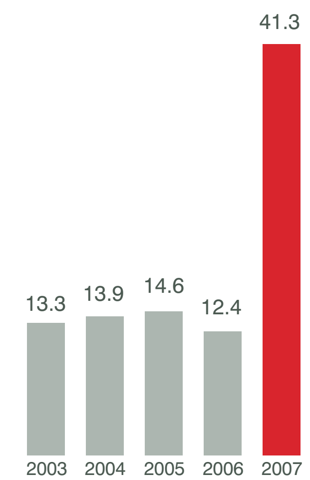
Operating Profit
USD millions



Net Income
USD millions



Return on Equity*
%



*Return on Equity = Net Income ÷ (Total Shareholders' Equity - Net Income)

Honorary Chairman's Message

Those who reach their destination in stormy weather are those who have the requisite commitment and ability to navigate skillfully. At Koç Group, we are dedicated to creating a difference through delivery of world-class products and services to global markets.

Dear Shareholders,

In 2007 Koç Group further strengthened its position as a global player while attaining new achievements domestically and internationally through several important initiatives. Despite global turmoil and political and economic tension in Turkey, we made a number of critical advances on the international and domestic fronts. By responding to changing market dynamics through restructuring, we took an important step towards achieving our goal of becoming a global player.

We are proud to say that we have played our part in leading economic development in Turkey through our value creation, employment generation, R&D and technology investments, export revenues, and the taxes we pay.

The impact of the global economic turbulence towards the end of the year compounded the loosening in Turkey's economic stability, which began with the two elections held in 2007. In spite of this, our Group was flexible enough to tackle the potential risks in advance and as a result, we not only met the targets we set at the beginning of the year but surpassed them, reaching new and challenging horizons. Koç Group continued its international investments as planned and our name frequently appeared on the lists of 'top companies' tracked by leading international institutions and media organizations.

Maximizing opportunities and minimizing risks by closely monitoring global developments is one of our priorities. It is essential to take a precautionary approach to address the implications of the volatility that resulted from the developments in the US housing credit market which spread throughout the world. By transforming crisis into opportunity, we can achieve growth in a turbulent environment. However, in order to achieve this, a calm, insightful and sensible approach is needed more than ever.

With the impact of the global turmoil, Turkey's economic growth, which was around 7% for the past six years, started to slow down as of 2006 and came in at 4.5% in 2007, falling short of its 5% target. It is obvious that this decline will continue in 2008. Nevertheless, in all likelihood Turkey's growth rate in 2008 will exceed the EU average.

While bringing two-digit inflation down to single digits is a significant success, certain risks with regard to the inflation outlook continue to increase.

In the current economic conditions, maintaining fiscal and budgetary discipline, particularly on public spending, is of prime importance. Given the prevailing financial environment, flexible approaches and expedited reactions both in terms of targets and in policy making need to be employed.

The uncertainties in the global economy and the risks associated with price increases dictate the need for a cautious monetary policy. The continuation of the structural reforms that strengthen the resilience of our economy is crucial.

Within this framework, Turkey's negotiations and harmonization with the European Union and the immediate application of the reforms in the accession program are more important than ever. Price stability, as well as macroeconomic stability in general, are of particular importance.

The USD9.7 billion foreign direct investment flows into Turkey in 2005 increased by two-fold in 2006 to reach USD18.3 billion and further rose to USD19.2 billion in 2007, demonstrating the interest of foreign capital in Turkey. Sustainable growth depends on the continuation of these inflows. Therefore, it is imperative to ensure this flow of investment through the re-establishment of political and economic stability.

By bringing risks under control through continuous fiscal discipline and further structural reforms, it is my hope that 2008 will be a year in which Turkey emerges relatively unscathed economically. We all have important responsibilities in this aspect.

Despite global turbulence, as Koç Group we are determined to achieve our domestic and international investment targets. Those who reach their destination in stormy weather are those who have the requisite commitment and ability to navigate skillfully. At Koç Group, we are dedicated to creating a difference through delivery of world-class products and services to global markets.

In line with our strategic principles and portfolio structure, we are taking the right steps at the right time to ensure we can generate sustainable profitability, shareholder value creation, and growth. We will continue to reap the benefits of this approach in the future. Koç Group will continue to strengthen its leadership position in its operations in 2008.

As always, I am indebted to the efforts of all our managers, employees, suppliers, dealers, shareholders and especially our public in achieving this success.

Rahmi M. Koç
Honorary Chairman

Chairman's Statement

The changes and developments that took place in the international and domestic arena in 2007 demonstrated once again the critical importance of stability and resilience. Similarly, we witnessed once again the importance of being prepared for or even leading such change, as it determines the degree to which economic challenges impact countries and companies.

Koç Holding had an outstanding year in 2007, both financially and operationally, and we owe that to our ability to predict and manage change.

The most significant developments of the year include the spread, to varying degrees, of the global credit and liquidity crisis stemming from the sub-prime crisis in the US housing sector; the deceleration in growth rates of developed countries; a rapid rise in oil prices; and inflationary pressures. Last year, the growth rates in Europe and Japan slowed in the second quarter and the virtual collapse of the US housing market continued to adversely impact the global economy. In contrast, China and India took top ranking among emerging markets, while Russia's growth continued apace in 2007, as it had in previous years. After many years, low income countries in Africa turned in impressive growth performances.

It is estimated that the world economic growth, effected by financial market volatility, will decelerate in 2008 and hover at around 4%. According to IMF forecasts, the risks pertaining to growth have increased worldwide. Growth estimates for the upcoming period are based on the assumption that the credit crunch in international financial markets will end and that markets will normalize. Nevertheless, it is also probable that uncertainty and volatility in financial markets will persist for sometime. The continuation of growth in emerging markets, especially China, India and Russia, is an important trend for Turkey.

Turkey must take full account of the slowdown in Europe given the turmoil in the global economy. Minimizing any decline in exports to the EU is important considering our production capacity. We need to ensure that the pace of inflow of foreign direct investment in recent years is maintained and greenfield investments are encouraged.

Turkey did not experience a change in the economic climate - further evidence of the importance of the structural reforms instituted after 2002, despite a shortfall in meeting economic targets due to the uncertainty surrounding the elections, the loss of pace in the reform process, and the world economic slowdown in 2007. Between 2002 and 2006, the Turkish economy grew at an average rate of 7.2%, outperforming most developing countries and the growth rate in 2007 came in at 4.5% despite the economic challenges.

Looking ahead, it is clear from the higher use of foreign financing and the expanding volume of foreign trade that Turkey will increasingly feel the impact of global competition. Turkey's renewed determination in the European Union accession talks will be essential in overcoming the difficulties in the global competition. Asian and Eastern European economies will become all the more enticing to foreign capital, as they increasingly drive global economic growth.

In order to reap the fruits of change, one must accurately read and manage it. Leading the winds of change and producing change can help companies to capture its benefits.

Koç Group has begun to capitalize on its ability to leverage the whole change process- from anticipating the need for change, to streamlining the potential developments to be brought about by change, with a special focus given to the importance of internalization of this process by all its employees.

Koç Holding's inclusion in Boston Consulting Group's "2008 BCG 100: The 100 Companies in Rapidly Developing Countries that are Challenging the World" listing is a significant indicator of our strong position in the world.

Those who interpret change correctly are in a position to make the best decisions as to the role they assume in the process of change. Therefore, we develop strategies that will strengthen our position, help us focus on our core business lines and to restructure by leveraging the opportunities that arise. We are focusing on business lines that will maximize our profitability and efficiency on a global scale and we are directing our resources and energy to those sectors where we can use them most effectively and maximize the return for our shareholders.

As a result, Koç Group has gone through an intense period of acquisitions and divestitures. During the past three years we have restructured our portfolio to reach the optimal risk-return level. Our aim was to pursue a more focused growth strategy. We have withdrawn from sectors and companies where we saw a relatively smaller contribution to our portfolio in the long term and reduced the number of sectors in which we operate. We decided to focus on energy, consumer durables, automotive and finance as our core sectors because their growth and profitability potential will provide the highest value added to our Group and shareholders.

Koç Group companies operating in other sectors will also seek to be the best in their respective fields, grow organically and continue to pioneer innovation.

While contributing to the Turkish economy with our investments, we are also taking important steps in the field of social responsibility, a cornerstone of our corporate culture. Following the model of our founder, Vehbi Koç, who pioneered social responsibility in Turkey, we are committed to increasing our work to generate social benefits.

We strive to be present in any area where we can serve our community. Our efforts are focused mainly in the areas of education, health, culture, arts, sports and the environment.

Our view of corporate citizenship is focused on efficiency and being proactive in risk management. The way we do business and evaluate our resources is shaped by this vision. It is our goal to use limited resources effectively and with foresight, and to create lasting value through a sustainable approach.

2007 has seen several changes on our Board of Directors. After many years of valuable service, Bülend Özaydınlı resigned from his position as CEO and his seat on the Board of Directors. We will always remember with appreciation his commitment to the Group and the achievements obtained during his tenure. We wish him health, success and happiness.

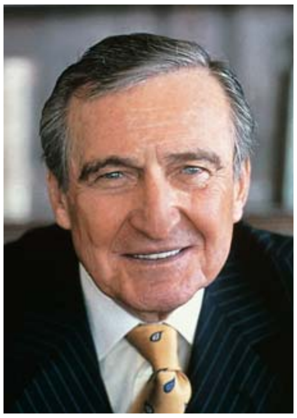
Sadly, Wayne Booker, a long-time independent member of the Koç Group Board of Directors, passed away last year. We honor him as a valuable manager who worked hard to strengthen the ties between Ford and Koç Group.

The Board has appointed Ali Koç and Prof. Heinrich von Pierer to fill these seats. I welcome them both and wish them every success.

The Koç Group is a large familiy made up of its managers and all its employees. As a team we will move forward in 2008 to new accomplishments and successes, always mindful of our responsibilities to our customers, partners, shareholders and community.

Mustafa V. Koç
Chairman

Board of Directors


Rahmi M. Koç
Honorary Chairman


Mustafa V. Koç
Chairman


Suna Kıraç
Vice Chairman


Temel Atay
Vice Chairman


Semahat Arsel
Member


Dr. Bülent Bulgurlu*
Member-CEO


Ali Y. Koç**
Member

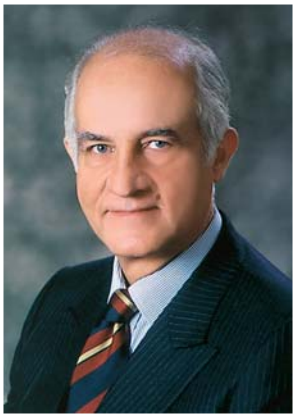

H. Oswald Maucher
Member


Prof. Dr. John H. McArthur
Member

* Appointed as Board Member in October 2007.
** Appointed as Board Member in January 2008.

Bülend Özaydınlı resigned his position as CEO in May 2007 and as Board Member in October 2007.
Wayne Booker passed away in October 2007.

Curricula vitae are provided on page 78.


İnan Kıraç
Member


Ömer M. Koç
Member


Hasan Subaşı
Member


Prof. Dr. Yavuz Alangoya
Member


Dieter Christoph Urban
Member


Prof. Dr. Heinrich V. Pierer**
Member


Dr. Füsun Akkal Bozok
Auditor


Nevzat Tüfekçioğlu
Alternate Auditor

CEO's Letter

It is not enough to simply keep pace with change; one needs to not only anticipate but also lead and shape that change. And this is what we have perfected at Koç Group.

Dear Shareholders,

A Year of Change
2007 was an eventful year internationally and nationally. Internationally, the main events were the collapse of the US sub-prime loan market, which undermined the confidence and capacity of financial markets, particularly in developed countries, and the inexorable rise of oil and other commodity prices. Nationally, back-to-back governmental and presidential elections caused political uncertainty and slowed down, but did not halt, economic growth.

By judiciously taking advantage of the positive developments in Turkey and the world and minimizing the impact of negative ones, we as Koç Group ended 2007 quite successfully.

In the immediate future, Turkey will increasingly feel the effects of global competition. The country's future largely rests on whether or not the government can revitalize its former determination and enthusiasm for economic reform and for furthering Turkey's relations with the European Union.

The global economic center of gravity is shifting away from recession-prone developed countries and towards developing countries. Developing countries can capitalize on their future role as economic locomotives and destinations of foreign direct investment.

Managing Change
Maximizing the benefits of global and national transformation requires effective change management within one's circle of influence. It is not enough to simply keep pace with change; one needs to not only anticipate but also lead and shape that change. And this is what we have perfected at Koç Group.

Koç Group's philosophy of change maintains the Group's momentum for growth while balancing the influence of external events against the Group's internal dynamics.
In a rapidly changing world where consumer expectations are continually in flux, we regularly review our companies, their products and services, technology, work procedures and their sales methods, and rigorously implement improvements and innovations.

Instead of getting caught off guard, or being overwhelmed by the dizzying pace of change, we have shaped our strategy to strengthen the structure of our Group by taking advantage of change. The focused growth strategy that we have been following in the recent years is a part of this vision.

R&D and Technological Innovation
Technology is a key ingredient for us: the most effective way of maintaining competitive superiority is to take full advantage of technology.

As Koç Group, we continue to make a difference in all our business lines by creating new technologies and applying the latest developments to our processes. Indicative of our determination and success, Koç Group ranks among the top 1000 firms in the world in R&D investment and Arçelik ranks 101th in terms of the number of patent applications.

Focus Ensures Value and Resilience
Koç Holding today has a much more focused business portfolio compared to a few years ago. We concentrate on sectors where we hold a leadership position - energy, automotive, consumer durables and finance. We obtain 88% of our consolidated revenues and 93% of our operating profits from these sectors. We are strengthening our position in our core business lines through both organic and inorganic growth in order to ensure sustainable leadership, profitability and growth.

We also have companies operating outside these core sectors, which will maintain their growth and profitability through their own resources.

Obtaining this focus has required significant restructuring. Since 2005, our Group has sold companies yielding USD2.3 billion in total proceeds, while the value of our acquisitions have totaled USD6.6 billion. In line with our target to maximize shareholder value creation, we have reached a portfolio structure which has a higher potential for growth and profitability while at the same time is more resilient against potential risks. We are continuing in our path to become world class players in the sectors in which we operate.

Global Presence
Our continued investments, which are a sign of our confidence in Turkey, formed the basis for our international success. Koç Group ranks among the top 200 companies in the world and the top 50 companies in Europe, confirming our global standing.

The combined revenues of the Group are equal to 9% of Turkey's GDP, while the Group's exports represent 11% of Turkey's exports and our tax payments make up 15% of the national tax revenue. The Koç Group companies account for 21% of the revenues of Turkey's top 500 companies, as ranked by the Istanbul Chamber of Industry.

Outstanding Performance
The main indicators of our Group continue to improve year by year. In 2007, our consolidated revenues increased by 5%, reaching YTL51.4 billion. In terms of US dollar, our revenues grew by 15% to USD39.5 billion.

These results include the impact of divestitures. When like-for-like numbers are taken into consideration, the growth rates are actually two points higher. Meanwhile, our operating profits grew by 20% to YTL3.6 billion, and net profits increased four-fold to YTL2.3 billion. This figure includes approximately YTL650 million profit from divestitures. However, even when we exclude this figure, there was still a 275% increase in net profits in 2007.

CEO's Letter

Koç Group will continue to deliver the quality its name has come to promise in order to maintain growth and profitability, supported by our deep-rooted corporate culture, vision, operations, strong human resources and pursuit of excellence.

Our Sectors

In consumer durables and automotive, we are increasing our production and sales through new projects and investments. We are expanding to new markets like China and the US, while continuing to grow in the domestic market. Turkey's energy sector is going through a major transformation and we are on the lookout for opportunities that this change might bring. Meanwhile, we are continuing our aggressive growth plan in banking.

Energy

Through our continued investments in recent years, and with our operations ranging from LPG distribution to petroleum distribution and refining, we have become the indisputable leader of Turkey's energy sector.

Tüpraş is Europe's 8th largest oil refinery. Tüpraş became part of the Koç Group at the beginning of 2006. In 2007, the company generated record sales and profits. The company's capital expenditures in 2006 and 2007 reached USD630 million, while a further investment of over USD2 billion is planned in the next five years, expanding capacity and productivity and further adding significant value to Turkey's economy.

Our other companies in the sector, Aygaz and Opet, are maintaining their successful performances with their customer centered and innovative approach.

With Tüpraş and Aygaz positioned to act as our two main investment vehicles in the energy sector, Koç Holding is ready to benefit from any potential opportunities that might arise.

Automotive

Koç Group companies account for 46% of Turkey's total automotive production and 45% of its exports. Despite the contraction in domestic demand in 2007, total production of the Group's automotive companies have grown by 13%, with over 520,000 manufactured units.

Today Koç Group is in a position to export vehicles to the US market, "homeland of the automotive industry". This is a significant indicator of our success in the automotive sector, which we entered when our founder, Vehbi Koç, established a Ford dealership in 1928.

Ford Otosan sold 102,000 vehicles in Turkey in 2007 and with a 16.8% market share, has continued its market leadership for the sixth consecutive year.

After having successfully launched Linea and Minicargo production, Tofaş is now implementing the new Doblo project. Fiat Linea, which Tofaş manufactures in Bursa and exports to three continents, was nominated the "Best Automobile of 2008" by the "Autobest 2008" jury, consisting of Europe's leading automotive editors.

As in 2006, exports were the main driver of growth in automotive in 2007. We will ensure future growth and continued investment in our companies with new projects.

Consumer Durables

Koç Group is amongst Europe's top three consumer durables manufacturers and among the top six in the world with Arçelik. In television manufacturing, it ranked second in Europe with Beko Elektronik. As part of our international growth strategy in the sector, we took the highly significant step of starting production in China.

In line with the developments in global markets, domestic demand for household appliances shrank by 5.5% in 2007. LCD television sales, on the other hand, continued to grow in both domestic and international markets.

Koç Group's consumer durables companies continued their market leadership in Turkey in 2007 with a 57% share in appliances and 42% in TVs. Having the most extensive sales and after-sales service network in Turkey reinforces our leading position in the local market.

Due to the emphasis we place on R&D in consumer durables and electronics, we continue to break new ground with innovative products, not only in Turkey but also in the world.

To further strengthen our position in the consumer electronics sector, in 2007 Beko Elektronik took sole ownership of Grundig, in which we have held a 50% ownership since 2004. With 63 years of experience, Grundig is a highly respected brand and is a valuable addition to our portfolio.

Finance

Against a background of continued growth, Koç Group has also rapidly expanded its operations in the finance sector with Yapı Kredi Bank.

After joining the Group, Yapı Kredi underwent an intense phase of restructuring and integration, and as a result, significant improvements have been recorded in the bank's productivity, profitability and capital structure.

Yapı Kredi's return on equity increased from 18.5% in 2006 to 22.7% in 2007; while the capital adequacy ratio increased from 7.2% at the end of 2005 to 13.7% at the end of 2007.

With its profitable and strong capital structure, Yapı Kredi embarked on an aggressive branch expansion plan from mid-2007, increasing branches to 676 at the end of the year.

Our target is to increase our network to 1000 branches within two years. Yapı Kredi is now Turkey's fourth largest private bank and, with superior products and high quality service in every area of banking, it is well positioned for future growth.

Retailing

As part of our focused growth strategy, we have taken the decision to exit the FMCG retailing in 2007. Initially Migros sold 50% of Ramenka, its Russian operations, to Enka for USD542.5 million. In February 2008, we signed an agreement to sell our 51% share in Migros, which has been operating under the Koç Group since 1959, for YTL1.98 billion. For half a century, Migros has been creating value for the Turkish economy and today, with 22% share of the organized retail market, it is the leader in its sector, a “success story” for the Koç Group and for Turkey.

The proceeds from the Migros sale will further strengthen our financial position and provide a significant source to the Koç Group for new investments.

Social Responsibility

We know that commercial success not complemented with social responsibility is deficient. As the Koç Group, through our foundations, we are dedicated to the wellbeing of our society. The sense of responsibility and the foresight of our founder, Vehbi Koç, have been our most important guides in this respect. We know that we can only develop commensurate to the development of our society. Therefore, social responsibility is a vital component of our activities.

The corporate social responsibility projects we launched and implemented last year were exemplary. In an ambitious project, which started nationwide in 2006 to support vocational high schools, we aim to draw attention to the problems of unemployment and the shortage of qualified industrial workers, and take an initiative toward solving them. As of 2007, with the contribution of our companies, we have provided scholarships to 4,000 students in 250 high schools. Turkey's most widely dispersed grassroots project for local development initiatives, “For My Country” draws on Koç Group employees, distributors, and subsidiaries to undertake locally identified projects that meet local needs, thereby demonstrating Koç Group's commitment to local issues and solutions nationwide.

The Future

The leadership we have assumed in all our areas of operation has become a driving force in Turkey’s economy. The successful development of our Group in local and global markets is directly reflected in the economy and progress of the country.

Koç Group will continue to deliver the quality its name has come to promise in order to maintain growth and profitability, supported by our deep-rooted corporate culture, vision, operations, strong human resources and pursuit of excellence. Consequently we will continue to create shareholder value and contribute to the economic and social development of our country.

Dr. Bülent Bulgurlu
CEO, Board Member

Executive Management

(back-from left to right)

1 **Ali Tarık Uzun**
Auditing Group President

2 **Ömer Bozer**
Food and Retailing Group President

3 **Ahmet Ashaboğlu**
CFO - Finance Group President

4 **Kudret Önen**
Defence Industry and Other Automotive Companies President

5 **Erol Memioğlu**
Energy Group President

6 **Turgay Durak***
Automotive Group President

(front-from left to right)

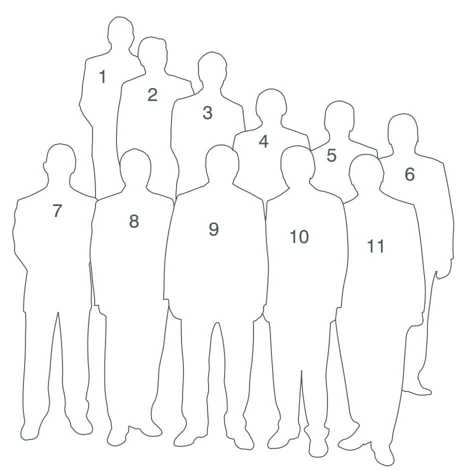
7 **Ali Y. Koç****
Corporate Communications and Information Group President-Board Member

8 **Tamer Haşimoğlu**
Strategic Planning Group President

9 **Dr. Bülent Bulgurlu*****
CEO-Board Member

10 **Hasan Bengü**
Foreign Trade and Tourism Group President

11 **Aka Gündüz Özdemir******
Consumer Durables Group President-CEO of Arçelik



* Appointed as Automotive Group President in May 2007.
** Appointed as Board Member in January 2008.
*** Appointed as Board Member in May 2007.
**** Appointed as Consumer Durables Group President in May 2007.

Curricula vitae are provided on page 80.

Koç Group: 1926-2008

"This is my code: I live and prosper with my country"

Vehbi Koç

1926

Establishment years...
Vehbi Koç, at age 16, took over the family store in Ankara, the nation's new capital, listing it with the Ankara Chamber of Commerce on May 31, 1926.

This date symbolizes the birth and official foundation of Koç Group.

The first joint stock company: Koç Ticaret A.Ş.
Vehbi Koç established Koç Ticaret Anonim Şirketi in 1938. This company acted as the cornerstone and development center for the initiatives that over time produced Koç Group. Koç Ticaret is also known as the first company in Turkey to give out company stakes to executives.

Vehbi Koç developed business in Ankara and Istanbul as the representative of foreign companies. He traveled to Europe and the United States, establishing the first Turkish company in the U.S., Ram Commercial Corporation.

First industrial ventures…
The Group entered the manufacturing sector in the late 1940s. A joint venture agreement with General Electric was signed in 1948 and Turkey's first electric light bulb factory was opened in 1951.

In the 1960s Vehbi Koç developed cooperation, partnerships and license agreements with leading international companies and established a variety of industrial enterprises. Turkey's first automobile, farm tractor, truck, refrigerator, washing machine, water heater, compressor, LPG cylinder, glasswool, engine block and cable were all manufactured by Koç Group during this period. Partnerships of Tofaş (with Fiat), Türk Siemens (with Siemens) and Mako (with Magneti Marelli) were established. Later on, the business relationship with Ford evolved into Ford-Otosan partnership.

Expansion of areas of activity
New ventures resulted in a significant expansion of Koç Group's areas of activity. The Group operated in a broad range of business areas, expanding from agricultural equipment to textiles, from office equipment to heating devices, from radio and television receivers to household appliances such as refrigerators, washing machines and vacuum cleaners, from ranges, ovens, glass wool, furnaces, radiators and LPG to production of automobiles, commercial vehicles and motorcycles and the establishment of an automotive component manufacturing industry, from packaged foods to retail chains, tourism, finance and insurance services.

The first Turkish car, was introduced to the market by Otosan in 1966, a pioneering step for Koç Group.

Establishment of Koç Holding A.Ş.
Rapid growth and diversification call for an ensuing organizational structure reflecting a higher degree institutionalization. After consultation with local and international experts on business management and corporate organization, Koç Holding A.Ş. was founded in 1963 with Vehbi Koç as Chairman of the Board.

Growth, first public offering and exports

The pace of Koç Group's growth continued unabated in the 1970s. Ten new companies joined the Group including Döktaş, an iron foundry that made various parts for the automotive industry.

One of the objectives of Koç Group is "to secure capital for large investments that would contribute to the economic development of Turkey by directing the savings of the population to investment". The Group focused on public offerings in order to achieve this. Part of the shares in Aygaz (founded in 1962) and Koç Holding were sold to Koç Group employees and shares in Kav match factory (founded in 1970) were sold to the public.

Following the 1970s, Koç Group began concentrating on exports and establishing foreign trade companies parallel to changes in economic realities and competitive market conditions.

1987: Businessman of the Year

Vehbi Koç was named Businessman of the Year by the International Chamber of Commerce (ICC). The award, considered the Nobel Prize of international commerce, was presented to Vehbi Koç in New Delhi by Indian President Rajiv Ghandi.

Second generation takes over

Vehbi Koç, a great believer in institutionalization, turned over the position of Chairman of the Board to his son Rahmi Koç in 1984 although Vehbi Koç maintained his involvement in the business as Honorary Chairman of Koç Holding.

Banking...

Koç Group entered banking in 1986 with a joint venture with American Express Company that created Koç-American Bank.

The 1990s…

Stable growth continued for Koç Group. Investments were made in new manufacturing facilities and Koç acquired all shares in Koç -American Bank, renaming it Koçbank in 1992.

Otosan began to manufacture Ford Escort passenger cars, a milestone for the development of the Turkish automotive sector.

Koç University, Turkey's second private institution of higher learning, was established and began education.

UN World Population Planning Award

Vehbi Koç received the United Nations World Population Planning Award for his work at the Turkish Family Planning Foundation. UN Secretary General Boutros Boutros Ghali presented the award to Mr Koç on June 14, 1994 in Geneva.

February 25, 1996: The end of an extraordinary life

Vehbi Koç passed away on February 25, 1996 at the age of 95, the end of an extraordinary life marked by constant activity and achievement.

A new vision for the new millennium

Koç Group entered the new millennium with a new global vision: by developing the strength of our brands and technological prowess and focusing on those sectors in which we have competitive advantage, to maintain leadership in all our businesses, increase exports, attain sustainable growth and rank among the world's most respected companies.

Third generation assumes command

Rahmi M. Koç turned over the chairmanship of the Board to his eldest son Mustafa V. Koç on April 4, 2003. With this change, the third generation of the Koç Family assumed command. Rahmi M Koç continues his involvement as Honorary Chairman of Koç Holding and member of the Board of Directors.

2005: A milestone for Koç Group

2005 was a milestone in the history of Koç Group as it acquired majority shares in Tüpraş, Turkey's largest industrial enterprise and Yapı Kredi Bank, a Turkish banking giant, continuing on its path of sustainable growth.

Koç Holding signs the UN Global Compact

A strong sense of corporate citizenship has been an inherent part of Koç Holding since its establishment. With the signing in 2006 of the United Nations Global Compact, this became an official policy of international dimensions.

Turkey's largest… and one of the most admired in the world…

Koç Group's revenue, net income, exports and headcount make it Turkey's largest industrial conglomerate and a driving force within the Turkish economy. The Group is strengthening its position in the world as well; today it ranks as the 49th largest company in Europe and the 190th in the world.

Koç Holding's unchanging objective is to create ever higher added value for all its stakeholders. It manages all its activities according to international standards of corporate governance, customer satisfaction, social responsibility and environmental protection principles.

"Believing in change and succeeding through change"
Koç Group carries on the journey which began in 1926, continuously growing and moving forward…

2008...

Corporate Profile

Throughout its journey which started in 1926 - over 80 years ago - Koç Holding has always stayed one step ahead of change. This has made Koç Holding one of the largest and most successful companies not only in Turkey, but also in Europe.

Koç Holding is committed to international standards of corporate governance, social responsibility, environmental protection principles and business ethics in all of its operations.

The roots of Koç Group go back to 1926, when Vehbi Koç started his first business in Ankara.

Koç Group, which reported USD39.5 billion in consolidated revenues in 2007, is Turkey's largest industrial and services group, with leading positions in four core sectors that offer strong growth potential: energy, consumer durables, automotive and finance.

With approximately 85,000 employees and 14,000 dealers, agencies and after-sales service providers, Koç Holding is a large family assuming the role of a leader and driving growth in all sectors in which it operates.

Koç Holding is an international player advancing towards its goal of becoming one of the most successful global companies. Financial results, which place it squarely among global companies, and the reputation and recognition it has earned from various international institutions, are clear indicators of Koç Group's increasing global profile.

As Rahmi M. Koç, Honorary Chairman of Koç Holding, said, "There is no shortcut to long-term success." Today, the "Koç Group Vision and Values" unequivocally maintains that the road to success is not defined by commercial values alone, but also by ethical and human ones.

According to consolidated 2007 results, Koç Holding's

- Total revenues reached USD39.5 billion,
- Operating profit reached USD2.7 billion,
- Total assets reached USD51.3 billion.

In 2007, the total international revenues of Koç Group companies amounted to USD13.3 billion. Exports totaled USD11.8 billion, comprising 11% of Turkey's total exports.

As of the end of 2007, Koç Holding and its 17 listed subsidiaries accounted for 16% of the total market capitalization of companies traded on the Istanbul Stock Exchange.

Koç Holding uses modern technology and innovative business practices in all its operations. In the future, as in the past, Koç Holding will continue to be one step ahead of change and create value for all its stakeholders.

We are leading change and restructuring our portfolio in line with the changing dynamics of the Turkish economy and global conditions. We aim to create maximum value for our shareholders with a portfolio structure that is stronger and more profitable than ever...

1- Creating sustainable profitability and enhancing shareholder value
Over the past five years, Koç Holding achieved 42% average annual growth in consolidated revenues, in USD terms, and 68% average annual operating profit increase. Return on average equity increased from 2.4% in 2002 to 35.5% at the end of 2007. During the same period, our market capitalization rose from USD2,137 million to USD9,562 million. As a result of the restructuring which we carried out in line with the changing macroeconomic dynamics, we created a portfolio with the highest growth and return potential which also provides the highest opportunity to maximize shareholder value creation.

2- A more focused growth strategy
As part of our focused growth strategy and portfolio restructuring, we have completed acquisitions worth USD6.6 billion and divested companies at a total value of USD2.3 billion. We have initiated new projects that will ensure sustainable profitability by expanding our total capacity and increasing capacity utilization rates and productivity in our core sectors. The expected proceeds of USD2 billion from the Migros and Koç Allianz sales will further strengthen our net cash position, enabling us to continue to be an aggressive player in new investment opportunities for further expansion in our core sectors.

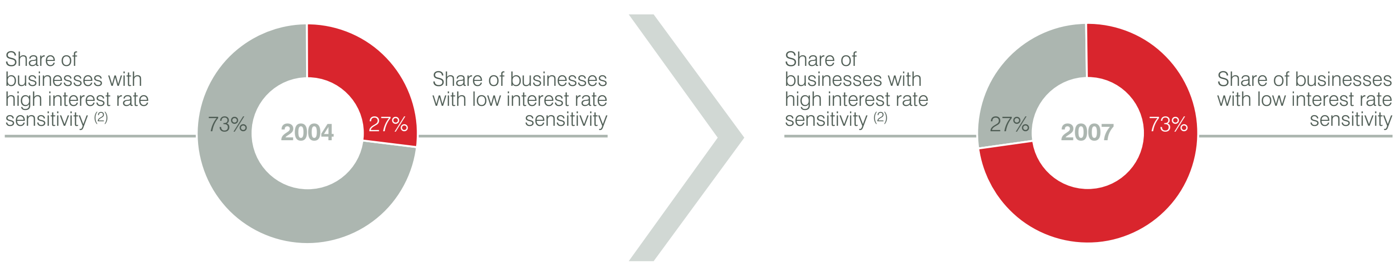
3- Customer-centric approach, economies of scale and leadership
With the largest customer database in Turkey and strong CRM capabilities, leadership positions in lucrative business lines and the largest distribution network that we operate, Koç Holding continues to be the best proxy to the growing consumer demand in Turkey. We continuously share the synergies we create and the benefits of the scale advantage provided by our aggressive growth with our customers.

4- Greater resilience against economic volatility and risks
We have increased the resilience of our portfolio against foreign exchange rate volatility by increasing the share of revenues in, or indexed to, foreign currency. The share of such revenues in our portfolio increased from 39% in 2004 to 62% in 2007.

Furthermore, we significantly decreased the share of those sectors that are most sensitive to domestic interest rate volatility while also increasing the share of cash-rich companies, thereby increasing the resilience of our portfolio against the interest rate volatility. The share of highly interest rate sensitive sectors in our operating profit declined from 73% in 2004 to only 27% in 2007. Meanwhile, we also increased the share of exports within these sectors to over 50%, which led to a further resilience of our portfolio to changes in the domestic interest rate environment.

Revenues

Operating Profit



(1) Revenues linked to foreign currency: Domestic revenues of energy businesses
(2) Businesses with high interest rate sensitivity: Consumer durables and automotive

Our Strategy, Objectives and Management Principles

We aim to increase our value through a "focused growth strategy". By being at the forefront of change, we intend to take advantage of the opportunities presented by the rapidly changing international and local environment to create sustainable profitability and shareholder value.

Three main elements shape our strategies:

Change: The world is changing faster than ever. The technological, demographic, social and economic dimensions of this change impact all existing balances.

The confidence we have in Turkey's future: We believe that Turkey's economy has great potential and the dynamism to achieve this potential is in place, even if short-lived periods of uncertainty may be experienced.

The confidence we have in ourselves: The experience gained from our long corporate history, the success and leadership positions of our companies in lucrative business lines, our strong shareholder structure and the esteem in which we are regarded by our customers make us confident about the future.

As part of the focused growth strategy we have been pursuing in the recent years, we have reduced the number of sectors in which we operate and defined our four core areas of activity as:
• Energy
• Consumer Durables
• Automotive
• Finance

Our focused structure enables us to appraise opportunities in our core sectors in a much more effective way, intensifying our ability to weigh our options and act quickly and decisively in the face of change. At the same time, our new structure increases our resilience against various risks.

The following strategic principles underlie the development of our business portfolio:
• Focusing on those sectors in which we can create a difference and in which we have strong competitive advantages
• Selecting sectors in which we can attain a strong position both in domestic and international markets; with preference to sectors which minimize risk through geographical diversification and generate sustainable revenues
• Growing in sectors in which we can leverage our brands and technology, and continuously developing the strength of our brands and technological prowess
• Deriving maximum benefit from economies of scale by being the market leader or a close second in every business we operate

Our strong business portfolio, the opportunities that exist in Turkey and its surrounding region, our international experience, initiatives in new markets with high growth potential and a strong financial structure; ensure our ability to generate growth and profitability in the coming period and thus create increasing shareholder value.

Koç Holding's active parenting model, which is based on value creation and a strategic management approach, lies at the foundation of our success.

Our management principle focuses on actively managing the business portfolio while also adding value to the underlying companies. Being a part of Koç Group increases the performance and value of our subsidiaries.

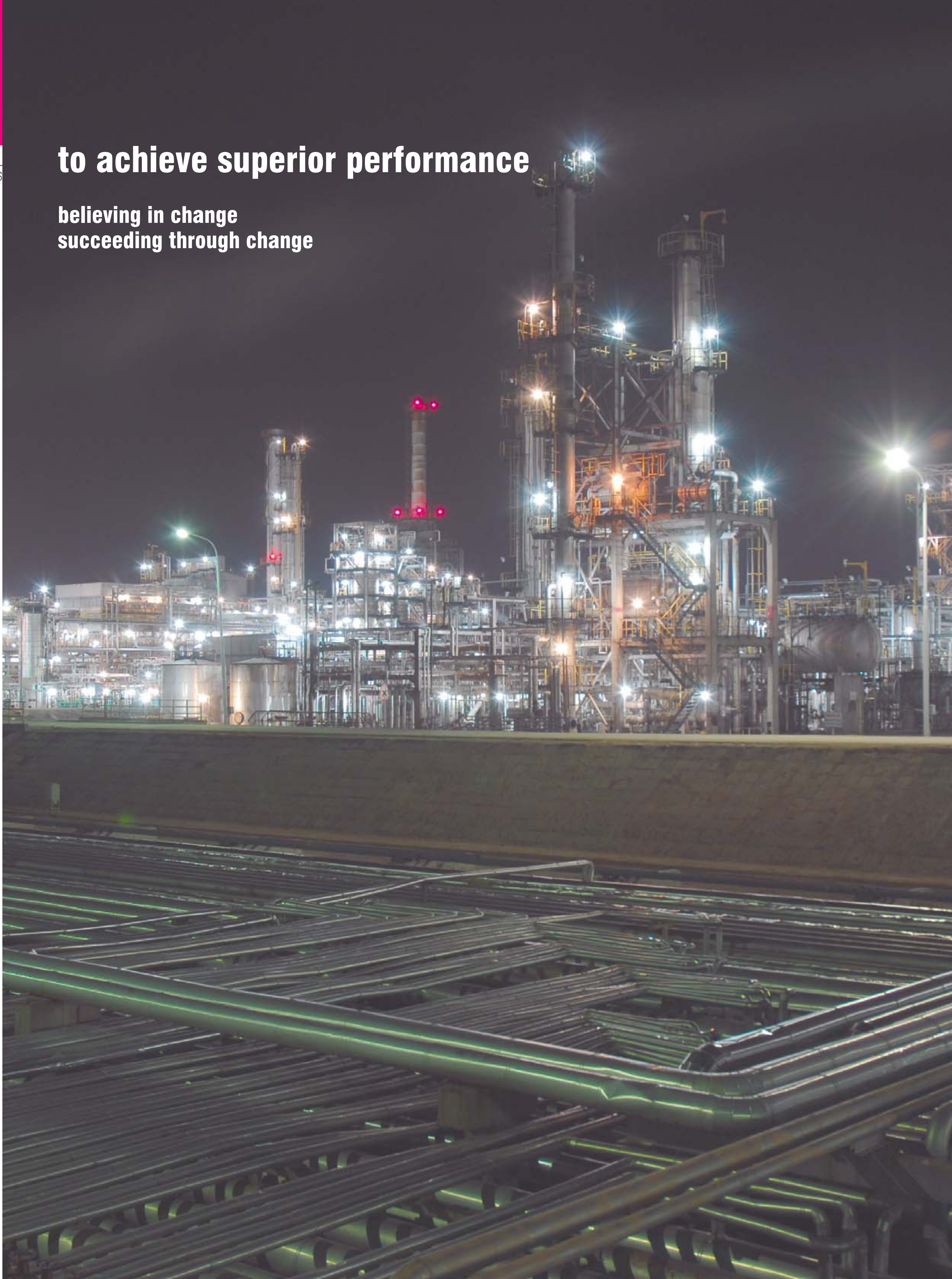
Koç Holding adds value to its subsidiaries by:
• Transforming the trust and reputation it earned over the last 80 years into added value for our subsidiaries;
• Ensuring that universal values, business processes, working conditions and environmental and ethical standards are implemented throughout the Group companies using the Koç Group vision and objectives;
• Contributing to the consistently high performance of our companies through the performance management system focused on creating shareholder value;
• Increasing the competitive strength of our subsidiaries by guiding them in defining their long-term strategies and supporting their operations through centrally coordinated functions such as human resources, finance, strategic planning, auditing and customer database management. This ensures our companies have access to the most qualified human resources, the best technology, the strongest resources for R&D, the best auditing mechanisms and the largest customer database;
• Providing financing opportunities, where necessary, so that our subsidiaries can invest to improve their competitive strength on an international scale;
• Improving long-term and sustainable customer satisfaction by assisting our subsidiaries to deliver superior products and services that meet customer expectations by sharing our extensive distribution channels, and comprehensive customer data and feedback with our subsidiaries, dealers, branches and agents;
• Promoting Turkey, Koç Group, our subsidiaries, and our brands effectively through successful international projects, strong brand management, and corporate social responsibility initiatives.

Koç Holding's active parenting model, which is based on value creation and a strategic management approach, lies at the foundation of our success.

In addition to its successful operational results, Koç Holding is among the most admired companies both in Turkey and on a global scale due to its management quality, contribution to the Turkish economy and employment, transparency, corporate social responsibility, successful human resources management and shareholder value creation.

to achieve superior performance

believing in change
succeeding through change



Energy

Annual petroleum refining capacity

28.1 million tons

Tüpraş is the 8th largest petroleum refiner in Europe, with its four refineries adding up to 28.1 million tons of annual processing capacity. The added value and the revenue it creates make Tüpraş the largest industrial company in Turkey.

LPG market share

30%

As the leader of Turkey's LPG market, the second largest in Europe, the Aygaz Group has 30% share in the total market and 39% share in the cylinder LPG segment.

Increasing demand for energy, structural changes in the sector and Turkey's strategic location over major international energy corridors; make energy one of the most important sectors. Koç Group is the leader in this rapidly growing sector in Turkey, with a presence in the entire LPG and petroleum products value chain and the country's entire refining capacity.

In 2007

Tüpraş reached the highest sales tonnage in its history.

Aygaz continued to lead the LPG sector with innovative products and processes.

Projects and investments were implemented to enhance Turkey's energy supply security.

Opet became the third largest player in the petroleum products distribution market.

Koç Group is positioning itself as a major regional energy player through its leading energy companies and bold investment plans.

Market Overview

Liberalization of the energy sector has gained momentum, attracting private investment and reinforcing energy security, a vital prerequisite of stable economic growth.

Rapid growth and liberalization

The energy sector, as a keystone of the Turkish economy, is in a high growth phase. To maintain stable economic growth, investments of USD130 billion is needed in the energy sector until the end of 2020. The majority of these are expected to come from the private sector without burdening public finances. The privatization of state-owned infrastructure and facilities is vital to achieve and maintain energy supply security.

Vital regulatory actions and forthcoming privatizations

Actions by the government to entice private investments in the sector, including regulatory changes and privatizations, are on the agenda. The privatization of the electricity distribution networks and several generation assets are set to start in 2008.

The government's energy agenda includes privatization of hydro and thermal power plant privatizations, establishment of new hydro, wind, and thermal power plants, a tender for Turkey's first nuclear power plant, transfer of natural gas import agreements held by Botaş (the state-owned petroleum pipeline company), privatization of İGDAŞ (the Istanbul natural gas distribution company), İZGAŞ (the İzmit natural gas distribution company) and liberalization of natural gas imports.

It is crucial for Turkey's energy supply security that the government presses forward this agenda, of which one of the important elements is royalty tenders for coal fields and construction of coal powered generation plants and similar projects that aim to utilize Turkey's domestic resources.

Of the 21 electricity distribution regions covering the whole Turkey, 20 are still state-owned and are also expected to be privatized within the next few years.

A profitable period for the refining industry

Oil prices continued to rise due to supply and demand pressures in 2007. Having started the year at USD58 a barrel, prices reached USD95 a barrel by the end of the year, pushing the annual average to USD72.5 a barrel, an 11% increase over 2006 price levels.

Despite the global economic slowdown, the demand for oil is expected to remain strong throughout 2008. Given the global refining bottleneck, the industry is anticipating a period of strong profits.

Turkey's total LPG consumption

3.5 million tons

Turkey is the second largest LPG market in Europe with annual consumption reaching 3.5 million tons.

Consumption of petroleum products in Turkey

2007	Consumption (million m^3)	Change (%)
White products	18.6	5.9
Black products	2.6	-13.3
Total	21.2	3.2

Source: National Oil Industry Association (PETDER)

Consumption of LPG in Turkey

2007	Consumption (000 ton)	Change (%)
Cylinder	1,302	-9.7
Bulk	216	-21.3
Auto	2,006	11.5
Total	3,525	0.2

Source: National Oil Industry Association (PETDER)

Consumption of petroleum products in Turkey
Despite the increase in oil prices and the decrease in the demand for black products, Turkey's petroleum products consumption grew by 3.2% in 2007 to 21.2 million m^3. The consumption of white products (diesel and gasoline) increased by 5.9%. In the black products category, consumption of fuel-oil and central heating fuel decreased by 13.3% due to increase in natural gas usage.

Consumption of LPG in Turkey
Turkey is the second largest LPG market in Europe. LPG usage as the preferred fuel for vehicles is constantly increasing both in Turkey and abroad. With cost savings and environmental benefits, auto LPG continues to be the first choice for commercial vehicles in Turkey. Turkey's total LPG consumption reached 3.5 million tons in 2007.

Koç Group's energy segment

Koç Group's energy sector companies had a remarkably successful year, both operationally and financially.

Koç Group is Turkey's energy sector leader. Tüpraş, which owns the country's entire refining capacity, achieved a record high sales tonnage of 26.3 million, in its second year under Koç ownership.

Aygaz, the other leading energy company of the Group, a player present in the entire LPG distribution chain, also further increased its sales volume. In addition to its activities in the LPG market, Aygaz became the main shareholder of the Group's energy companies, excluding those in refining and petroleum distribution. Aygaz's share in Entek, Mogaz and Akpa increased to 63.4%, 89%, and 99.9% respectively in 2007. Aygaz's portfolio of affiliates also includes a 20% stake in EYAŞ, which in turn owns 51% of Tüpraş.

Tüpraş's total sales

26.3 million tons

Tüpraş recorded an all time high sales volume in 2007, with sales of 26.3 million tons.

Key indicators of the Koç Group energy segment

	2007 USD millions	2007 YTL millions	Change (%)
Total Revenues	20,196	26,286	9
Gross Profit	1,787	2,325	44
EBITDA	1,386	1,804	46
Total Assets	13,203	15,378	8

Aygaz, one of the largest industrial establishments of Turkey, is active in all areas of the LPG distribution chain.

AYGAZ

One of the largest industrial establishments in Turkey

Aygaz is active in the entire LPG distribution chain, including sourcing, storage, filling and distribution, sales and after-sales services for cylinder, bulk and auto LPG (autogas); as well as manufacturing and distributing equipment running on LPG. Aygaz maintains a national distribution network of 1,901 locations, comprising of 1,365 cylinder LPG dealers and 536 autogas stations throughout Turkey's 81 provinces.

World-scale storage, filling and transportation facilities

With 12 LPG storage and filling facilities, the Aygaz Group has the largest LPG storage capacity in Turkey. Out of a total national storage capacity of 310,000 tons, 75,000 tons (excluding maritime vessels) belongs to Aygaz. The Aygaz shipping fleet, which is Turkey's first LPG marine fleet, consists of five vessels with a combined capacity of 10,000 tons.

LPG market share of 24%

Aygaz holds a 24% share of the total LPG market, and has a 34% share of the cylinder LPG market. Adding to that the share held by Mogaz, the subsidiary of Aygaz with similar activities of cylinder, bulk and auto LPG distribution, the total LPG market share under Aygaz control rises to 30%. Aygaz's revenues rose 10% in 2007 to reach YTL3,190 million (USD2,451 million).

Always a pioneer

Aygaz pioneered innovative products and services in 2007 to further improve customer satisfaction. Specially designed forklift cylinders and pressure regulators with gas level gauges were among the products highly acclaimed by customers.

Aygaz adopted innovative processes at its production and filling facilities as well. The company implemented a robotic automation system for valve-regulator production. In cylinder filling, the "Artificial Vision" system, a first in the Turkish LPG market, which saves time and decreases costs, was developed through intensive R&D work.

Integrated order taking system

The company's unique integrated order taking system (ESS), a major innovation in customer service, is the product of USD5 million investment and cooperation with Worldcard and Maximum credit card brands. Through ESS, Aygaz owns the most widespread mobile POS system in Turkey.

Autogas Informative Initiative

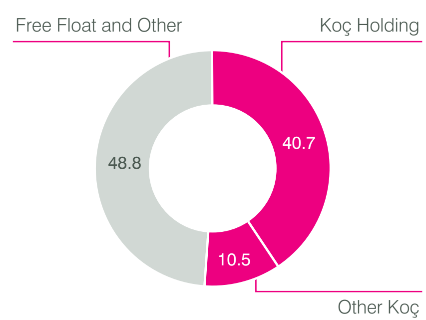
The autogas market is one of the most rapidly developing business segments of Turkey's energy sector. Aygaz has made great contributions to the development of this market. In 2007, the company started an initiative to increase public awareness, challenge misconceptions, eliminate prejudices and share globally successful practices concerning autogas, which is a cost saving and environment friendly fuel.

Aygaz

Total Revenues: USD2,451 million
Domestic Market Position: Leader of the LPG market since its establishment in 1961. Market shares of 39% in cylinder LPG, 23% in autogas, 30% in total LPG (including Mogaz)
Network: 1,365 cylinder LPG dealers, 536 autogas stations
International Market Position: Europe's 5th largest LPG distributor
Share of International Revenues: 6%
EBITDA: USD220 million
Gross Profit Margin: 12.7%
Operating Profit Margin: 5.2%

www.aygaz.com.tr

Shareholder Structure (%)



Aygaz Group's market share in cylinder LPG

39%

Aygaz, together with its subsidiary Mogaz, is the market leader with 39% share in the cylinder LPG segment and 30% share in the total LPG segment.

Aygaz has the second highest ethical accountability score in Turkey.

Independent assessments highlight our achievements

Capital, one of Turkey's most reputable economic magazines, ranked Aygaz second highest in terms of ethical accountability among brands that have a high level of awareness of their social, economic and environmental responsibilities.

Aygaz won the third place in the “Management” category among the most successful companies in “Turkey Program of Environmental Awards of European Union”, one of the most prestigious awards in Europe, given biannually.

2008 and beyond

In the short-term, Aygaz's goal is to increase its market share and further promote the use of autogas in Turkey. In the long-term, the company aims to expand its energy pool by developing projects that provide alternative energy sources for Turkey.

MOGAZ

Mogaz is the Group's second company operating in the LPG sector. With around 200,000 tons in annual sales, it is Turkey's 5th largest LPG distributor in a market populated by 58 players.

Mogaz increased its market share in 2007 through new dealerships and starting direct sales activities in three additional provinces. The company operates in cylinder, bulk, and auto LPG (autogas) segments with its Mogaz and Lipetgaz brands. The company's 2007 market share reached 5.6%.

Mogaz’s annual sales volume

200,000 tons

Mogaz, with 200,000 tons annual sales volume, is the 5th largest LPG distributor in Turkey.

Tüpraş is the 8th largest refiner in Europe and the largest industrial establishment of Turkey with the value added and revenue it generates.

TÜPRAŞ

Annual capacity of 28.1 million tons
With its four refineries, Tüpraş has an annual refining capacity of 28.1 million tons and is the 8th largest refiner in Europe. In terms of the added value and revenue it generates, Tüpraş is Turkey's largest industrial establishment.

One of Tüpraş's fundamental competitive advantages is its ability to process the low quality, high sulfur crude produced by the countries in the region. Tüpraş's Nelson Complexity, a measurement of a refining facility's ability to produce high margin output, is 7.08. The average value of this parameter for the other refineries in the Mediterranean region is 5.95.

Financial and operational targets exceeded
Serious steps in restructuring were successfully completed in 2007, which also saw financial and operational targets surpassed. The company's net revenue increased by 12% to reach YTL22.5 billion (USD17.3 billion), while consolidated net profit jumped by 57.8% to YTL1.3 billion (USD1.0 billion).

Tüpraş processed 25.6 million tons of crude oil in 2007 and generated 24.0 million tons of end products. Tüpraş's capacity utilization level in 2007 was 91.1%. Although the average API gravity of the crude oil processed was 0.5° heavier than the previous year, efficiency gains enabled white product yield to increase from 67.1% to 67.5% of total production.

Highest sales volume of all times
Tüpraş's sales reached 26.3 million tons in 2007, representing a 0.7% growth (191,000 tons). This is an all time high for the company which also broke sales volume records for gasoline, jet fuel, diesel fuel, and asphalt sales.

The share of white products, which have higher profit margins, in total domestic sales increased from 70.4% to 73.3% in 2007. Record sales levels enabled Tüpraş to increase its market share, and achieve growth levels in gasoline and diesel exceeding the market growth by 7.5 and 2.5 points, respectively.

Unit costs below market average
While the average price of Dated Brent crude was USD72.52 per barrel in 2007, Tüpraş's average unit cost for imported crude oil was USD68.75 per barrel, USD3.77 per barrel below the market average.

Tüpraş, Turkey's top exporter in 2006, increased its export volume by 11.2% in 2007, with the EU, USA and the Far East being the key export markets. Exports in 2007 totaled 6.4 million tons, amounting to USD3.4 billion.

Refinery margin above the Mediterranean average
Tüpraş's refinery margin was USD7.22 per barrel in 2007, which was USD1.90 per barrel above the Mediterranean Complex refinery margin.

While the Mediterranean Complex margin remained at the USD5.30 per barrel level that it had reached in 2006, Tüpraş's refinery margin increased 23%.

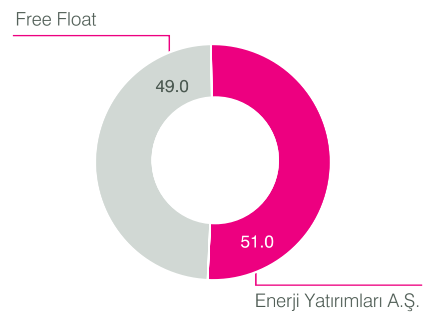
Investing in the future
Tüpraş invested USD355 million in its refineries in 2007. The Diesel Desulfurization Unit (DHS) and CCR Reformer Unit at the İzmit refinery became operational in November 2007. These units, which cost USD390 million to build, enable the company to produce gasoline and diesel that meet EU standards which will be effective by 2009.

Tüpraş

Total Revenues: USD17,309 million
Domestic Market Position: Turkey's sole refiner, supplying 73% of market demand
International Market Position: Europe's 8th largest refiner
Share of International Revenues: 21%
EBITDA: USD1,068 million
Gross Profit Margin: 8.0%
Operating Profit Margin: 5.6%

www.tupras.com.tr

Shareholder Structure (%)



Tüpraş's exports

USD3.4 billion

Turkey's top exporter in 2006, Tüpraş increased its export volume by 11.2% in 2007, to 6.4 million tons.

Completion of investment projects in its İzmit refinery enabled Tüpraş to increase its Nelson Complexity score to 7.08.

The Diesel Desulfurization Unit (DHS) and CCR Reformer Unit at the Kırıkkale refinery, is scheduled to become operational in the first half of 2008. With this investment, the Kırıkkale refinery will also start producing diesel with 10 ppm sulfur content, which will become the standard in the EU and Turkey at the beginning of 2009.

Other investments currently underway at İzmit and Izmir refineries with regard to gasoline specifications, are planned to be completed in 2008. Once these investments are operational, unleaded gasoline production will be compatible with EU standarts to be introduced in 2009, in terms of sulfur, benzene and aromatic compound contents.

Refinery complexity above Mediterranean average

After the DHS and CCR Reformer Unit at İzmit refinery came on line, Tüpraş's average refinery complexity reached 7.08; a level above the Mediterranean average of 5.95. When the current investment program to make the Kırıkkale refinery's production compatible with EU's 2009 specifications is completed, average complexity will further increase to 7.25.

Residium Upgrading Project

Tüpraş is planning to initiate a “Residium Upgrading” investment project in 2008 to increase production of white products; mainly diesel, for which domestic demand is steadily increasing.

The USD2 billion project will create value by decreasing the volume of Turkey’s white products imports.

The Residium Upgrading project will be built in the Körfez Petrochemicals Complex adjacent to the İzmit Refinery and utilize existing infrastructure. The construction is expected to be completed in five years.

This investment will convert excess fuel oil generated at Tüpraş refineries to LPG and diesel, for which demand exceeds local supply; and gasoline, a high value added product. The black product output will decrease by 50% and white product yield will increase to 83%. Considering the white product output increase and the value created for Turkey, this project is equivalent to the construction of a new refinery, and it will raise the Nelson complexity of the Tüpraş İzmit refinery from 7.8 to 11.5.

Sustainable growth supported by environmental awareness

Tüpraş spent USD30.5 million in 2007 on measures to achieve sustainable growth with keen environmental awareness and meet EU environmental standards. As an indicator of the importance the company places on environmental issues, it applied to the Turkish Energy Market Regulatory Authority for a license to erect an 8 MW wind power plant to complement Izmir Refinery's 67 MW current cogeneration capacity. The estimated investment for the power plant is USD16.2 million.

The construction of railway wagon loading/unloading facilities at the İzmit, Kırıkkale and Batman refineries were started to efficiently balance supply and demand between refineries and the regions, and to increase capacity usage. A significant portion of this investment which will benefit the national economy and improve highway safety by reducing traffic, was completed in 2007.

65% of Turkey's product storage capacity

Tüpraş has a total storage capacity of 4.3 million tons, of which 1.7 million tons is for crude oil storage and 2.6 million tons for end product storage. This gives Tüpraş 65% of Turkey's total crude oil and petroleum products storage capacity. This capacity, which allows Tüpraş to store four times the mandatory 20 day stock level, puts the company in an advantageous position in fulfilling Turkey's national stock requirement.

Tüpraş’s product storage capacity

4.3 million tons

Tüpraş owns 65% of Turkey’s total crude oil and petroleum products storage capacity.

Opet opened 67 new gas stations in 2007, expanding its distribution network to 1,275 gas stations nationwide; 689 operating under the Opet brand and 586 operating under the Sunpet brand.

OPET

Consolidated revenues up 13%
Opet is active in both retail and wholesale segments of fuel distribution, lubricant production and marketing, and international trading of petroleum products and marine fuels.

The company increased its sales volume of white products (gasoline, diesel) by 12.6% compared with 2006 and, with a 15.3% market share, it became the third largest player in the market. In the same period, the company ranked second in black products (fuel oil, central heating fuel, etc.) with a 10.8% market share.

Opet's total consolidated sales increased 13% in the year, to reach YTL6.8 billion (USD5.2 billion).

With the addition of 67 new gas stations, the company's distribution network reached 1,275 stations in 2007; 689 operating under the Opet brand and 586 operating under the Sunpet brand.

Storage capacity increases
With a total storage capacity of 844,000 m^3, Opet owns Turkey's second highest storage capacity after Tüpraş.

Opet continued investing in new terminals at strategically important locations and increasing the capacities of existing ones. Construction of the 44,000 m^3 Giresun terminal, on the Black Sea coast, was completed and became operational in 2007. The 61,000 m^3 Antalya Terminal, on the Mediterranean coast, is scheduled to become operational in 2008. The construction of an additional 245,000 m^3 storage at the Marmara Ereğlisi terminal also started in 2007.

Once these investments are completed, Opet's storage capacity will reach 1.15 million m^3.

Leader in customer satisfaction
Repeating its success in 2006, Opet was once more the leader in Turkey's petroleum products distribution sector, of the Turkish Customer Satisfaction Index survey organized by KalDer (Turkish Quality Association) in 2007. The company utilizes individualized marketing techniques to increase customer satisfaction and loyalty and, as of the end of 2007, the number of active members registered in the company's customer loyalty program reached 2.2 million.

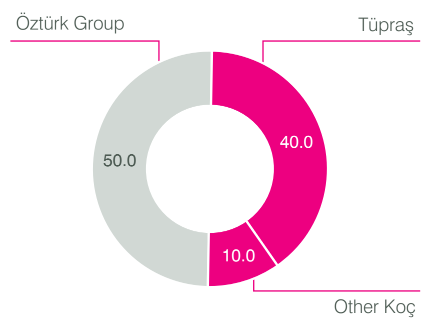
New investments to enhance competitive power
Opet aims to be one step ahead of the competition and will continue retailing network expansion and terminal investments in 2008 and beyond. In 2008, the company aims to start jet fuel sales to the aviation industry and to increase its international petroleum product trading activities.

Opet

Total Revenues: USD5,226 million
Domestic Market Position: #3 in white products with 15.3% market share, #2 in black products with 10.8% market share
Network: 1,275 gas stations (including Sunpet)
EBITDA: USD232 million
Gross Profit Margin: 7.9%
Operating Profit Margin: 3.7%

www.opet.com.tr

Shareholder Structure (%)



Opet's total sales

USD5.2 billion

Opet's total revenues were up 13% to USD5.2 billion in 2007.

Entek, the Group's power generation company, owns two natural gas combined cycle plants and one gas engine cogeneration plant with a combined capacity of 253 MW.

ENTEK

Entek, the Group's power generation company, owns two natural gas combined cycle plants in Bursa and İzmit and one gas engine cogeneration plant in Istanbul with a combined capacity of 253 MW. Entek restructured its customer portfolio in 2007 and now makes 78% of its sales to the national "Balancing and Settlement System". This system, which is new in the sector, has enabled the company to increase its financial performance and significantly increase profitability. The company's revenues reached YTL246 million (USD189 million) in 2007.

Construction of a gas tribune to improve efficiency and provide an additional 52 MW power at the İzmit facility was started in 2008. With this investment which will come on line in 2009 the total installed capacity of Entek will reach 305 MW.

Investment in new power generation capacity to meet increasing demand for electricity is among the country's top priorities. Our group is working on various coal-fired and alternative fuel power plant projects such as the tender process for Afşin-Elbistan C and D lignite fields and assessment of special projects utilizing imported and domestic coal.

BOS

Our share in BOS, the industrial and medical gas company, was sold to Linde AG of Germany.

AKPA

Akpa is active in LPG distribution, wholesale fuel marketing, and durable goods retailing and wholesale with branch offices in Bursa, Eskişehir, Antalya, Ankara, and Izmir. The Company posted revenues of YTL242 million (USD186 million) in 2007.

DEMİR EXPORT

Demir Export, one of the largest privately owned coal producers of Turkey, is also active in extraction and trading of iron and copper ore. The company exports concentrated copper ore and, in 2007, it expanded its product portfolio by adding concentrated zinc ore and chrome ore. Demir Export also operates two aggregate facilities in the United Arab Emirates. The company is currently working on the tenders for the Afşin-Elbistan C and D lignite fields, other lignite field privatizations and the tender for Denizli Tavas underground manganese facility.

KOÇ-STATOIL GAZ

Koç-Statoil Gaz was established in 2004 as a 50-50 joint venture between the Norwegian oil and natural gas company Statoil and Koç Group, to import, distribute and market natural gas. The company markets liquefied (LNG) and compressed (CNG) natural gas and its revenues increased by 7.7% to reach YTL41.4 million (USD31.8 million), despite the LNG price cap imposed by Turkish Energy Market Regulatory Authority (EPDK).

Entek's revenues

USD189 million

By restructuring its customer portfolio in 2007, Entek achieved 28% growth and posted USD189 million in revenues.

to reach perfection in every detail

believing in change
succeeding through change

Consumer Durables

Arçelik in Europe

3rd

With a production volume of 10.2 million units, Arçelik is the 3rd largest appliance manufacturer in Europe and 6th worldwide.

Beko Elektronik in Europe

2nd

Beko Elektronik is the second largest TV manufacturer in Europe with a production of over 3 million units.

Turkey has a high growth potential in consumer electronics and household appliances due to its demographics and rapid urbanization.

Koç Group companies in the household appliances and consumer electronics businesses are among leading players in Europe and neighboring countries as well as Turkey.

In 2007

Koç Group companies lead the domestic household appliances and TV markets.

Our companies confirmed their pioneering roles with innovative products in both segments.

Grundig, which enjoys a considerable brand value in Europe, became a wholly owned subsidiary of Beko Elektronik with the purchase of the remaining 50% shares.

Production capacity increased with new investments; and the international production and distribution network expanded.

Consumer Durables

In 2007, Koç Group maintained its leadership in the domestic household appliances and television markets with 57% and 42% shares, respectively.

Market Overview

While the Turkish household appliances market, reflecting global fluctuations, contracted by 5.5 % in 2007, the transition from CRT to LCD televisions continued to be the primary development in the consumer electronics market in the world and in Turkey.

Consolidation slowing

The global household appliances market expanded to USD143 billion in 2007, with approximately 400 million units sold. While renewals are the main driver of demand in the West European markets, first time purchases are still more important in the East European markets.

Consolidation in the global household appliances sector has slowed down recently. Far Eastern companies, which are active in consumer electronics and especially in the mobile phone market, are seeking to replicate their success in the household appliance sector. Another trend is that international companies consolidate their brand portfolios and focus on their global brands.

Despite shrinkage of the domestic market, the Turkish household appliance industry continues to grow

Shrinkage in the Turkish market of 5.5% in 2007 mirrored that of important household appliances markets such as Germany, Britain and Spain. National elections, declining agricultural revenues induced by drought and negative effects of the developments in international markets on risk perception, were the main factors behind the contraction in the domestic demand.

The industry however, achieved a 5.2% increase in production volume, manufacturing 16.2 million units. In the domestic market, 5.2 million units were sold, creating USD2.2 billion in revenues. Dishwashers enjoyed the highest growth in production and sales volume, due to their lower penetration rate.

Exports of household appliances rose by 10.5% to reach 11.4 million units. While dishwashers and ovens showed the highest rate of growth in exports, refrigerators took the lion's share with 5 million units.

Rapid change in consumer electronics continues

The worldwide consumer electronics industry is in a rapid transformation. In 2007 industry volume grew to USD575 billion, fueled in part by the continuing transition from CRT to LCD televisions. While the global CRT TV market contracted by 21%, LCD/PDP TV sales grew by 58%. As for the European market, the shrinkage in CRT TV sales was 43%, whereas LCD/PDP TV market expanded by 37%.

The LCD segment reached 80% of the total television market in Europe, where total market volume exceeded EUR21 billion. LCD unit sales increased by 40% compared to the previous year and revenues grew by 12%.

CRT production is moving to the Far East

What is left of CRT TV production is quickly moving to the Far East, while the number of CRT manufacturers fell from 68 to 23 within a single year.

While the panel supply was 105 million units worldwide, there was a demand for 130 million. Rather than price competition, panel manufacturers prefer to control supply and favor large producers with major brands.

Eastern Europe, with production capacity of 28 million units a year, has become an

Turkey's household appliance exports

11.4 million units

Turkey's major household appliance exports increased by 10.5% in 2007 and reached 11.4 million units.

important television manufacturing base. Far Eastern producers are setting up factories in Europe and non-television producers are entering the market.

2.2 million units sold
The Turkish television market contracted by 22% in 2007, with 2.2 million units sold. Turkish exports of televisions also fell by 24%.

As most exports are to the European market, the transition to digital products in these markets was the main reason for this decline. Consequently, total TV production in Turkey fell by 23% in 2007. At the same time, the share of LCD TVs in total domestic TV sales climbed by 10 points to 17%.

Koç Group consumer durables segment

Koç Group continued its leadership in the domestic market in 2007, holding a 57% share of the household appliances market and a 42% share of the television market. The Group's share in Turkey's exports of household appliances and televisions was 51% and 22%, respectively.

Koç Group has the most extensive consumer durables sales and after-sales network in the country.

With 12 factories in four countries, Koç Group is third in Europe and sixth worldwide in the production of consumer durables, and it is the second largest manufacturer of televisions in Europe.

Koç Group's market share in appliances

57%

Koç Group continued its leadership in the domestic market, holding a 57% share in major appliances.

Key indicators of the Koç Group consumer durables segment

	2007 USD millions	2007 YTL millions	Change %
Total Revenues	5,578	7,260	-7
Gross Profit	1,492	1,942	-7
EBITDA	549	715	-5
Total Assets	4,798	5,589	-8

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

	Production	Growth (%)	Domestic Sales	Growth (%)	Exports	Growth (%)
Refrigerators	6,865	1.9	1,900	-9.9	5,081	5.9
Washing Machines	5,128	-2.8	1,535	-13.7	3,668	4.0
Dishwashers	1,842	56.1	984	17.3	925	62.4
Oven	2,363	7.4	735	1.2	1,763	20.7
Total	**16,197**	**5.2**	**5,154**	**-5.5**	**11,437**	**10.5**

Source: Turkish White Goods Producers Association (BESD)

Production and sales of TVs in Turkey (000 units)

	Production	Growth (%)	Domestic Sales	Growth (%)	Exports	Growth (%)
TV - CRT	8,106	-39.8	1,836	-30.2	6,271	-42.1
TV - LCD&PDP	4,717	42.8	378	85.1	4,339	40.1
Total	12,824	-23.5	2,214	-21.9	10,609	-23.8

Source: Electronic Equipment Manufacturers Association (ECİD)

Consumer Durables

Arçelik, the undisputed leader of Turkey's consumer durables industry, increased its international sales by 14% in 2007.

ARÇELİK

Sustained local leadership
Arçelik, the undisputed leader of Turkey's consumer durables industry, continued its strong performance in 2007. The company sold more than 10 million units. Major appliance production increased by 4.6% and reached 10.2 million units.

YTL6.6 billion of consolidated revenues
Arçelik reached YTL6.6 billion (USD5.1 billion) of consolidated revenues in 2007.

Through investing in international markets, the company has taken important steps toward becoming a global actor. In 2007, the share of international revenues in its consolidated revenues increased to 50% and reached YTL3.3 billion (USD2.5 billion). The company increased its international sales by 14% over 2006, to 7.4 million units.

Arçelik generated YTL517 million (USD397 million) of operating profits and YTL158 million (USD121 million) of net income.

Pioneering innovation
Arçelik, which for half a century has been a pioneer in innovation, built on its technological success in 2007.

Arçelik is the leading institution in Turkey for technology and patent development. In the last three years, 13% of the patents issued in Turkey, and 45% of international patent applications made by Turkish companies to the World Intellectual Property Organization, are effected by Arçelik.

With its 192 patent applications, Arçelik retained its status as the "Patent Champion" in the Turkish Patent Institute's "Patent League Awards" in 2007.

The number of patent applications filed in 2007 carried Arçelik among leading companies in the international arena as well. Arçelik was the only company from Turkey in the World International Property Organization's listing of the top-500 patent applicants in the world, where it took the 101st place.

A new clothes drier factory
Arçelik manufactured the first clothes drier in Turkey in 2005. To meet expanding demand and take advantage of the market potential in this segment, the company started the construction of a new clothes drier factory in Çerkezköy, Tekirdağ - west of Istanbul - in January 2007. With a USD34 million investment, it began operations in early 2008, thereby increasing Arçelik's clothes drier production capacity to 400,000 units per year.

Turkey's first side-by-side refrigerator
A pioneer in technology and product development, Arçelik broke new ground in 2007 with its production of Turkey's first side-by-side refrigerator.

The Eskişehir Refrigerator Factory, with an annual production capacity of 3.5 million units, is the largest facility of its kind in Europe and this new product has made it Europe's leading side-by-side refrigerator manufacturer as well.

Another innovation developed by Arçelik engineers is the "Active Fresh Blue" technology, which keeps fruits and vegetables fresh longer. Refrigerators with Active Fresh Blue technology were introduced to the market in early 2007.

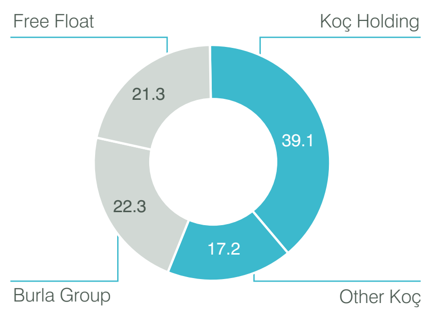
Arçelik-Beko Elektronik: strength in consolidation
In the consumer durables sector, groups that produce a range of both consumer electronics and appliances will have significant competitive advantages in the future.

Arçelik

Total Revenues: USD5,088 million
Domestic Market Position: Market leader with 57% share in major appliances
Network: 4,800 dealers and 600 after-sales service points in Turkey,
300 dealers in 20 countries
International Market Position: Europe's 3rd largest household appliance manufacturer,
10% market share in Europe,
Production facilities in Romania, Russia and China
Share of International Revenues: 50%
EBITDA: USD508 million
Gross Profit Margin: 26.7%
Operating Profit Margin: 7.8%

www.arcelikas.com

Shareholder Structure (%)



Arçelik's total production

10.2 million units

Arçelik produced 10.2 million units of major appliances in 2007, with an increase of 4.6%.

Transfer of the majority of shares of Beko Elektronik to Arçelik in 2006 strengthened coordination between the two companies, increasing the speed and efficiency of communication between marketing and manufacturing. It has improved our competitiveness in the highly competitive consumer electronics market. Moreover, the inclusion of Beko Elektronik in consolidated financials boosted Arçelik's position in the European consumer durables industry.

A breakthrough in international growth strategy - Arçelik manufacturing in China
In line with its international growth strategy, Arçelik started production in China, a very critical market for our strategic targets, and became the first Turkish company to invest in household appliances in China.

Though commercially active in the Chinese market since 2000, its purchase of Casa-Shinco in July 2007 turned Arçelik into a local manufacturer. After renovations, the washing machine factory in the Changzhou region of Shanghai became operational on December 3rd, 2007. Planned annual capacity for the plant is 200,000 units.

Arçelik made this investment after careful assessment of the size of the market, development potential, low penetration rate and logistical advantages, and seeks to utilize the opportunities in China, the most rapidly growing economy in the world. After Turkey, Romania and Russia, China became the fourth country in which Arçelik has manufacturing operations.

Strategic alliance with Fisher & Paykel
As part of its global growth strategy, Arçelik established a strategic alliance with Fisher & Paykel, a New Zealand-based company. The agreement will enable the two parties to take advantage of cooperation possibilities in technical areas and in marketing, as the markets in which Arçelik is active (Europe, the Middle East, CIS countries and Turkic republics) and those in which Fisher & Paykel is widespread (New Zealand, Australia and the US) complement each other.

Our exclusive shops abroad
A cornerstone of Arçelik's sustained leadership is its extensive network of authorized dealers.

Unparalleled in Turkey, Arçelik has developed this network over half a century and, in recent years, has been exporting the same model to its international markets.

In 2007, new stores in Bosnia-Herzegovina and China were added to a chain of more than 300 Beko Exclusive Shops across a swathe of territory from Serbia to Mongolia, from Ukraine to Lebanon. Arçelik aims to increase the number of its exclusive shops in international markets to 500 by 2010.

Increasing activity in the US market
The US accounts for one-third of the global dishwasher demand. Arçelik dishwasher exports to the US began in 2006 and the company commenced mass production of the US-standard “tall tub” types in 2007.

With the introduction of the “tall tub” dishwashers to its range of products, Arçelik plans to increase its performance in the US market and, in particular, to acquire greater access to retail channels.

11 million-unit production in 2008
Arçelik's production target for 2008 is 11 million units. Planned growth rates for the year are 14% in the Turkish market, 25% in international markets and 20% in total.

Global branding
Arçelik brands achieved a 10.3% market share in Europe (including Turkey and Russia) in 2007.

The company's vision is “to make Beko one of the top 10 global brands in consumer durables by 2010”. To accomplish this, Arçelik aims to attain a 2% global market share with its Beko brand. Achievements in recent years through international investments and acquisitions, indicate that Arçelik is set to reach this goal before 2010.

Arçelik’s vision

Top 10

Arçelik’s vision is “to make Beko one of the top 10 global brands” in consumer durables by 2010.

In 2007, Beko Elektronik increased its LCD TV production capacity by 35% to 1.8 million units.

BEKO ELEKTRONİK

Europe's second largest TV manufacturer
In a period characterized by the transition from analog (CRT) to digital technology (LCD, PDP) in TV manufacturing worldwide, Beko Elektronik performed successfully and achieved consolidated revenues of YTL1,375 million (USD1,042 million) in 2007.

With a 42% market share and nearly 1 million units sales volume, the company leads the domestic market.

Increasing production capacity and sales in LCD
As one of the indicators of its success, Beko Elektronik increased its LCD TV production capacity by 35% to 1.8 million units and sales of LCD TVs by 10% over 2006 to 1.1 million.

International revenues increased to 61.4% of total sales
Beko Elektronik, Europe's 2nd largest TV manufacturer, exported USD560 million worth of products in 2007, bringing the share of international revenues in total revenues to 61.4%.

Innovative products are gaining acclaim
Beko Elektronik's innovative products drew great attention at the 2007 IFA consumer electronics fair and at other international fairs, and awarded by prestigious organizations.

Beko's Piano-Black LCD TV design inched out other major brands to be awarded “CES Design and Innovation” and “iF Design” prizes. Another innovation Beko Elektronik has introduced to the market is “Full Motion” technology, which greatly improves image quality by eliminating film judder and motion blur, observed in scenes with fast action in LCD televisions. The company also started to implement “Vision Art” technology, an advanced feature that combines multiple motion processing techniques to produce natural colors.

Focusing not only on image improvement, but also on sound technologies, in 2007 Beko Elektronik started to offer its customers the “Soundart” technology, through which a true home-theater effect is obtained with 16 speakers integrated on an LCD television.

Monitoring developments in digital broadcasting in Europe, Beko Elektronik's R&D teams have developed interfacing software that meet all these countries' standards and certifications, and the company has began production of LCD televisions compliant with these markets' requirements.

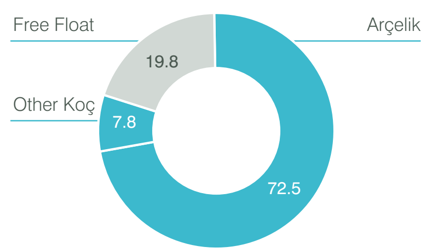
Beko Elektronik's environmental concerns inspired the company to develop televisions with 80% recyclable components that use 65% less energy in stand-by mode and 50% less energy when in use. Beko Elektronik's efforts in this department reached their peak with the design of revolutionary LCD televisions that consume zero energy in stand-by mode, which will enter production in 2008.

Beko Elektronik

Total Revenues: USD1,042 million
Domestic Market Position: Market leader in TVs with 42% share
Network: Grundig sales and distribution in 36 countries
International Market Position: Europe's 2nd largest, Production facility in Russia, Owner of Grundig Multimedia B.V. in the Netherlands
Share of International Revenues: 61%
EBITDA: USD15.3 million
Gross Profit Margin: 11.0%
Operating Profit Margin: -0.9%

www.bekoelektronik.com

Shareholder Structure (%)



Beko Elektronik's TV market share

42%

With a 42% market share and nearly 1 million units sales volume, Beko Elektronik leads the domestic TV market.

Ongoing investment policy
As necessitated by its worldwide growth goals, Beko Elektronik's investments continued apace. USD19 million was invested in new products and capacity increases in 2007, and a further USD23 million is budgeted for 2008 investments.

A strategic step: Grundig acquisition completed
Beko Elektronik acquired the remaining 50% of Grundig's shares from Alba Plc on December 18th 2007, to reinforce its position in the industry.

The acquisition made Beko Elektronik the sole owner of Grundig Multimedia B.V. and the Grundig brand.

A substantial step along the international expansion strategy
Grundig, an important well-known brand in Europe, especially in Germany, is a central part of Beko Elektronik's growth strategy. Beko Elektronik's goal is to leverage the value of the brand and make it global.

As an important component of this goal, Beko Elektronik is changing its name to Grundig Elektronik. In addition, the full integration of Grundig Multimedia B.V. is moving forward rapidly.

ARÇELİK LG KLİMA

Arçelik LG Klima's goal to sell one million air conditioners in 2008 was realized one year ahead of schedule, with sales of 1,015,000 in 2007.

In 2007, Arçelik LG Klima maintained its leadership by a wide margin in Turkey's home air-conditioner market. The company has begun commercial air conditioner manufacturing and aims to win a leadership position in this market as well.

Since the beginning of 2008, Arçelik LG Klima has concentrated on entering the Western European and African markets and increasing the share of exports in total sales. Another goal of the company is to increase annual production capacity from 1 million units to 2 million units, parallel to the growth in sales.

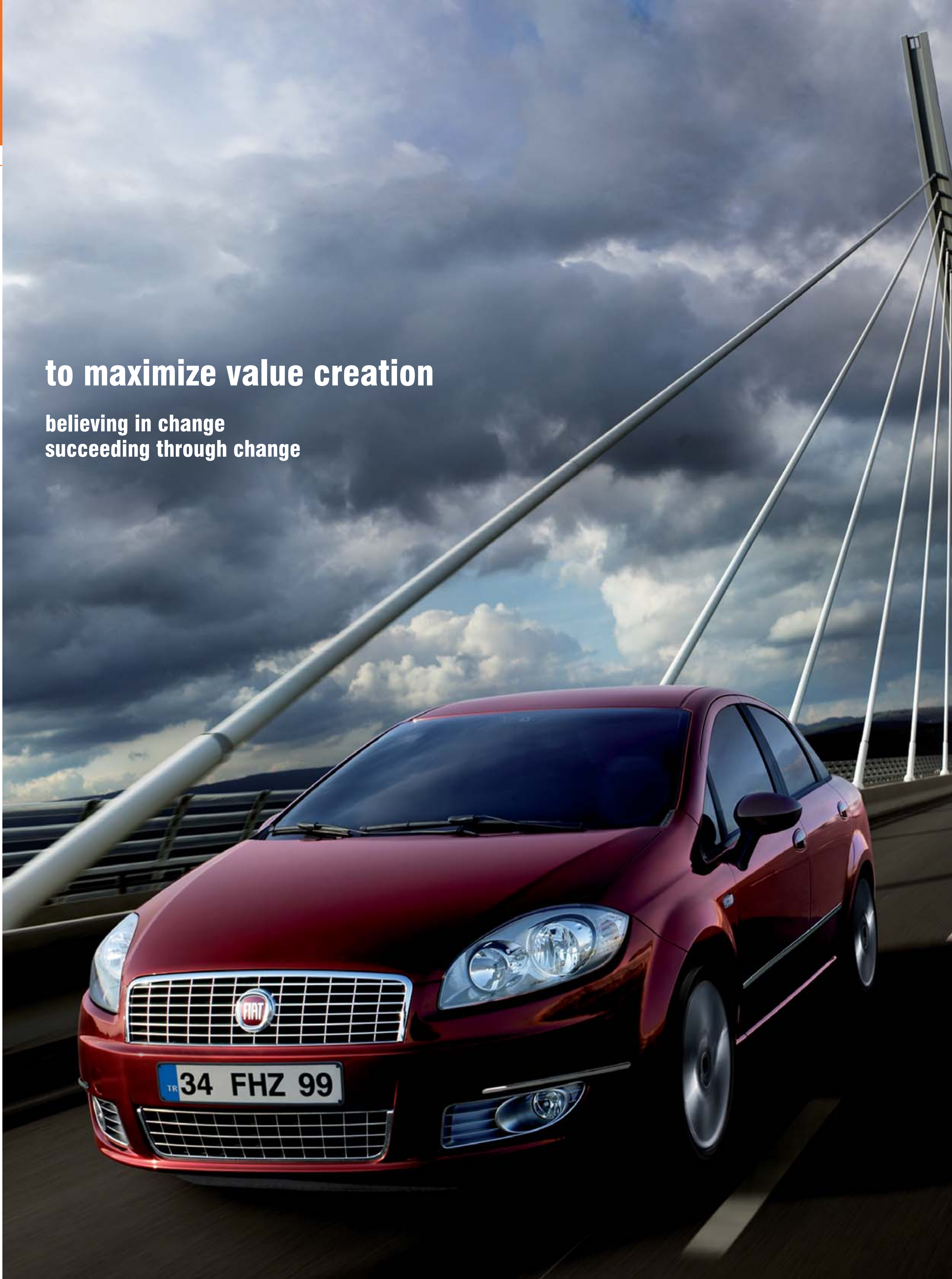
Arçelik LG Klima's total sales

1 million units

Arçelik LG Klima's goal of selling over 1 million air conditioners in 2008, was achieved in 2007.

to maximize value creation

believing in change
succeeding through change



Automotive

Total units produced

520,000

Koç Group automotive companies increased total production by 13% to 520,000 units.

Total vehicle exports

375,000 units

The main driver for growth has been exports. Total vehicle exports of the Group reached 375,000 units with a 19% increase.

As pioneers of Turkey's automotive industry, Koç Group's automotive companies not only lead the market, but also shape the industry.

Koç Group aims to take maximum benefit from the expected growth of the automotive industry in Turkey due to its leading positions in both production and exports.

In 2007

The Group sustained its clear leadership in the commercial vehicle segment.

MiniCargo, launched at the end of the year, created a new segment.

The new models introduced to the market enjoyed acclaim and substantial demand.

Export projects which fuel growth were carried out successfully.

Our companies continued to increase their capacities as well as capacity utilization rates.

Koç Group automotive companies, which account for almost half of Turkey's automotive production and exports, reinforced their leadership positions in the market in 2007.

Market Overview

Despite a 5% contraction in the Turkish automotive market in 2007, the continuing rapid growth in exports resulted in a total production increase of 10.4%.

The growth in global automotive demand continued in 2007 and the total market expanded by 4.2%, reaching 71.6 million units; led mainly by the 9.1% growth in the Asia-Pacific region. The Chinese market expanded by 21.1%, while the Indian market rose by 11% and the South Korean market by 5.9%. On the other hand, the Japanese market shrunk by 3.3%. The European market grew by 3.7%, with the EU's 27 member states contributing only a 1.6% rise while the Eastern European countries surged by 23.3%. The saturated US market rose by a mere 0.5%.

Intense price and cost pressure

The most important development in the international automotive market was intense price and cost pressure on global automotive manufacturers. Market saturation is causing manufacturers to offer deep discounts and promotions to consumers in developed markets like Western Europe and the USA.

Meanwhile, Western manufacturers are losing market share and volume to their Far Eastern competitors. On the other hand, developing markets with higher growth rates are more price sensitive due to low per capita income levels. The automotive sector is also under legislative pressures to improve environmental and safety standards, burdening investments and costs. Global automotive manufacturers are focusing on Eastern Europe, Russia, India and China, to increase efficiency and secure a share of these fast growing markets.

Turkish automotive sector

The Turkish automotive market shrunk by 5% in 2007, where a total of 676,000 vehicles were sold. The decrease in demand, which started in June 2006, changed its course after the general elections in July 2007 and switched to an upward trend.

In 2007, the Turkish automotive industry produced 1.1 million vehicles with an increase of 10.4% compared to 2006. While 830,000 vehicles, representing 73% of the industry output were exported, total revenues from exports of vehicles and automotive supplies increased by 36% to reach USD20.3 billion.

New brands and investments

The variety of brands in the Turkish market is increasing steadily, especially with new entrants from India, Russia, and China.

Increase in Turkey's total automotive production

10.4%

Total automotive production of Turkey exceeded 1.1 million units in 2007, 10.4% higher than a year earlier.

Total sales of motor vehicles in Turkey (000 units)

	Total Sales	Growth %	Imports	Growth %
Light Commercial Vehicles	237	-3	108	-6
Other Commercial Vehicles	47	-10	14	7
Total Commercial Vehicles	284	-4	122	-5
Passenger Cars	357	-4	237	-7
Farm Tractors	35	-17	5	-15
Total	**676**	**-5**	**365**	**-7**

Source: Automotive Manufacturers Association (OSD), Companies

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

	Production	Growth %	Exports	Growth %
Light Commercial Vehicles	414	6	298	17
Other Commercial Vehicles	51	-1	18	72
Total Commercial Vehicles	465	5	316	19
Passenger Cars	635	16	504	17
Farm Tractors	34	-14	10	-2
Total	**1,133**	**10**	**830**	**17**

Source: Automotive Manufacturers Association (OSD), Companies

New investments for production in Turkey are also increasing steadily as the country's position as an automotive production hub gets stronger and its success in attracting new projects continues. Many of the existing manufacturers plan capacity increases.

Koç Group automotive segment

In 2007

Koç Group companies generated 46% of Turkey's total automotive production and 45% of its automotive exports.

Despite a shrinking domestic market, the Group's total automotive production grew by 13% and Koç Group automotive companies produced over 520,000 vehicles.

In 2007, as in 2006, the driver of growth was exports. The Group's exports increased by 19% to 375,000 vehicles.

Koç Group produced 86% of the total commercial vehicles manufactured in Turkey in 2007 with 400,000 units. The Group, which is the indisputable leader of the commercial vehicle segment, was responsible for 94% of Turkey's commercial vehicle exports.

Large-scale export projects are important drivers behind Koç Group automotive companies' future growth and investments.

Key indicators of the Koç Group automotive segment

	2007 USD millions	2007 YTL millions	Change %
Total Revenues	5,058	6,583	3
Gross Profit	706	919	-1
EBITDA	444	577	-1
Total Assets	2,935	3,419	14

Increase in Koç Group's automotive exports

19%

The Group's exports increased by 19% to 375,000 vehicles. In 2007, 72% of total production was exported.

Koç Group Automotive Production (000 units)

	Koç Group Production	Growth %	Share in Turkey's Automotive Production %
Total Commercial Vehicles	400	10	86
Passenger Cars	102	28	16
Farm Tractors	18	6	55
Total	**520**	**13**	**46**

Koç Group Automotive Exports (000 units)

	Koç Group Exports	Growth %	Share in Turkey's Automotive Exports %
Total Commercial Vehicles	296	18	94
Passenger Cars	73	23	15
Farm Tractors	6	25	61
Total	**375**	**19**	**45**

Koç Group Domestic Automotive Sales (000 units)

	Koç Group Sales	Growth %	Market Share %	Change vs. 2006 (% points)
Light Commercial Vehicles	111	-0	47	1,3
Other Commercial Vehicles	7	-40	15	-7,4
Total Commercial Vehicles	117	-4	41	0,1
Passenger Cars	70	-2	20	0,4
Farm Tractors	13	-11	37	2,6
Total	**200**	**-4**	**30**	**0,4**

Turkey's export champion accounting for 27% of all vehicle exports and 70% of commercial vehicle exports, Ford Otosan was also the domestic market leader for the 6th consecutive year with its 102,000 units of domestic sales.

FORD OTOSAN

Market leader for the 6th consecutive year and Turkey's export champion
Ford Otosan, Turkey's biggest commercial vehicle manufacturer and exporter, attained a 16.8% domestic market share with 102,000 unit sales, making the company the market leader for the sixth consecutive year.

In 2007, Ford Otosan's domestic market shares by segment were 9.2% for passenger cars, 29.1% for light commercial vehicles and 16.3% for trucks.

Ford Otosan's exports in 2007 were up by 20% in unit terms. Despite the shrinking domestic market, the company's annual production volume increased by 11% to exceed 286,000 units. As in previous years, Ford Otosan produced more than one quarter of all motor vehicles manufactured in Turkey in 2007. The company ranks as Turkey's second largest industrial company in Istanbul Chamber of Commerce's ISO 500 list.

Ford Otosan, which is less dependent on the domestic market compared to other automotive companies due to its high export volume, accounted for over 27% of Turkey's vehicle exports and more than 70% of commercial vehicle exports, with a total export volume of 222,000 vehicles in 2007. With export revenues of USD3.4 billion, Ford Otosan became Turkey's top exporter in 2007. International revenues accounted for 62% of the company's total revenues.

2007 highlights
Ford Otosan continued to boost capacity at its Kocaeli Plant in order to meet strong export demand. Annual capacity, which was 250,000 units/year at the end of 2006, was initially increased to 280,000 units and further to 300,000 units in October 2007. The Company targets to increase capacity to 320,000 units/year in 2008.

The Transit, selected the International Commercial Vehicle of 2007, is the market leader in its segment, with 31.9% share. Starting from the beginning of 2007, EFI (Electronic Fuel Injection) engines were introduced in all Transit models. From September onwards, the 3.2 liter, 200 PS, five-cylinder engines, which are the most powerful in their class and produced in Ford Otosan's İnönü plant, were installed in the Extra Long Chassis type of Transit. Exports of the Transit model reached 135,000 units in 2007.

The Transit Connect, Ford Otosan's other main export product, reached a domestic market share of 26.2% in its segment, reflecting its strong performance. Further to its proven success in Turkey and Europe, the Transit Connect is scheduled for export to North America starting from 2009, making Ford Otosan the first Turkish company to export vehicles to the USA, the homeland of the automotive industry.

Ford Otosan

Total Revenues: USD5,556 million
Domestic Market Position: Market leader with 16.8% share
Network: 161 dealers
International Market Position: Production & export center for Transit and Transit Connect commercial vehicle models
Share of International Revenues: 62%
EBITDA: USD619 million
Gross Profit Margin: 14.3%
Operational Profit Margin: 9.0%

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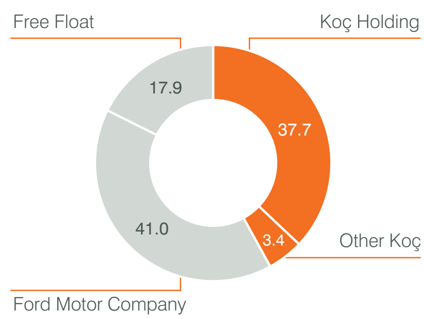
Shareholder Structure (%)



Ford Otosan's domestic market share

16.8%

Ford Otosan attained 16.8% domestic market share, while increasing its export volume by 20% and its production by 11%.

Ford Otosan's Gebze Engineering Center was opened in the TÜBİTAK MAM Technology Free Zone on September 26th, 2007.

Ford Otosan exported 31% of its Cargo truck production in 2007, shipping over 2,000 vehicles to 21 countries. The Company makes continuous developments in the Cargo and aims to increase market share with the new Cargo H476 model and the 9 liter, 350 HP engine option that it started to produce towards the end of 2007.

In addition to the new Mondeo, which gained 14% market share in its segment after its introduction to the market in 2007, Ford Otosan offers a wide selection of automobile models to its customers including Fiesta Cool, Fusion Urbanite, Focus Collection, Fiesta Color, Galaxy, the new Ranger, and the new C-MAX.

Gebze Engineering Center opened
Ford Otosan's Gebze Engineering Center was opened in the TÜBİTAK MAM Technology Free Zone on September 26th, 2007. With a staff of 200 design and engineering experts, this center provides engineering services to Ford Otosan and to Ford's European engineering centers in Dunton (UK) and Merkenich (Germany).

Awards confirm success
Ford Otosan has received many awards in Turkey and abroad for its diverse and successful projects.

In 2007, the company received global Ford organization's prestigious “President Health and Safety Award” for the Ford of Europe region and, for the second time, won the “Şehabettin Bilgisu Environment Award”, given by Kocaeli Chamber of Industry.

Within the framework of European Union Environmental Awards, Turkey Program, Ford Otosan's Hybrid Vehicle Project has ranked “First in the Category of Product” and its Environment Management System Project has become “Second in the Category of Management”.

Ford Otosan’s market share in Turkey’s vehicle exports

27%

Ford Otosan accounted for 27% of Turkey’s vehicle exports with an export volume of 222,000 units and became Turkey’s export champion with USD3.4 billion of export revenues.

In 2007, Fiat was the only brand in Turkey to increase its market share, in both the passenger car and light commercial vehicle segments.

TOFAŞ

Strenghtening domestic profile
Tofaş increased its market share with its Fiat, Alfa Romeo and Lancia brands, despite the shrinking domestic market in 2007 from 8.8% to 10.2% in passenger cars and from 15.9% to 17.1% in light commercial vehicles. The company maintained its number three spot with its total market share of 12.1%.

Tofaş's domestic sales increased by 6% during the year, to reach 78,000 units. In 2007, Fiat was the only brand in Turkey to increase its market share, in both the passenger car and light commercial vehicle segments.

Record production level
Tofaş's Bursa Plant produced a record 215,000 vehicles in 2007, the highest volume ever. The number of shifts was increased to three while production capacity rose from 250,000 units a year to 400,000. The company aims to increase its capacity utilization rate and produce 350,000 vehicles in 2008.

Tofaş's highest ever export level
In 2007, Tofaş reached the highest level of exports in its history, exporting 146,000 vehicles and increasing export revenues by 31% to USD1.6 billion.

While Doblo exports continued to grow steadily, Albea semi-knocked down (SKD) exports to the Russian Severstal factory, an important part of Tofaş's cooperation with Fiat in international markets, increased in 2007 with the inclusion of the Doblo model. The company plans to start SKD exports of Linea to Russia in 2008. Tofaş's presence with three models in the highly growing Russian market indicates a significant export potential.

A rare success in the sector
Tofaş achieved a success in 2007 that is rarely seen in the international automotive industry by starting production of two separate models, a passenger car - Linea, and a light commercial vehicle - MiniCargo, in the same year.

MiniCargo
The MiniCargo, which created a completely new segment, was launched in Turkey and Italy in December. Tofaş holds the intellectual property rights of MiniCargo, which is a milestone in the history of the company. For the first time in the history of the Turkish automotive industry, a model will be produced for multiple brands.

MiniCargo production is projected to rise to over 165,000 units a year, while lifetime production is estimated at over one million units. This vehicle represents an investment of EUR380 million, of which EUR190 million was for R&D.

MiniCargo exports started in the last months of 2007; 79% of the 10,630 units produced were exported between October, when production started, and December.

Linea
Linea was launched in May 2007 and gained a market share of 2.7% in only seven months, enabling Tofaş to move up two spots to number two in the passenger car segment with a 10.4% market share.

Lancia: Tofaş's fifth brand
Lancia joined Tofaş as its fifth brand in 2007. After Italy, Turkey is the only market where the five Fiat Auto brands - Fiat, Alfa Romeo, Ferrari, Masserati and Lancia - are sold under one umbrella.

Tofaş's market share

12.1%

In 2007 Tofaş achieved 12.1% domestic market share, while exporting 146,000 vehicles to reach its highest export volume ever.

Tofaş

Total Revenues: USD2,744 million
Domestic Market Position: #3 with 12.1% market share
Network: 123 dealers
International Market Position: Production & export center for Doblo, Minicargo and Linea In charge of the Middle East and North Africa markets for Fiat, Joint projects with Severstal in Russia
Share of Intenrational Revenues: 57%
EBITDA: USD195 million
Gross Profit Margin: 11.6%
Operating Profit Margin: 3.7%

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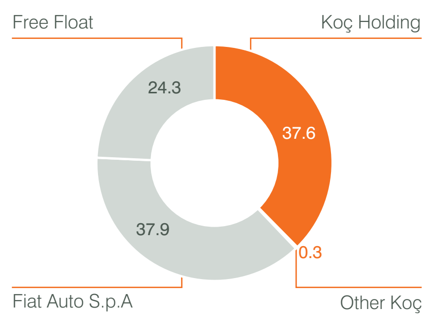
Shareholder Structure (%)



Tofaş was named Fiat Group's most successful production center in 2007, reaching bronze level in the “World Class Manufacturing” project.

With the new models launched in 2007, Tofaş attained an exhaustive brand and product range - one that covers all customer segments.

“International Van of the Year 2008”: Fiat Scudo
Fiat Scudo, launched in October 2007, was chosen by an international panel of automotive journalists as “International Van of the Year 2008”.

In 2008 Tofaş will launch two models in the passenger car segment; Bravo and “500” which was selected the “Car of the Year 2008”.

Koç Fiat Kredi
Koç Fiat Kredi was established with the purpose of providing financial solutions to the five Fiat brands under the Tofaş umbrella. The company achieved successful results in 2007, even though it was a year of investment and growth.

The company issued 13,708 loans, and during the second half of 2007, it financed almost 50% of Tofaş's loan-based sales.

Bronze level in the “World Class Manufacturing” project
Tofaş has been pioneering continuous efficiency improvements since 1984, and was chosen as Fiat Group's most successful production center in 2007, reaching bronze level in the “World Class Manufacturing” project.

First automotive company in Turkey to receive IIP certificate
In 2007, Tofaş received the “Investors in People” (IIP) certificate, which is the first and only human resources quality standard in the world, awarded to companies investing in human resources; and became the first automotive company in Turkey to receive IIP certification.

Tofaş's achievement is a first for Koç Group, as well as for Fiat Group.

2008 and beyond
With exports that will reach USD3 billion and a production capacity that will be increased to 450,000 units in 2008, Tofaş' ultimate goal is to become one of Fiat's leading R&D centers by 2010.

Tofaş celebrates its 40th anniversary in 2008, and with its workforce that will exceed 9,000 employees, it will continue to be Turkey's pioneering automotive company.

Tofaş’s exports (units)

146,000

Tofaş export volume reached a record level. Export revenues increased by 31% to USD1.6 billion.

Increasing its domestic market share to 36.8% in 2007, Türk Traktör became the leader of the domestic farm tractor market.

TÜRK TRAKTÖR

Türk Traktör is Turkey's biggest farm tractor producer and exporter.
Türk Traktör, Turkey's biggest tractor producer and exporter, is a joint venture of Koç Group and Case New Holland (CNH).

The Turkish farm tractor market shrunk by 14% with sales of 34,000 units due, in part, to the drought experienced in 2007.

In 2007, Turkey's total farm tractor production decreased by 10% and its exports decreased by 2%, while Türk Traktör managed to increase its production by 6% and its exports by 25%.

Türk Traktör increased its domestic market share from 34% in 2006 to 36.8% in 2007 and produced 18,350 tractors, 32% of which was exported. Tractor complete transmission production also accelerated in 2007 and reached 8,438 units.

New Brand
A second CNH tractor brand, Case IH, was introduced to the domestic market in 2007 through a separate marketing network. Previously produced only for foreign markets, Case IH tractors marketed locally increased the company's competitive power.

In the world's top five
In November 2007, Türk Traktör produced its 500,000th tractor. This milestone in production was celebrated as an event attended by senior management from Koç Holding and CNH, and government officials. The achievement indicates Türk Traktör's growth potential and places the company into the top five companies in the world producing tractors over 40 HP in terms of production volume.

Türk Traktör is the global R&D center for the TD and JX series of New Holland and Case, which are among the leading global brands in the sector. The company plans to increase its share in the global tractor production volume from 6% to 10% within the next five years. Türk Traktör is among the EU's top five tractor producers in terms of total production volume. It aims to move up to the top three in the EU, and become one of the top ten producers in the world.

Türk Traktör

Total Revenues: USD392 million
Domestic Market Position: Market leader with 36.8% share
Network: 178 bayi
International Market Position: Production & export center for New Holland TD and Case JX farm tractor models
Share of International Revenues: 35%
EBITDA: USD79 million
Gross Profit Margin: 23.1%
Operational Profit Margin: 17.5%

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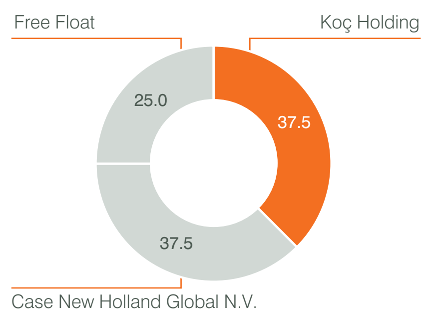
Shareholder Structure (%)



Türk Traktör's market share

36.8%

Türk Traktör increased its domestic market share to 36.8% in 2007 and produced 18,350 tractors.

Otokar is a global brand in the armored vehicles segment, with USD110 million in exports.

OTOKAR

26% growth
Otokar successfully reached its targets in 2007 through its strategy focused on exports, the defense industry and new product development. The company grew its revenues by 26% to YTL428 million (USD329 million) and its exports exceeded USD110 million, representing over one third of the revenue base.

A world brand
The company was the Turkish defense industry's export leader in 2006, and in 2007 it expanded its export markets, signing several production agreements for various military vehicles that will be exported over the course of the next two years with a total value of USD270 million. This performance once again shows that the company is a global brand in the armored vehicles segment.

National Tank Project
An important development in the defense industry area is the project for developing the first "National Tank of Turkey".

Otokar won the tender for discourse of the agreement to design a "National Tank", of which all rights will belong to Turkey, and build a prototype. Its proven expertise in system, design, integration and product development in the defense industry has enabled Otokar to take part in this critical project.

Accelerating success in commercial vehicle
Otokar also boosted its performance in commercial vehicle segment in 2007. The company designs and develops its vehicles with utmost attention to customer's needs. In 2007, Otokar added the Doruk model to its bus range, the Dampera model with international safety (ADR) standards to its semi-trailer range, and the M-3000 model to its minibus range. Otokar, targeting European markets for exports, expanded its bus sales and service network with new countries. In 2007, Otokar also introduced the prototype of Turkey's first hybrid bus, the Doruk 160 LE Hibra.

Other automotive companies of Koç Group

Ford Otosan's largest dealer chain, Otokoç, and Tofaş's biggest chain, Birmot, were merged under Otokoç in 2007. The merger is aimed at improving efficiency and customer service quality. Two different brands, Birmot and Otokoç, continue to be used in the respective dealer networks.

Otokoç's share in Ford sales increased by 0.8 points in 2007 to reach 28.5%, while its share in Fiat sales increased by 2.8 points to 30.4%. Vehicle sales of the company in 2007 totaled 59,000 units, of which about 10% was sales of second hand vehicles. The company also offers car rental services and became the franchisee of Budget, in addition to Avis, in 2007.

Beldeyama, a partnership with Yamaha of Japan, is Turkey's leading motorbike and bicycle producer and exporter, with total revenues of YTL90 million (USD69 million), including the export of 31,000 mopeds generating USD25 million export revenues in 2007.

Oltaş is the distributor of Continental tires in Turkey. The company increased its revenues by 13% in 2007 to reach YTL69 million (USD53 million).

Otoyol, which is a partnership between Iveco, a Fiat subsidiary in the commercial vehicle business, and Koç Group, is undergoing a restructuring as a result of the adverse economic circumstances affecting the business. The company suspended production and continued its commercial activities solely through imports.

Otokar's total revenues

YTL428 million

Total revenues of Otokar reached YTL428 million (USD329 million) in 2007, with a 26% increase.


YapıKredi

to reach outstanding returns

believing in change
succeeding through change

Finance

Yapı Kredi ranks
4th among private banks

Yapı Kredi is the sector leader in credit cards, mutual funds, factoring and leasing.

Profit increased at Yapı Kredi
57%

Yapı Kredi's consolidated net profit increased by 57% in 2007 and reached YTL870 million (USD668 million).

With Yapı Kredi at the forefront, Koç Group companies operating in the different lines of the finance sector achieved impressive performance and increased their market shares as well as their business volumes.

In 2007

KFS enlarged its customer segment coverage.

Yapı Kredi launched an aggressive growth initiative and invested in streghtening its branch network.

Turkey's leading credit card, "World" was restructured and successfully relaunched.

Finance companies operating in different segments achieved solid performance.

Yapı Kredi Bank improved its performance significantly by implementing growth oriented proactive strategies.

Market Overview

The Turkish banking sector's growth rate slowed down in the second half of 2006, but regained momentum in 2007, despite fluctuations in international markets and domestic political developments.

Banking sector

Healthy growth trend

Turkey's banking sector maintained its healthy growth in 2007. Total assets increased by 16% to reach YTL562 billion (USD483 billion). The ratio of the banking sector's total assets to GDP was 66% in 2007.

Loan volume on the rise

The most significant development in the sector's assets structure in recent years has been the growth trend in loans. This trend continued in 2007 with a 42% increase in consumer loans and 26.5% increase in total loans.

The sector's non-performing loan ratio, on the other hand, is declining. The ratio, which was 3.6% by the end of 2006, decreased to 3.5% in December 2007.

Deposits still dominate

Deposits maintained their dominance in the sector's balance sheet, at 61%. In 2007, the 17% revaluation of YTL against USD limited the increase in the YTL value of foreign exchange deposits. Domestic currency deposits increased by 22% and foreign exchange deposits increased by 24% in USD terms (3% in YTL terms). This growth indicates that the rapid increase in loans is mainly financed by the deposit base.

Sector's profit is up by 30%

Combined net profit of savings and development/investment banks increased by 30% in 2007, and reached YTL14.4 billion (USD11.0 billion). Net fee and commission revenues, which have increased significantly in recent years, played an important role in increasing operational revenues and, in turn, net profits in the sector.

The banking sector emphasized organic growth in 2007, with banks expanding their branch networks. Consequently, personnel expenses and total operational expenses increased by 21% and 17%, respectively. Improvements in revenue generation capacity enhanced the banks' ability to allocate provisions for non-performing loans and improve asset quality. As a result, total loan provisions increased by 29%. The Turkish banking sector achieved a 22% average return on equity.

Insurance sector

Revamping the legal framework

The most important development in the insurance industry in 2007 was the renovation of the sector's legal framework. As part of the EU harmonization process, the legal framework for integrating Turkey's financial markets and banking sector with international markets has been evolving in recent years. In 2007, a new legal framework for the insurance sector and a new Insurance Law was enacted by the Parliament on June 3rd.

Necessary regulations were prepared by the Undersecretariat of Treasury, and the new law was brought into force speedily.

Banking sector's asset growth

16%

At year-end 2007, Turkey's banking sector's total assets increased by 16% and reached YTL562 billion (USD483 billion).

Continuing interest of international players

International investors continue to show great interest in the Turkish insurance sector. Foreign groups own or control majority shares of eight of the top ten non-life insurance companies in the market. Further, some foreign investors are awaiting approval from the Undersecretariat of Treasury to establish or acquire companies in the sector.

Non-life premium generation up 16%

As of the end of 2007, total premium generation in the non-life branches increased by 16% and reached YTL9.7 billion (USD7.5 billion).

Koç Group's finance segment

In 2007

• Yapı Kredi kicked off a rapid growth initiative.
• Year-end consolidated net income of Yapı Kredi increased by 57% and reached YTL870 million (USD668 million).
• Yapı Kredi's consolidated revenues increased by 23% compared to last year; return on equity reached 23%.
• Yapı Kredi initiated an ambitious branch network expansion plan in the second half of 2007, opening 82 branches and bringing its network to 676 branches by year end.
• Yapı Kredi's domestic and foreign subsidiaries strengthened their market positions.

Koç Financial Services Group (KFS)

Accelerated growth

Koç Financial Services Group, which is a 50-50 joint venture between Koç Holding and UniCredit (Italy), accelerated its growth in 2007.

With Yapı Kredi at the forefront, all KFS companies operating in the different lines of finance sector, achieved significant success, increased their market shares as well as their business volumes and accomplished real growth. KFS's total assets reached YTL57 billion (USD49 billion).

A large and diverse group of customers

KFS has more than 5.6 million customers spread across a wide spectrum, ranging from SME's to retirees. In addition to 738 service points, KFS reaches its customers via 1,941 ATMs and other alternative distribution channels. KFS companies are market leaders in credit cards, factoring, leasing, and portfolio management.

As of December 31st, 2007, KFS employed 16,779 people.

KFS's total assets

USD49 billion

Koç Financial Services accelerated its growth in 2007 and total assets reached USD49 billion.

Key indicators of the Koç Group finance segment

	2007 USD millions	2007 YTL millions	Change %
Total Revenues	4,243	5,522	14
Gross Profit	1,414	1,840	12
EBITDA	651	848	13
Total Assets	25,842	30,099	4

Finance

“The Banker” magazine named Yapı Kredi “Bank of the Year 2007” in Turkey.

YAPI KREDİ

Yapı Kredi's total assets reach YTL56.7 billion
Yapı Kredi's consolidated total assets reached YTL56.7 billion (USD48.7 billion) by the end of 2007, making it Turkey's fourth largest private bank.

Yapı Kredi has a customer oriented strategy and service model, and offers services in retail, SME, corporate, commercial and consumer banking segments. Yapı Kredi has always set standards through its innovative services and products. It is the market leader in the credit card, portfolio management, factoring and leasing segments, while ranking third in pension funds.

Striking results and achievements
In 2007, Yapı Kredi reaped the initial results of its aggressive growth strategy, which focuses on rapid growth, profitability and efficiency. As part of this strategy, a branch network expansion program has been launched in July 2007. By the close of the year, the bank had opened 82 new branches to bring its network to 676 branches in 68 cities. 63% of Yapı Kredi's branch network is located in Turkey's four largest cities, and the bank has 11% branch market share in Turkey's 10 largest cities.

WORLD
Yapı Kredi has led the credit card market since 1988. The bank's credit card business has differentiated itself from its competitors through superior service quality and became a global benchmark. In 2007 innovative steps were taken in this business area and new partnerships were created. Yapı Kredi has restructured its credit card program “World” as a one card-one brand, gathering all product features in one card and making it unnecessary for customers to use more than one credit card.

Yapı Kredi signed a credit card brand sharing agreement with Vakıfbank in November 2007, with Anadolubank in December 2007 and with Fortis in February 2008. The agreement signed with Vakıfbank is Turkey's biggest credit card partnership to date, both in terms of the number of credit cards and the business volume involved.

Increase in consumer loans market share
In 2007, Yapı Kredi began to increase its share of the consumer loans market with its innovative products and services.

While a wide selection of mortgage products with different features are offered to the consumers in the housing loans segment, around 1.3 million customers were offered pre-approved general purpose loans as a result of the Centralized Automated Risk Management Approach (CARMA) in the consumer loans segment. Yapı Kredi's market share increased to 7.3% in housing loans, to 4.6% in consumer loans, and to 8.9% in vehicle loans.

SME=VIP customers
Yapı Kredi defines SMEs as VIP customers, and in 2007 progressed towards its goal of becoming the preferred bank of SMEs.

With its SME service concept based on superior and fast service, the bank offers a variety of loan options with customized payment terms to its 750,000 SME customers. The bank provides SMEs with free informative events and services,

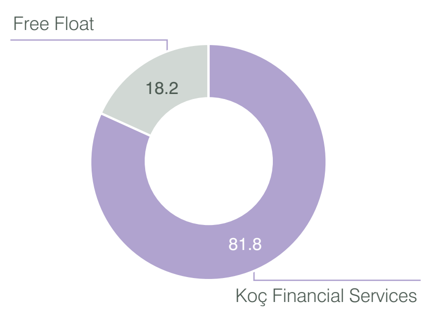
Yapı ve Kredi Bankası

Domestic Market Position: #4 among private sector banks, #1 in credit cards (25.2% share), mutual funds (20.9%), factoring (19.4%) and leasing (19.2%), #3 in private pension funds
Network: 676 branches, 5.6 million active customers, 6.7 million credit cards
Total Loans: USD25,617 million
Capital Adequacy Ratio (Bank): 13.7%
Total Revenues: USD4,364 million
Total Assets: USD49,899 million
Return on Equity: 22.7%

Consolidated financials according to Banking Regulation and Supervision Agency.

www.yapikredi.com.tr

Shareholder Structure (%)



Yapı Kredi’s ranking among private sector banks

4th

According to its asset size, Yapı Kredi ranks 4th among private sector banks.

In line with its customer oriented strategy, Yapı Kredi initiated a number of significant projects to make life easier for its customers.

such as Basel II conferences, trade fair organizations, training sessions and guidance through the Kobiline platform on applying for grants available to SMEs.

With its continuing “Anatolian Meetings” program, Yapı Kredi reached 4,000 SMEs and signed special loan agreements with 110 industry associations. As a result of these efforts, the bank's market share in SME loans is on the rise.

Making life easier for customers
In line with its customer oriented strategy, Yapı Kredi initiated a number of significant projects in 2007. The bank installed 1,027 new generation “Tele 24 Plus” ATMs and implemented an innovative payment system utilizing barcode technology. The system redirected customer traffic related to deposits and credit card payments, away from branches and to Tele 24 Plus ATMs.

Starting in 2008, Yapı Kredi will include customer satisfaction among the performance appraisal criteria for its employees, as part of the bank's aim to further increase its service quality.

All subsidiaries are under Yapı Kredi roof
To bring a more transparent structure to KFS, all subsidiaries were gathered under Yapı Kredi's roof in 2007. Yapı Kredi Leasing, Yapı Kredi Factoring and Yapı Kredi Azerbaijan shares owned by KFS were transferred to Yapı Kredi. The transfer of Yapı Kredi Yatırım and Yapı Kredi Nederland NV shares was finalized in early 2008.

Bank of the year in Turkey
Yapı Kredi, which completed the merger process successfully and has entered an era of growth, is winning acclaim from international organizations. “The Banker” magazine named Yapı Kredi as Turkey's “Bank of the Year” in 2007.

Assured steps toward sustainable success
Yapı Kredi aims to perpetuate its success through its clear vision, customer-oriented service concept, emphasis on values, strong equity structure secured by parent companies Koç Holding and UniCredit, and highly effective corporate structure.

Yapı Kredi has defined rapid growth as its first priority in 2008 and will expand its branch network by opening 160 new branches. The bank plans to increase its market share in terms of business volume and revenues, by growing faster than the sector in 2008. Consumer loans, with housing and general purpose loans at the forefront, and loans to SMEs are identified as the locomotives of growth. Yapı Kredi will also strengthen its leadership in the credit cards market through innovative and superior service, and the bank intends to continually improve its service quality to become the first choice of customers.

Subsidiaries leading their segments
Yapı Kredi has strong domestic subsidiaries covering different segments of the financial services market, and international subsidiaries in the Netherlands, Russia and Azerbaijan.

Yapı Kredi’s branch network

676 branches

63% of the branch network is located in Turkey’s four largest cities and Yapı Kredi has an 11% branch market share in the ten largest cities.

Factors Chain International (FCI) named Yapı Kredi Faktoring "Best Exports Factoring Company in the World" in 2006 and 2007, based on its performance and success in service quality.

Yapı Kredi subsidiaries in summary

Yapı Kredi Faktoring has been the leader of the factoring market in Turkey since 2002. Its business volume totaled USD4.2 billion in 2007, with 65% of this amount coming from domestic and 35% from foreign operations. With 19.4% share in total sector volume and a 50% share of the international business volume, the company continued its clear leadership in 2007. Factors Chain International (FCI) named Yapı Kredi Faktoring "Best Exports Factoring Company in the World" in 2006 and 2007, based on its performance and success in service quality.

Yapı Kredi Leasing leads the Turkish leasing market with a 19.2% share. In 2007 the company realized a business volume of USD1.6 billion, the highest level ever achieved by a Turkish leasing company. A large portion of the company's customer portfolio is made up of SMEs, which form an important segment of Turkey's economy. Yapı Kredi Leasing was established in 1987 and it is the only Turkish member of Multilease Association of the world's leading leasing companies.

Yapı Kredi Portföy Yönetimi, the leader in mutual funds in Turkey, serves individual and corporate investors. The company reached a portfolio size of YTL5.4 billion (USD4.2 billion) in 22 different investment funds at the end of 2007, and it holds 20.9% market share. The company's market share in the private portfolio management segment is 33%.

Yapı Kredi Yatırım ranks first at the Istanbul Stock Exchange with its YTL315 billion (USD242 billion) worth of business volume in 2007. It has been a leading capital markets broker since its foundation. The company's business volume in the equity brokerage segment was YTL33 billion (USD25 billion) in 2007, securing the company a 4.3% market share and a one-place rise in its sector ranking to fifth place.

Yapı Kredi Sigorta is one of Turkey's leading insurance companies, serving the domestic market with 872 employees, 735 agents and through Yapı Kredi's 676 branches. In 2007, the company generated YTL628 million (USD483 million) in premiums in non-life branches. Yapı Kredi Sigorta lead the health segment with YTL267 million (USD205 million) premium production.

Yapı Kredi Emeklilik is ranked third in private pension funds and fifth in life insurance in Turkey. In 2007, the company increased the number of its private pension members by 26% and its fund size by 46%. The size of pension funds under the company's management reached YTL701 million (USD602 million), and life insurance funds reached YTL476 million (USD409 million) at the end of the year.

Yapı Kredi Leasing's transaction volume

USD1.6 billion

In 2007, the company recorded the highest level of business volume ever achieved by a single company in Turkey's leasing industry .

Yapı Kredi Portföy Yönetimi's market share in mutual funds

20.9%

Yapı Kredi Portföy Yönetimi reached a YTL5.4 billion (USD4.2 billion) portfolio size with 22 different mutual funds at the end of 2007.

Yapı Kredi Yatırım's trading volume in ISE

USD242 billion

In 2007, the company ranks first at the İstanbul Stock Exchange with its USD242 billion business volume.

Yapı Kredi Sigorta lead the health segment with USD205 million premium production.

In addition to retail, commercial, corporate and private banking services, **Yapı Kredi Netherland** also provides a wide range of correspondent banking services. In 2007, the company achieved its profitability objectives with a profit of EUR13.2 million. The total assets of the bank grew by 13% in 2007 to reach EUR1,459 million.

Yapı Kredi Moscow, which provides high quality service to over 1,400 active customers, increased its total assets by 8% to USD231 million in 2007. The company's net profit increased by 4% to USD5.7 million in the same period.

Yapı Kredi Bank Azerbaijan provides a full range of banking products and services to its customers, and has a wide international correspondent bank network. As is the only bank in the country with 100% foreign equity, Yapı Kredi Azerbaijan serves 15,870 individual and 1,100 corporate customers.

KOÇ FİNANS

Koçfinans, which is Turkey's first consumer financing company, leads the domestic consumer financing sector with YTL1.03 billion (USD884 million) in loans extended to 125,000 customers in 2007.

Despite a contraction in automotive sales, which is company's main area of activity, loan volume increased by 28% and outstanding loans increased by 30%. In line with its brand based expansion strategy, in 2007, the company offered loans via 420 dealers in 27 different brands. During the year, one in every 15 cars and light commercial vehicles sold in Turkey was financed by a Koçfinans loan.

In 2007, the company issued YTL230 million worth of bonds and obtained a USD120 million club loan.

KOÇ ALLIANZ SİGORTA - KOÇ ALLIANZ HAYAT VE EMEKLİLİK

Koç Allianz Sigorta and Koç Allianz Hayat ve Emeklilik, active in insurance and pension funds respectively, generated over YTL1 billion (USD859 million) in premiums and private pension fund contributions in 2007.

According to sector data, at the end of year 2007, Koç Allianz Sigorta had a 9.0% market share. With its 230,000 policy holders, the company ranked second in the health insurance segment in 2007.

The volume of the private pension funds managed by Koç Allianz Hayat ve Emeklilik reached YTL236 million (USD203 million) in 2007, giving the company a 5.2% market share in terms of fund volume.

Koçfinans' total lending

USD884 million

Koçfinans is the leader in consumer financing with its USD884 million loan volume.

to provide the best to our customers

believing in change
succeeding through change

Food & Retailing

Number of Migros stores

938

By year-end 2007, the number of Migros stores reached 938 and total retail area increased by 12% to 576,000 m^2.

Increase in Koçtaş retail area

42%

In 2007, Koçtaş's retail area jumped by 42% while the number of customers increased by 37%.

Rapid growth in Turkey's organized retailing industry continued with a 24% increase in total number of stores in 2007. Koç Group kept on delivering the highest quality service at convenient prices to its customers with Migros and Koçtaş chains.

Migros sustained its clear leadership in the FMCG segment, while Koçtaş acquired leadership in home improvement segment by closely following global trends and strengthening its position.

By focusing on operational efficiency and high value added products, Tat strengthened its performance and obtained highly promising results from its tomato cultivation trials in the GAP Region.

In 2007

Koç Group decided to exit FMCG retailing, in line with its focused growth strategy.

High value-added food products were introduced to the market.

Tomato cultivation began in the GAP Region.

Koçtaş continued its rapid growth.

Food & Retailing

Turkish retailing sector revenues increased by 10% from USD137 billion in 2006 to USD150 billion in 2007.

Sector overview - Retailing

Fast moving consumer goods retail market continued its strong growth in 2007.

Revenues increased by 10%, while the number of stores rose by 24%.
Turkish retail market revenue rose by 10% in 2007 to reach USD150 billion, while the number of stores increased by 24%. Total employment in the sector grew by 50% in the last two years, due to the large amount of new investments.

According to market analysis by AC Nielsen, fast moving consumer goods' retail volume reached USD31 billion with a 25% increase. This performance corresponds to a 13% growth in YTL and 4% growth in quantity terms.

As Turkey sustains its economic growth, the retailing sector will benefit from the increasing disposable income of consumers.

Sector overview - Food (tomato products, pasta, fresh meat, and dairy products)

Global warming affects the food sector.

Global climate fluctuations and droughts decreased the supply of raw materials in the food sector, causing price increases above expectations.

The price of tomato and tomato products increased around the world due to adverse climate conditions, decrease in tomato cultivation resulting in world tomato inventories dropping to the lowest level in recent years, EU regulations reducing government incentives to tomato agriculture, and the expectation of an increase in worldwide consumption, especially driven by China.

The shortage in international wheat supply also increased the cost of pasta production.

All these developments, which are also linked to global warming, are expected to continue in 2008.

The increase in the cost of fresh meat and dairy production, based on domestic livestock, was not as high as that of agricultural commodities.

Sector overview - DIY market

Turkey's home improvement market has grown into a USD7 billion business.

The size of the Turkish home improvement market is estimated as USD7 billion. The market is mainly comprised of a traditional network of dealers and small local hardware merchants, with the share of organized retailing estimated at around 12%.

Due to the entrance of foreign participants, the Turkish home improvement market closely follows global trends. This dynamic and innovative sector enables its players to provide customized concepts according to their country of operation, finding ways to motivate consumers to renovate their houses.

Increase in the number of stores in the retailing sector

24%

The number of stores in the retail sector increased by 24% in 2007, while total employment in the sector grew by 50% in the last two years.

The do-it-yourself trend which became popular in Europe and USA, is being replaced by assembling services (do-it-for-me). Accordingly, the world's home improvement retailers are improving their service offerings.

Koç Group food & retailing segment

In 2007

In line with its focusing strategy, Koç Holding has decided to exit food retailing business, and in June 2007, initiated a process to evaluate strategic alternatives for Migros, including the sale of shares. On February 13th, 2008, Koç Holding and Moonlight Capital S.A., controlled by the international venture capital company BC Partners, signed a share purchase agreement for the transfer 50.8% of Migros's shares for YTL1,977 million. The share transfer process is about to be finalized.

The food processing company Tat has been conducting a comprehensive project in the Southeastern Anatolian Project (GAP) region to create competitive advantages and high growth potential. The project involves tomato cultivation in the region to secure continuous supply of raw material at advantageous costs and to enhance profitability.

Home improvement retailer Koçtaş continued its rapid growth in 2007, experiencing a customer increase of 37% and sales area increase of 42%. More than 5.2 million sales transactions took place in the company's 15 stores in 2007.

Turkey's DIY market volume

USD 7 billion

The size of the Turkish home improvement market is estimated as USD7 billion, of which the organized segment comprises 12%.

Key indicators of the Koç Group food & retailing segment

	2007 USD millions	2007 YTL millions	Change %
Total Revenues	4,168	5,425	0
Gross Profit	1,065	1,386	11
EBITDA	299	390	10
Total Assets	2,778	3,236	3

In 2007, Migros fortified its leadership through successful management of its brand development and transformation process.

MİGROS

Clear leadership in its sector
In 2007, Migros fortified its leadership, through successful management of its brand development and transformation process.

Distinctive for many reasons, such as turnover volume, geographical coverage, and variety of formats, the company has maintained its leadership and momentum in the Turkish retailing sector through its national and international experience and strong operational structure.

Differentiation by exceeding expectations with a variety of formats
Migros focused on differentiation in all its operations in 2007. It adapted the business practices of exceeding customer expectations, and developing its staff as a passionate team in all its processes.

Migros added a new format to its domestic operations in September 2007, the 5M hypermarket concept, alongside the five others in operation - Migros, Tansaş, Şok, Macrocenter, and Kangurum. 5M hypermarkets combine low prices with an environment where cooks can share their recipes with customers, shoppers can relax in a café or have fresh fruit/vegetable juices prepared on spot from their purchases.

Exit from Russian operations
Internationally, Migros has 15 “Ramstores” - three in Azerbaijan, nine in Kazakhstan, one in Kyrgyzstan, and two in Macedonia.

In 2007, Migros exited its Russian operations, by selling its 50% stake in Ramenka to the other 50% partner Enka Group.

Three store openings every week, covering 57 cities in Turkey
Migros continued its rapid expansion by opening new stores. The number of domestic supermarkets increased from 798 to 938 in 2007. Total retail area expanded by 12% to 576,000 m^2. The network, which includes various formats, consists of 220 Migros, 247 Tansaş, 460 Şok, 8 Macrocenter and three recently opened 5M stores.

In 2007, Migros opened an average of three new stores each week. With the inclusion of new cities such as Bartın, Iğdır, Mardin, Osmaniye and Tokat, the coverage area of Migros expanded to 57 cities of Turkey. Migros' consolidated revenue reached YTL4.8 billion (USD3.7 billion), which corresponds to an organic growth of 12.2%.

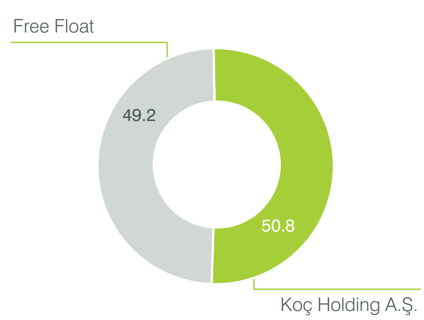
The world's 12th fastest growing retailer
Migros, with its USD3 billion revenue as of 2006 year end, became the first Turkish company to enter the “Global Powers of Retailing” list, a report compiled by an international consulting company. In addition, Migros ranked 12th among the world's 50 fastest growing retailing companies between 2001 and 2006.

Migros

Total Revenues: USD3,683 million
Domestic Market Position: Market leader with 22% share in the organized segment and 8.3% share in the total market
Network: A total of 953 stores, 938 in Turkey and 15 abroad
International Market Position: 15 stores; 9 in Kazakhstan, 1 in Kyrgyzstan, 3 in Azerbaijan, 2 in Macedonia
Share of International Revenues: 11%
EBITDA: USD249 million
Gross Profit Margin: 24.9%
Operational Profit Margin: 4.5%

www.migros.com.tr

Shareholder Structure (%)



Migros’ consolidated turnover

USD3.7 billion

Consolidated revenues of Migros increased by 12.2% organically and reached USD3.7 billion.

Koçtaş boosted its total sales area by 42% and number of employees by 49% in 2007; as a result the number of customers increased by 37%.

In 2007, Migros ranked in the top 10 in an ethical accountability survey by Turkey's leading business magazine, Capital. The survey, the first of its kind the magazine has ever conducted, assessed the top 50 private businesses in its Capital 500 listing of Turkey's biggest companies. Since 2001, Migros has been in the first 20 companies in the same publication's listing of Turkey's Most Admired Companies for the last 7 years, and was the most admired company in its sector in the 2007 listing.

KOÇTAŞ

Growth strategy by expanding market demand

As the leader of Turkey's home improvement retailing sector, Koçtaş's corporate target is to enlarge the market and maintain its leadership in this developing business area. The company plans to reach this aim by offering its customers a wide variety of alternatives for every budget, in more locations in Turkey.

Rapid growth

Koçtaş's sales revenue jumped by 46% in 2007, while the number of customers increased by 37%. This growth was supported by an increase of the sales area by 42% and the number of employees by 49%.

The company opened five new stores - in İzmit, Bursa, Eskişehir, Mersin, and Alanya - during the year and moved its Izmir Balçova store to a larger location. By the end of 2007, Koçtaş was operating 15 stores.

Koçtaş differentiates itself by presenting innovative solutions

Koçtaş is a 50-50 joint venture between Koç Group and B&Q, the largest home improvement retailer in Europe and the third largest in the world. With the contribution of its foreign shareholder, Koçtaş has differentiated itself by presenting international trends to the Turkish market, and by adapting those innovations to Turkish consumers' preferences leveraging its local market expertise. This gives Koçtaş a competitive advantage compared to other international players in the market.

Koçtaş stores offer a comfortable shopping experience, spacious display of products, well-known brands at reasonable prices, complete solutions that include assembly and transportation, and valuable human resources.

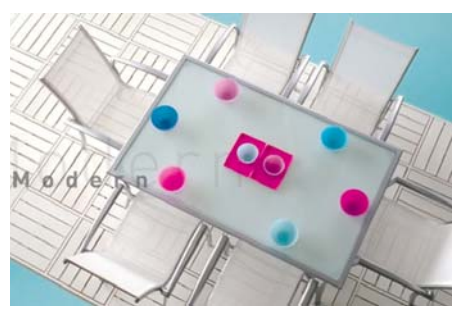
Koçtaş introduced its new logo in September 2007 and the new advertising campaign increased brand awareness.

The company conducts campaigns supporting Tema (the Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats) and Çevko (Environmental Protection and Packaging Waste Utilization Foundation), and promotes environmentally responsible and energy saving products in its stores.

Koçtaş's revenue growth

46%

Operating with 15 stores, Koçtaş increased sales revenue by 46% in 2007.



In line with its strategy of focusing on high value added products, Tat introduced new products to the market in 2007.

TAT

Consistent high performance
Tat continued strengthening its performance in 2007.

The tomato paste production facility established in İzmir Torbalı started operations in 2007. This facility is advantageously located for raw material supplies. It therefore incurs lower transportation costs and cheaper tomato supply compared to the Bursa region.

Moving the Maret slaughterhouse from İstanbul to Harranova significantly reduced costs.

In the dairy products segment, Tat increased the sales of high value added products such as pasteurized milk, yogurt, ayran (a yogurt drink), cream and butter. The company plans to continue its growth in these profitable categories in 2008.

The strategy of focusing on high value added products has been supported by the introduction of innovative and healthy products such as vegetable-fruit juices and mixed vegetable juices, produced for the first time in Turkey. In addition to these, Tat introduced additive-free fruit juices including grape, pomegranate, orange, and apple.

As the market leader in the premium pasta segment with its Pastavilla brand, Tat maintained its market share in this segment and continued its high margin strategy in 2007.

Tat achieved a gross profit margin of 17.7% and an operating profit margin of 5.7% in 2007. Tat remained the market leader in tomato paste, ketchup, and tomato products, while holding the number two position for mayonnaise and the number three for pasta and ayran.

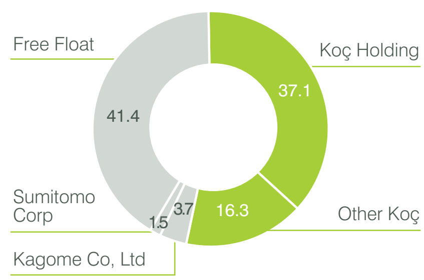
A promising region: Southeastern Anatolian Project (GAP)
Tat increased its share in Harranova, the Group's livestock and agricultural products subsidiary in the southeastern province of Şanlıurfa, to 68% in 2007. Tomato cultivation and tomato paste production in the GAP region will be carried out by Harranova. This will create a synergy between livestock and agriculture businesses resulting in increased productivity.

Tat

Total Revenues: USD420 million
Domestic Market Position: Market leader in tomato paste (30.5% share), tomato products (62%) and ketchup (28.4%), #2 in mayonnaise (21.6%), #3 in pasta (11%) and ayran (6.5%)
International Market Position: Exports to 35 countries
Share of International Revenues: 6.3%
EBITDA: USD30.4 milllion
Gross Profit Margin: 17.7%
Operational Profit Margin: 5.7%

www.tat.com.tr

Shareholder Structure (%)



Tat's gross profit margin

17.7%

Tat achieved a gross profit margin of 17.7% and an operating profit margin of 5.7% in 2007.

Tat plans to increase exports through its investments in GAP region

Successful trial cultivation
Trial cultivation in the GAP region successfully produced 35,000 tons of tomato in 2007. Targets for 2008 include production and processing of 150.000 tons of tomatoes.

Tat plans to invest USD84 million in tomato agriculture and processing during the next five years. The company aims to reach 10,000 hectares of cultivation area, 10,000 tons of daily processing capacity and 220,000 tons of annual tomato paste production volume by 2012. The project is also expected to bring down raw material costs by 40%.

In the future…
With this project, Harranova is planned to achieve USD150 million annual revenues in 2012, which include exports to Russia and other neighboring countries. Harranova Facility will become the largest tomato processing plant in Europe and one of the five largest in the world.

DÜZEY

Serving thousands of wholesale and retail points across Turkey
Düzey is the sales and distribution company for Tat's food brands and the two rakı brands, Mercan and Fasıl, produced by the Tariş-Tat partnership. Düzey delivered food and alcoholic beverages to 60,000 sales points in 2007.

Together with its distributors, Düzey manages a sales fleet of 360 vehicles and a distribution and delivery fleet of 250 vehicles.

Düzey's fleet

610 vehicles

Together with its distributors, Düzey manages a fleet of 360 sales vehicles and 250 distribution and delivery vehicles.

to improve the quality of life

believing in change
succeeding through change

Other

Total Revenues

USD 719 million

Group companies in tourism, information technology, ship and yacht building sectors continued their leadership positions and created value for Koç Holding.

In 2007

Setur, operating in the tourism sector, is the market leader in most of its business lines.

Setur Marinaları owns 28% of Turkey's total marina capacity.

KoçSistem is the leader in outsourcing services with a 16% market share.

Bilkom is the exclusive distributor of all Apple products in Turkey with over 700 sales points.

Providing a wide range of services in the tourism sector, Setur is the market leader in most of its business lines including ticketing, domestic and international tours, on-line travel, cruise, educational services, visa services and congress organization.

Tourism

SETUR

Sector leader
Providing a wide range of services in the tourism sector, Setur is the market leader in most of its business lines, including ticketing, domestic and international tours, on-line travel, cruise, educational services, visa services, and congress organization.

Strides that make a difference
Setur launched important projects to strengthen its service capabilities in 2007.

Setur became the representative office in Turkey for BCD Travel, which provides worldwide corporate ticketing services through more than 1,300 offices in 96 countries. It also became the exclusive agent in Turkey for Abercrombie & Kent, the leading global brand in luxury travel.

Setur has been providing British visa services in Turkey since December 2005. In an international tender, it secured the right to continue to deliver the services in the future.

Innovations in on-line services to corporate customers
Setur, as part of its strategy to provide more effective services to corporate customers, has launched an on-line reporting system through which customers can monitor their reservations, flights, bills and ticket information.

Moving forward in duty-free operations
Setur has the most extensive duty-free shop organization in Turkey.

The company is currently operating duty-free shops in six airports, seven seaports and seven border crossings; including the duty-free operation rights it won in 2006 in the tender concerning six border gates.

Setur was also awarded the contract for Turkish Airlines (THY) in-flight duty-free operations, effective as of 14 February 2008. The operation will cover 101 THY aircraft and 7.5 million in-flight passengers in its first year. Including THY, Setur will be performing in-flight services for eight airlines with 166 aircraft.

The best company in the sector
Setur was voted the "Best Company in the Sector" in 2007 by 1,350 executives in a survey conducted by Turkey's leading business magazine, Capital. At the same time, the company received the "Best Foreign Tours" award from Skal International, an international organization of top executives of tourism companies.

DİVAN GROUP

Excellence in hospitality since 1963
The Divan Group, which consists of Mares and Palmira companies, in line with its growth strategy in city hotel management, opened the Divan Moment in Ankara in 2007 and signed contracts for three new hotels in Çorlu, Pendik, and Gaziantep.

Divan plans to increase the number of its rooms from 1,126 to 1,512 in eight hotels at the end of 2008, with the opening of Divan Istanbul Asia in Pendik, and Divan Hotel Gaziantep, the first 5-star hotel in the southeastern city of Gaziantep. Divan Hotel Çorlu, planned to be the first chain hotel in the town of Çorlu, will start operation in 2009.

Key indicators of the Koç Group other companies segment

	2007 USD millions	2007 YTL millions	Change %
Total Revenues	719	935	-58
Gross Profit	182	237	-40
EBITDA	15	19	-74
Total Assets	1,405	1,636	0

2007 highlights
Divan is planning assertive new concepts in pastry and restaurant businesses. It has opened its first boutique pastry shop and restaurant in Anadolu Hisarı Istanbul, which is distinct in decoration, packaging, products and style of presentation.

Divan presented Turkish coffee culture and tradition to 6,000 European VIP guests at the "Kaffeesiedler Ball" held in Vienna in 2007.

Divan Bodrum Palmira Hotel, was selected as one of Turkey's 15 most unique brands and received the 2007 "Coolbrands Award."

Yedi, Divan Group's industrial food service company, was the main food supplier to 2007 Turkish Formula 1 Grand Prix, serving 150,000 people during the three day event. The company will continue to service the Formula 1 for the next three years.

SETUR MARİNALARI

28% of Turkey's marina capacity
Setur Marinas operates seven marinas - the Kalamış and Fenerbahçe marinas in Istanbul, the Netsel in Marmaris, and one each in Ayvalık, Çeşme, Kuşadası, and Finike. With a capacity of 3,800 berths, the company owns 28% of Turkey's total capacity, making it the leader of the Turkish marina sector.

In 2007, the total capacity utilization of these marinas has been 118%.

The main strategy of Setur Marinas is to leverage its know-how and experience to grow by acquiring rights for new marina operations locally and internationally.

Yalova Marina to be opened in 2009
The company was awarded the contract for Yalova Marina in 2007. The construction is planned to start in 2008, with the opening scheduled in 2009.

4th Aegean Yacht Rally
The International Aegean Yacht Rally was organized in August 2007 by Setur Marinas, for the fourth time. The Rally serves the mission of promoting seamanship, maritime tourism, sailing and other marine sports, which Setur Marinas also gives high priority in its strategies.

Information Technology (IT)

KOÇSİSTEM

63 Years of experience in IT
With 63 years of experience in the sector, KoçSistem is Turkey's most respected and well-established information technology company.

Over the years, the company has transformed itself from a traditional systems integrator to a provider of customized technology solutions and outsourcing services.

Leader in outsourcing services with 16% market share
According to IDC's service sector report, KoçSistem has a 10% market share in overall IT services. The company is the leader in IT outsourcing segment with a 16% market share.

KoçSistem operates Turkey's largest shared data center, "The KoçSistem Data Center", and one of Turkey's largest disaster recovery infrastructures, the "Ankara Disaster Recovery Center".

The company's 400-seat Call Center and 1.5 million sheets/day capacity Printing Center enable Koçsistem to offer its customers the benefits of outsourcing their entire IT-based business processes.

SAP's first and only business partner in Turkey
KoçSistem is SAP's first and only local business partner in Turkey that has been certified to provide SAP hosting services at international standards.

At the same time, KoçSistem is the fastest growing business partner of Avaya call center solutions in Europe, the Middle East and Africa, and has garnered the "2007 Business Partner" award.

Focus on solution and service providing
KoçSistem, continues to focus on solutions and services, in line with its strategy.

KoçSistem provides the infrastructure of Paro, one of Koç Group's major Customer Relationship Management (CRM) projects. The company has also provided continuing business development services in identity management, SAP, business intelligence, financial solutions and mobile solutions, and successfully completed significant projects in 2007.

Focus on defense industry
KoçSistem intensified its activities in the defense industry in 2007 at Koç Bilgi ve Savunma Teknolojileri A.Ş. (Koç Information and Defense Technologies). By acting as an integrator in the industry, the company offers national solutions through critical technologies; and aims to minimize foreign dependence by accumulating know-how through defense-based projects, developing product-based software, and creating competitive advantages.

30% growth
KoçSistem achieved a revenue growth of 30% in 2007, while increasing revenues from proprietary solutions and services by 67%.

Other

KOÇ.NET

Integrated communication solutions
Koç.net is determined to become the leading alternative telecommunications operator in Turkey. To this end, it has reinforced its infrastructure and offered all its customers integrated communication solutions with its technological leadership, expert staff, high quality service and extensive service portfolio.

Koç.net offers its customers high quality solutions in both data and voice services; including network and security services, hosting and ASP services, campus solutions, multimedia services, and long distance, international and GSM telephone services.

Koç.net has interconnection agreements with Turkey's fixed-line operator, all GSM operators and major international telecom operators. Since 2006, the company has a POP (Point of Presence) in Frankfurt with the aim of developing international business opportunities.

Koç.net successfully maintains business partnerships with leading telecom companies such as British Telecom, KPN (Royal Dutch Telecom), Global Crossing and Bezeq.

Leader in alternative telecom
Koç.net was the only alternative telecom operator to make the 2007 "Capital 500" list of Turkey's largest companies. It also appeared on the "Deloitte Fast 50" list, which ranks technology companies by their growth rates.

Since its foundation, Koç.net has mainly targeted corporate customers. In 2007, it signed the "Local Loop Unbundling" and "Bitstream Access" contracts, which will enable the company to provide voice and data services to individual customers over broadband internet; marking a major cornerstone in the gradual liberalization of the market since 2004.

The "Fixed Telephony Services" licensing regulation, which will enable alternative operators to offer local telephony services, is expected to become effective in 2008. Koç.net has started investing in the necessary infrastructure and operational systems, to target the individual and SME segments once the regulation is in effect.

Koç.net increased its total revenues by 21% and exports by 25% in USD terms in 2007.

BİLKOM

Apple products for Turkey
Bilkom is the exclusive distributor of all Apple products in Turkey since 1984, marketing and selling the full product range, including Mac computers and iPod products.

Over 700 sales points
Through authorized business partners and Apple Premium Reseller (APR) concept stores and retail chains, Bilkom offers products at more than 700 locations. Bilkom also provides after sales services to Apple products through its authorized service centers.

Turnover up 23%
Bilkom increased its revenues by 23% in USD terms in 2007. The number of APR stores doubled from 6 to 12, and the first stores in Bursa and Ankara were opened. 2008 targets include opening of APR stores in new provinces, in addition to the four currently covered - İstanbul, Ankara, Bursa and İzmir.

Bilkom, while maintaining its leadership in the digital music player market with the iPod, achieved more than twice the market growth with Mac computers, the choice of professionals.

PROMENA

Effective and efficient procurement services
Promena ensures the maximization of competition between vendors by transferring procurement processes to a virtual platform and creates substantial cost savings for Group companies. With 681% turnover growth in the last five years, the company was ranked by "Deloitte Technology Fast" in the top 50 companies in Turkey and top 250 companies in the EMEA region.

In 2007, the total volume sales and procurement transactions enabled by Promena rose by 57%, reaching USD740 million. The number of companies registered in Promena's database increased to 6,000.

Promena's US office began operations in 2007 and preparations for an office in Saudi Arabia were initiated.

The Internet-based purchasing system platform was further developed in 2007, particularly for the use of international buyers and sellers, and now provides service in eight languages.

TANI

Tanı, the CRM service provider to Koç Group companies, reached a circulation of more than 12 million cards in 2007.

Administering large scale cooperation projects, such as those with Yapı Kredi World, Tanı has distinguished itself through its meticulousness in the areas of data security and privacy, and superior infrastructure. Tanı reinforced its position as a center of excellence in CRM and promotion campaign management consultancy services in 2007.

RMK MARINE

Expert in ship and yacht building
RMK Marine provides ship and yacht-building services in its shipyard in Tuzla, İstanbul.

RKM Marine, one of the largest private shipyards in Turkey, targets growth through specialty projects with high added value; competing in the global shipbuilding market leveraging its accumulated knowledge base and product range in chemical tankers, offshore service ships and military projects.

In 2007
RMK Marine undertook the project for the construction of four coast guard search and rescue vessels, representing the largest vessels ever commissioned to a civilian shipyard in Turkey.

In line with its plans to enter the offshore service vessel segment, RMK Marine has undertaken the construction of a multi purpose offshore construction vessel. The ship will not only be the largest offshore vessel ever built in Turkey, but also largest of its kind in the world.

In 2007, RMK Marine formed a partnership with Oyster Marine and Dubois - a company renowned for its sailing yacht designs. The two companies signed a contract with RMK Marine to build new Oyster super yachts, which is an important achievement for Turkey's yacht building industry. RMK Marine will build its first yacht at the end of 2009.

Targeting to become a player in the super yacht industry
RMK Marine has taken successful steps in the construction, refit and repair of yachts. Among its intermediate-range goals, is to become one of the important brands in the international super yacht industry.

The Nazenin V brings together the best names in yacht building in design, engineering and project management. The 52-meter ketch is scheduled to be launched in 2008. Nazenin V will secure RMK Marine a position among the elite in the industry.

ARK İNŞAAT

Ark İnşaat, which provides construction services, primarily to Group companies, continued to operate successfully in 2007.

ZER MERKEZİ HİZMETLER

Zer Merkezi Hizmetler continued to serve Group companies as a center of excellence in joint purchasing activities. In 2007, it added printing, scrap sales, media monitoring and armed security services to its portfolio, resulting in significant savings.

RAM DIŞ TİCARET

Ram Dış Ticaret offers international business development services to both Koç and non-Koç companies, especially in the Middle East, North Africa and Central Asian Republics.

to create a better world

believing in change
succeeding through change

Corporate Citizenship

Koç Group strives to create awareness and reach the masses in education, health, culture and arts -the most fundamental necessities of life- for a modern and developing Turkey.

In 2007

• Vehbi Koç Foundation and institutions associated with it
• Koç Holding, and
• Group companies
successfully administered a variety of corporate social responsibility projects.

The Vehbi Koç Foundation set aside about USD3.5 million in scholarships for the 2006-2007 academic year; this figure rose to USD5.3 million the following year.

The Vehbi Koç Foundation

Koç Group derives its sense of social responsibility from the philosophy of its founder Vehbi Koç. Many of the enterprises he founded were based on creating economic value and creating "something" out of "nothing" in a newly founded country. Vehbi Koç's sense of social responsibility grew with the development of the nation. Vehbi Koç anticipated needs before they appeared and laid the foundations for businesses and new industries to meet them. With the same foresight, he identified the needs of the new Turkish generations as society developed, came up with ways of meeting those needs and put them into practice.

In light of the "I live and prosper with my country" philosophy, he set aside part of his revenues for social investments. However, Vehbi Koç's concept of social responsibility extended beyond "philanthropy" to giving direction to society; he institutionalized these efforts and became the pioneer of nongovernmental organizations in Turkey. In this framework, he set up his own foundation and led the way in setting up several other foundations. Foundations like TEMA Foundation, Turkish Education Foundation (TEV), The Educational Volunteers Foundation of Turkey (TEGV) and the The Turkish Family Health and Planning Foundation (TAPV) which play important social roles in areas ranging from education to health, family and the environment carry the signature of Vehbi Koç at their bearings.

Vehbi Koç Foundation (VKV), the first large private foundation of the Republic of Turkey, was founded on January 17, 1969, by Vehbi Koç. VKV started its work with an endowment when Vehbi Koç donated 8 percent of the shares of Koç Holding. In time, the regular donations made by Vehbi Koç and other members of the Koç Family increased the net worth of the Foundation substantially.

VKV provides a substantial part of its services through non-profit organizations in education, culture and health and these organizations are sustained by special funds set up by the Foundation. Vehbi Koç Foundation ranks among the largest foundations in Europe and in the world based on the size of its assets.

Vehbi Koç Foundation is a reflection of social responsibility. Since its establishment, the Foundation has become a model for many philanthropists and has begun to be extremely active in the spheres of education, health and culture, areas which meet the fundamental needs of life for a modern and developing Turkey.

The Vehbi Koç Award

The Vehbi Koç Award, which is a part of Vehbi Koç's heritage and which was initiated after he passed away, annually gives substantial financial support to distinguished individuals and/or enterprises in education, culture and health. In 2007, the award in the field of health was bestowed on Prof. Aziz Sancar for his wide-reaching work on "Revealing the Molecular Mechanisms of DNA Repair" and "Regulation of the Circadian Clock."

Vehbi Koç Foundation Scholarships

The Vehbi Koç Foundation set aside about USD3.5 million in scholarships for the 2006-2007 academic year; this figure rose to USD5.3 million the following year. Within the framework of the scholarship program, one of the most important activities of the Foundation since it was founded, over 5,000 vocational high school and university students were granted scholarships during the 2006-2007 academic year.

This figure reached 6,929 in the 2007-2008 academic year.

Two of the educational establishments which are affiliated with the Foundation and each of which aims to be centers of excellence are Koç University and Koç Private Primary School and High School. In addition to these education centers, Vehbi Koç Foundation supports modern education at 13 primary schools built in various regions of Turkey from Bursa to Şırnak, Bolu to Van. Adopting the "Build Transfer Support" model in this effort, VKV brings together and provides training to the administrators of these 13 schools each year within the framework of the project entitled "Hand in Hand for Development". Koç Group companies in these regions meet the schools' needs.

The Vehbi Koç Foundation: Culture and the Arts

A major part of Koç Group's social responsibility activities in culture and arts are carried out by the Vehbi Koç Foundation. Sadberk Hanım Museum, Vehbi Koç and Ankara Studies Center (VEKAM), and Suna - İnan Kıraç Mediterranean Civilizations Research Institute (AKMED) are affiliated with the Vehbi Koç Foundation.

Sadberk Hanım Museum, Turkey's first private museum, is a pioneering institution in both its collections and its sense of modern museum curatorship. Included among the exhibitions held there in 2007, are the "150th Anniversary of the Crimean War Exhibition," "Çatma and Kemha, Ottoman Silk Textiles,"

Koç Holding hosted a conference called "Creating Value through The Global Compact" on October 25, 2007. At the conference, the framework of the Global Compact Agreement for social responsibility was evaluated.

"Giving back the Color's Josephine Powell Collection," and "Chalices in Antiquity."

In 2007, the "Gedikoğlu Vineyard" donated to the Vehbi Koç Foundation by its Chairman Semahat Arsel opened its doors to visitors as the "Ankara Vineyard Residence" in association with VEKAM. Some of the events held there in 2007 were the exhibitions "Amongst Old Friends: Ankara in Ads (1935-1967)", "Unforgettable Scenes from Ankara Palace Nights, and Render Van in Ulus: One Day in the Life of Statue of Liberty and Ulus Office Building", and "İnsanlık Hu(wo)manity"; the conference "Specialization Libraries," the "Museum Curatorship from the Past to the Present in Turkey"; and the panel "An End to Family Violence towards Women."

Support for a Healthy Society

In 2007, we continued our social responsibility efforts at full speed with projects developed by both the Group companies and Vehbi Koç Foundation itself.

The First Eye Bank, founded in Ankara in 1963 with Vehbi Koç's support and initiative, was renovated in 2007 and transformed into a modern eye hospital at international standards. Around 40 thousand patients are treated annually at the Ankara University Vehbi Koç Eye Hospital, which is Turkey's first and only reference eye hospital and has 38 rooms and 52 beds. Approximately 4.000 patients are operated on and 4.000 patients receive in-patient treatment annually in the four modern operating theatres equipped according to international norms. 13 instructors, 19 research assistants and three specialists work at the hospital. As the first and largest eye hospital of Turkey, it is also a source of hope for thousands of patients awaiting cornea transplants.

The Rahmi Koç Museum

There are two museums run in association with the Rahmi M. Koç Museum Curatorship and Culture Foundation. The Rahmi M. Koç Museum is located on the Golden Horn in magnificent buildings that house some of the foremost examples of industrial archeology. It is the first major museum in Turkey to be devoted to the history of transportation, industry and communication. Meanwhile, the Çengelhan Rahmi M. Koç Museum, located in the heart of Ankara across from the Ankara Citadel, has begun operating in an impressive historical building.

The Museumbus Project, which begun in 2003 as a social responsibility project to enable students who, for a variety of constraints such as time and distance, are unable to visit the museum, continues to visit schools. Sponsored by Migros, the objective of the project is to spread an appreciation of museums. In four years, Museumbus Project reached 80,000 students.

With the vision of being a living museum, it has a new Discovery Table where selected objects can be touched by everyone and even tried on. These objects include, for example, a WWII flight helmet, a unique mineral, and an old horn.

In addition, an exhibition of photographs taken at the April 23rd Turkish Radio & Television National Children's Day Festival sponsored by Koç Holding toured at the Rahmi M. Koç Museum Aydın Çubukçu Gallery.

The "Boats and People Photograph Exhibition", which consists of photographs of an important means of transportation in Istanbul, was held at the Rahmi Koç Museum.

Among the receptions held during 2007 at the Rahmi M. Koç Museum are the Istanbul Chambers of Minerals and Metal Exporters Design awards ceremony, the debut ceremony of the Drum Events, the YK Sait Faik Awards ceremony, and the ceremony launching British Council Engage, with the participation of Prince Charles, Prince of Wales.

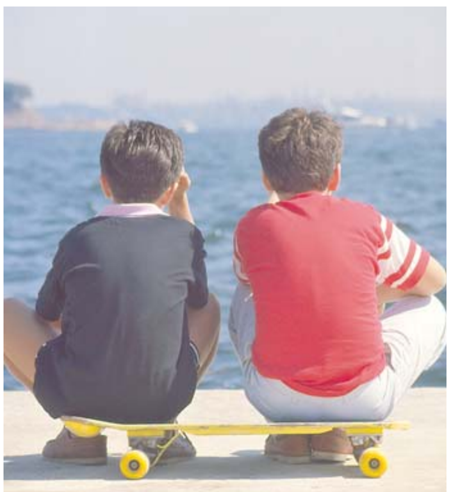
Global Compact

The Global Compact, which was formally announced to the public in 2000, is a voluntary corporate citizenship network that brings together the public sector and private sector, as well as UN bodies and civil society, in order to address the challenges of globalization. Signed by 3700 firms from 120 countries, the Global Compact is based on ten basic principles in areas such as preventing labor discrimination, human rights for a sustainable environment, labor, environment and anti-corruption. The fact that these principles coincide with the goals and principles of the Group made it a natural step to sign the UN Global Compact.

Koç Group's main principles rest on corporate citizenship, yielding the Group towards projects that contribute to the development of society and that create value. Its founder Vehbi Koç's dictum "I live and prosper with my country" forms the basis of Koç Group's perspective on social responsibility. Koç Groupas an official sign of its commitment to corporate social responsibility, joined the Global Compact on March 30, 2006.

Koç Group engaged in various activities to advocate corporate social responsibility and the Global Compact in 2007. The Group was represented at the Global Compact Leaders Summit held in Geneva on July 5-6, 2007, Back in Turkey, Koç Holding hosted a conference called "Creating Value through The Global Compact" on October 25, 2007.

At the conference, which high-level United Nations officials and specialists attended, the framework of the Global Compact Agreement for social responsibility was evaluated. A book was translated into



Turkish, Raising the Bar: Creating Value through The Global Compact, was launched and presented to the participants at the conference.

26 more leading enterprises in Turkey joined the Global Compact in a ceremony held on November 12, 2007, led by KalDer, sponsored by Koç Holding and attended by Nobel Prize laureate and former UN Secretary General Kofi Annan. The number of enterprises that signed the UN Global Compact in Turkey has now exceeded 100.

The Koç Group 2006-2007 Corporate Social Responsibility Report was published.

Guided by the philosophy "I live and prosper with my country" propounded by its founder, Vehbi Koç, the Koç Group has aimed at assisting individual development by working with its shareholders, assuming a role in the development of the local economy, providing leadership in protecting the environment and ensuring the sustainability of our economic development.

Koç Group has published a report on its Corporate Social Responsibility activities in 2006 and 2007 to share its social reach with the public. The report can be accessed at: http://www.koc.com.tr/tr-TR/SocialResponsibility/SocialProjects/

International Projects: Support for Mevlana Events in the US

Koç Holding supported various Mevlana events in Washington DC in conjunction with the Smithsonian Institute throughout 2007. Koç Holding believes that the messages of love and tolerance of Mevlana Celaleddin Rumi, one of the greatest historical contributors to Turkish philosophy and culture, have become even more valuable over time, and that humanity has greater need for them now than ever before. Therefore, the Holding wishes to share this philosophy, internalized by many over the centuries and especially by the Turkish people, through these functions.

UNESCO declared 2007 the year of Mevlana in commemoration of the 800th anniversary of his birth. As part of a program of events, gatherings were held on March 14th at the Library of Congress and on March 15th at the Smithsonian's Freer Gallery. At these events, Talat Halman read in English poems from the Mesnevi, Mevlana's masterpiece of Sufi literature, and this was followed by a sema, or 'Whirling Dervish' ceremony, to music performed by Ahmet Özhan and his group.

Social Responsibility at Koç

Education, health, culture and the arts, and the environment are fundamental needs of life in a modern and developing Turkey. Accordingly, the Koç Group is working hard to create the greatest possible public awareness of these issues.

Support for Education

Since it is obvious that society cannot progress without allocating enough resources for education, Koç Group contributed to social development by implementing numerous education projects in 2006 and 2007, as it did in previous years. This contribution to education continues through joint or individual efforts by Koç Holding, the foundations it supports, and its various sponsorships.

In 2007, Koç Holding opened 160 computer classes for 21 students each in 160 schools in various parts of Sakarya, one of the hardest hit provinces in the 1999 earthquake. Koç Holding provided a total of 3,381 computers to approximately 66,000 students in Sakarya within the framework of a Ministry of Education campaign in support of Computer-Aided Education.

In 2006, Koç Holding launched the "Vocational High Schools - Vocational Education: a crucial matter for the Nation" project in cooperation with the Ministry of Education. Koç Holding aspires with this project to support students in order to encourage vocational technical training. In the meanwhile, the Holding aims to create awareness in all sections of society about the importance of vocational training for the country's economy. Koç Holding acts as a leader in showcasing public-private

In 2006, Koç Holding launched the "Vocational High Schools - Vocational Education: a crucial matter for the Nation" project in cooperation with the Ministry of Education in order to encourage vocational technical training.

partnership at the intersection of vocational education and employment creation by encouraging our youth to take up vocational training and contribute to developing a high quality work force. The 7-year project provides scholarships supported by internships, employment priority and coaching to 8000 students in 250 schools and 81 provinces, thus offering support for both training and employment. The project aims to:

• Give students scholarships and support them,
• Enhance their knowledge, skills and competence by providing internships, and
• Provide students with employment priority and coaching to support their career development.

With the launch of the project (in the 2006-2007 academic year), more students started to prefer vocational schools. There was a 30 percent increase in applications for vocational schools in 2008.
The "Vocational schools - Vocational Education: a crucial matter for the Nation" project set an example for industry-education cooperation with the support of 21 Group companies.

Tüpraş, Migros, Tofaş, Otokoç and Ford Otosan supported the project with the laboratories and special educational branches they set up in schools. Moreover, with their pre-employment training programs, Tofaş and Ford Otosan employed secondary school, high school and industrial vocational school graduates, thus encouraging them to have a profession.

Koç Group employees participate in the project by becoming volunteer coaches for the scholarship students. The "Vocational School Coaches" received Volunteering-Motivation and Communication courses before starting their work on the project. They learned how to inform and train students within the scope of the project and were encouraged to more actively contribute to the project. Following this training, they took an active role in the selection of the scholarship students. Afterwards, the Career Coaches began holding monthly meetings with them. 21 Group companies, including Arçelik, Aygaz, Otokar, Divan and Yapı Kredi, are represented among the Vocational High School Career Coaches.

In 2007, The "Vocational High Schools - Vocational Education: a crucial matter for the Nation" (MLMM) has a portal that serves as the project's communication and implementation platform of the project. It serves as a bridge between the company officials, vocational school coaches, school principals, scholarship students, the Vehbi Koç Foundation, Koç Holding Corporate Communications Department and the MLMM project coordination team. A follow-up and evaluation module has also been integrated into the project through the portal to follow up the project implementation and volunteer working hours and to make an assessment.

Support for Culture and the Arts

The socio-cultural life of a country is just as important as its economic conditions for the country's progress and social development. Therefore, while contributing to the country's economy with economic activities, Koç Group also sets aside resources for culture and arts, other pillars of social development. Koç Group supports art and artists by protecting the country's historical and cultural heritage and creates awareness through

many projects it develops every year. The Group aims to extend culture and arts to large groups of people through its activities ranging from archaeology to history, museum curatorship to modern art.

Istanbul Biennale

The Koç Group consistently aims at excellence in its support of culture and the arts. To this end, in 2007, it came up with significant projects that would leave an impact on society. One of these projects was support for modern art, a sphere of art that is very close to the man on the street, and is international, participatory, and intimately concerned with social problems.

To this end, Koç Holding has assumed the sponsorship of five Istanbul Biennales over a ten-year period from 2007 to 2016. At the Istanbul Foundation for Culture and Arts' 10th International Istanbul Biennale, entitled "Not only Possible, but also Necessary: Optimism in the Age of Global War" was sponsored by Koç Holding. More than 150 projects by 96 international artists and art groups were exhibited in five exhibition halls.

In the two months after it opened its doors on September 8th, 2007, approximately 91,000 people visited the exhibitions of the 10th International Istanbul Biennale, Turkey's largest contemporary art festival, which transformed Istanbul into a huge platform for the arts.

Corporate Citizenship

Koç Holding provided free entrance to university students, enabling 18,000 students from universities in Istanbul and the surrounding provinces to visit the 10th Istanbul Biennale. Young art lovers were enthusiastic about the children's educational programs conducted at the Pace Art Center as part of the Biennale. More than 800 children between the ages of six and 14 attended the workshops conducted twice a week during the Biennale.

Koçtaş provided support for the “Dream House” project and supplied the equipment and materials used at the Biennale. Yapı Kredi also participated with its “Night Roamers” project and financed the publication of the Biennale's catalogue. Arçelik sponsored the Biennale's audio-video systems.

Sizinkiler

For two consecutive years, Koç Holding has been supporting the children's musical “Sizinkiler-Dünya Kaç Bucak”, which was staged for the first time in 2006 by Beşiktaş Culture Center Players and where renowned Turkish cartoonist Salih Memecan's cartoon characters feature. In 2006, the play went to 17 provinces reaching 100 thousand children including those in Istanbul. In 2007, 54 performances were held in 25 provinces. In two years, a total of 160 thousand children had a chance to see the play. Students from less advantaged schools were encouraged to see the play. Children, parents and teachers expressed the need for such plays and their pleasure in seeing the play in the play's memory book.

For My Country

Koç Holding declared the last Sunday of May “For my Country Day” in commemoration of the anniversary of its founding. Koç Group employees and dealer carry out a variety of social responsibility projects in their respective provinces. This volunteer-supported project aims to generate a sense of social responsibility throughout the country and is trying to share this awareness with everyone. Many social responsibility projects, ranging from building children's parks for the handicapped, repairing schools, equipping laboratories, donating computers, to building libraries, are carried out through the voluntary participation of Koç Group dealerships. In two years, Group companies, employees and dealerships have conducted a total of 387 social responsibility projects all over Turkey.

ülkem için!

Education

Koç Group companies continued many educational projects in 2007. Through the Aygaz “Careful Child Campaign,” primary school children were informed about first aid and about what to do in case of school or home accidents, earthquake, traffic accidents and fire. Thus far, a total of 310,000 children have been reached by training and through the free “Careful Child” theater production.

In the aftermath of the 1999 earthquake, the Vehbi Koç Foundation and the Istanbul Governor's Office signed a protocol to rebuild the Beyazit Primary School, which had collapsed. Under the protocol, Ford Otosan, a Koç Group company, spent USD1.7 million to put up a new school. The Beyazıt Ford Otosan Primary School is an excellent example of the Group's contributions to education in Turkey. The school offers the opportunity for gifted children to receive an education alongside their normal counterparts at a public school. They

comprise approximately 150 of the 500 students studying there. The Beyazıt Ford Otosan Primary School provides education at the high standards that a modern education demands, particularly with respect to technical opportunities. The school has been constructed to withstand an earthquake measuring nine on the Richter scale.

In addition, under the auspices of the “100% Support to Education” Campaign and under the leadership of the Vehbi Koç Foundation, Ford Otosan provided USD5.5 million in financing for the construction of the Kocaeli Ford Otosan Primary School. Completed in six months, it opened its doors in 2007.

The “I am reading and I am learning” Project, sponsored by Yapı Kredi, was officially inaugurated by the Turkish Education

Volunteers Foundation on August 31st, 2006 in 11 parks and 55 schools. This project is a creative reading program designed to get children excited about reading and to get them to take their first steps towards creating a reading habit.

The "I am reading and I am learning" Project takes into consideration children's levels of perception and interest at the various developmental stages. By improving critical and creative thinking skills, it is an imaginative and active reading program supported by painting, music, dance and creative drama.

In 2007, a total of 21,173 activities in educational parks and schools were held with the assistance of well-known academics and volunteer teachers. The goal of the project is to inculcate the joy of reading in children and, by 2010, it is hoped that the project will have reached 50,000 children.

Culture and the Arts

In addition to the support they have provided to the Holding's culture and arts projects, the Koç Group companies have contributed to the spread of cultural values through various social responsibility projects and the publication of books.

Aygaz has continued to back the restoration of the Antonin Fountain, one of the most magnificent works in the Ancient city of Sagalassos, located in the township of Ağlasun in Burdur. Through the excavation and the promotion of Sagalassos, Aygaz is transferring resources to the local economy and supporting tourism in the region. In 2007, the 3,500-piece puzzle of the Antonin Fountain was completed. Reinforcement of the Fountain will continue until 2010.

The Aygaz Library has published nine works since it was established in 1997. In 2007, it published the book The Treasures of Troy.

The Film Traveler's Festival tours different universities countrywide every year, and was held for the fifth time in 2007. Supported by Yapı Kredi, this festival enables university students to watch award-winning movies free of charge.

In 2007, Yapı Kredi Kültür Sanat Yayıncılık continued to support high quality and distinctive events in the arts with the aim of enriching the country's cultural life. These events include the nearly 200 books and five journals published by Yapı Kredi Publications, 18 exhibitions, movies and performances held at the Yapı Kredi Cultural Center, and nearly 500 different library and museum functions, and festivals.

Opet is involved with the Gallipoli Peninsula, which is rich in history and the site of the Gallipoli Battle. Because of its special features, the Gallipoli region receives millions of visitors. Due to inadequate infrastructure, the annual three million visitors to the area confronted various difficulties. Opet took notice of this and responded by developing its "Respect for History" project through which improvements were made to the villages of Alçıtepe, Seddülbahir, Bigalı, Kilitbahir, and Büyük and Küçük Anafarta and the Eceabat townships. This facelift enabled the historical and cultural facets of the area to become more prominent.

In an attempt to encourage local development, English, pension management, and cleanliness and hygiene classes were provided to the people of the region. The modern-looking village squares, museums, modern toilets and renewed shops brought about by renovation projects will not only expand regional tourism but also increase the revenue of village administrations.

As the final stage in the project, Opet built a "Respect for History Park" and an "Open-air Museum" on a 2,520-meter area along the coast in Eceabat. This created a spot from which military positions reflecting a cross-section of the Gallipoli War could be seen. The Respect for History Project received the "Zirvedekiler" social responsibility award from Platin Dergisi in 2007.

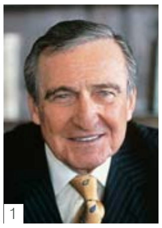
Health

The Group companies continued various social responsibility projects in the health sector. One of the most important of these is the "Ayışığı: Aygaz'dan Sağlık Işığı" project, which is for health centers providing basic health services in Turkey. The vaccination rooms, the most heavily used sections in the health centers, were completely renovated and all required equipment and supplies were procured for them. By raising the standards of these rooms, as of the end of 2007, the "81 Health Centers in 81 Provinces!" project was completed. The Ayışığı project was implemented through the financial support and morale of Aygaz dealers and Aygaz employees.

Migros continued its "Health Begins at the Market" project in 2007. Designed to raise consciousness of a healthy life, the project, under the guidance of dieticians, provides information about how the foods in a shopping basket are used by the body, what constitutes healthy living conditions and what needs to be done to have healthy diets.

Opet's Clean Toilet Campaign put toilet cleanliness and hygiene on the agenda in Turkey. The importance of the matter was stressed on various platforms, first and foremost being Opet stations. In cooperation with the Ministry of Education, more than 100,000 students have received education on this topic. With regard to the needs of the handicapped, conditions and standards of toilets for the handicapped have been brought to Opet gas stations. Cartoons to educate children and adults have been prepared and broadcast on television.

Curricula Vitae Board of Directors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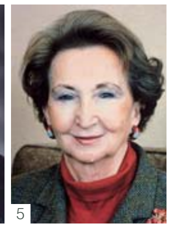
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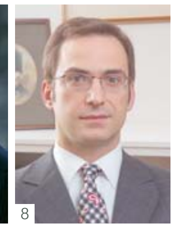
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1- Rahmi M. Koç, started his career in 1958 at Otokoç. In 1960, he transferred to Koç Ticaret A.Ş., which represented the Koç Group in Ankara. In 1963, following the establishment of Koç Holding, he managed its office in Ankara. In 1964, Rahmi M. Koç moved to Istanbul and was appointed Koç Holding General Coordinator. Subsequently, he became the Chairman of the seven-person Executive Committee which was established in 1970. He served as Vice-Chairman of the Management Board in 1975 and as Chairman of the four-person Management Committee in 1980. From 1984-2003, he was Chairman of the Board of Koç Holding. During 1995-1996, he served as Chairman of the International Chamber of Commerce. Currently, Rahmi M. Koç is the Honorary Chairman of Koç Holding.

2- Mustafa V. Koç, is Chairman of the Board of the Directors of Koç Holding. He is a member of the İstanbul Chamber of Industry, Chairman of the High Advisory Council of the Turkish Industrialists and Businessmen's Association; Honorary Consul General of Finland for İstanbul; member of the Foreign Economic Relations Board; National Bank of Kuwait, International Advisory Board member and a member of the Young Presidents' Organization. He is a member of Rolls Royce International Advisory Board and the JP Morgan International Council, and a member of the board of the Vehbi Koç Foundation, as well as of the Board of Trustees of the Educational Volunteers Foundation.

3- Suna Kıraç, was appointed Vice-Chairman of Koç Holding Board of Directors in 1980. She started her career in 1960 as Assistant to Vehbi Koç, the founder of Koç Holding. Suna Kıraç served as Vice-President of the Personnel and Management Department in 1970. She is a member of the Vehbi Koç Foundation Board of Directors, Koç University Board of Trustees, Turkish Educational Foundation Board of Trustees and the Founding Member and Honorary Chairman of the Turkish Volunteers for Education Foundation. Suna Kıraç received the State Award for Outstanding Service from Süleyman Demirel, President of the Turkish Republic, in 1997. She received “Honorary Membership” from London Business School on July 1, 1999, and the “Woman of the Year” Award on March 13, 2001 and the Millennium Volunteers Outstanding Service Award on November 7, 2001 from KASACOM, the Volunteer Organizations National Women's Health Commission.

4- Temel Atay, has been a member of the Board of Directors since 1996. He was named Vice-Chairman in 1998. He started his career in 1966 as Product Development Manager at Otosan and was named Koç Holding Automotive Assistant Coordinator in 1972. He served as General Manager of Otoyol and then Tofaş, Tofaş Group President, Executive Board Member and CEO.

5- Semahat Arsel, as well as being a member of Koç Holding Board of Directors, is also Chairman of the board of Vehbi Koç Foundation, the Second Chairman of the Florence Nightingale Foundation and the founder of Koç University School of Health. She began her business life as a member of the Board of Directors of Koç Holding in 1964. She also serves as Chairman of the Board of Tourism Group and Chairman of SANERC. (Semahat Arsel Nursing Education & Research Center)

6- Dr. Bülent Bulgurlu*, started his career in 1972 as a Construction Engineer at 1 Elliot Strömme A/S in Oslo, in 1977 to join İntes A.Ş. as a Construction Engineer. He worked in various positions at Garanti İnşaat, including Engineering, Planning and Construction Manager, Construction Site Coordination and Construction Manager, Assistant General Manager and General Manager. He was appointed Vice-President of the Tourism and Services Group at Koç Holding in 1996, becoming President of this group in 2000. In 2001, he was named President of the Tourism and Construction Group. In 2004, he was appointed President of the Consumer Durables and Construction Group. Bülent Bulgurlu was appointed CEO of Koç Holding effective from May 2007.

7- İnan Kıraç, has been a member of Koç Holding Board of Directors as well as Chairman of the Board of Directors of Kıraça Group of Companies since 1998. He started his career at Koç Holding in 1961 as a Sales Officer at Ormak A.Ş. He was subsequently named Assistant Manager of this company. He became General Manager of Otoyol In 1966 and then General Manager of Tofaş Oto Ticaret A.S. in 1970. In 1973, he was appointed Tofaş Group Coordinator at Koç Holding and then Vice-Chairman of Koç Holding in 1980. He was named Automotive Companies President in 1987 and a member of Koç Holding Board of Directors and Chairman of the Management Committee in 1993. From 1994 to 1998, he served as CEO of the Group.

8- Ömer M. Koç, has been a member of Koç Holding Board of Directors since 2004. He began his career as Sales Officer at Kofisa Trading Company in 1985. He worked as Sales Officer at Ramerica International in 1989. He was named Manager of Gazal in 1991. Ömer Koç served as Finance Coordinator from 1992-1996, as Energy Group Vice-President from 1996-2000 and as Energy Group President from 2000-2004.

9- Hasan Subaşı, has been a member of Koç Holding Board of Directors since 1994. He began his career in 1969 as a Project Engineer at Koç Holding Industrial Business Coordination Group. He worked at Arçelik at several posts from 1970 to 1982 and was named General Manager of Asil Çelik A.Ş. in 1982. He was appointed General Manager of Arçelik in 1983. In 1991, he became the Vice President of Koç Holding Consumer Durables Group; in 1992 he was appointed a member of the Management Committee; and, in 1994, he was named a member of Koç Holding Board of Directors and President of the Consumer Durables Group. During 1998-2002, he served as Vice Chairman of Koç Holding Board of Directors.

10- Prof. Dr. Yavuz Alangoya, became a member of Koç Holding Board of Directors in 2003. He joined Koç Holding in 1981 as Chief Legal Advisor. He has served on the Board of Trustees of Koç University since 1994 and in 2005 was appointed Faculty Member at Koç University School of Law in Civil Law of Procedures.

11- Ali Y. Koç**, joined the Board of Directors of Koç Holding on January 30th 2008. He attended the American Express Bank Management Trainee Program between 1990 - 1991. He worked from 1991 to 1992 as a Coordinator at Ramerica International, Inc., and participated in the Securities Analyst Trainee program at Morgan Stanley Group between 1992 - 1994. He started working at Koç Holding as the New Business Development Coordinator in 1997 as part of the Strategic Planning Group . He served as the Information Group Operating Committee Chairman as well as the New Business Development Coordinator from 2000 to 2002. He was appointed President to the Information Technologies Group in 2002. In 2006, he was appointed President to the Corporate Communications and Information Technologies Group.

12- H. Oswald Maucher, has been a member of Koç Holding Board of Directors since March 26th, 1999. He is also the Honorary Chairman of Nestlé S.A. He worked at several posts at Nestlé in Germany from 1964-1980. After 1975, he served as Chairman and CEO of Nestlé Gruppe Deutschland GmbH in Frankfurt. On October 1st, 1980, he was transferred to Nestlé S.A. in Vevey, Switzerland as Assistant Managing Director and a member of the Executive Committee. He was appointed Chief Executive Officer in November 1981. From June 1st, 1990 until June 5th, 1997, he served as Chairman of the Board of Directors as well as CEO. He resigned his post of CEO of Nestlé S.A., on June 6th, 1997 but remained as Chairman of The Board until 2000. Mr. Maucher is still serving as the President of European Round Table of Industrials (ERT) and the member of International Chamber of Commerce (ICC).

13- John H. McArthur, has been a member of Koç Holding Board of Directors since 1999. He was the Dean of Harvard Business School from 1980-1995. The John and Netilia McArthur University Professorship was established at Harvard University in 1997. He is currently a director of The AES Corporation; Senior Advisor to the President of The World Bank; Chairman of the Canada Asia Pacific Foundation; and a member of the Board of Trustees of Reuters Founders Share Company Limited. He has served on the Boards of BCE Inc., Cabot Corporation, Columbia/HCA Healthcare Corporation, Glaxo Wellcome plc, Rohm and Haas Company, Springs Industries, Inc. and The Vincam Group, Inc. He has been a director of Chase Manhattan Corporation, a Trustee in Bankruptcy of Penn Central Transportation Company and a founding board member of the Canada Development Investment Corporation and a member of the Task Force on the Future of the Canadian Financial Services Sector. For many years, he served as chairman of the Brigham and Women's Hospital. Later he was founding Co-chair of the Board of Trustees of Partners HealthCare System, Inc. He has been awarded honorary doctorates from Middlebury College, Queens University (Ontario), Simon Fraser University, the University of British Columbia, the University of Western Ontario, and the University of Navarra in Spain. Other awards have included a Management Achievement Award, McGill University; Harvard Statesman Award, from the HBS Club in New York; and a Canadian Business Leadership Award, from the combined HBS Clubs of Canada.

14- Dieter Christoph Urban, has been a member of Koç Holding Board of Directors since 2005. He was appointed Chief Financial Officer of Siemens plc in November 1998. He joined Siemens in the United Kingdom from Turkey, where he was Executive Vice President and Member of the board of Siemens Group with special responsibility for Finance. As a Chief Financial Officer, Mr. Urban had overall responsibility for financial matters for Siemens in the United Kingdom. In this role, he also oversaw Information Technology, Siemens Shared Services and Siemens Properties in the UK. Prior to joining Siemens in Turkey at the end of 1992, Mr. Urban worked as Treuhandanstalt Administrative Director of the East Germany Privatization Association. Having joined as a Director of Administration in 1991, Mr. Urban became Director of Corporate Planning, and, while posted in New York in 1992, was in charge of attracting potential American Investors. He resigned from Siemens in April 2006. Currently, he serves as chief advisor to Roland Berger and London & Oxford Group. He also teaches at London School of Economics and Koç University.

15- Prof. Dr. Heinrich V. Pierer**, joined the Board of Directors on January 30th, 2008. He studied Law and Economics at Erlangen-Nuremberg University before starting work at Siemens AG in 1969. Pierer held many important positions there - the last being Chairman of the Board of Directors from 2005 to 2007. Between 1993 and 2006, he served as Chairman of the German Business World Asia-Pacific Committee. Prof. Heinrich V. Pierer holds an honorary doctorate in Industrial Economics from Erlangen Friedrich Alexander University.

16- Dr. Füsun Akkal Bozok, has been Auditor of Koç Holding Board of Directors since April 2006. She began her career in 1980 at Arthur Andersen Audit Co. Istanbul, joining the Auditing and Financial Control Group of Koç Holding in 1983,she worked as an auditing specialist and assistant to the Coordinator of Auditing and Financial Group .She served as Coordinator of the Auditing and Financial Control Group for 11 years. Between 2004-2006 she worked as the Coordinator of the Financial Group. Currently,she lectures at Koç and Sabancı Universities and was appointed as a member of the Board of Directors of Yapı Kredi Bank on September 28th, 2005.

17- Nevzat Tüfekçioğlu served as Auditor of Koç Holding Board of Directors from 2002 to 2006 and is currently Auxiliary Auditor. He began his career in 1963 as an Account Specialist at the Ministry of Finance, joining Koç Holding in 1974 as Assistant to Finance Coordinator. From 1991-1994, he served as Group Coordinator of Finance. He was Vice President of the Auditing and Financial Control Group from 1994 to 1999, becoming President of the Auditing and Financial Control Group in 1999, till his retirement in April 2002.

* Appointed in May 2007.
** Became Board Member on 30 January 2008.

Bülend Özaydınlı left his position as CEO in May 2007 and as Board Member in October 2007.
Wayne Booker passed away in October 2007.

Curricula Vitae Executive Management


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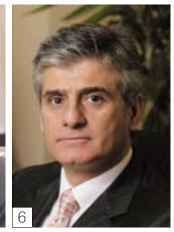
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1- Dr. Bülent Bulgurlu*
CEO-Member of the Board of Directors

Bülent Bulgurlu started his career in 1972 as a Construction Engineer at 1 Elliot Strömme A/S in Oslo, returning to Turkey in 1977 to join İntes A.Ş. as a Construction Engineer. He worked in various positions at Garanti İnşaat, including Engineering, Planning and Construction Manager, Construction Site Coordination and Construction Manager, Assistant General Manager and General Manager. He was appointed Vice-President of the Tourism and Services Group at Koç Holding in 1996, becoming President of this group in 2000. In 2001, he was named President of the Tourism and Construction Group. In 2004, he was appointed President of the Consumer Durables and Construction Group. Bülent Bulgurlu was appointed CEO of Koç Holding effective from May 2007.

2- Hasan Bengü
Foreign Trade and Tourism Group President

Hasan Bengü,started his career in 1975 as an Engineer at Beko Teknik (now Beko Elektronik), then becoming Planning Manager at Asil Çelik in 1979. From 1981 to 1983 he worked as Purchasing Manager at Asil Çelik. He served as Assistant General Manager at Kofisa Foreign Trade from 1983 to 1985, becoming General Manager in 1985. From 1991 to 1998, he served as General Manager of Ram Foreign Trade. He was appointed Foreign Trade Group President in 1998. Besides this position, he also served as the President of the Corporate Communications Group from 2003 to 2006. Since 2006, he has served as Foreign Trade and Tourism Group President.

3- Turgay Durak**
Automotive Group Chairman

Turgay Durak began working as a Product Development-Design Engineer at Ford Otomotiv Sanayi A.Ş. in 1976. After serving as Project Head and Project Coordination Manager, he was appointed Assistant General Manager-Marketing in 1986 and Assistant General Manager-Purchasing in 1987. In 2000, he started serving as Deputy General Manager and in 2002 he was promoted to General Manager.Durak has been Koç Holding A.Ş. Automotive Group Chairman since May 2007.

4- Ali Y. Koç***
Corporate Communications and Information Group President

Ali Y. Koç joined the Board of Directors of Koç Holding on January 30th 2008. He attended the American Express Bank Management Trainee Program between 1990 - 1991. He worked from 1991 to 1992 as a Coordinator at Ramerica International, Inc., and participated in the Securities Analyst Trainee program at Morgan Stanley Group between 1992 - 1994. He started working at Koç Holding as the New Business Development Coordinator in 1997 as part of the Strategic Planning Group . He served as the Information Group Operating Committee Chairman as well as the New Business Development Coordinator from 2000 to 2002. He was appointed President to the Information Technologies Group in 2002. In 2006, he was appointed President to the Corporate Communications and Information Technologies Group.

5- Aka Gündüz Özdemir****
Durables Group President-Arçelik A.Ş. General Manager

Aka Gündüz Özdemir began his career as a sales representative at Beko Ticaret in 1972, progressing to Sales Chief, Regional Sales Manager, Assistant Sales Manager, Sales Manager, Assistant General Manager for Sales & Marketing and then General Manager.from 1991-2000.From 2000-2003 he served as the Assistant Vice President of the Durable Goods Group at Koç Holding as well as Turkey Marketing & Sales Group Director for Arçelik. He has been the General Manager of Arçelik since 2003 and in addition was appointed as the President of the Durable Goods Group at Koç Holding in May 2007.

6- Ömer Bozer
Food and Retailing Group President

Ömer Bozer started his career in 1983 as a trainee at Koç Holding. Subsequently, he held various posts including Budgeting & Planning Manager, Assistant General Manager at Maret, and Assistant General Manager and the General Manager of Düzey. He was appointed General Manager of Migros Türk in 2002. In October 2004, he was named Co-President of Koç Holding Food, Retailing & Tourism Group, and then President. He has been President of Koç Holding Food & Retailing Group since 2006.

7- Tamer Haşimoğlu
Strategic Planning Group President

Tamer Haşimoğlu started his career in 1989 at Koç Holding as a trainee in the Planning Department. From 1993 to 1995, he worked as a Planning Specialist, becoming Strategic Planning Manager in 1995. From 1997 to 2003 he served as Strategic Planning Coordinator at Koç Holding. He was appointed Koç Holding Strategic Planning Group Vice-President in January 2004, becoming President in May 2004.

8- Ali Tarık Uzun
Auditing Group President

Ali Tarık Uzun started his career in 1985 as an Account Specialist at the Ministry of Finance, joining Koç Holding in 1992 as Assistant Coordinator of Financial Affairs in the Auditing and Finance Group. From 1996 to 2003, he served as Coordinator and has been President of the Auditing Group at Koç Holding since 2004.

9- Erol Memioğlu
Energy Group President

Erol Memioğlu started his career in 1979 at TPAO as Specialist Engineer, becoming Head of the Production and Overseas Projects Group. He joined Koç Holding in 1999 as Vice President of the Energy Group. From 2003 to 2004, he was a member of the Board of Directors of Koç Holding responsible for the operations of the Energy Group. Since May 2004, he has been president of the Energy Group at Koç Holding.

10- Kudret Önen
Defence Industry and Other Automotive Companies President

Kudret Önen began his career in 1975 as a Planning Engineer at Ford Otosan. He served as Project Engineer and then became Manager of Research & Development at Koç Holding in 1980. In 1984, he was appointed Assistant General Manager of Otokar, becoming General Manager in 1994. In 2005 he was appointed Co-President of Koç Holding Other Automotive Companies Group. He has served since 2006 as President of Defense Industry and Other Automotive Companies at Koç Holding.

11- Ahmet Ashaboğlu
CFO-Finance Group President

Ahmet Ashaboğlu began his career as a Research Assistant at Massachusetts Institute of Technology in 1994, going on to work at UBS Warburg, New York as Associate Director-American Treasury Bond Trading. From 1998 to 1999, he served as Head Trader/Branch Manager-FX Options at UBS Warburg, Philadelphia. From 1999 to 2003 he worked as Engagement Manager at McKinsey & Company, New York. He joined Koç Holding in 2003 as Finance Group Coordinator and was appointed CFO in 2006.

* Became Board Member in May 2007.
** Appointed as Automotive Group President in May 2007.
*** Became Board Member in January 2008.
**** Appointed as Consumer Durables Group President in May 2007.

KOÇ HOLDİNG A.Ş.
CORPORATE GOVERNANCE COMPLIANCE REPORT

1.1. Corporate Governance Compliance
Growth in today's increasingly global and competitive environment requires compliance with internationally accepted practices and implementation of a set of respective principles. It is vital for both the country and for publicly traded companies that the Turkish capital markets are integrated with the global liquidity system in order to increase funding opportunities from international financial markets.

As Koç Group, we believe that good corporate governance brings companies considerable benefits 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 in Turkey to take steps to reach the highest standards in this area at a time when corporate governance principles were not widely applied in the country. Koç Holding's approach to corporate governance has always been voluntary and proactive. Therefore Koç Holding has made 1) Transparency 2) Fairness 3) Responsibility and 4) Accountability its four inviolable principles

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

Koç Holding's management structure, processes and policies have been set in conformity with the regulatory provisions, ensuring clarity and transparency in decision making and responsibility.

Koç Holding has voluntarily applied international standards and practices. 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 the compensation of top management to economic profit and share performance. 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 Capital Market Regulations.

Koç Holding, in accordance with laws and governing principles, provides the requisite information to all investors and analysts simultaneously in a regular, reliable and consistent fashion. In order to ensure continuous and effective communication, Koç Holding organizes investor meetings, conferences and panels and targets to reach a wider audience through media interviews.

As the first holding company to be established in Turkey and as a Group that is committed to institutionalization, we have applied universal corporate governance principles for many years and adopted the "Corporate Governance Principles" approved by the Capital Markets Board (CMB) on July 4th, 2003 with decision number 35/835, which have first been declared to the public in July 2003 and revised in May 2005. We are working on principles that have not yet been implemented and plan to apply them immediately after the administrative and technical infrastructure work is completed.

Below is the detailed compliance report that summarizes our standing in respect of the Corporate Governance Principles which are implemented and are being worked on by Koç Holding.

1.2. Corporate Governance Principles Not Yet Implemented
While Koç Holding recognizes the importance of full compliance with Corporate Governance Principles, full compliance has not yet been achieved due to challenges encountered in implementation with regard to some principles, the discussions still prevailing in the international platform with regard to compliance with these principles and the failure of the current market and corporate structure to meet such principles in a proper fashion. Some principles are met in application, but have not yet been reflected in the articles of association. We closely follow the developments related to the matter and are carrying out development work uninterruptedly in order to ensure that full compliance is achieved within the most appropriate time with regard to the principles that have not been complied with. Those principles which the Company has not yet adopted in full measure are outlined in the sections below.

1.3. Studies Conducted within the Period to Ensure Compliance with the Principles
The most important step Koç Holding took in 2007 towards full compliance with the Corporate Governance Principles was the establishment and commissioning of the Corporate Governance Committee. Under the direction of the Corporate Governance Committee, several studies have been undertaken to improve compliance with the Principles by both the Holding and the Group companies that are listed on the stock exchange. The sample study prepared with the aim of determining a profit distribution policy and making necessary statements related to profit distribution as described in the relevant principles have been shared with all the Group companies, and full awareness has been achieved on this matter. Our company website and annual report have been reviewed and necessary revisions made for full compliance with the Principles. The circular letter delivered to Group companies in respect of the General Assembly procedure has been revised to include principles to be followed in respect of providing information about candidate members of the board of directors, announcing the agenda and relevant informative documents minimum 3 weeks in advance, providing information about preferential shares, presence of directors at the meeting, inviting media and stakeholders to the meeting, use of open ballots by way of raising hands during the voting procedure and informing shareholders of this procedure in advance, announcement of proxy forms, and it has been ensured that such principles are applied. Furthermore, a standard text has been drawn up regarding general assembly announcements and related informative documents, and delivered to all the Group companies within the framework of the Principles.

In the period ahead, necessary studies will be undertaken considering the developments in legislation and practices for purposes of full compliance with the Principles.

SECTION I – SHAREHOLDERS

2. Investor Relations Department

2.1. Investor Relations Department and its Duties
An Investors Relations Department has been established within the Strategic Planning Group at Koç Holding to manage the relations with shareholders and potential investors, to respond to investors' inquiries in the most effective manner and carry out activities aimed at increasing the Company's value.

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 shareholders and potential investors about the Group's operations, financial results and strategies on a regular basis
- To respond to requests for information regarding Koç Holding and Group companies from analysts and researchers and to prepare current, comprehensive reports for investors in order to promote the Group effectively
- To publish presentations and analysis related to Koç Holding and Group companies following the announcement of quarterly results
- To inform investors and participants in conferences and investor meetings on a regular basis about developments in Koç Group and the Turkish capital markets
- To update communication tools such as the website and annual report in order to provide accurate and complete information to shareholders regarding Koç Group
- To keep accurate and up-to-date records of meetings that are held for and with shareholders
- To publish the results of general assembly meetings on the company website
- To respond to inquires as practicably as possible without prejudice to information assigned as commercial secret.

In addition to the above mentioned duties, the following responsibilities are fulfilled with the support of the respective departments:

• As a substantial part of our shares have been included in the Central Registry System, Finance Department monitors the information in the system to ensure that investor records are kept in a proper, secure and updated manner

• Investor Relations Department and Finance Department ensure that periodic and continual disclosures are made as required by the relevant legislation and the Disclosure Policy with regard to informing the public

• Legal Affairs Department, Finance Department and Investor Relations Department ensure that general assembly meetings are held in accordance with the General Assembly procedure, taking into account the regulations, the Company's articles of association and the Corporate Governance Principles.

2.2. Investor Relations Department Contacts

Strategic Planning Group President and Member of the Corporate Governance Committee: Tamer Haşimoğlu
Tel: +90 (216) 531 0221
Fax: +90 (216) 531 0099
Email: tamerh@koc.com.tr

Investor Relations Department Coordinator: Funda Güngör
Tel: +90 (216) 531 0535
Fax: +90 (216) 531 0099
Email: fundag@koc.com.tr

2.3. Investor Relations Department Activities in 2007

The department attended 13 conferences in Turkey and abroad, conducted one-on-one meetings with 314 investors, and responded to more than 800 telephone and email inquiries during 2007 and the first quarter of 2008. Koç Days were organized in London and New York, bringing investors together with the senior executives of the Group once a year; two teleconferences and an analyst meeting were held to inform investors and analysts following the publication of the financial results. In carrying out these functions utmost attention was given to ensure compliance with all regulations, and no complaints have been filed with our Company on the exercise of shareholders' rights nor are there any administrative or legal proceedings regarding this subject. We have received letters of appreciation for our frequent and regular participation in meetings held for institutional investors.

3. Shareholders' Right to Obtain Information

3.1. Right to Obtain and Examine Information

Koç Holding does not discriminate among shareholders in the exercise of their right to obtain and evaluate information and all the information other than commercial secrets are shared with shareholders.

Shareholders are provided access to firsthand information on strategy and operations by bringing top management and shareholders together at meetings and conferences. Throughout the year, all important information is announced to shareholders via special disclosures. These announcements, past and current, are also posted in Turkish and English on our website.

All information that is of interest to shareholders for both the current and past periods is available in Turkish and English on our website (www.koc.com.tr) under Investor Relations section. Material disclosures submitted to the Istanbul Stock Exchange can be found under "Material Disclosures" heading.

3.2. Information Requests in 2007

Inquiries directed to the Investor Relations Department, with the exception of information considered confidential or a trade secret, are answered in writing or by phone by the most authorized person concerning that particular issue. In 2007, the Investor Relations Department responded to more than 800 investor inquiries via telephone or email.

3.3. Right to Request a Private Auditor

While the Company's Articles of Association does not regulate the individual shareholder's right to request a private auditor, no such requests have been received. The Company's activities are inspected by an independent external auditor appointed at the General Assembly Meeting. In the last General Assembly Meeting, a member of PriceWaterhouseCoopers was appointed as the independent external auditor.

4. General Assembly Meeting

General Assembly Meetings are prepared and conducted according to procedures drawn up for Koç Group Companies taking full account of the Turkish .Commercial Code, Capital Markets Legislation and the Corporate Governance Principles to ensure that they provide sufficient information to shareholders and facilitate a high turnout.

4.1. Ordinary General Assembly Meetings in 2007

Our Ordinary General Assembly Meeting held on May 1st, 2007 was the only shareholders' meeting held in 2007 and had 80.9% attendance.

We are unable to hold our Ordinary General Assembly Meetings within the first three months of the year as we prepare consolidated financial statements and some of our joint ventures and subsidiaries are also obligated to prepare consolidated financial statements. Nevertheless, we endeavor to hold these meetings as early as possible. Furthermore, given the 14-week period stipulated by the Capital Market Regulations for the publication of annual financial statements by those companies obliged to prepare consolidated financial statements and the Corporate Governance Principle that stipulates publication of financial statements no later than three weeks prior to the General Assembly Meeting, the general assembly meeting date fulfills the regulatory requirements and the general practice.

Our General Assembly Meetings are open to the public and, as such, facilitate the attendance of stakeholders and the media. The General Assembly Meeting is held under the supervision of a government observer appointed by the Ministry of Industry and Trade.

4.2. Invitations and Announcements

Invitations to the General Assembly Meeting are issued by the Board of Directors in compliance with the Turkish Commercial Code (TCC), Capital Markets Code and the Company's Articles of Association. The public is informed by notifying the Istanbul Stock Exchange and the Capital Markets Board immediately of the Board of Directors' decision to hold the General Assembly Meeting.

The General Assembly Meeting is also announced on our website (www.koc.com.tr) and a notice is placed in one of Turkey's leading national newspapers at least 21 days in advance so that the maximum number of shareholders is reached, as demanded by the governing legislation.

Prior to the General Assembly Meeting, documents related to the meeting agenda are disclosed to the public in strict compliance to the legal processes and legislation. After the announcement of the meeting date, the following documents are disclosed at the Company headquarters and on the Company website for the full consideration of shareholders: the Company Annual Report, financial statements, Corporate Governance Compliance Report, profit distribution proposal, independent auditor's reports, auditor's report, any proposed amendments to the Articles of Association (with the existing version and proposed changes), and permits obtained from the Capital Markets Board and the Ministry of Industry and Trade.

4.3. Voting Procedure
The voting procedure to be applied during the meeting will be disclosed to shareholders via the website and newspaper notices.

Proxy forms are provided on the Company website and newspaper notices for those shareholders who wish to be represented by a proxy at the General Assembly Meeting.

4.4. Principles of Participation in the General Assembly Meeting
All Koç Holding shares are registered. Shareholders who wish to participate in the General Assembly Meeting and whose shares are in custody in investment accounts under intermediary institutions at the Central Registry Agency Inc. of Turkey (CRA) can do so in line with their holdings stated in the General Assembly Block List within the framework of relevant regulations. The CRA list of blocked shares is issued the evening before the General Assembly Meeting.

Those shareholders who are unable to attend the meeting in person and who wish to be represented by a proxy are required to complete the proxy form which is available at our Company headquarters as well as the Company's website www.koc.com.tr, fulfill the conditions specified in Communiqué Series: IV, No.8 of the CMB as published in the Official Gazette dated 09.03.1994 with number 21872, and submit their notarized proxy forms to the Company headquarters.

Our General Assembly Meetings are held at the Company headquarters. However, as stated in our Articles of Association, the meeting may also be held in another part of the city upon the request of shareholders. The location of the General Assembly Meeting is selected to facilitate easy access 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 Assembly Meeting. Shareholders are provided with equal opportunities to express their opinions and raise any questions. During the General Assembly Meeting, questions asked by shareholders, the audience and members of the press are answered by the Chairman of the Board and Executive Managers.

During the General Assembly Meeting held in 2007, no recommendations were made by the shareholders.

No deadline has been specified for registration in the share ledger with a view to allow owners of registered shares to attend the General Assembly Meeting.

4.5. Minutes of the Meeting
Minutes of the General Assembly Meeting are posted on our website, www.koc.com.tr. In addition, these minutes are made available to all shareholders for examination purposes at the headquarters of the Company.

4.6. Special Transactions
Decisions regarding the division and merger of shares which change the capital and management structure of the Company are taken in the General Assembly Meeting. The sale, purchase or leases of tangible or intangible assets, or grants in significant amounts as stipulated by the Articles of Association are made by the Board of Directors. Meeting quorum is required for Board decisions related to company acquisitions or disposal of Group companies.

4.7. Developments regarding General Assembly Meetings
For the purpose of ensuring compliance with the Corporate Governance Principles by both Koç Holding and other publicly traded Group companies, the procedure applicable to General Assembly Meetings have been expanded to include special provisions in respect of providing information about candidate members of the Board of Directors, announcing the agenda and relevant informative documents minimum 3 weeks in advance of the General Assembly Meeting and posting all the documents on the website, providing disclosure on preferred shares, presence of directors and independent auditors at the meeting to answer the investors' questions, inviting media and stakeholders to the meeting, use of open ballots by way of raising hands during the voting procedure and informing investors of this procedure in advance through the notice of the General Assembly Meeting. In the years ahead, legal developments and facilitations in practices shall be followed, and studies shall be continued to increase the effectiveness of general rules according to other essentials specified in the corporate governance principles, including the use of e-votes.

5. Voting Rights and Minority Rights

5.1. Preferred Shares
Koç Holding shares are divided into A and B groups. Each registered A Group share has two voting rights at the General Assembly Meeting. If amendment to the Articles of Association is required, A Group preferred shareholders approve the decisions taken at the General Assembly Meeting. However, where decisions requiring a change in the Articles of Association is concerned, all shareholders are entitled to one vote. As stated in Koç Holding's Articles of Association, shareholders of preferred stock do not have the privilege to nominate candidates to the Board of Directors.

Koç Holding has 468,442,665.49 A Group shares representing 26.83% of the paid-in capital and 42.31% of the total voting rights. Group B Shares, each entitled to one vote, represent 73.17% of the capital. The total number of Group B shares is 1,277,257,334.51 comprising 57.69% of the total voting rights.

5.2. Exercise of Voting Rights
Koç Holding avoids actions that may complicate the use of voting rights; 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 in person or by appointing a third person as his/her representative. The 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.

Koç Holding places importance on institutional representation during General Assembly Meetings and takes the necessary measures to facilitate institutional representation.

Within Koç Holding, there are no instances of cross ownership associated with a controlling relationship.

5.3. Voting Method
Save for the special provisions of the relevant legislation and Articles of Association, voting should be conducted through open ballot and by raising hands during the General Assembly meeting. Upon request by shareholders, the voting procedure may be determined by the General Assembly.

5.4. Minority Rights
Koç Holding gives utmost care to the exercise of minority rights. There were no criticisms or complaints filed with our Company in this regard in 2007. Our Articles of Association does not include the cumulative voting procedure, and the advantages and disadvantages of this method will be evaluated in line with regulatory developments. In addition, all members of the Board of Directors were elected by unanimous vote during the General Assembly Meeting held in 2007.

6. Dividend Distribution Policy and Timing

6.1. Dividend Distribution Policy
Dividend distribution policy is determined by the General Assembly Meeting in accordance with the Capital Market Regulations and the Articles of Association.

Dividend distribution policy and the annual dividend distribution proposal covering the details stipulated in the CMB Corporate Governance Principles are set forth in the annual report and presented to the shareholders during the General Assembly Meeting. Detailed historical information about the dividend distribution and capital increases are posted on our Company website.

Our Company conducts dividend distribution within the framework of the provisions of the Turkish Commercial Code, Capital Markets Regulations, tax regulations and other relevant legislation as well as the relevant sections of the Articles of Association governing the distribution of profits.

In determining dividend distribution, the long-term strategy of our Group, capital requirements of our Company, our affiliates and subsidiaries, investment and financing policies, profitability and cash position are taken into consideration.

In principle, 20% of the “distributable profit for the period” calculated as per the Capital Markets Regulations and other relevant legislation is distributed in the form of cash or shares based on the net profit for the period as shown on the financial statements prepared as per the Capital Markets Regulations and subjected to independent audit.

If the distributable profit calculated as above is less than 5% of the paid-in capital, then no dividend distribution takes place.

Dividends to be distributed as per the decision taken at the General Assembly Meeting can be paid out fully in cash or shares, or partially in cash and shares.

If dividend distribution is in cash, it is completed until the end of the fifth month following the end of the respective fiscal period, at the latest. If it is in the form of shares, it is completed until the end of sixth month, at the latest.

In accordance with the dividend distribution policy, the dividends are allocated equally among all shares existing in respective fiscal period.

Pursuant to article 32 of our Articles of Association, no less than 1% and no more than 2% of the amount remaining after the allocation of the first series of legal reserve fund, financial obligations, and dividend to be withheld under the Capital Market Regulations from the pre-tax earnings is provided to Koç Holding Pension Fund. Additionally, without prejudice to the first dividend established under the Capital Markets Legislation, after the first series of legal reserve fund, financial obligations and 5% of the paid-in capital are deducted from the pre-tax earnings, 3% of the remaining amount is allocated to holders of dividend-right certificates.

6.2. Timing of Dividend Distribution

The dividend distribution, which is subject to the approval of the General Assembly, is subject to legal deadlines based on the provisions of the Turkish Commercial Code, Capital Market Regulations and the Company’s Articles of Association.

Currently, cash dividends are paid to the shareholders within five months of the end of the concerned accounting period while stock dividends are paid within six months. In line with the dividend distribution policy, dividends are distributed equally to all existing shares.

7. Transfer of Shares

There are no provisions in the Articles of Association restricting transfer of publicly-traded Group B shares. However, according to Article 13 of the Articles of Association, the Board of Directors may impede the transfer of Group A shares owned by the controlling shareholder without giving a reason, in accordance with Article 418 of the Turkish Commercial Code.

PART II – PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy

8.1. General Information about the Company Disclosure Policy

Koç Holding, as one of Turkey’s leading and most respected corporations, is aware that it accounts for a significant share of Turkey’s economic activities and Istanbul Stock Exchange market capitalization. As such, the Company pursues a transparent and effective disclosure policy that is in compliance with the relevant rules and regulations. The aim of the disclosure policy is to share information about Koç Holding’s and Koç Group’s past performance, future expectations, strategies, goals and vision, excluding information considered as a trade secret, with the public, the authorities, existing and potential investors and shareholders in a fair manner; to issue financial statements in an accurate, fair, timely and detailed manner as set forth by the CMB, and to establish a continuous, effective, and open communication platform through the Investor Relations and Corporate Communications Departments.

Koç Holding carries out an active and transparent public disclosure policy in accordance the regulations and directives of the Capital Markets Board and Istanbul Stock Exchange with the objective of implementing the most effective communication policy in line with the Capital Markets Board’s Corporate Governance Principles.

Our disclosure policy is announced to the public on our website.

8.2. Disclosure Policy Responsibility

While it is the responsibility of the Corporate Communications and Investor Relations Departments to prepare the Disclosure Policy, the President of Corporate Communications and Information Technology Group is responsible for its implementation and development and is required to brief the Audit Committee, Strategic Planning Department and Finance Department on a regular basis.

8.3. Disclosure Principles

Inquiries from outside the Company are answered by the Chairman of the Board of Directors, the CEO, CFO (Head of Finance), Strategic Planning President or the Investor Relations and Corporate Communications Coordinators, depending on the nature of the inquiry. While answering these inquiries, we take utmost care to ensure that, all stakeholders are treated equally.

Except in the instances specified by the regulations, printed and visual media, data distribution channels, websites and electronic mail are used effectively in disclosing information to the public.

Koç Holding Corporate Communications Department provides a controlled flow of news to the press and the visual media in line with significant developments experienced within the year, and informs the public in detail. Koç Holding organizes, on the average, 3 routine press and public briefings in a year. During these meetings, the CEO in his capacity as Koç Holding Corporate Speaker gives a detailed and informative presentation of the Company’s performance as well as the general matters related to Koç Holding to the members of the print and the visual media and answers their questions.

Apart from routine briefings, a written statement is sent to the press where an accurate and controlled flow of information needs to be provided to the public with regard to various developments. Such disclosure may be given via a press meeting subject to the essence of the development. Questions and inquires communicated by the press in relation to various developments and general flow are evaluated in writing, and always answered, whether the answer is positive or negative.

To ensure that Koç Holding's operational and financial performance, its vision, strategy and goals are communicated to shareholders in the best possible way and to promote Koç Holding and the Group's publicly traded companies effectively, top executives of the Holding and the Investor Relations Department meet frequently with analysts and investors, make presentations, prepare question-answer forms and information summaries. Shareholder requests for meetings will receive a favorable response and such meetings will be attended by the highest managerial level possible.

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

Board members, executives and shareholders, who directly or indirectly own 5% or more of the Company's capital are required by the Capital Markets Board regulations to disclose the details of their purchase or sale transactions in Koç Holding or Group Companies' capital market instruments.

9. Material Disclosures
Koç Holding made 41 material disclosures during 2007, three of which were additional disclosures upon the request of the Istanbul Stock Exchange. Koç Holding is not listed on foreign securities exchanges and therefore is not required to issue any material disclosures other than those required by the Capital Markets Board and Istanbul Stock Exchange. No sanctions have been imposed by the Capital Markets Board against Koç Holding for not complying with material disclosure timeframes.

10. Internet Site and Contents
Koç Holding's website (www.koc.com.tr) publishes current and historic information in both Turkish and English, as follows:

- Detailed information regarding corporate identity
- Vision and main strategies
- Information about members of the Board of Directors and executive management
- Company organization and shareholder structure
- Articles of Association
- Trade registry information
- Foreign partners
- Summary information about business segments and companies
- Periodic financial statements, financial information, key performance indicators and analyses
- Press bulletins
- Capital Markets Board Material Disclosures
- Stock information, charts and calculations regarding share price performance
- Investor presentations
- Analyst contacts and analyst reports for Koç Holding
- Date, agenda and announcements of the General Assembly Meetings
- Minutes of the General Assembly Meetings and list of participants
- Proxy forms
- Corporate Governance practices and Compliance Report
- Dividend distribution policy, payout history and capital increases
- Disclosure policy
- Detailed information regarding corporate social responsibility

The principles related to website management appear in Disclosure Policy. Our Company website is noted on the Company stationery and letterhead.

11. Disclosure of Ultimate Controlling Shareholder(s)
Koç Holding's shareholder structure is published on the website and in related documents. Koç Family members are the "ultimate controlling shareholders".

12. Disclosure of Individuals who are in a Position to Have Insider Information
In order to promote transparency while protecting our Company's interests, utmost importance is given to compliance with Company policies regarding prevention of insider trading.

Information that is obtained while working in the Company, Company Information that is not desired to be known by persons other than necessary persons, and that is considered a commercial secret, 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.

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

As of the date of this report, Members of the Board of Directors, auditors and senior management who could be in a position to obtain insider information are listed below. These persons are disclosed every year to the public via the annual reports and posted on the Company website.

Board of Directors:	
Rahmi M. Koç	Honorary Chairman
Mustafa V. Koç	Chairman
Suna Kıraç	Vice Chairman
Temel Atay	Vice Chairman
Semahat Arsel	Member
Dr. Bülent Bulgurlu	Member- CEO
İnan Kıraç	Member
Ömer M. Koç	Member
Hasan Subaşı	Member
Prof. Dr. Yavuz Alangoya	Member
Ali Yıldırım Koç	Member
H. Oswald Maucher	Member
John H. McArthur	Member
Dieter Christoph Urban	Member
Heinrich Karl Friedrich Eduard Dr. Pierer Von Esch	Member
F. Füsun Akkal Bozok	Auditor
Nevzat Tüfekçioğlu	Alternate Auditor

Group Presidents:	
Hasan Bengü	Foreign Trade and Tourism Group
Ali Y. Koç	Corporate Communications and Information Technology Group
Ali Tarık Uzun	Auditing Group
Erol Memioğlu	Energy Group
Tamer Haşimoğlu	Strategic Planning Group
Ömer Bozer	Food and Retailing Group
Kudret Önen	Defense Industry and Other Automotive Companies Group
Ahmet Ashaboğlu	CFO (Finance Group)
Aka Gündüz Özdemir	Consumer Durables and Construction Group
Turgay Durak	Automotive Group

General Secretariat	
Tahsin Saltık	General Secretary

Auditing Group	
Ali Yavuz	Coordinator
Serkan Özyurt	Coordinator
Kemal Uzun	Coordinator
Abdullah Geçer	Coordinator

Finance Group	
Emine Alangoya	Director of Accounting
Ali Uzcan	Coordinator
Memet İlkan Kamber	Coordinator
Dr. Önder Kutman	Coordinator
Murat Timur	Coordinator
Ferda Erginoğlu	Coordinator
Nevin İmamoğlu	Coordinator

Legal Affairs	
Kenan Yılmaz	Chief Legal Advisor
Murat Peksavaş	European Matters Advisor

Human Resources	
Yağız Eyüboğlu	Director
Emre Görgün	Coordinator
Kadir Eşber Çekiç	Coordinator
Buket Çelebiöven	Coordinator

Corporate Communications and Information Technology Group	
Oya Ünlü Kızıl	Director
Gökhan Akça	Coordinator
Aylin Gezgüç	Coordinator
Alper Göğüş	Coordinator
Ömer Tunç Koyuncu	Coordinator

Risk Management and Business Development	
Mert Şaban Bayram	Coordinator

Strategic Planning Group	
Murat Tomruk	Coordinator
Eşfak Tüzün	Coordinator
Murad Ardaç	Coordinator
Funda Güngör	Coordinator

PART III - STAKEHOLDERS

13. Disclosure to Stakeholders

13.1. Stakeholders in General
Although Koç Holding has no direct relationship with customers, franchisees, etc, due to its holding company structure, Koç Holding has relations with a wide network of stakeholders due to its underlying companies. Stakeholders are informed about issues that may concern them by means of regular meetings or telecommunications. Public disclosures are made via press conferences, statements and bulletins. Information sharing with employees is realized through various meetings, organizations and the Company intranet site. We aim to inform not only shareholders but also all stakeholders through our practices governed by our disclosure policy which is based on General Assembly Meetings that are open to all stakeholders, detailed information posted on our website, comprehensive annual reports and press releases.

13.2. Disclosure to Employees
Important announcements, management changes and press announcements are posted on our intranet, which can be accessed by all Group employees. As the need arises, certain important announcements and messages from the Holding's senior management are instantly emailed to all employees.

13.3. Disclosure to Dealers
We organize regular dealer meetings in various provinces. The Chairman of the Board, CEO and executive management participate in these meetings to inform the dealers of recent developments in Koç Group and hear their ideas.

14. Stakeholders' Participation in the Company Management
Stakeholders are able to share their views, suggestions and complaints and express their requests through the feedback mechanism on our website. Company employees also have the opportunity to share their requests, complaints and suggestions with management and to chat with the company CEO over the intranet. Furthermore, our companies hold meetings during the year with both their dealers and suppliers to encourage a mutual exchange of ideas. Suggestions that come up in these meetings are evaluated and put into practice accordingly.

15. Human Resources Policy
As of December 31st, 2007 Koç Group had a total of 89,877 employees, 84,346 of which were employed in Turkey and 5,531 of which were employed abroad. The number of employees working in the consolidated subsidiaries was 86,849.

15.1. Human Resources Policy
"Our Most Important Asset is our Human Resource", the statement of our Founder, Vehbi Koç, best summarizes the basic approach of Koç Group to Human Resources.

Koç Group aspires to become the most preferred employer and an ideal company with a competent professional staff creating added value to ensure sustainable development.

In line with this objective and within the frame of the Human Resource Policy, we are committed to

- attract the most competent young and experienced professionals who can carry our Group to the future,
- reward achievement through fair and competitive compensation policies and high performance standards,
- make investments to improve our employees continually,
- improve employee loyalty and retention by creating equal opportunities in promotions and rewards.
- create a peaceful working environment.

15.2. Implementation of the Human Resources Policy
Koç Group values its employees and respects the employee rights. The employment contract signed with the employees at the time of recruitment covers the mutual responsibilities of the Company and the employees, whereas Personnel Policy describes the working standards covers the whole process regarding human resources from recruitment to resignation.

The Human Resources Department units ensure that young people who meet the competency criteria as described in the Human Resource policies are recruited without discrimination and benefit from equal opportunities throughout their employment. Within this context, the employee performance is evaluated, competencies are measured and the improvement areas and career planning of the employee are defined. A peer analysis is conducted on a sector basis and compensation policy is determined accordingly in order to ensure that the employees receive competitive salaries. Within the framework of equal opportunities achieved as mentioned above, employees with the highest potential are discovered and assigned to higher positions swiftly taking into account the performance and competency evaluation results.

All are employees are able to access the Human Resource Systems that have been prepared for the purpose of implementing these policies over the electronic platform Koc@İnsan. This platform offers an open communication environment where the information of all our employees is managed, and makes policies and practices fair and transparent. Koç Career, one of the Human Resource Systems managed on this Platform and designed to manage applications received as a result of activities to conduct the most competent young professionals to the Group is used across the Group in cooperation with other commercial matches.

The Integrated Performance Management and Improvement Planning process that is carried out electronically across the Group over Koç@İnsan effectively spreads the objectives through the Performance Management System, and assures the deployment of Company objectives to the employees and the measurement of the employees' performance in achieving the objectives. Via Koç Compensation System, the rewarding process is managed; and via the Competency Assessment System, competencies are accessed to discover potential employees for future promotions, and data is created for the performance of development plans.

Integrated Performance Management System that plays an important part in putting Human Resource policies into practice and Koç Academy that is part of the Development Planning Process offer a platform where our employees can plan their individual development, improve and follow their development in person.

In respect of development of a common culture, a total of 2005 of our managers attended the Group's Leadership Development Program between 2003 – 2007, which aims to train competent managers who can carry our Group to the future.

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

Additionally, health and safety issues of Koç Group companies are managed by the Occupational Health and Safety Committee across the affiliates and the Group for the purpose of improving occupational health and safety continually, identifying and eliminating risks in line with the targets set.

Employees show great interest to programs implemented within the framework of policies developed by Koç Group taking into account the importance it attaches to its employees for the purpose of measuring employee satisfaction and loyalty regularly and planning necessary improvement activities accordingly. Examples include KoçAilem program and Koç Pension Fund applications which have been created to provide benefits both during and after the working life.

16. Customer and Supplier Relations
Since 2003, Koç Holding has conducted centralized and regular customer satisfaction surveys, reflecting the importance the Company gives to this subject. As Turkey's most comprehensive consumer survey, it encompasses 39 brands belonging to 16 Koç companies as well as 98 brands belonging to our competitors. The results of the survey conducted in 22 cities covering 50,000 customers nationwide are shared with the Holding's and the Group companies' upper and middle management and targets for improvement of customer satisfaction are incorporated into upper management performance scorecards.

Due to the importance of company-dealer-customer relations at the customer touch points, the level of satisfaction of our dealers is also monitored. The Dealer Satisfaction Survey was conducted for the fifth time this year by an independent research company among 7,300 dealers nationwide. As is the case with Customer Satisfaction, areas of improvement to increase dealer satisfaction are included in the management performance scorecards

17. Corporate Social Responsibility
Vehbi Koç, the pioneer of institutionalization in Turkey, introduced the concept of social responsibility to Koç Holding and Group companies. Koç Holding and Group companies implement this concept through their business methods and via social responsibility projects. This approach was confirmed by Koç Holding's participation in the United Nations Global Compact.

The UN Global Compact that Koç Holding Chairman of the Board, Mustafa V. Koç, signed on March 30th, 2006, is based on the belief that sustainable development is made possible only through the driving force of the private sector. Because the enormous combined power of the private sector cannot be matched by a single development agency or a national organization, the emphasis with regard to the application of the Global Principles is increasing its public awareness. To realize social responsibility at the corporate level, it is important that this responsibility is shared and awareness created.

With the awareness created by this responsibility, Koç Group undertook various projects in 2007. Corporate Communications Group President, Ali Y. Koç, who participated in the UN Global Compact Leaders' Summit for the Global Principles Agreement in Geneva, July 5th-6th, 2007, delivered a speech emphasizing the importance of optimism and said that our priority should be to become better corporate citizens. On October 25th, 2007, Koç Group hosted the conference entitled "Creating Value through the Global Principles Agreement". In a ceremony on November 12th, 2007, under the leadership of KalDer, the Turkish Quality Association, with Koç Holding sponsorship in the presence of the Nobel Prize winner and the UN's former Secretary-General, Kofi Annan, 26 of Turkey's leading companies signed the Global Principles Agreement, bringing the number of Turkish companies that had signed the Agreement to more than 100.

Koç Holding and its Group companies continue their general approach to corporate social responsibility on the principle "I exist if my country exists", as stated by our founder, Vehbi Koç. As a result, the Group strives to use the power it draws from the society in which it developed for the benefit of that society. Every year, thousands of students receive scholarships and numerous projects in the area of culture, art, environment and health are undertaken. In addition to projects in Turkey, the Group actively contributes to the promotion of Turkey in the international arena and organizes an international fair abroad every year. In 2007, as a result of a new strategic partnership, the Group became the official sponsor of the Istanbul Biennial for the next 10 years. The aim is to support the development of modern art, which is participatory and directly related to social problems.

Koç Group initiated many novel projects in the area of Corporate Social Responsibility in Turkey, such as the first private museum in Turkey, the first industrial museum, and the first private dormitory. Koç Holding and Group companies follow the same principles and contribute to society via the projects they support.

Koç Holding and Group companies view all Corporate Social Responsibility activities as an integral part of their business lives rather than an obligation. The projects undertaken within the framework of Corporate Social Responsibility are actually a cornerstone of an internalized business style and the natural business flow. Koç Group has assumed an important social role not only through the employment and value it creates and the taxes it pays, but also with the Corporate Social Responsibility concept it has adopted. The Koç Group of Companies Corporate Social Responsibility Report for 2006 and 2007 was released on the Company website.

PART IV – BOARD OF DIRECTORS

18. Structure and Formation of the Board of Directors and Independent Board Members

18.1. Structure of the Board of Directors
Koç Holding is the first Turkish company to appoint internationally respected non-Turkish managers 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. Currently except 4 members out of the total 15 members of the Board of Directors meet the independence criteria stipulated by the Principles, and two of these members have exceeded the 7-year term as of 2007.

18.2. Current Board Members
The names and descriptions 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	Director – non-executive
Dr. Bülent Bulgurlu	Member – CEO
İnan Kıraç	Member – non-executive
Ömer M. Koç	Member – non-executive
Hasan Subaşı	Member – non-executive
Prof. Dr. Yavuz Alangoya	Member – non-executive
Ali Yıldırım Koç	Member, President of Corporate Communications and Information Technology Group
H. Oswald Maucher	Member – Independent Member
Dieter Christoph Urban	Member – Independent Member
John H. McArthur	Member – Independent Member
Heinrich Karl Friedrich Eduard Dr. Pierer Von Esch	Member- Independent
F. Füsun Akkal Bozok	Auditor
Nevzat Tüfekçioğlu	Alternate Auditor

As the term of two independent members expired in 2007, no independence statement was taken within the year and the independence statements will be taken in 2008, including statements from the newly assigned independent members.

18.3. Board Membership Changes
There were no events in 2007 which would revoke independence of current independent members. Following the General Assembly Meeting in which Board members are selected, the Chairman and Vice-Chairmen determine the division of duties. If a seat on the Board is vacated during the year, clause 315 of the Turkish Commercial Code is invoked.

In this context, as Bülend Özaydınlı, a member of the Board of Directors resigned on October 17, and W. Wayne Booker, an independent member of the Board of Directors passed away on October 22 in 2007, Ali Yıldırım Koç and as independent member Heinrich Karl Friedrich Eduard Dr. Pierer Von Esch have been elected to fill the vacant seats within the framework of the Turkish Commercial Code, Article 315 at the meeting of the Board of Directors held on 30.01.2008.

18.4. Board Members Holding Positions outside the Company
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.

19. Qualification of Directors
The Board of Directors is structured to optimize its effectiveness and efficiency. The basic qualifications of directors meet the Capital Markets Board's 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 levels of knowledge, skills and education, or specific experience or backgrounds are eligible for Board membership. Because Koç Holding A.Ş. Board members are always chosen from among candidates with such qualifications, there has been no requirement to add a special clause to the Articles of Association about it. The CVs of our Board members are available on our website and the CVs of candidates for the Board are provided for General Assembly Meetings.

20. Company Mission and Vision and Strategic Goals

20.1. Company Mission and Vision
The strategic goals set down with due consideration to our Company's vision and portfolio theme are assessed by the Board and approved. Our strategy, the outline of which is provided below, is explained in more detail in the related sections of our annual report and on the Company website.

Our vision:
To become one of World's leading companies through rapid and profitable growth

Our strategic principles:

- Focus on those sectors in which we can create a difference and in which we have a competitive advantage
- Select sectors in which we can attain a strong position in domestic and international markets, with a preference for sectors that minimize risk through geographical diversification and generate sustainable revenue
- Grow in sectors in which we can leverage our brands and technologies and continuously develop the strength of our brands and technological prowess.
- Derive maximum benefit from economies of scale by being the market leader or a close second in each of our businesses.

These principles provide rapid and profitable growth opportunities in Turkey and in neighboring countries that promise high growth and where market saturation in many sectors is relatively low. In addition to our geographical proximity and the advantage brought about by the Customs Union, our strong market position and structure enable us to adopt a profitable and sustainable growth strategy in Europe.

20.2. Strategic Goals
Every year Koç Group companies prepare their strategic plans in line with the principles and methods set by Koç Holding in the strategic plan and objectives for the Group approved by the Board of Directors. After evaluating these strategic plans, strategies and financial projections are consolidated and, if necessary, the Group strategic plan is revised and the final strategic plan and financial plan are submitted to the Board of Directors for approval. The Board of Directors may approve the strategic plan and financial plan 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, the Group companies prepare an annual budget that is consistent with the methods and principles set by Koç Holding. After gaining the approval of upper management, the budgets submitted by the companies are consolidated and submitted to the Board of Directors for approval.

The Board of Directors may approve the budget of the Koç Group as it is submitted or they may request changes. To ensure implementation of strategic plans and budgets, annual scorecards for managers and companies are prepared according to the strategic plans and budgets that have been prepared by the companies and approved by the Board of Directors. Koç Holding's strategic objectives such as economic profit, Company value, growth and employee and customer satisfaction are emphasized on all scorecards.

20.3. Evaluation of Performance against Strategic Goals
Koç Holding Board of Directors and senior management monitor the performance and operations of Group companies against their budgets and achievement of objectives in periodic meetings throughout the year. At quarterly meetings attended by the Chairman of the Board, CEO and Koç Holding's senior management, the financial performance, developments of business segments, and performance of Koç Holding senior management and general managers is assessed and measured against objectives and budgets.

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

21. Risk Management and Internal Control Mechanisms
Responsibility for risk management and reporting is shared by the presidents, taking into consideration possible sources. Risks are investigated and assessed in detail at periodic meetings.

Also, with the help of the risk management program (e-risk), which enables on-line monitoring of commercial receivable risks arising from the Group's activities, the adverse effects of the market turbulence is minimized.

Great importance has been given to internal control since the establishment of the Company and there has always been an Internal Control unit operating under various names. In line with the principle of the separation of management and audit functions, the Audit Group President charged with this duty has reported directly to the Board of Directors since January 1st, 2004. Our Group companies are also audited periodically regarding processes, risks, finances, operations and fraud. The Audit Committee President and members are briefed about the results of these audits on a regular basis.

22. Authority and Responsibilities of the Board of Directors and Managers
The authority and responsibilities of the members of the Board of Directors are clearly defined in the Company Articles of Association. The authority to sign is detailed in the Company Signature Circular.

23. Fundamental Activities of the Board of Directors
Activities of the Board of Directors are executed in line with the provisions of the Turkish Code of Commerce and the Articles of Association.

23.1. Setting Meeting Agenda and Invitations
Matters which are subject to the decision of the Board of Directors according to the Company's 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. Additionally, in the event that any member of the Board of Directors notifies the 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 consolidates them and places them on the agenda.

23.2. Secretariat of the Board of Directors
The Koç Holding A.Ş. General Secretariat 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 Turkish Commercial Code 330/II, making disclosures to the Board and ensuring communication flow.

23.3. Number of Meetings of the Board of Directors
The Board of Directors meets a minimum number of times dictated by the Articles of Association and as business dictates. In 2007, the Board met four times and, along with the decisions made in line with Article 330 of the Turkish Commercial Code, the total number of decisions made during the year was 32. Council meetings between the Board and senior managers are organized to evaluate the Group's performance at least four times a year.

23.4. Opposing Votes at Board Meetings
Differences of opinion and grounds for opposing votes and specific questions raised by members of the board of directors at Board Meetings are recorded in the Resolution Book. Since no opposition or difference of opinion has been declared recently, no public announcement has been made in this regard.

23.5. Participation of Board Members
The articles of association of the Company stipulate a majority attendance for any decision regarding participation in a new company or the disposal of shares of an existing subsidiary. In relation to subject matters which are not particularly cited in the articles of association, but are included in the CMB Corporate Governance Principles under Section IV. Article 2.17.4, active attendance is attained.

23.6 Weighted Vote – Veto Rights
No weighted voting right and/or negative veto right has been vested in members of the board of directors under the articles of association. Each member has one voting right.

24. Prohibition on Transactions and Competing with the Company
According to Articles 334 and 335 of the Turkish Commercial Code, approval of the General Meeting should be sought in order for the Chairman and the members of the Board of Directors, directly or indirectly, to engage in the transactions covered by the scope of activities of the Company and to become shareholders in companies performing such transactions. No problem has been faced within the period in relation to permissions given to members of the Board of Directors in this regard.

25. 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.

Committed to ensuring customer satisfaction and a healthy development with its employees, supplying products and services in universal quality and standards, thereby becoming a hallmark of safety, continuity and esteem for its country, customers, shareholders, dealers and by-industries, Koç Group Values lead the way to follow in attaining these goals and are shared with the public through the Company internet site.

Furthermore, the Personnel Regulation covering the ethical rules applicable to the company employees notes the issues which the personnel have to comply with in their activities.

Studies are underway to establish ethical rules for the Company and its employees based on the above mentioned matters, and are expected to be concluded in the near future.

26. 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 more effectively. These committees work under certain defined procedures.

The work undertaken by the committees are recorded on a continuous basis. Decisions taken by the committees following independently-performed studies are presented to the Board of Directors as a proposal, and the final decision is made by the Board of Directors.

These committees work under the following principles:

26.1. Management Committee
The Management Committee members are nominated by those members of the Board of Directors representing the majority shares and are approved by the Board of Directors. As the reason for establishing this committee is the challenges encountered in convening Board of Directors meetings whenever desired and urgent, the Board of Directors assigns its duties and authorities to this committee except certain restrictions set forth in its job description. 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 the Board of Directors has previously decided upon 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 chaired by the Chairman of the Board of Directors, and CEO is a member of this committee. While the Management Committee may meet in such frequency as necessitated by the developments, it may meet whenever it is deemed proper by the Chairman. In addition, when the Chairman of the Board of Directors deems it necessary, it attends general and private disclosure or evaluation meetings related to the Group's activities (Planning Council, Annual Budget and ad hoc meetings, etc.).

The Management Committee has five members: Koç Holding A.Ş.'s Honorary Chairman, Koç Holding A.Ş.'s Chairman, two Vice Chairmen, and the CEO.

26.2. Audit Committee
The Audit Committee fulfills the functions stipulated in the Capital Market Regulations for the audit committee. Within this frame, it conducts the disclosure and independent audit of the accounting system and financial information of our Company and the supervision of the operation and efficiency of the internal control system of the Company. Selection of the independent audit company, preparation of independent audit contracts and initiation of independent audit process, and supervision of the studies of the independent audit company at every stage are all carried out under the supervision of the audit committee.

The Audit Committee meets at least four times a year or more when necessary as it has to submit a written report to the board of directors containing its assessments and the views of the responsible executives of the company and of the independent auditors in relation to the truth, accuracy and compliance of annual and interim financial statements to be disclosed to public with the accounting principles adopted by the Company.

The responsibility of the Audit Committee and of company management is to not only undertake internal and external auditing, but also to see to it that records, procedures and reporting is in accordance with the laws, rules and regulations, and with the principles set forth by the CMB and IFRS. This Committee is comprised of three persons in addition to the Chairman of the Board and the CEO.

26.3. Corporate Governance Committee
This committee oversees compliance to corporate governance principles, assesses the reasons behind non-compliance in some areas, and proposes improvements to the Board of Directors.

This committee has three members, one of which is the Committee Chairman. The Committee meets twice a year or more frequently when necessary and the Committee head is an independent member of the Board of Directors.

The Committee that has met three times following its formation on March 29, 2007 issued a circular letter to ensure proper and harmonious execution of affairs related to General Assembly Meetings at Koç Holding and Group companies, determined revisions and areas of improvement in the Corporate Governance Compliance Report and disclosure policy, and approved the action plan for 2008.

26.4. Human Resources Committee
The Human Resources Committee evaluates and supervises the implementation of policies related to salaries and bonuses. It evaluates the senior level manager reserve and development plans as well as the human resources needs of the Group, both in terms of quality and quantity.

This committee comprises four people including the Chairman of the Board of Directors and meets at least four times a year or more frequently if necessary.

27. Financial Benefits Granted to Board Members
The financial benefits to be granted to members of the Board of Directors are decided at the General Assembly Meeting and are announced to the public by means of minutes of meetings that are open to the press.

No transactions which might lead to conflict of interests such as the lending of funds or disbursement of loans by the Company to members of the Board of Directors or executives are allowed.

To our shareholders:

The results and developments of Koç Group companies during 2007 were presented at Koç Holding's 44th General Assembly on April 29, 2008. The first part of the annual report gives general information about the company, its strategies and targets; and assesses 2007 operations giving detailed information regarding the developments in our core business units. The second part of the report contains audited financial statements and accompanying notes as of December 31, 2007 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. Convenience translation of financial figures to foreign currency is carried out using annual average exchange rates for income statement items (including net income), and year end exchange rates for balance sheet items.

Overview of 2007
Koç Holding continued to grow and improve its performance in 2007. On the one hand, impressive operating results are achieved, with the added contribution of recent acquisitions; on the other hand, significant progress has been realized along our focusing strategy to further strengthen our portfolio.

Consolidated revenue increased by 5% to reach YTL51.4 billion (USD39.5 billion), while operating profit increased by 20% to reach YTL3.6 billion (USD2.7 billion). Our net income jumped by 309% to YTL2.3 billion (USD1.8 billion).

These results place Koç Holding among, not only Turkey's, but the world's largest companies. Koç Holding ranked 190th in the listing of the world's 500 largest companies, and among Europe's top 50 companies with its 2006 results. The performance in 2007 will move us even higher.

Koç Group's contribution to the Turkish economy is a source of great pride to us. The Group's combined revenues equal 9% of Turkey's GNP. Our exports account for 11% of Turkey's total exports. Combined market value of our publicly traded companies equals 16% of the total market value of the Istanbul Stock Exchange.

Developments in Koç Holding and Koç Group in 2007
In line with our strategic management approach, we achieved a great deal during the year. The main items are summarized below:

• Our automotive companies increased their domestic market share to 30% and achieved record levels at production and export volumes. While total production reached 520,000 vehicles, exports reached 375,000. Ford Otosan maintained its domestic market leadership for the 6th successive year. Tofaş achieved the launching of two manufacturing projects in one year; the Linea and MiniCargo.
• In consumer durables, Arçelik furthered its international growth strategy by acquiring a production company in China. Arçelik now has three production centers outside Turkey; in Romania, Russia and China. Beko Elektronik, which acquired a 50% stake in Grundig in 2004, acquired the remaining 50% of the venerable German brand. Besides their achievements in local and international markets, our companies continued to launch world-class innovative products, thanks to their superior technology development capabilities.
• In energy, we maintained our leadership of the LPG market with Aygaz, while Opet gained third place in the petroleum products distribution market as a result of its sustained growth performance. In its second year in the Group, Tüpraş attained record high revenues and profits, made major investments, and developed the USD2 billion "Residium Upgrading" project.
• Following its acquisition and merger with Koçbank, Yapı Kredi significantly improved its efficiency, profitability and capital structure, and initiated an ambitious growth program in 2007. The bank opened 82 new branches, ending the year with 676 branches. Yapı Kredi plans to reach 1000 branches in the following two years.
• Concluding the processes we initiated in 2006 in line with our focusing strategy, we transferred our shares in Türk Demirdökümto Vaillant (Germany) and our shares in Birleşik Oksijen Sanayi to Linde (Germany).
• As a result of our strategic evaluations, we took the decision to focus on four core sectors, consequently exit from FMCG retailing – where we are active with Migros. In June, the decision was disclosed and a formal process was initiated. As a first step, Migros sold its 50% stake in its Russian affiliate Ramenka. In February 2008, a share transfer agreement was signed for Migros.

KOÇ HOLDİNG CONSOLIDATED FINANCIAL RESULTS

	2007* (USD millions)	2007 (YTL millions)	2006 (YTL millions)	Change (%)
Revenues	39,515	51,429	49,197	5
Operating Profit	2,747	3,575	2,977	20
Income Before Taxes on Income and Minority Interest	3,601	4,687	2,076	126
Income Before Minority Interest	2,988	3,889	1,475	164
Net Income	1,764	2,295	561	309
Earnings per Share	¢112.7	Ykr146.7	Ykr42.2	248
EBITDA	3,398	4,422	3,825	16
Operating Margin		7.0	6.1	0.9**
Total Assets	51,264	59,707	57,253	4
Total Liabilities	38,335	44,649	45,599	-2
Shareholders' Equity	6,742	7,852	5,088	54
Capital Expenditures	1,341	1,745	1,755	-1
Depreciation and Amortization	651	847	848	0
Revenues / Total Assets		0.86	0.86	0.00**
Operating Profit / Total Assets (%)		6.0	5.2	0.8**
Return on Equity (%)		41.3	12.4	28.9**
Current Ratio		0.88	0.89	-0.01**
Total Liabilities / Equity		3.0	3.9	-0.9**

* Convenience translation with 2007 average exchange rate of 1.3015YTL=1USD for income statement items (including capital expenditures) and 2007 year end exchange rate of 1.1647YTL=1USD for balance sheet items
** Change expressed as the difference between percentages

KOÇ HOLDİNG A.Ş.
BOARD OF DIRECTORS' REPORT

Financial and operational results
Koç Holding continued to achieve successful performance in all of its operations.

Koç Holding's combined revenues in 2007 increased by 4% to reach YTL75.5 billion (USD58.0 billion). Consolidated revenues amounted to YTL51.4 billion (USD39.5 billion), representing a 5% growth. Of the difference between combined and consolidated figures, YTL15.8 billion (USD12.1 billion) is attributable to joint venture accounting and YTL8.3 billion (USD6.4 billion) to inter company eliminations.

Koç Holding's operating profit increased by 20% compared with the previous year to reach YTL3,575 million (USD2,747 million), while its ratio to net revenues increased by 0.9 points to reach 7.0%.

Our income before taxes and minority interest increased by 126% to YTL4,687 million (USD3,601 million). Although profits associated with divestitures and f/x gains had significant contributions in this increase, when these are eliminated, the remaining YTL2,933 million (USD2,299 million) still represents a record high profitability.

Our consolidated net income in 2007 increased by 309% to YTL2,295 million (USD1,764 million).

Koç Holding's total assets increased by 4% to reach YTL59.7 billion (USD51.3 billion) at end-2007. The company's total equity increased from YTL5,088 million in 2006 to YTL7,852 million (USD6,742 million) in 2007 as a result of the profits generated and capital movements during the year.

In 2007, Koç Holding realized capital expenditures of YTL1,745 million (USD1,341 million). The main investment items were; refinery modernization, gas station and terminal investments in the energy segment; capacity increase, modernization and new product investments in the automotive and consumer durables segments; and new store openings in the food and retailing segment.

The rapid growth in international revenues was maintained in 2007. Combined international revenues of the Group companies totaled USD13.3 billion. The segments that contributed the most to Koç Group's international revenues were automotive, energy and consumer durables.

Employment and labor relations
The total employment of Group companies is 84,687 by the end of 2007.

On a segment basis, the biggest employers are automotive, consumer durables, finance and food & retailing. 86% of the total workforce is employed in these four segments.

During 2007, collective employment agreements encompassing 15,300 employees, working in Tüpraş, Ditaş, Migros, Tat, and Aygaz, were signed with the respective workers' unions, without any disruption of operations.

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

Dividend distribution proposal
In the financial tables prepared by Koç Holding A.Ş. and audited by Başaran Nas Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers), for the 1 January – 31 December 2007 accounting period, after putting aside YTL37.4 million as 5% legal reserve under Turkish Commercial Code article 466, YTL710.0 million of statutory profit and after deducting the YTL37.4 million profit according to 5% legal reserve and the profits of participations and subsidiaries, which has not resolved for profit distribution at their respective general assemblies, YTL1,158.3 million distributable profit has been achieved according to Capital Market Board regulations. We see that adding to this amount YTL15.8 thousand donations made to foundations with tax exempt status and associations during the year, YTL1,158.3 million first dividend base has been established. The Board of Directors resolved, to divide the distributable profit, in line with Capital Market Board Regulations and Company Articles of Association as shown below:

YTL231.7 million	As first dividend to shareholders,
YTL32.1 million	To holders of usufruct certificates as per article 32/d of our Articles of Association,
YTL8.9 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),
YTL30.2 million	As second dividend to shareholders,

to set aside the remaining amount as extraordinary reserves, and to submit to the approval of the General Assembly of Shareholders: Not to distribute the YTL261.9 million dividend; which consists of the YTL231.7 million first dividend, and the YTL30.2 million second dividend from current year other income, in cash; but to include it into Capital and to distribute bonus shares from the current year profit to our share holders. For the cash payment allocated to; the holder of usufruct certificates, payment to be made from current year profit corresponding to Tax Exempt Earnings and for the cash payment allocated to the Koç Holding Foundation for Pensions and Assistance, to make (gross=net) payment from the portion of the current year profit not corresponding to Tax Exempt Earnings, and to determine the profit distribution date as 26 May 2008.

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.

Chairman
Mustafa V. Koç

KOÇ HOLDİNG A.Ş.
AUDITOR'S REPORT

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

The findings of our audit covering the 2007 accounting year are presented below:

1. The audit was 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 Markets Law (SPK), attending the meetings of the Board of Directors of Koç Holding A.Ş, 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 position 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 "Communiqué Regarding Accounting Standards in the Capital Markets" which was revised on December 31, 2006 and, in accordance with the decree 11/367 issued by the Capital Markets Board on March 17, 2005 that states that inflation accounting shall not be applied as of January 1, 2005, accurately reflect the consolidated financial position of the Company on December 31, 2007 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. 2007 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 2007.

Respectfully yours,

April 10, 2008

Dr. Füsun Akkal Bozok
Auditor

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CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

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

1. We have audited the accompanying consolidated financial statements of Koç Holding A.Ş. ("Koç Holding"), its subsidiaries and its joint-ventures (collectively referred to as the "Group") which comprise the consolidated balance sheet as of 31 December 2007 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. The Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards issued by the Capital Markets Board ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards issued by the CMB. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Koç Holding A.Ş. as of 31 December 2007, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB (Note 2).

Emphasis of Matter

5. As explained in Note 3 to the consolidated financial statements, the consolidated financial 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.

Additional paragraph for Euro ("EUR") and US Dollar ("USD") translation

6. As explained in Note 2 to the consolidated financial statements, EUR and 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 have been 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 ("CBRT") at 31 December 2007 for the consolidated balance sheet and the consolidated cash flows statement, and the official EUR and USD average CBRT bid rates of the year 2007 for the consolidated income statement. Such translations 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

7. The accounting principles described in Note 2 to the consolidated financial statements (defined as "CMB Financial Reporting Standards") differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005, measurement principles and disclosure requirements for retirement benefits and presentation of primary 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 Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Zeynep Uras, SMMM
Partner

Istanbul, 9 April 2008

KOÇ HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

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

	Notes	2007 EUR'000 (*)	2007 USD'000 (*)	2007 YTL'000	2006 YTL'000
ASSETS					
Current assets:					
Cash and due from banks	4.a	1,996,115	2,931,017	3,413,756	4,203,604
Reserve deposits with the central banks	4.b	804,874	1,181,845	1,376,495	1,561,457
Marketable securities (net)	5	920,573	1,351,733	1,574,364	4,198,218
Trade receivables (net)	7.a	3,423,211	5,026,509	5,854,375	5,678,373
Loans and advances to customers (net)	7.b	5,244,499	7,700,818	8,969,143	7,370,778
Lease receivables (net)	8.a	278,800	409,379	476,804	342,638
Due from related parties (net)	9.a	146,264	214,769	250,141	281,284
Other receivables (net)	10	6,052	8,886	10,350	14,747
Biological assets (net)	11	12,606	18,510	21,559	-
Inventories (net)	12	2,702,344	3,968,016	4,621,548	4,690,097
Construction contract receivables	13	16,106	23,649	27,544	16,487
Deferred tax assets	14	-	-	-	-
Other current assets	15.a	555,298	815,382	949,672	834,294
Disposal group assets held for sale	35	1,655,174	2,430,392	2,830,678	-
Total current assets		**17,761,916**	**26,080,905**	**30,376,429**	**29,191,977**
Non-current assets:					
Trade receivables (net)	7.a	57,740	84,783	98,747	68,103
Loans and advances to customers (net)	7.b	3,914,139	5,747,369	6,693,961	5,011,627
Lease receivables (net)	8.a	399,850	587,124	683,823	435,649
Due from related parties (net)	9.a	-	-	-	-
Other receivables (net)	10	-	-	-	-
Financial assets (net)	16	3,941,383	5,787,374	6,740,554	6,346,579
Positive/negative goodwill (net)	17	2,060,862	3,026,089	3,524,486	3,800,853
Investment property (net)	18	28,402	41,704	48,573	151,055
Property, plant and equipment (net)	19	5,781,336	8,489,087	9,887,240	10,548,175
Intangible assets (net)	20	515,049	756,277	880,836	953,587
Deferred tax assets	14	205,376	301,566	351,234	380,415
Other non-current assets	15.b	246,288	361,640	421,202	364,831
Total non-current assets		**17,150,425**	**25,183,013**	**29,330,656**	**28,060,874**
Total assets		**34,912,341**	**51,263,918**	**59,707,085**	**57,252,851**

(*) Euro ("EUR") and US Dollar ("USD") amounts presented above have been translated from New Turkish Lira ("YTL") for convenience purposes only, at the official YTL bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2007, and therefore do not form part of these consolidated financial statements (Note 2.3).

These consolidated financial statements as at and for the year ended 31 December 2007 have been approved for issue by the Board of Directors ("BOD") on 9 April 2008 and signed on its behalf of BOD by CFO (Chief Financial Officer) Ahmet F. Ashaboğlu and by Accounting Director, Emine Alangoya.

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

KOÇ HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

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

	Notes	2007 EUR'000 (*)	2007 USD'000 (*)	2007 YTL'000	2006 YTL'000
LIABILITIES					
Current liabilities:					
Customer deposits	6.b	9,449,379	13,875,099	16,160,328	15,896,339
Short-term borrowings (net)	6.a	3,010,644	4,420,712	5,148,803	5,827,374
Short-term portion of long-term borrowings (net)	6.a	1,251,051	1,836,995	2,139,548	1,426,119
Lease payables (net)	8.b	1,074	1,577	1,837	2,262
Insurance technical reserves	23.c	307,500	451,521	525,887	460,049
Other financial liabilities (net)	10	860,440	1,263,436	1,471,524	1,137,158
Trade payables (net)	7.a	2,595,760	3,811,513	4,439,269	4,745,728
Due to related parties (net)	9.b	197,324	289,742	337,463	420,009
Advances received	21	81,144	119,149	138,773	123,911
Construction contract progress billings (net)	13	-	-	-	-
Provisions	23.a	67,128	98,569	114,803	86,343
Deferred tax liabilities	14	-	-	-	-
Other current liabilities (net)	15.c	1,576,740	2,315,224	2,696,541	2,645,006
Disposal group liabilities held for sale	35	768,264	1,128,089	1,313,885	-
Total current liabilities		**20,166,448**	**29,611,626**	**34,488,661**	**32,770,298**
Non-current liabilities:					
Customer deposits	6.b	81,186	119,210	138,844	169,735
Long-term borrowings (net)	6.a	4,549,111	6,679,736	7,779,889	10,429,378
Lease payables (net)	8.b	893	1,312	1,528	870
Insurance technical reserves	23.c	416,752	611,942	712,729	691,318
Other financial liabilities (net)	10	2,082	3,057	3,561	10,869
Trade payables (net)	7.a	137	201	234	53,612
Due to related parties (net)	9.b	-	-	-	-
Advances received	21	-	-	-	-
Provisions	23.b	346,881	509,347	593,236	596,109
Deferred tax liabilities	14	373,991	549,153	639,599	622,772
Other non-current liabilities (net)	15.d	169,818	249,356	290,423	253,692
Total non-current liabilities		**5,940,851**	**8,723,314**	**10,160,043**	**12,828,355**
Total liabilities		**26,107,299**	**38,334,940**	**44,648,704**	**45,598,653**
Minority interests	**24**	**4,213,729**	**6,187,275**	**7,206,319**	**6,566,199**
SHAREHOLDERS' EQUITY					
Share capital	25	1,020,758	1,498,841	1,745,700	1,265,000
Treasury shares	25	-	-	-	-
Capital reserves	**26**	**927,824**	**1,362,379**	**1,586,763**	**1,581,047**
Share premium	26	4,718	6,927	8,068	1,779
Share cancellation gains		-	-	-	-
Revaluation fund		-	-	-	-
Financial assets fair value reserve	26	13,431	19,721	22,969	23,542
Inflation adjustment to shareholders' equity	26	909,675	1,335,731	1,555,726	1,555,726
Profit reserves	**27**	**399,880**	**587,168**	**683,875**	**540,380**
Legal reserves	27	31,914	46,861	54,579	51,328
Statutory reserves		-	-	-	-
Extraordinary reserves	27	282,190	414,357	482,602	488,265
Special reserves	27	95,724	140,558	163,708	-
Investment and property sales income to be added to the capital		-	-	-	-
Translation differences	27	(4,407)	(6,471)	(7,537)	8,269
Cumulative gain/(loss) on hedging	27	(5,541)	(8,137)	(9,477)	(7,482)
Net income		**1,342,193**	**1,970,824**	**2,295,419**	**560,812**
Prior years' income	**28**	**900,658**	**1,322,491**	**1,540,305**	**1,140,760**
Total shareholders' equity		**4,591,313**	**6,741,703**	**7,852,062**	**5,087,999**
Total liabilities and shareholders' equity		**34,912,341**	**51,263,918**	**59,707,085**	**57,252,851**
Commitments, contingent assets and liabilities	**31**				

(*) EUR and USD amounts presented above have been translated from YTL for convenience purposes only, at the official YTL bid rate announced by the CBRT at 31 December 2007, and therefore do not form part of these consolidated financial statements (Note 2.3).

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

KOÇ HOLDİNG A.Ş.
CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

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

	Notes	2007 EUR'000 (*)	2007 USD'000 (*)	2007 YTL'000	2006 YTL'000
Operating revenues					
Revenues (net)	36	28,922,405	39,515,199	51,429,361	49,197,080
Cost of revenues (-)		(24,164,799)	(33,015,126)	(42,969,462)	(41,545,810)
Gross operating profit		**4,757,606**	**6,500,073**	**8,459,899**	**7,651,270**
Operating expenses (-)	37	(2,747,353)	(3,753,567)	(4,885,299)	(4,673,985)
Net operating profit		**2,010,253**	**2,746,506**	**3,574,600**	**2,977,285**
Other income	38	490,431	670,051	872,077	291,929
Other expenses (-)	38	(146,440)	(200,073)	(260,397)	(311,118)
Financial income/(expenses) (net)	39	281,520	384,627	500,595	(882,120)
Operating profit		**2,635,764**	**3,601,111**	**4,686,875**	**2,075,976**
Monetary gain/(loss) (net)	40	-	-	-	-
Minority interests	24	(896,109)	(1,224,308)	(1,593,447)	(914,470)
Income before taxes		**1,739,655**	**2,376,803**	**3,093,428**	**1,161,506**
Taxes on income	41	(448,777)	(613,142)	(798,009)	(600,694)
Net income		**1,290,878**	**1,763,661**	**2,295,419**	**560,812**
Earnings per share (YTL)	42			1,467	0,422

(*)EUR and USD amounts presented above have been translated from YTL for convenience purposes only, at the EUR and USD average CBRT bid rates for the year 2007, and therefore do not form part of these consolidated financial statements (Note 2.3).

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

KOÇ HOLDİNG A.Ş.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

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

		Capital reserves			Profit reserves						Retained earnings		
	Share capital	Share premium	Financial assets fair value reserve	Inflation adjustment to shareholders' equity	Legal reserves	Extraordinary reserves	Special reserves	Investment and property sales income to be added to the capital	Translation differences	Cumulative gain/(loss) on hedging	Net income	Prior years' income	Total shareholders' equity
Balances at 1 January 2006	**1,150,000**	**1,779**	**20,077**	**1,575,726**	**33,531**	**250,515**	**-**	**715**	**(40,263)**	**9,317**	**597,624**	**1,087,059**	**4,686,080**
Transfers	-	-	-	-	-	237,750	-	(715)	-	-	(597,624)	360,589	-
Capital increase	115,000	-	-	(20,000)	-	-	-	-	-	-	-	(95,000)	-
Dividend paid	-	-	-	-	17,797	-	-	-	-	-	-	(23,218)	(5,421)
Financial assets fair value gain (net)	-	-	3,465	-	-	-	-	-	-	-	-	-	3,465
Translation differences	-	-	-	-	-	-	-	-	48,532	-	-	-	48,532
Cumulative loss on hedging (net)	-	-	-	-	-	-	-	-	-	(16,799)	-	-	(16,799)
Transactions with minority interest	-	-	-	-	-	-	-	-	-	-	-	(188,670)	(188,670)
Net income	-	-	-	-	-	-	-	-	-	-	560,812	-	560,812
Balances at 31 December 2006	**1,265,000**	**1,779**	**23,542**	**1,555,726**	**51,328**	**488,265**	**-**	**-**	**8,269**	**(7,482)**	**560,812**	**1,140,760**	**5,087,999**
Transfers	-	-	-	-	-	2,587	163,708	-	-	-	(560,812)	394,517	-
Capital increase	480,700	6,289	-	-	-	(8,250)	-	-	-	-	-	(55,000)	423,739
Dividend paid	-	-	-	-	3,251	-	-	-	-	-	-	(7,442)	(4,191)
Financial assets fair value loss (net)	-	-	(573)	-	-	-	-	-	-	-	-	-	(573)
Translation differences	-	-	-	-	-	-	-	-	(15,806)	-	-	-	(15,806)
Cumulative loss on hedging (net)	-	-	-	-	-	-	-	-	-	(1,995)	-	-	(1,995)
Transactions with minority interest	-	-	-	-	-	-	-	-	-	-	-	67,470	67,470
Net income	-	-	-	-	-	-	-	-	-	-	2,295,419	-	2,295,419
Balances at 31 December 2007	**1,745,700**	**8,068**	**22,969**	**1,555,726**	**54,579**	**482,602**	**163,708**	**-**	**(7,537)**	**(9,477)**	**2,295,419**	**1,540,305**	**7,852,062**

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

KOÇ HOLDİNG A.Ş.
CONSOLIDATED CASH FLOWS STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

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

	Notes	2007 EUR'000 (*)	2007 USD'000 (*)	2007 YTL'000	2006 YTL'000
Operating activities:					
Income before tax and minority interests		2,740,542	4,024,105	4,686,875	2,075,976
Adjustments to reconcile net cash generated from operating activities:					
Depreciation and amortisation	18,19,20	495,498	727,570	847,401	847,917
Changes in provisions	43	11,261	16,536	19,259	356,988
Net interest income	43	(383,071)	(562,486)	(655,128)	(520,916)
Banking sector interest income	33.g,43	1,877,587	2,756,976	3,211,050	2,695,010
Banking sector interest expense	33.g,43	(1,163,889)	(1,709,009)	(1,990,483)	(1,649,892)
Exchange losses/(gains) on borrowings (net)		(558,431)	(819,978)	(955,028)	501,602
Gain on sale of tangible assets (net)	38	(19,539)	(28,690)	(33,415)	(20,225)
Gain on sale of investments (net)	38	(379,389)	(557,080)	(648,831)	(121,767)
Net cash generated from operating activities before changes in operating assets and liabilities		**2,620,569**	**3,847,944**	**4,481,700**	**4,164,693**
Net changes in operating assets and liabilities	43	(1,050,579)	(1,542,629)	(1,796,700)	(5,237,667)
Net changes in other non-current assets and liabilities	43	(4,692)	(6,890)	(8,025)	(11,280)
Income taxes paid		(364,537)	(535,272)	(623,431)	(376,819)
Net cash generated from/used in operating activities		**1,200,761**	**1,763,153**	**2,053,544**	**(1,461,073)**
Investing activities:					
Purchases of property, plant and equipment and intangible assets	18,19,20	(1,020,360)	(1,498,257)	(1,745,020)	(1,755,073)
Proceeds from sale of tangible and intangible assets		140,296	206,005	239,934	169,328
Cash generated from sale of investments		17,435	25,601	29,818	23,959
Acquisition of subsidiary, net of cash acquired	32	(4,606)	(6,763)	(7,877)	(4,889,585)
Net cash generated from sale of subsidiaries and joint venture		448,135	658,024	766,400	141,516
Net cash used in transactions with minority interest		(61,204)	(89,869)	(104,671)	(413,586)
Net cash used in investing activities		**(480,304)**	**(705,259)**	**(821,416)**	**(6,723,441)**
Financing activities:					
Share capital and share premium increases		247,772	363,818	423,739	-
Dividends paid		(2,451)	(3,598)	(4,191)	(5,421)
Capital increase attributable to minority interest	24	28,562	41,939	48,846	139,177
Dividends paid to minority interests	24	(409,675)	(601,551)	(700,627)	(446,180)
Increase/(decrease) in short-term borrowings (net)		267,228	392,387	457,013	2,184,858
Increase/(decrease) in long-term borrowings (net)		(792,226)	(1,163,274)	(1,354,865)	7,316,013
Non-banking sector interest income	39,43	223,754	328,552	382,664	361,665
Non-banking sector interest expense	39,43	(554,381)	(814,032)	(948,103)	(885,867)
Net cash generated from/used in financing activities		**(991,417)**	**(1,455,759)**	**(1,695,524)**	**8,664,245**
Cumulative loss on hedging (net)		(5,389)	(7,912)	(9,215)	(19,993)
Translation differences (net)		(2,159)	(3,173)	(3,693)	3,671
Net increase in cash and cash equivalents		(278,508)	(408,950)	(476,304)	463,409
Cash and cash equivalents at the beginning of the period	43	2,432,381	3,571,613	4,159,858	3,696,449
Cash and cash equivalents at the end of the period	**43**	**2,153,873**	**3,162,663**	**3,683,554**	**4,159,858**

(*) EUR and USD amounts presented above are translated from YTL for convenience purposes only, at the official EUR and USD bid rates announced by CBRT at 31 December 2007, and therefore do not form part of these consolidated financial statements (Note 2.3).

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

KOÇ HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Koç Holding A.Ş. ("Koç Holding") was established on 11 December 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 2007, the number of people employed by Koç Holding, Subsidiaries and Joint Ventures (collectively referred as the "Group") is 84,687 (2006: 88,248).

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 2007, the principal shareholders and their respective shareholding rates in Koç Holding are as follows (Note 25):

	%
Companies owned by Koç Family members	42.55
Koç Family members	28.05
Vehbi Koç Vakfı	7.17
Koç Holding Emekli ve Yardım Sandığı Vakfı	1.97
Other	20.26
	100.00

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

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

The subsidiaries ("Subsidiary") and the joint ventures ("Joint Venture") of the Group, their country of incorporation, nature of business and their respective business segments are as follows:

Energy Sector

Subsidiaries	Country of incorporation	Nature of business
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ("Akpa")	Turkey	Trading
Aygaz A.Ş. ("Aygaz")	Turkey	LPG
Demir Export A.Ş. ("Demir Export")	Turkey	Mining
Deniz İşletmeciliği ve Tic. A.Ş. ("Ditaş")	Turkey	Shipping of Crude Oil and Petroleum Products
Enerji Yatırımları A.Ş. ("Enerji Yatırımları")	Turkey	Investment
Entek Elektrik Üretimi A.Ş. ("Entek")	Turkey	Power Generation
Mogaz Petrol Gazları A.Ş. ("Mogaz")	Turkey	LPG
Opet Aygaz Bulgaria EAD ("Opet Aygaz Bulgaria")	Bulgaria	Distribution
Opet Aygaz B.V. ("Opet Aygaz BV")	The Netherlands	Distribution
Türkiye Petrol Rafinerileri A.Ş. ("Tüpraş")	Turkey	Production and Trading of Petroleum Products

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Opet Gıda ve İhtiyaç Mad. Tur. San. İç ve Dış Ticaret A.Ş. ("Opet Gıda")	Öztürk Family	Turkey	Food Distribution
Opet International Limited ("Opet International")	Öztürk Family	The U.K.	Trading
Opet Petrolcülük A.Ş. ("Opet")	Öztürk Family	Turkey	Petroleum Product Trading
Opet Trade B.V. ("Opet Trade BV")	Öztürk Family	The Netherlands	Trading
Opet Trade Ireland ("Opet Trade Ireland")	Öztürk Family	Ireland	Trading
TBS Denizcilik ve Petrol Ürünleri Ticaret A.Ş. ("TBS")	Öztürk Family	Turkey	Marine Fuel Supplier

KOÇ HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006
(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

Automotive Sector

Subsidiaries	Country of incorporation	Nature of business
Beldesan Otomotiv Yan Sanayii ve Tic. A.Ş. ("Beldesan")	Turkey	Production
Beldeyama Motorlu Vasıtalar San. ve Tic. A.Ş. ("Beldeyama")	Turkey	Production
Otokar Otobüs Karoseri Sanayi A.Ş. ("Otokar")	Turkey	Production
Otokoç Otomotiv Tic. ve San. A.Ş. ("Otokoç")	Turkey	Trading
Otomotiv Lastikleri Tevzi A.Ş. ("Otomotiv Lastikleri")	Turkey	Trading
Otoyol Sanayi A.Ş. ("Otoyol")	Turkey	Trading

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Fer Mas Oto Ticaret A.Ş. ("Fer-Mas")	Fiat Auto S.p.A.	Turkey	Spare Part Trading
Ford Otomotiv Sanayi A.Ş. ("Ford Otosan")	Ford Motor Co.	Turkey	Production
Mekatro Araştırma Geliştirme A.Ş. ("Mekatro")	Fiat Auto S.p.A.	Turkey	Research and Development
New Holland Trakmak Traktör ve Ziraat Makinaları A.Ş. ("Trakmak")	CNH Global NV	Turkey	Trading
Platform Araştırma Geliştirme Tasarım ve Tic. A.Ş. ("Platform")	Fiat Auto S.p.A.	Turkey	Research and Development
Tofaş Türk Otomobil Fabrikası A.Ş. ("Tofaş")	Fiat Auto S.p.A.	Turkey	Production
Türk Traktör ve Ziraat Makinaları A.Ş. ("Türk Traktör")	CNH Global NV	Turkey	Production

Consumer Durable Sector

Subsidiaries	Country of incorporation	Nature of business
Arcelitalia SRL ("Arcelitalia")	Italy	Trading
Arçelik A.Ş. ("Arçelik")	Turkey	Production
Ardutch B.V. ("Ardutch")	The Netherlands	Holding
Beko Cesko ("Beko Cesko")	Czech Republic	Trading
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Trading
Bekodutch B.V. ("Bekodutch")	The Netherlands	Production
Beko Electronik Llc ("Beko Russia")	Russia	Production
Beko Electronics Espana S.L. ("Beko Espana")	Spain	Trading
Beko Elektronik A.Ş. ("Beko Elektronik")	Turkey	Production
Beko France S.A. ("Beko France")	France	Trading
Beko Llc. ("Beko Llc")	Russia	Production
Beko Magyarország K.F.T. ("Beko Magyarország")	Hungary	Trading
Beko Plc. ("Beko Plc")	The U.K.	Trading
Beko S.A. ("Beko Polska")	Poland	Trading
Beko S.A. Czech Republic ("Beko Czech")	Czech Republic	Trading
Beko S.A. Hungary ("Beko Hungary")	Hungary	Trading
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Trading
Blomberg Vertriebsgesellschaft GmbH ("Blomberg Vertrieb")	Germany	Distribution
Blomberg Werke GmbH ("Blomberg Werke")	Germany	Production
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Trading
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Trading
Fusion Digital Technology Ltd. ("Fusion Digital")	The U.K.	Development and Application
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	Turkey	Foreign Trade
Raupach Wollert GmbH ("Raupach")	Germany	Holding
SC Arctic SA ("Arctic")	Romania	Production

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Arçelik-LG Klima San. ve Tic. A.Ş. ("Arçelik LG Klima")	LG Electronics Inc.	Turkey	Air Conditioner Production
Grundig AG ("Grundig AG")	Alba Plc.	Switzerland	Sales and Service
Grundig Benelux B.V. ("Grundig Benelux")	Alba Plc.	The Netherlands	Sales and Service
Grundig Ceska Republika S.r.o ("Grundig Ceska")	Alba Plc.	Czech Republic	Sales and Service
Grundig Danmark A/S ("Grundig Denmark")	Alba Plc.	Denmark	Sales and Service
Grundig Espana S.A. ("Grundig Espana")	Alba Plc.	Spain	Sales and Service
Grundig Intermedia GmbH ("Grundig Austria")	Alba Plc.	Austria	Sales and Service
Grundig Intermedia GmbH ("Grundig GmbH")	Alba Plc.	Germany	Sales and Service
Grundig Intermedia Trgovina d.o.o. ("Grundig Slovenia")	Alba Plc.	Slovenia	Sales and Service
Grundig Italiana S.p.A. ("Grundig Italy")	Alba Plc.	İtaly	Sales and Service
Grundig Magyarország Kft. ("Grundig Hungary")	Alba Plc.	Hungary	Sales and Service
Grundig Multimedia B.V. ("Grundig Multimedia")	Alba Plc.	The Netherlands	Holding
Grundig Norge AS ("Grundig Norway")	Alba Plc.	Norway	Sales and Service
Grundig OY ("Grundig Finland ")	Alba Plc.	Finland	Sales and Service
Grundig Polska Sp. z o.o. ("Grundig Polska")	Alba Plc.	Poland	Sales and Service
Grundig Portuguesa Lda ("Grundig Portugal")	Alba Plc.	Portugal	Sales and Service
Grundig Slovakia S.r.o. ("Grundig Slovakia")	Alba Plc.	Slovakia	Sales and Service
Grundig Svenska AB. ("Grundig Sweden")	Alba Plc.	Sweden	Sales and Service
Grundig S.A.S. ("Grundig France")	Alba Plc.	France	Sales and Service

Finance Sector

Subsidiaries	Country of incorporation	Nature of business
Koç Allianz Hayat ve Emeklilik A.Ş. ("Koç Allianz Hayat")	Turkey	Life Insurance
Koç Allianz Sigorta A.Ş. ("Koç Allianz Sigorta")	Turkey	Insurance
Koç Tüketici Finansmanı A.Ş. ("Koç Finans")	Turkey	Consumer Finance

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Koç Fiat Kredi Tüketici Finansmanı A.Ş. ("Fiat Finans")	Fiat Auto S.p.A.	Turkey	Finance
Koç Finansal Hizmetler A.Ş. ("Koç Finansal Hizmetler" or "KFS")	UniCredito S.p.A.	Turkey	Holding
Stiching Custody Services YKB ("Stiching Custody")	UniCredito S.p.A.	The Netherlands	Custody
Yapı Kredi Azerbaijan C.J.S.C. ("Yapı Kredi Azerbaycan")	UniCredito S.p.A.	Azerbaijan	Banking
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi Bankası")	UniCredito S.p.A.	Turkey	Banking
Yapı Kredi Bank Deutschland A.G. ("Yapı Kredi Deutschland")	UniCredito S.p.A.	Germany	Banking
Yapı Kredi Holding B.V. ("Yapı Kredi Holding")	UniCredito S.p.A.	The Netherlands	Financial Consulting
Yapı Kredi Nederland N.V. ("Yapı Kredi Nederland")	UniCredito S.p.A.	The Netherlands	Banking
Yapı Kredi Diversified Payment Rights Company ("Yapı Kredi SPC") (*)	UniCredito S.p.A.	Cayman Islands	Special Punpose Company
Yapı Kredi Emeklilik A.Ş. ("Yapı Kredi Emeklilik")	UniCredito S.p.A.	Turkey	Life Insurance
Yapı Kredi Faktoring A.Ş. ("Yapı Kredi Faktoring")	UniCredito S.p.A.	Turkey	Factoring
Yapı Kredi Finansal Kiralama A.O. ("Yapı Kredi Finansal Kiralama")	UniCredito S.p.A.	Turkey	Leasing
Yapı Kredi Bank Moscow ("Yapı Kredi Moscow")	UniCredito S.p.A.	Russia	Banking
Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy")	UniCredito S.p.A.	Turkey	Portfolio Management
Yapı Kredi Sigorta A.Ş. ("Yapı Kredi Sigorta")	UniCredito S.p.A.	Turkey	Insurance
Yapı Kredi Yatırım Menkul Değerler A.Ş. ("Yapı Kredi Menkul")	UniCredito S.p.A.	Turkey	Brokerage
Yapı Kredi Yatırım Ortaklığı A.Ş. ("Yapı Kredi Yatırım")	UniCredito S.p.A.	Turkey	Investment Trust

(*) Although Yapı Kredi Bankası, a Joint Venture of the Group, has no shareholding interest in the company, the special purpose company established for Yapı Kredi Bankası's securitisation transactions is included in the scope of consolidation.

Food and Retail Sector

Subsidiaries	Country of incorporation	Nature of business
Düzey Tüketim Malları Sanayi Pazarlama A.Ş. ("Düzey")	Turkey	Trading
Harranova Besi ve Tarım Ürünleri A.Ş. ("Harranova Besi")	Turkey	Agriculture
Migros Türk T.A.Ş. ("Migros") (*)	Turkey	Retail
Ramstore Bishkek LLP ("Ramstore Bishkek") (*)	Kyrgyzstan	Retail
Ramstore Bulgaria A.D. ("Ramstore Bulgaria") (*)	Bulgaria	Retail
Ramstore Kazakhstan LLP ("Rambutya") (*)	Kazakhstan	Retail
Ramstore Macedonia DOO ("Ramstore Makedonya") (*)	Macedonia	Retail
Ramstore Sınırlı Sorumlu Türk Gıda Müessesesi ("Ramstore") (*)	Azerbaijan	Retail
Tat Konserve Sanayi A.Ş. ("Tat Konserve")	Turkey	Food
Tat Tohumculuk A.Ş. ("Tat Tohumculuk")	Turkey	Agriculture

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Koçtaş Yapı Marketleri Ticaret A.Ş. ("Koçtaş Yapı Market")	Kingfisher Plc	Turkey	Retail

(*) Please refer to Note 35.

Other Sectors

Subsidiaries	Country of incorporation	Nature of business
Ayvalık Marina ve Yat İşletmeciliği San. ve Tic. A.Ş. ("Ayvalık Marina")	Turkey	Tourism
Bilkom Bilişim Hizmetleri A.Ş. ("Bilkom")	Turkey	Trading
Bozkurt Tarım ve Gıda San. ve Tic. A.Ş. ("Bozkurt")	Turkey	Agriculture
Kav Danışmanlık Pazarlama ve Ticaret A.Ş. ("Kav Danışmanlık")	Turkey	Consultancy
Koçnet Haberleşme Teknoloji ve İletişim Hizm. A.Ş. ("Koçnet")	Turkey	Information Technology
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ("Koç Sistem")	Turkey	Technology
Koç Yapı Malzemeleri Ticaret A.Ş. ("Koç Malzeme")	Turkey	Trading
Marmaris Altınyunus Turistik Tesisleri A.Ş. ("Mares")	Turkey	Tourism
Palmira Turizm Ticaret A.Ş. ("Palmira")	Turkey	Tourism
RMK Marine Gemi Yapım Sanayi ve Deniz Taş. İşl. A.Ş. ("RMK Marine")	Turkey	Ship Construction
Setur Servis Turistik A.Ş. ("Setur")	Turkey	Tourism
Tek-Art Kalamış ve Fenerbahçe Marmara Turizm Tesisleri A.Ş. ("Tek-Art Marina")	Turkey	Tourism
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer Ticaret")	Turkey	Trading

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Netsel Turizm Yatırımları A.Ş. ("Netsel")	Toray İnşaat A.Ş.	Turkey	Tourism
Ultra Kablolu Televizyon ve Telekomünikasyon San. ve Tic. A.Ş. ("Ultra Kablo")	Doğan Yayın Holding A.Ş.	Turkey	Media and Communication

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).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Financial reporting standards

The consolidated financial statements of Koç Holding have been prepared in accordance with the accounting and reporting principles published by the CMB, namely “CMB Financial Reporting Standards”. The CMB issued 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 comply with the CMB Financial Reporting 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 Financial Reporting Standards. Accordingly, International Accounting Standards (“IAS 29”) (“Financial Reporting in Hyperinflationary Economies”), issued by the IASB, has not been applied in the consolidated financial statements for the accounting year commencing from 1 January 2005. 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 and instructions promulgated (Note 3.16) by the Banking Regulation and Supervision Agency (“BRSA”) for banks and 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 the CMB Financial Reporting Standards.

2.2 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 Financial Reporting 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 differences” under the shareholders’ equity.

2.3 EUR and USD translation

EUR and USD amounts shown in the consolidated balance sheet and cash flows statement have been 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 2007 of YTL1.7102 = EUR1 and YTL1.1647 = USD1, respectively and EUR and USD amounts shown in the consolidated income statement have been translated from YTL, as a matter of arithmetic computation only, at the average EUR and USD bid rates calculated from the official daily bid rates announced by the CBRT for 2007 of YTL1.7782 = EUR1 and YTL1.3015 = USD1, respectively, and do not form part of these consolidated financial statements.

2.4 Comparatives and adjustment of prior periods’ financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements; the significant changes are explained.

2.5 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the 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 net assets and settle the liabilities simultaneously.

2.6 Convenience translation into English of consolidated financial statements originally issued in Turkish

The accounting principles described in Note 2.1 to the consolidated financial statements (defined as CMB Financial Reporting Standards) differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2007, measurement principles and disclosure requirements for retirement benefits and presentation of the primary 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.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies used in the preparation of consolidated financial statements are consistent with the accounting policies used in the consolidated financial statements for the year ended 31 December 2006.

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 Financial Reporting 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 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:

Subsidiaries	Proportion of effective interest (%)		Direct and indirect ownership interest held by Koç Holding in its Subsidiaries (%)		Ownership interest shares held by Koç Family members (%)		Total ownership interest (%)	
	2007	2006	2007	2006	2007	2006	2007	2006
Akpa	40.68	65.78	100.00	74.87	-	23.50	100.00	98.37
Arctic	37.84	37.84	96.68	96.68	-	-	96.68	96.68
Arcelitalia (1)	39.14	-	100.00	-	-	-	100.00	-
Arçelik	39.14	39.14	39.14	39.14	12.63	12.63	51.77	51.77
Ardutch	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Aygaz	40.68	40.68	40.68	40.68	10.53	10.53	51.21	51.21
Ayvalık Marina	49.13	49.13	95.57	95.57	4.43	4.43	100.00	100.00
Bekodutch	28.36	28.36	100.00	100.00	-	-	100.00	100.00
Beko Cesko	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beko China (1)	39.14	-	100.00	-	-	-	100.00	-
Beko Czech	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beko Deutschland	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beko Elektronik	28.36	28.36	72.46	72.46	-	-	72.46	72.46
Beko Espana	39.13	39.13	100.00	100.00	-	-	100.00	100.00
Beko France	39.12	39.12	99.96	99.96	-	-	99.96	99.96
Beko Hungary	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beko Llc (2)	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beko Magyarorszag	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beko Plc	19.57	19.57	50.00	50.00	50.00	50.00	100.00	100.00
Beko Polska	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beko Russia	28.36	28.36	100.00	100.00	-	-	100.00	100.00
Beko Slovakia	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beldesan	79.13	79.13	79.13	79.13	14.67	14.67	93.80	93.80
Beldeyama	63.30	63.30	79.99	79.99	0.01	0.01	80.00	80.00
Bilkom	82.29	82.29	99.94	99.94	0.06	0.06	100.00	100.00
Birmot (3)	-	99.10	-	99.25	-	0.75	-	100.00
Blomberg Vertrieb (4)	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Blomberg Werke (4)	39.14	39.14	100.00	100.00	-	-	100.00	100.00
B.O.S. (Note 35) (5)	-	40.64	-	98.43	-	1.57	-	100.00
Bozkurt	73.92	73.92	83.89	83.89	16.11	16.11	100.00	100.00
DD Chung Mei (5)	-	25.35	-	55.00	-	-	-	55.00
DD Heating (5)	-	23.05	-	50.00	-	50.00	-	100.00
Demirdöküm (Note 35) (5)	-	46.10	-	46.10	-	24.11	-	70.21
Demrad	-	46.10	-	100.00	-	-	-	100.00
Demir Export	2.34	2.34	2.34	2.34	50.48	50.48	52.82	52.82
Ditaş	34.15	34.16	80.00	80.00	-	-	80.00	80.00
Düzey	31.60	31.69	32.27	32.27	60.89	60.89	93.16	93.16
Elektra Bregenz	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Enerji Yatırımları	83.71	83.73	98.00	98.00	-	-	98.00	98.00
Entek	37.81	32.54	94.70	65.12	-	-	65.12	65.12
Fusion Digital (4)	28.14	28.14	100.00	100.00	-	-	100.00	100.00
Harranova Besi (1)	33.05	-	74.36	-	25.64	-	100.00	-
Izodutch (6)	-	39.14	-	100.00	-	-	-	100.00
Kav Danışmanlık (7)	18.98	18.98	18.98	18.98	29.76	29.76	48.74	48.74
Koç Allianz Hayat	49.87	49.87	51.00	51.00	-	-	51.00	51.00
Koç Allianz Sigorta (7)	43.41	43.41	43.41	43.41	3.68	3.68	47.09	47.09
Koç Finans	63.26	63.26	94.50	94.50	5.50	5.50	100.00	100.00
Koç Malzeme	43.18	43.18	43.18	43.18	46.34	46.34	89.52	89.52
Koç Sistem	41.17	41.17	41.11	41.11	53.17	53.17	94.28	94.28
Koçnet	86.07	86.07	100.00	100.00	-	-	100.00	100.00
Mares	36.81	36.81	36.81	36.81	33.46	33.46	70.27	70.27
Migros	50.83	50.83	50.83	50.83	0.02	0.02	50.85	50.85
Mogaz	36.20	38.33	88.97	80.55	-	8.42	88.97	88.97
Opet Aygaz Bulgaria	29.96	30.24	100.00	100.00	-	-	100.00	100.00
Opet Aygaz BV	29.96	30.24	100.00	100.00	-	-	100.00	100.00
Otokar (7)	44.90	44.09	45.27	45.27	-	-	45.27	45.27
Otokoç	96.42	94.03	96.57	94.18	3.43	5.82	100.00	100.00
Otomotiv Lastikleri	52.55	52.12	57.09	56.41	32.57	32.57	89.66	88.98
Otoyol	53.95	53.95	53.95	53.95	10.18	10.18	64.13	64.13
Palmira	9.80	9.80	20.78	20.78	79.22	79.22	100.00	100.00
Panel (5)	-	23.05	-	100.00	-	-	-	100.00
Ram Dış Ticaret	52.86	48.09	83.44	83.44	14.66	14.66	98.10	98.10
Rambutya	50.83	50.83	100.00	100.00	-	-	100.00	100.00
Ramstore Bishkek	50.83	50.83	100.00	100.00	-	-	100.00	100.00

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

Subsidiaries	Proportion of effective interest (%)		Direct and indirect ownership interest held by Koç Holding in its Subsidiaries (%)		Ownership interest shares held by Koç Family members (%)		Total ownership interest (%)	
	2007	2006	2007	2006	2007	2006	2007	2006
Ramstore Bulgaria	50.83	50.83	100.00	100.00	-	-	100.00	100.00
Ramstore Makedonya	50.32	50.32	99.00	99.00	-	-	99.00	99.00
Raupach	39.14	39.14	100.00	100.00	-	-	100.00	100.00
RMK Marine	53.82	53.82	66.84	66.84	33.10	33.10	99.94	99.94
Ramstore	50.83	50.83	100.00	100.00	-	-	100.00	100.00
Setur	47.14	47.14	81.07	81.07	18.67	18.67	99.74	99.74
Tat Konserve	39.39	47.54	44.07	52.87	7.12	8.67	51.19	61.54
Tat Tohumculuk (7)	14.82	17.26	33.00	33.00	3.00	3.00	36.00	36.00
Tek-Art Marina	50.50	50.50	51.94	51.94	47.46	47.46	99.40	99.40
Tüpraş	42.69	42.70	51.00	51.00	-	-	51.00	51.00
Zer Ticaret	39.00	39.00	39.00	39.00	60.00	60.00	99.00	99.00

(1) Included in the scope of consolidation in 2007.
(2) Merged with Izocam LLC in 2007.
(3) Merged with Otokoç in 2007.
(4) In the process of liquidation.
(5) Excluded from the scope of consolidation following the share transfers in 2007.
(6) Merged with Ardutch B.V. in 2007.
(7) Although the ownership interest of Koç Holding in these subsidiaries is less than 50%, Koç Holding has the power to exercise control over financial and operating policies of these companies.

The 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 period, 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.

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The table below sets out the Joint Ventures and shows their ownership and effective interests as of 31 December:

Joint Ventures	Proportion of effective interest (%)		Direct and indirect ownership interest held by Koç Holding in its Joint Ventures (%)		Ownership interest shares held by Koç Family members (%)		Total ownership interest (%)	
	2007	2006	2007	2006	2007	2006	2007	2006
Arçelik LG Klima	22.61	22.61	50.00	50.00	-	-	50.00	50.00
Azur [(1)]	-	30.28	-	50.00	-	-	50.00	50.00
Fer-Mas	37.36	37.36	37.86	37.86	-	-	37.86	37.86
Fiat Finans	37.59	37.59	37.59	37.59	0.27	0.27	37.86	37.86
Ford Otosan	38.01	38.01	38.46	38.46	2.58	2.58	41.04	41.04
Grundig AG	14.18	14.18	50.00	50.00	-	-	50.00	50.00
Grundig Austria	14.18	14.18	50.00	50.00	-	-	50.00	50.00
Grundig Australia [(2)]	-	14.18	-	50.00	-	-	-	50.00
Grundig Benelux	14.18	14.18	50.00	50.00	-	-	50.00	50.00
Grundig Ceska	14.18	14.18	50.00	50.00	-	-	50.00	50.00
Grundig Denmark	14.18	14.18	50.00	50.00	-	-	50.00	50.00
Grundig Espana	14.18	14.18	50.00	50.00	-	-	50.00	50.00
Grundig Finland	14.18	14.18	50.00	50.00	-	-	50.00	50.00
Grundig France	14.18	14.18	50.00	50.00	-	-	50.00	50.00
Grundig GmbH	14.18	14.18	50.00	50.00	-	-	50.00	50.00
Grundig Hungary	14.18	14.18	50.00	50.00	-	-	50.00	50.00
Grundig Italy	14.18	14.18	50.00	50.00	-	-	50.00	50.00
Grundig Multimedia	14.18	14.18	50.00	50.00	-	-	50.00	50.00
Grundig Norway	14.18	14.18	50.00	50.00	-	-	50.00	50.00
Grundig Polska	14.18	14.18	50.00	50.00	-	-	50.00	50.00
Grundig Portugal	14.18	14.18	50.00	50.00	-	-	50.00	50.00
Grundig Slovakia	14.18	14.18	50.00	50.00	-	-	50.00	50.00
Grundig Slovenia	14.18	14.18	50.00	50.00	-	-	50.00	50.00
Grundig Sweden	14.18	14.18	50.00	50.00	-	-	50.00	50.00
Havenfields [(1)]	-	30.24	-	49.94	-	-	-	49.94
Koç Finansal Hizmetler	38.14	37.76	44.84	44.83	5.16	5.17	50.00	50.00
Koçbank Nederland [(3)]	-	37.76	-	50.00	-	-	-	50.00
Koçtaş Yapı Market	38.10	38.10	49.92	49.92	0.08	0.08	50.00	50.00
Mekatro	36.46	36.46	37.86	37.86	-	-	37.86	37.86
Netsel	27.78	27.78	55.00	55.00	-	-	55.00	55.00
Opet	19.24	19.79	50.00	50.00	-	-	50.00	50.00
Opet Gıda	19.24	19.79	50.00	50.00	-	-	50.00	50.00
Opet International	19.24	19.79	50.00	50.00	-	-	50.00	50.00
Opet Madeni Yağ [(4)]	-	19.79	-	50.00	-	-	-	50.00
Opet Trade BV	19.24	19.79	50.00	50.00	-	-	50.00	50.00
Opet Trade Ireland	19.24	19.79	50.00	50.00	-	-	50.00	50.00
Platform	37.21	37.21	37.86	37.86	-	-	37.86	37.86
Ramenka (Note 35) [(2)]	-	25.42	-	50.00	-	-	-	50.00
Stiching Custody	35.87	37.76	50.00	50.00	-	-	50.00	50.00
TBS	9.62	9.89	25.00	25.00	-	-	25.00	25.00
Tofaş	37.59	37.59	37.59	37.59	0.27	0.27	37.86	37.86
Trakmak	39.38	39.38	39.38	39.38	17.50	17.50	56.88	56.88
Türk Traktör	37.50	37.50	37.50	37.50	-	-	37.50	37.50
Ultra Kablo	25.36	25.36	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Azerbaycan	31.19	37.76	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Bankası	31.19	30.28	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Deutschland [(5)]	31.19	29.52	50.00	50.00	-	-	50.00	50.00
Yapı Kredi SPC	-	-	-	-	-	-	-	-
Yapı Kredi Emeklilik	29.60	25.15	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Faktoring	31.18	34.71	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Finansal Kiralama	31.12	35.68	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Global Custody [(1)]	-	30.28	-	50.00	-	-	-	50.00
Yapı Kredi Holding	31.19	30.28	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Menkul	33.64	30.27	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Moscow	31.19	30.28	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Nederland	35.86	30.28	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Portföy	33.32	35.54	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Sigorta	29.60	25.17	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Yatırım	18.59	16.97	50.00	50.00	-	-	50.00	50.00

(1) Liquidated in 2007.
(2) Excluded from the scope of consolidation following the share transfer in 2007.
(3) Merged with Yapı Kredi Nederland in 2007.
(4) Merged with Opet in 2007.
(5) In the process of liquidation.

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 cannot 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 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 of such Joint Ventures.

3.2 Related parties
For the purpose of these consolidated financial statements, the companies over which shareholders, Koç Holding key management personnel, BOD members and Koç Family exercise control and significant influence, Subsidiaries and Joint Ventures excluded from the scope of consolidation and Group personnel are considered and expressed as "related parties" (Note 9).

3.3 Financial assets
The Group classifies its investments in debt and equity securities as financial 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 re-measured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in the consolidated 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 re-measured at transaction/companies prices in active markets and whose fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power.

Available-for-sale investments, in which the Group has attributable interests of 20% or less or Subsidiaries 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 cannot be reliably measured.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are deferred to the equity under "financial assets fair value reserve" until the financial asset is sold, collected or otherwise disposed of. 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. If the difference between the amortised cost and the fair value of the available-for-sale securities is permanent, gains and losses are carried in the statement of income.

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

Securities purchased under agreements to resell ("reverse repurchase agreements") are recorded as loans to banks in the consolidated financial statements. The difference between the purchase and resale price of these repurchase agreements is treated as interest income and accrued over the life of the reverse repurchase agreement (Note 4).

3.5 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 (Note 7).

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

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.

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

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

The movement in provision is charged against the income for the period. When a loan is deemed uncollectible, it is written-off against the related provision for impairment. The loan is written-off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined.

3.7 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 period is charged against the income for the period. 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 period.

3.8 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).

3.9 Inventories
Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads. 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).

3.10 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 (except for land) (Note 18).

Investment properties are reviewed for possible 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 future net cash flows from the utilisation of this investment property or fair value less cost to sell.

3.11 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. Land is not depreciated as it is deemed to have an indefinite useful life.

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

Buildings	10 - 50 years
Land improvements	10 - 50 years
Machinery and equipment	4 - 25 years
Furniture and fixtures	4 - 15 years
Motor vehicles	4 - 15 years
Leasehold improvements	Shorter of lease period or useful lives
Other tangible assets	4 - 10 years

Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset.

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 property, plant and equipment is the higher of future net cash flows from the utilisation of this property, plant and equipment or fair value less cost to sell.

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).

3.12 Leases

(1) The Group as the lessee

Finance leases
Leases of property, plant and equipment where the Group substantially assumes 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 to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included as finance lease obligations. 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 useful life of the asset.

Obligations under finance leases are stated in the consolidated financial statements at the acquisition values of the related property, plant and equipment. Future interest payments inherent in the lease contract are charged to the consolidated statement of income over the period of the lease.

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 consolidated 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 consolidated 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.

3.13 Intangible assets and related amortisation
Intangible assets comprise of expenditures to acquire usage rights, brands, development costs, information systems and other identified rights. They are initially recognised at acquisition cost and amortised on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are not amortised, however are tested for impairment annually. Whenever there is an indication that the intangible impaired, the carrying amount of the intangible asset is reduced to its recoverable amount and the impairment loss is recognised as an expense (Note 20).

3.14 Business combinations and goodwill
A business combination is the bringing together of separate entities or businesses into one reporting entity. Business combinations are accounted for using the purchase method in the scope of IFRS 3.

The cost of a business combination is allocated by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination cost is accounted for as goodwill. In business combinations, the acquirer recognises identifiable assets, intangible assets and/or contingent liabilities which are not included in the acquiree's financial statements and which can be separated from goodwill, at their fair values in the consolidated financial statements. The goodwill previously recognised in the financial statements of the acquiree is not considered as an identifiable asset.

Any excess of the 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.

The carrying value of goodwill is reviewed annually at the same time for impairment and the impairment provision, if any, is immediately recognised in the consolidated statements of income.

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

Transactions with minority interest
The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

3.15 Taxes on income
Taxes include current period income tax liabilities and deferred tax liabilities. A provision is recognised for the current period tax liability based on the period results of the Group at the balance sheet date.

Deferred income tax is provided for 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 (Note 14).

Deferred tax liabilities are recognised for all taxable temporary differences, where 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.

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

3.16 Employee Benefits

a) Provision for Employment Termination Benefits
The provision for 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 regarding the actuarial projections (Note 23.b).

b) Pension Rights
The personnel of Yapı Kredi Bankası, a Joint Venture of the Group, are the members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("Pension Fund") which was established in accordance with the 20th temporary article of the Social Security Law No. 506.

The Banking Law No.5411 ("Banking Law") with the temporary Article 23 required the transfer of the pension funds of banks to the Social Security Institution within three years following the publication date of the Banking Law in the Official Gazette dated 1 November 2005 No.25983.

However, on 2 November 2005, the President applied to the Constitutional Court for the abrogation of the concerned article of Banking Law and upon the decision of the Constitutional Court dated 22 March 2007 numbered E. 2005/39, K. 2007/33 published in the Official Gazette dated 31 March 2007 numbered 26479, the article was abrogated as of the publication date of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated 15 December 2007, numbered 26732. Following the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("National Assembly") started to work on a new law regarding the transfer of the funds to Social Security Institution. The draft legislation on the change in the Social Security and General Health Security Law and respective laws and decrees have been discussed and adopted at the meeting of the National Assembly Plan and Budget Commission held on 6 March 2008. In that respect, the Article adopted by National Assembly that revises the temporary article 20 which regulates funds under the temporary article 20 of the Social Security Law No.506 has been referred to the National Assembly for final discussion. The legislation process has not been finalised as of the date of this report.

BRSA expressed its opinion that in the framework of the abrogation of temporary article 23 of the Banking Law No. 2006/11345 described in the decision of the Council of Ministers in the Official Gazette dated 15 December 2006 No.26377, the provision amount calculated as of the end of 2006 should be preserved. In line with this opinion, Yapı Kredi Bankası received an actuarial report which was prepared in accordance with this decree by a registered actuary and a full provision regarding the deficit reported in the actuarial report by 31 December 2006 has been accounted for under the "Provisions" account (Note 23.b).

3.17 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 CBRT 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.

3.18 Provisions, contingent assets and contingent liabilities
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

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 the consolidated financial statements and treated as contingent assets or liabilities (Note 31).

3.19 Impairment of assets
At each reporting date, the Group evaluates whether there is any indication that an asset other than deferred tax asset, intangible assets with indefinite useful lives and financial asset at fair value may be impaired. When an indication of impairment exists, the Group estimates the recoverable values of such assets. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. An impairment loss is recognised immediately in the consolidated statement of income. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss recognised in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognised. Such a reversal amount cannot be higher than the previously recognised impairment and is recognised as income in the consolidated financial statements.

3.20 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
Premium income represents premiums on policies written during the year, net of cancellations.

Other sectors
Revenues of the Group companies operating in the energy, automotive, consumer durables, food and retailing and other segments include the invoiced amounts of goods and services sold. Revenues are recognised on an accrual basis at the time deliveries are made, risks and benefits related to the product are transferred, income amount is reliably measured and when it is highly probable that the Group will obtain future economic benefits. Interest income is realised according to the cut-off basis and accrued income is determined through taking into consideration the effective interest rate and the rate effective until maturity date. 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).

3.21 Insurance technical reserves

Life mathematical reserves
Life mathematical reserves consist of actuarial mathematical reserves (with minimum income guarantee to the policyholders) and life profit share reserves and represent the total liability of the Subsidiaries and Joint Ventures of the Group in the insurance sector to the policyholders in the life branch.

Life mathematical reserves are provided for future compensations the payments of which are guaranteed by the Subsidiary and Joint Venture of the Group operating in the life insurance branch. In accordance with the Insurance Law, the remaining amount of life branch premiums that are collected in accordance with life insurance agreements, after deduction of expense charges, mortality risk premium and commissions are accounted for as life mathematical reserves. The approval of mathematical reserves is made by the actuaries based on current mortality tables that are valid for Turkish insurance companies and prepared by considering the mortality statistics prepared abroad. The life profit share, calculated in accordance with collections from life insurance premiums, is reserved in respect of the income generated from investments financed with these reserves.

Outstanding claims provision
Full outstanding claims provision is recorded for the estimated ultimate cost of settling claims incurred as of the balance sheet date, less amounts already paid in respect of these claims. Claim provisions are accounted for based on reports of experts or initial assessments of policyholders and experts. Additional outstanding claims provision is booked for all claims that are notified after, but occurred before the balance sheet date (IBNR).

Unearned premium reserve
Unearned premium reserve is calculated as the unearned portion of the premiums on a daily basis in respect of all policies in force as of balance sheet date.

Liability adequacy test

At each balance sheet date, the Subsidiaries and Joint Ventures of the Group in the insurance sector perform liability adequacy tests to ensure the adequacy of the contract liabilities related to the issued policies in force as of balance sheet date. In performing these tests, current best estimates of future contractual cash flows are used. Any deficiency is immediately charged to consolidated statement of income.

3.22 Dividends

Dividend income is recognised by the Group at the date the right to collect the dividend is realised. Dividend payables are recognised as a result of profit distribution in the period they are declared.

3.23 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 their estimated useful lives (2-10 years).

3.24 Warranties

Warranty expenses are recorded as a result of repair and maintenance expenses for products produced and sold, authorised services' labour and material costs for products under the scope of the warranty terms without any charge to the customers, initial maintenance costs and estimated costs based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period (Note 15.c).

3.25 Government grants

Government grants along with investment, research and development grants 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 consolidated balance sheet and are credited to consolidated income statement on a straight-line basis over the expected lives of related assets (Note 30).

3.26 Borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently 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 income statement over the period of the borrowings. Borrowing costs are charged to the income statement when they are incurred. However, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale, in accordance with the allowed alternative treatment in IAS 23 "Borrowing Costs".

3.27 Accounting for derivative financial instruments, embedded derivatives and hedging activities

Derivative financial instruments are initially recognised in the consolidated balance sheet at cost and subsequently are re-measured 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 generally 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 consolidated statement of income and classified as revenue or expense in period in which the hedged firm commitment or forecasted transaction affects the consolidated 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 consolidated statement of income.

3.28 Earnings per share

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

In Turkey, companies can increase their share capital 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 period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported.

3.29 Significant accounting estimates and decisions

Preparation of consolidated 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 period. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

3.30 Subsequent events

The Group adjusts the amounts recognised in its financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.31 Cash flow

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements. Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

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

3.32 Segment reporting
A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and if its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

The Group has chosen business segments as the Group's primary segment reporting format based on the risks and returns on products produced and services rendered reflecting the primary source of the enterprise's risks and returns (Note 33). Geographical segments have not been disclosed in these consolidated financial statements as the secondary segment reporting format on the grounds of materiality as the operations of the Group in geographical areas other than Turkey are not reportable geographical segments individually when compared with the overall consolidated financial statements (Note 1).

In accordance with the strategic plans, the Group management decided on the sale of the Group's shares in Migros, a Subsidiary of the Group. Consequently, Migros and its subsidiaries ("Migros Group") have been accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" in the consolidated financial statements. Therefore, Migros Group which has been classified under Food and Retail sector has been disclosed as discontinued operations (Note 35).

3.33 Disposal group assets held for sale and liabilities directly associated with those assets
Disposal group assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Liabilities directly associated with those assets are also classified similarly. Disposal group assets are measured at the lower of its carrying amount after deduction of the liabilities directly associated with those assets and its fair value less costs to sell.

3.34 Biological assets
Consumable biological assets are measured at their fair value less estimated point-of-sale costs in the consolidated financial statements (Note 11).

3.35 Financial Instruments and Financial Risk Management

Financial Risk Management
The Group is exposed to variety of financial risks due to its activities. These risks include market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group also uses derivative financial instruments to hedge risk exposures.

Financial risk management is carried out by the Subsidiaries and Joint Ventures of the Group under policies approved by their own Boards of Directors.

A) Credit Risk
Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Ownership of financial assets involves a risk that the counterparty does not fulfill the terms of contract. These risks are monitored by credit ratings and limitations to the total risk of a single counterparty. The credit risk is diversified as a result of the large number of entities comprising the customer bases and the entities' penetration to different business segments.

Credit risk, which is inherent in all products from customer placements to commitments and letter of credits are monitored through detailed credit policies and procedures by the management of companies in the banking sector. Yapı Kredi Bankası employs a client based risk management methodology for the cost calculation of credit risk. Additionally, the internal rating system of Yapı Kredi Bankası provides an important historical database of customer information. The rating tool concentration of Yapı Kredi Bankası by risk classes is as follows:

	Rating Class (*)	Concentration Level (%)
Low	1 – 4	26.2
Medium	5+ – 6-	53.6
High	7+ – 9	26.2

(*) For corporate clients only.

The probability of default for the counterparty is calculated through scoring models designed for different customers, with separate rating systems being used for consumer loans and credit cards. In line with the above mentioned methodology, Yapı Kredi Bankası classifies its credit portfolio into the following groups:

Bank's rating (%)	Loans and advances	Provision Coverage
1. Performing loans (neither past due nor impaired)	92.13	1.80
2. Watch-listed (individually impaired)	2.62	6.25
3. Legal follow-up (individually impaired)	5.25	77.24
	100.00	**5.88**

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As of 31 December the details of the loans and advances past due but not impaired and classified under the performing loans are as follows:

2007	Corporate	Consumer	Credit Cards	Leasing	Factoring	Total
Up to 30 days	52,545	69,542	126,299	44,310	-	292,696
30 - 60 days	30,467	35,498	50,662	-	-	116,627
60 - 90 days	26,745	12,140	4,158	-	-	43,043
Total	**109,757**	**117,180**	**181,119**	**44,310**	**-**	**452,366**

2006	Corporate	Consumer	Credit Cards	Leasing	Factoring	Total
Up to 30 days	23,903	70,683	113,690	28,219	-	236,495
30 - 60 days	16,409	16,748	60,914	-	-	94,071
60 - 90 days	5,977	3,243	34,543	-	-	43,763
Total	**46,289**	**90,674**	**209,147**	**28,219**	**-**	**374,329**

The analysis of trade receivables past due but not impaired as of 31 December are disclosed in Note 7.a.

Details of loans and advances to customers are as follows:

	2007	%	2006	%
Production	3,928,142	25	3,744,657	30
Credit card receivables	3,250,541	21	2,924,056	23
Consumer loans	2,062,283	13	1,422,702	11
Food and retail	1,955,590	12	1,451,073	12
Public sector	395,744	3	195,827	2
Financial institutions	333,551	2	52,936	1
Real estate	140,149	1	76,626	1
Other sectors	3,597,104	23	2,514,528	20
	15,663,104	**100**	**12,382,405**	**100**

The maximum exposure of KFS Group to credit risk is as follows:

	2007	2006
Balance sheet		
Loans and advances to banks	917,821	1,438,322
Loans and advances to customers	15,923,167	12,538,441
Marketable securities	148,149	271,400
Derivative financial instruments	25,175	40,507
Financial assets	6,981,114	8,848,087
Other assets	536,633	471,481
Off-balance sheet		
Guarantees given	6,613,091	6,900,073
Loan commitments and other credit related liabilities	394,685	856,504
	31,539,835	**31,364,815**

B) Market Risk

i) Foreign Exchange Risk
The Group is exposed to foreign exchange risk due to the translation of foreign currency denominated liabilities to the functional currency through the impact of rate changes. These risks are monitored through the analysis of the foreign currency position (Note 29). The Group manages foreign exchange risk arising from balance sheet items using off-balance sheet items such as derivative instruments, forwards and swaps.

The Group is exposed to foreign exchange risk primarily with respect to EUR and USD.

Exposure to foreign exchange risk analysis for the Subsidiaries and Joint Ventures of the Group is as follows:

As of 31 December 2007, if EUR and USD had strengthened/weakened by 10% against YTL with all other variables held constant, profit before tax and minority interests would have been YTL625,144 thousand (2006: YTL822,869 thousand) lower/higher, mainly as a result of foreign exchange losses/gains on the translation of the foreign exchange position.

ii) Interest Rate Risk
The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. The Group manages this risk by offsetting interest-bearing assets and liabilities and by using derivative instruments for hedging purposes.

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The average effective annual interest rates (%) for the financial assets and liabilities of the Group are as follows:

	2007			2006		
	USD	EUR	YTL	USD	EUR	YTL
Assets						
Cash and balances with central banks	5.98	4.87	17.34	4.81	2.43	19.43
Marketable securities						
- Assets at fair value	8.51	5.42	18.16	8.97	8.39	21.07
- Available-for-sale investments	8.30	7.55	19.46	9.56	5.50	18.40
- Held-to-maturity investments	7.57	5.64	19.07	7.22	4.32	19.24
Financial assets						
- Available-for-sale investments	6.40	7.67	22.43	8.36	7.88	19.13
- Held-to-maturity investments	7.23	6.17	19.15	7.22	4.70	19.24
Loans and advances to customers	6.95	6.84	20.66	5.75	5.89	21.33
Liabilities						
Customer deposits	4.82	3.32	18.68	4.19	2.15	18.97
Borrowings	6.02	5.52	17.00	7.13	4.98	19.11

Group's financial assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates are as follows:

2007	Up to 3 months	3 months - 1 year	1 year - 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and cash equivalents	832,904	224,707	93,058	13,310	2,249,777	3,413,756
Reserve deposits with central banks	1,376,495	-	-	-	-	1,376,495
Marketable securities						
- Assets at fair value	27,262	37,754	178,659	21,363	81,261	346,299
Financial assets						
- Held-to-maturity investments	2,631,213	902,608	953,339	2,133,396	3,767	6,624,323
Loans and advances to customers	5,702,213	4,363,999	4,500,955	916,279	179,658	15,663,104
Disposal group assets held for sale	109,376	26,387	-	-	206,999	342,762
Total	**10,679,463**	**5,555,455**	**5,726,011**	**3,084,348**	**2,721,462**	**27,766,739**
Liabilities						
Customer deposits	12,436,303	942,832	124,790	-	2,795,247	16,299,172
Borrowings	5,283,287	7,459,746	1,050,751	7,113	1,267,343	15,068,240
Disposal group liabilities held for sale	-	-	-	-	260,491	260,491
Total	**17,719,590**	**8,402,578**	**1,175,541**	**7,113**	**4,323,081**	**31,627,903**
2006						
Assets						
Cash and cash equivalents	2,555,168	171,281	16,398	-	1,460,757	4,203,604
Reserve deposits with central banks	1,561,457	-	-	-	-	1,561,457
Marketable securities						
- Assets at fair value	156,575	294,285	266,714	78,080	39,885	835,539
Financial assets						
- Held-to-maturity investments	3,553,287	1,609,015	1,422,522	2,189,349	-	8,774,173
Loans and advances to customers	4,955,260	4,453,173	1,930,222	851,217	192,533	12,382,405
Total	**12,781,747**	**6,527,754**	**3,635,856**	**3,118,646**	**1,693,175**	**27,757,178**
Liabilities						
Customer deposits	12,538,210	740,070	164,734	5,700	2,617,360	16,066,074
Borrowings	5,497,583	8,635,327	2,705,348	11,703	832,910	17,682,871
Total	**18,035,793**	**9,375,397**	**2,870,082**	**17,403**	**3,450,270**	**33,748,945**

Floating rate borrowings expose the Group to cash flow interest rate risk. On the other hand, fixed rate borrowings expose the Group to fair value interest rate risk. Floating rate borrowings obtained in 2007 are YTL, USD and EUR denominated.

C) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate number of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by maintaining the availability of committed credit lines.

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The maturity analysis of the financial assets and liabilities of the Group is as follows:

2007	Up to 1 year	1 year - 5 years	Over 5 years	Total
Assets				
Cash and cash equivalents	3,328,476	111,201	17,331	3,457,008
Reserve deposits with central banks	1,376,495	-	-	1,376,495
Marketable securities				
- Assets at fair value	119,149	209,513	40,987	369,649
- Available-for-sale investments	359,437	-	-	359,437
- Held-to-maturity investments	1,698,580	-	-	1,698,580
Trade receivables and due from related parties	6,104,685	98,747	-	6,203,432
Financial assets				
- Available-for-sale investments	-	823,705	204,149	1,027,854
- Held-to-maturity investments	-	4,531,077	4,156,778	8,687,855
Loans and advances to customers	11,290,662	4,580,865	2,048,560	17,920,087
Derivative financial instruments	18,061	5,421	1,650	25,132
Disposal group assets held for sale	943,924	-	-	943,924
Total	**25,239,469**	**10,360,529**	**6,469,455**	**42,069,453**
Liabilities				
Customer deposits	16,285,168	138,844	-	16,424,012
Borrowings	7,288,351	5,906,390	1,873,499	15,068,240
Trade payables and due to related parties	4,776,732	234	-	4,776,966
Derivative financial instruments	153,943	46,203	14,065	214,211
Disposal group liabilities held for sale	882,444	-	-	882,444
Total	**29,386,638**	**6,091,671**	**1,887,564**	**37,365,873**

2006	Up to 1 year	1 year - 5 years	Over 5 years	Total
Assets				
Cash and cash equivalents	4,181,682	47,975	-	4,229,657
Reserve deposits with central banks	1,561,457	-	-	1,561,457
Marketable securities				
- Assets at fair value	494,795	303,628	119,897	918,320
- Available-for-sale investments	402,702	-	-	402,702
- Held-to-maturity investments	3,654,956	-	-	3,654,956
Trade receivables and due from related parties	5,959,657	81,136	-	6,040,793
Financial assets				
- Available-for-sale investments	-	240,364	126,689	367,053
- Held-to-maturity investments	-	5,453,990	3,222,555	8,676,545
Loans and advances to customers	11,367,676	2,950,760	1,368,262	15,686,698
Derivative financial instruments	34,399	8,865	-	43,264
Total	**27,657,324**	**9,086,718**	**4,837,403**	**41,581,445**
Liabilities				
Customer deposits	16,021,001	146,362	7,345	16,174,708
Borrowings	7,253,493	8,193,951	2,756,577	18,204,021
Trade payables and due to related parties	5,165,737	53,612	-	5,219,349
Derivative financial instruments	24,918	6,421	-	31,339
Total	**28,465,149**	**8,400,346**	**2,763,922**	**39,629,417**

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the net debt/total capital ratio. Net debt is calculated as total borrowings less cash and cash equivalents and tax liabilities (current period and deferred tax liabilities).

Net debt/total capital ratio as of 31 December is as follows:

	2007	2006
Total liabilities	43,894,302	44,889,538
Cash and cash equivalents	(4,403,554)	(4,203,604)
Net debt	39,490,748	40,685,934
Total equity	7,852,062	5,087,999
Total capital	47,342,810	45,773,933
Net debt/total capital ratio	**83%**	**89%**

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Fair Value of Financial Assets and Liabilities
Fair value is the amount that a financial instrument could be exchanged for a current transaction between willing parties, other than 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 Koç Holding, the Subsidiaries and the Joint Ventures of the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop an estimated 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 were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

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

The fair values of certain financial assets carried at amortised cost, including cash and cash equivalents and due from banks, are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The estimated fair values of marketable securities are the market prices at the balance sheet date.

Trade receivables are measured at amortised cost using the effective interest rate method and the carrying value of trade receivables at amortised cost along with the related allowances for uncollectibility are considered to approximate their fair values.

Financial Liabilities
The fair values of borrowings and other monetary liabilities are considered to approximate their carrying values due to their short-term nature.

Long-term borrowings which are denominated in foreign currencies are translated at period-end exchange rates and accordingly their fair values approximate their carrying values.

Trade payables are measured at amortised cost using the effective interest rate method and the carrying values of trade payables at amortised cost are considered to approximate their fair values.

Derivative Financial Instruments
The estimated fair values of foreign currency denominated swaps, interest swaps and forward contracts are the market prices at the balance date.

NOTE 4 - CASH AND CASH EQUIVALENTS

a) Cash and due from banks

		2007			2006	
	Banking	**Other**	**Total**	**Banking**	**Other**	**Total**
Cash in hand	217,961	1,687	219,648	217,045	26,594	243,639
Cheques received	540	173,893	174,433	1,582	172,237	173,819
Balances with the central banks						
other than reserve requirements	271,236	-	271,236	297,498	-	297,498
Due from banks						
- Demand deposits	220,669	753,291	973,960	205,468	503,405	708,873
- Time deposits	460,368	1,063,001	1,523,369	1,129,933	1,393,192	2,523,125
- Reverse repurchase agreements	-	9,916	9,916	2,477	2,970	5,447
Interbank money market placements	209,870	-	209,870	53,243	-	53,243
Other	3,962	27,362	31,324	615	197,345	197,960
	1,384,606	**2,029,150**	**3,413,756**	**1,907,861**	**2,295,743**	**4,203,604**

As of 31 December 2007, total long term bank balances amount to YTL106,374 thousand (2006: YTL43,746). All reverse repurchase agreements are within the maturity periods of less than three months.

As of 31 December 2007, total blocked deposits amount to YTL145,563 thousand (2006: YTL94,820 thousand).

Balances with the central banks other than reserve requirements represent funds deposited to various central banks in an interest free demand account for liquidity requirements.

b) Reserve deposits with the central banks

	2007	**2006**
Central Bank of the Republic of Turkey	1,363,582	1,537,214
De Nederlandsche Bank	9,727	19,848
Central Bank of Azerbaijan	1,564	2,119
Central Bank of the Russian Federation	1,622	1,676
Other	-	600
	1,376,495	**1,561,457**

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 6% and 11%, respectively. These funds cannot be used for financing the daily operations of the banks.

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

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

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Reserve requirements of the Central Bank of the Russian Federation represent reserve deposits equivalent to 3% (2006: 3.5%) of the Russian Ruble denominated saving deposits, 3.5% of all commercial deposits (2006: 2.0%) and 3.5% (2006: 3.5%) of the outside funds.

NOTE 5 - MARKETABLE SECURITIES

	2007	2006
Financial assets at fair value through profit or loss	346,299	835,539
Available-for-sale investments	289,279	398,960
Held-to-maturity investments	938,786	2,963,719
	1,574,364	**4,198,218**

a) Financial assets at fair value through profit or loss

	2007			2006		
	Banking	**Other**	**Total**	**Banking**	**Other**	**Total**
Debt securities						
Treasury bills	14,312	288	14,600	302	-	302
Government bonds	10,430	150,637	161,067	36,714	503,017	539,731
Eurobonds	80,853	52,734	133,587	174,863	80,843	255,706
Other	503	21,121	21,624	-	20,149	20,149
	106,098	**224,780**	**330,878**	**211,879**	**604,009**	**815,888**
Equity securities						
Listed	9,579	5,842	15,421	9,078	10,573	19,651
	9,579	**5,842**	**15,421**	**9,078**	**10,573**	**19,651**
Total	**115,677**	**230,622**	**346,299**	**220,957**	**614,582**	**835,539**

At 31 December 2007, YTL50,907 thousand of debt securities are pledged under repurchase agreements (2006: YTL110,325 thousand).

At 31 December 2007, short-term government bonds, investment funds and Eurobonds amounting to YTL132,132 thousand (2006: YTL129,531 thousand), YTL18,697 thousand (2006: YTL15,700 thousand), YTL8,028 thousand (2006: None) respectively, represent investments that the Subsidiaries and Joint Ventures in the insurance sector are required to marketable securities in a blocked account in favour of the Turkish Treasury, based on year-end net premiums written.

b) Available-for-sale investments

	2007			2006		
	Banking	**Other**	**Total**	**Banking**	**Other**	**Total**
Debt securities						
Treasury bills	37,449	994	38,443	19,216	990	20,206
Government bonds	3,024	207,560	210,584	14,978	290,351	305,329
Eurobonds	-	10,218	10,218	350	43,004	43,354
Other	2,081	-	2,081	23,052	82	23,134
	42,554	**218,772**	**261,326**	**57,596**	**334,427**	**392,023**
Equity securities						
Unlisted	-	27,953	27,953	6,937	-	6,937
	-	**27,953**	**27,953**	**6,937**	**-**	**6,937**
	42,554	**246,725**	**289,279**	**64,533**	**334,427**	**398,960**

At 31 December 2007, short-term government bonds and Eurobonds amounting to YTL115,250 thousand (2006: YTL257,305 thousand) and YTL10,218 thousand (2006: YTL8,700 thousand), respectively, represent investments that the Subsidiaries and Joint Ventures in the insurance sector are required to marketable securities in a blocked account in favour of the Turkish Treasury, based on the written year-end net premiums.

The list of equity securities and the shareholding rates as of 31 December is as follows:

	2007		2006	
	YTL'000	**(%)**	**YTL'000**	**(%)**
Unlisted				
Demrad Döküm Ürünleri Sınai ve Tic. A.Ş. (Note 34)	27,953	99.99	-	-
Superonline Uluslararası Elektronik İletişim Hizmetleri A.Ş. ("Superonline") (*)	-	-	6,937	18.04
	27,953		**6,937**	

(*) Based on the "Digitürk, Superonline and Fintur Purchase and Sale Agreement" signed between Yapı Kredi Bankası and Çukurova Holding on 28 September 2005; Superonline shares owned by the Group have been sold to Demir Toprak A.Ş. for EUR3,750,000 on 31 May 2007.

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c) Held-to-maturity investments

		2007			2006	
	Banking	**Other**	**Total**	**Banking**	**Other**	**Total**
Debt securities						
Treasury bills	26,343	-	26,343	9,011	-	9,011
Government bonds	683,737	-	683,737	2,799,562	-	2,799,562
Eurobonds	225,363	2,443	227,806	127,396	3,953	131,349
Other	900	-	900	-	23,797	23,797
	936,343	**2,443**	**938,786**	**2,935,969**	**27,750**	**2,963,719**

At 31 December 2007, debt securities amounting to YTL35,824 thousand are pledged under repurchase agreements (2006: YTL582,649 thousand).

At 31 December 2007, short term Eurobonds amounting to YTL2,443 thousand represent investments that the Subsidiaries and Joint Ventures in the insurance sector are required to marketable securities in a blocked account in favour of the Turkish Treasury, based on written year-end net premiums (2006: None).

NOTE 6 - FINANCIAL LIABILITIES

a) Borrowings

	2007	**2006**
Short-term bank borrowings		
Short-term bank borrowings	5,148,803	5,827,374
Short-term portion of long-term bank borrowings	2,139,548	1,426,119
Total short-term bank borrowings	**7,288,351**	**7,253,493**
Long-term bank borrowings		
Long-term bank borrowings	7,779,889	10,429,378
Total bank borrowings	**15,068,240**	**17,682,871**

The details of the loans obtained in 2006 in order to finance the cost of acquisition of Tüpraş shares to re-structure the Group's existing loans are given below (Note 31.b):

-a loan 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 at an amount of USD1,000,000,000 with a maturity of three years which bears an interest rate of Libor+1.0;

-a loan from the consortium composed of JP Morgan Europe Limited and JP Morgan Chase Bank NA in an amount of USD950,000,000 with a maturity of seven years which bears an interest rate of Libor+1.9;

-a loan from the consortium composed of JP Morgan Europe Limited, JP Morgan Plc. and JP Morgan Chase Bank NA in an amount of USD550,000,000 with a maturity of two years and a one year option period which bears an interest rate of Libor+1.2;

-a loan from the consortium composed of Akbank T.A.Ş. Malta Branch, Türkiye Garanti Bankası A.Ş. Luxembourg Branch, Türkiye İş Bankası A.Ş. Bahrain Offshore Branch, Standard Bank Plc, Türkiye Vakıflar Bankası T.A.O. Bahrain Offshore Branch, Türkiye Halk Bankası A.Ş. in an amount of USD1,800,000,000 with a maturity of 10 years which bears an interest rate of Libor+2.3 until 2013 and an interest rate of Libor+2.8 afterwards, were obtained.

Following principal repayments amounting to USD1,106,314,286 regarding the borrowings detailed above, the total borrowings decreased to USD3,193,685,714 at 31 December 2007.

At 31 December 2007, the Group has loans from the International Finance Corporation ("IFC") in the amount of YTL14,023 thousand (USD12,040,062) which are being used for production and modernisation, and research and development, as well as the acquisitions and increased working capital requirements (2006: YTL478,802 thousand). As of 31 December 2007, the loans borrowed from Netherlands Development Finance Company ("FMO") are closed (2006: YTL24,687 thousand).

As of 31 December 2007, Yapı ve Kredi Bankası, a Joint Venture of the Group, has a securitisation borrowing deal from Standard Chartered Bank and Unicredit Markets and Investment Banking amounting to YTL771,305 thousand. The interest rate of this borrowing ranges between Euribor/Libor+ 0.18% and 0.35% and the maturity ranges between 7 and 8 years; the repayments will begin in the first period of 2010 (2006:None).

As of 31 December 2007, Yapı ve Kredi Bankası, a Joint Venture of the Group, obtained subordinated loans amounting to YTL416,850 thousand (EUR250,000,000) (2006: YTL453,025 thousand), YTL291,795 thousand (EUR175,000,000) (2006: YTL317,118 thousand) and YTL166,740 thousand (EUR100,000,000) (2006: None) with 10 years maturity and repayment option at the end of 5 years, the interest rates are determined as Euribor+2.0% (2006: Euribor+2.0%), Euribor+2.2% (2006: Euribor+2.2%) and Euribor+1.8% (2006: None) for the first 5 years, respectively. These loans were borrowed from Merrill Lynch Capital Corporation, Goldman Sachs International Bank, and Citibank, N.A., London Branch with UniCredito S.p.A as guarantor, respectively.

At 31 December 2007, the collaterals given for borrowings amount to YTL476,325 thousand (2006: YTL790,235 thousand) (Note 31).

The redemption schedule of long-term bank borrowings as of 31 December is as follows:

	2007	**2006**
2008	-	2,787,568
2009	2,439,926	2,290,768
2010	1,022,219	892,955
2011	896,897	1,140,948
2012	855,406	627,161
2013	691,942	662,953
2014 and over	1,873,499	2,027,025
	7,779,889	**10,429,378**

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

b) Customer deposits

	2007	2006
Short-term deposits	16,160,328	15,896,339
Long-term deposits	138,844	169,735
	16,299,172	**16,066,074**

	2007			2006		
	Demand	**Time**	**Total**	**Demand**	**Time**	**Total**
Foreign currency deposits						
Saving deposits	753,471	3,467,239	4,220,710	870,443	3,591,210	4,461,653
Commercial deposits	743,989	1,665,829	2,409,818	796,852	2,239,502	3,036,354
	1,497,460	**5,133,068**	**6,630,528**	**1,667,295**	**5,830,712**	**7,498,007**
YTL deposits						
Saving deposits	465,234	5,178,244	5,643,478	418,996	4,491,643	4,910,639
Commercial deposits	615,107	2,714,669	3,329,776	396,571	2,160,317	2,556,888
Funds deposited under repurchase agreements	-	695,390	695,390	-	1,100,540	1,100,540
	1,080,341	**8,588,303**	**9,668,644**	**815,567**	**7,752,500**	**8,568,067**
	2,577,801	**13,721,371**	**16,299,172**	**2,482,862**	**13,583,212**	**16,066,074**

Carrying amounts and fair values of customer deposits as of 31 December are as follows:

	2007		2006	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Customer deposits	16,299,172	16,313,107	16,066,074	16,074,722
	16,299,172	**16,313,107**	**16,066,074**	**16,074,722**

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

a) Trade receivables and payables

Short-term trade receivables	**2007**	**2006**
Trade receivables	4,289,266	3,904,271
Notes receivables	1,483,814	1,568,360
Cheques received	205,253	339,372
Deposits and guarantees given	11,460	3,218
Other trade receivables	3,033	1,635
Short-term trade receivables	5,992,826	5,816,856
Less: Provision for doubtful receivables	(138,451)	(138,483)
Short-term trade receivables (net)	**5,854,375**	**5,678,373**

Carrying amounts of trade receivables and related provision for doubtful receivables are assumed to approximate to their fair values.

Long-term trade receivables	**2007**	**2006**
Trade receivables	17,897	12,722
Notes and cheques receivables	79,369	52,594
Deposits and guarantees given	1,481	2,787
Long-term trade receivables	**98,747**	**68,103**

Movement of provision for doubtful receivables for the years ended 31 December is as follows:

Beginning of the period	**138,483**	**97,824**
Increase/(decrease) during the period	40,237	59,037
Collections	(21,685)	(15,844)
Transfers [(1)]	(6,332)	-
Disposals from the scope of consolidation [(2)]	(12,252)	(2,534)
End of the period	**138,451**	**138,483**

(1) Transferred to disposal group assets held for sale (Note 35).
(2) Disposals from the scope of consolidation are related to the sale of B.O.S. and Ramenka in 2007 and Izocam and Kofisa in 2006 (Note 35).

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

The analysis of trade receivables past due but not impaired as of 31 December is as follows;

	2007	2006
Up to 3 months	197,130	202,080
3 - 6 months	135,039	111,847
Over 6 months	97,579	154,934
	429,748	**468,861**

Short-term trade payables	**2007**	**2006**
Trade payables	4,410,542	4,581,828
Notes payables	9,045	151,811
Deposits and guarantees received	9,438	5,279
Other trade payables	10,244	6,810
Short-term trade payables	**4,439,269**	**4,745,728**

Long-term trade payables		
Trade payables	234	45,717
Deposits and guarantees received	-	7,895
Long-term trade payables	**234**	**53,612**

b) Loans and advances to customers

	2007	2006
Short-term loans and advances to customers	8,969,143	7,370,778
Long-term loans and advances to customers	6,693,961	5,011,627
	15,663,104	**12,382,405**
Commercial loans	8,835,205	7,022,724
Credit card receivables	3,117,558	2,625,575
Consumer loans	3,074,399	2,094,489
Factoring receivables	341,932	314,016
	15,369,094	**12,056,804**
Watch-listed	398,978	431,456
Loans under legal follow-up	874,948	841,056
Gross loans and advances to customers	**16,643,020**	**13,329,316**
Less: Provision for loan losses	(979,916)	(946,911)
Net loans and advances to customers	**15,663,104**	**12,382,405**

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 risk balance of Çukurova Group amounts to USD96,984,611 (2006: USD376,472,918) as of 31 December 2007, of which maturity of the last payment is on 30 September 2015. The related risk balance is classified under “commercial loans” in the schedule above. According to the Pledge Agreement signed on 28 September 2005, the Group has a pledge on 1.37% of the shares Turkcell İletişim Hizmetleri A.Ş. The market value of these collaterals amount to approximately YTL385,611 thousand at 31 December 2007.

Carrying amount and fair value of loans and advances to customers as of 31 December are as follows:

	2007		2006	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and advances to customers	15,663,104	15,687,522	12,382,405	12,489,715
	15,663,104	**15,687,522**	**12,382,405**	**12,489,715**

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

Movement in provision for loan losses for the years ended 31 December is as follows:

	2007	2006
Beginning of the period	**946,911**	**829,095**
Provisions for loan losses during the period	279,657	165,317
Recoveries of amounts previously provided	(96,869)	(25,686)
Write-off during the period as uncollectible	(149,783)	(21,815)
End of the period	**979,916**	**946,911**

Factoring receivables included in the loans and advances to customers are shown below:

Domestic transactions	258,748	219,415
Export transactions	83,184	94,601
Gross factoring receivables	**341,932**	**314,016**
Factoring receivables under legal follow-up	2,037	2,159
Less: Provision for factoring receivables under legal follow-up	(2,037)	(2,159)
Factoring receivables (net)	**341,932**	**314,016**

NOTE 8 - LEASE RECEIVABLES AND PAYABLES

a) Lease receivables	**2007**	**2006**
Short-term lease receivables		
Short-term lease receivables	428,154	317,292
Total impaired lease receivables	86,387	58,342
Short-term lease receivables	514,541	375,634
Less: Provision for lease receivables	(37,737)	(32,996)
Total short-term lease receivables	**476,804**	**342,638**
Long-term lease receivables		
Long-term lease receivables	683,823	435,649
Total lease receivables	**1,160,627**	**778,287**

Movement of the provision for lease receivables is as follows:

Beginning of the period	**32,996**	**29,461**
Provisions for lease receivables during the period	26,446	12,319
Recoveries of amounts previously provided	(15,722)	(7,482)
Write-off during the period as uncollectible	(5,983)	(1,302)
End of the period	**37,737**	**32,996**

Net investment in finance leases is shown below:

Gross investment in finance leases	1,360,268	921,509
Less: Unearned finance income	(248,291)	(168,568)
Net investment in finance leases	**1,111,977**	**752,941**

Lease receivables consist of rentals over the terms of leases. The rentals according to their maturities are as follows:

2007	-	406,891
2008	548,556	265,765
2009	386,172	151,580
2010 and over	425,540	97,273
	1,360,268	**921,509**

b) Lease payables	**2007**	**2006**
Short-term lease payables	1,837	2,262
Long-term lease payables	1,528	870
	3,365	**3,132**

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

The redemption schedule of long-term lease payables is as follows:

	2007	2006
2008	-	159
2009	902	301
2010	311	60
2011 and over	315	350
	1,528	**870**

NOTE 9 - DUE FROM/TO RELATED PARTIES

Due from and due to related parties for the years ended 31 December are as follows:

(i) Related party balances

a) Due from related parties	2007	2006
Grundig Multimedia B.V.	92,317	100,285
Opet Petrolcülük A.Ş.	50,062	88,906
Koç Finansal Hizmetler A.Ş.	26,352	14,747
Ram Sigorta Aracılık Hizmetleri A.Ş.	21,991	18,890
Ford Otomotiv Sanayi A.Ş.	13,573	9,855
Tofaş Türk Otomobil Fabrikası A.Ş.	10,642	7,358
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	4,112	3,014
Opet Aygaz B.V.	3,095	1,845
Other	15,872	27,555
	238,016	**272,455**
Due from personnel	12,125	8,829
	250,141	**281,284**

b) Due to related parties	2007	2006
Ford Otomotiv Sanayi A.Ş.	115,844	121,969
Tofaş Türk Otomobil Fabrikası A.Ş.	46,851	30,693
Türk Traktör ve Ziraat Makinaları A.Ş.	32,214	20,652
Arçelik LG Klima San. ve Tic. A.Ş.	11,412	37,054
Ram Sigorta Aracılık Hizmetleri A.Ş.	8,192	10,600
Ram Pacific Ltd (*)	-	87,299
Other	25,245	25,234
	239,758	**333,501**
Due to personnel	97,705	86,508
	337,463	**420,009**

(*) The significant influence over Ram Pacific Ltd. ceased following the share transfer in 2007. Therefore, the company is not considered as a related party as of 31 December 2007.

ii) Transactions with related parties

a) Sales of goods and services to related parties	2007	2006
Opet Petrolcülük A.Ş.	738,337	786,212
Grundig Multimedia B.V.	133,732	196,070
Koç Finansal Hizmetler A.Ş.	96,475	72,084
Tofaş Türk Otomobil Fabrikası A.Ş.	46,987	54,348
Ford Otomotiv Sanayi A.Ş.	47,209	85,360
Arçelik LG Klima San. ve Tic. A.Ş.	29,371	18,575
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	21,425	17,740
Türk Traktör ve Ziraat Makinaları A.Ş.	6,022	23,239
Other	103,698	101,251
	1,223,256	**1,354,879**

b) Purchases of goods and services from related parties	2007	2006
Ford Otomotiv Sanayi A.Ş.	479,534	466,861
Tofaş Türk Otomobil Fabrikası A.Ş.	302,449	255,859
Arçelik LG Klima San. ve Tic. A.Ş.	160,279	132,153
Opet Petrolcülük A.Ş.	150,514	77,362
Ram Pacific Ltd.	109,402	-
Türk Traktör ve Ziraat Makinaları A.Ş.	63,302	67,159
Eltek Elektrik İthalat İhracat ve Toptan Tic. A.Ş.	16,599	19,536
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	8,794	5,618
Kofisa S.A.	-	523,799
Other	116,324	96,733
	1,407,197	**1,645,080**

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

c) Key management compensation
Total compensation provided to key management personnel by Koç Holding in 2007 amounts to YTL14,493 thousand (2006: YTL9,484 thousand).

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	2007	2006
Other receivables		
Receivable from recoverable claims	10,350	14,747
	10,350	**14,747**
Other current financial liabilities		
Taxes and duties payable	1,430,553	1,089,623
Social security premiums payable	30,105	30,832
Rescheduled taxes payable	6,142	13,065
Pension fund payables	4,724	3,638
	1,471,524	**1,137,158**
Other non-current financial liabilities		
Rescheduled taxes payable	3,561	10,869
	3,561	**10,869**

NOTE 11 – BIOLOGICAL ASSETS

	2007	2006
Consumable biological assets	21,559	-
Total	**21,559**	**-**

NOTE 12 - INVENTORIES

	2007	2006
Raw materials and supplies	1,936,793	1,813,761
Finished goods	1,188,254	1,085,940
Merchandise	910,540	1,260,474
Work in progress	291,889	244,190
Order advances given	290,813	281,525
Other inventories	3,259	4,207
Total inventories (net)	**4,621,548**	**4,690,097**

Movements in the provision for impairment on inventories are as follows:

Beginning of the period	**50,083**	**37,283**
Reversals due to sales	(26,134)	(19,794)
Current year additions	27,652	27,712
Acquisitions (2)	-	5,485
Disposals from the scope of consolidation (1)	(243)	(603)
End of the period	**51,358**	**50,083**

(1) Disposals from the scope of consolidation are related to the sale of B.O.S. and Ramenka in 2007 and Izocam and Kofisa in 2006 (Note 35).
(2) Related to the acquisition of Tüpraş.

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLINGS

	2007	2006
Construction contract receivables		
Ship and yacht projects	27,544	16,487
	27,544	**16,487**

Construction contract progress billings
The Group has no contract progress billings (2006: None).

KOÇ HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006
(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

	2007	2006
Deferred tax assets		
Domestic	347,866	373,726
Foreign	3,368	6,689
	351,234	**380,415**
Deferred tax liabilities		
Domestic	(631,749)	(594,605)
Foreign	(7,850)	(28,167)
	(639,599)	**(622,772)**
Deferred tax assets/(liabilities) (net)	**(288,365)**	**(242,357)**

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 Financial Reporting 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 Financial Reporting 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 periods under the liability method is 20% or 30% for the companies operating in Turkey (Note 41).

Deferred taxes calculated using the principal tax rates of the tax authorities of each country that the Group operates in as of 31 December 2007 are as follows:

Country	Tax rate (%)	Country	Tax rate (%)
Germany	39.6	Spain	35.0
Australia	30.0	Switzerland	25.0
Austria	25.0	Italy	37.3
Azerbaijan	22.0	Kazakhstan	30.0
Bulgaria	10.0	Kyrgyzstan	10.0
Czech Republic	24.0	Hungary	16.0
China	25.0	Macedonia	12.0
Denmark	28.0	Norway	28.0
Finland	26.0	Poland	19.0
France	33.3	Portugal	27.5
The Netherlands	25.5	Romania	16.0
The U.K.	30.0	Russia	20.0
Ireland	12.5	Slovakia	19.0

The breakdown of cumulative temporary differences and deferred tax assets/liabilities provided for the years ended 31 December using principal tax rates, are as follows:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	2007	2006	2007	2006
Property, plant and equipment and intangible assets	4.364,324	4,354,106	(818,647)	(835,592)
Tax losses carried forward	(439,328)	(593,784)	94,476	136,813
Unused investment incentives (Note 30)	(418,673)	(684,113)	42,705	69,884
Impairment of real estate and assets held for resale	(342,527)	(503,345)	36,338	68,532
Provision for loan losses	(342,430)	(329,537)	68,486	65,907
Provision for the Pension Fund (Note 23.b)	(302,139)	(299,620)	60,428	59,924
Provision for employment termination benefits (Note 23.b)	(291,946)	(308,630)	58,688	62,092
Warranty and assembly reserves	(226,623)	(302,756)	47,093	62,830
Derivative financial instruments	(172,793)	5,850	33,472	(1,363)
Inventories	(75,519)	(129,282)	16,509	26,970
Impairment of investments	(68,017)	(40,065)	13,604	8,013
Provision for lawsuits	(47,498)	(64,543)	9,500	12,995
Provision for doubtful receivables	(45,141)	(47,492)	9,075	9,565
Provision for unused vacation (Note 15.c)	(39,158)	(45,015)	7,769	8,947
Unearned credit finance income (net)	(27,942)	2,414	5,649	(750)
Deferred income	(20,582)	(4,497)	4,488	899
Provision for credit card bonus (Note 15.c)	(18,007)	(26,721)	3,602	5,344
Other (net)	(79,220)	26,641	18,400	(3,367)
Deferred tax assets/(liabilities) (net)			**(288,365)**	**(242,357)**

In the Subsidiaries' and Joint Ventures' financial statements prepared in accordance with CMB Financial Reporting 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.

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

Movements in deferred taxes for the years ended 31 December are as follows:

	2007	2006
Beginning of the period	**(242,357)**	**440,126**
Charge for the period (net) (Note 41)	(94,903)	(172,000)
Cumulative gain/(loss) on hedging (net)	4,701	(571)
Financial asset fair value reserve gains/(losses) (net)	(806)	9,303
Disposals from the scope of consolidation (1)	22,196	5,460
Additions to the scope of consolidation (2)	2,219	(968)
Translation differences (net)	1,786	(2,677)
Transfers (3)	18,799	-
Acquisitions (Note 32)	-	(521,030)
End of the period	**(288,365)**	**(242,357)**

(1) The amounts are related to the sales of Demirdöküm, B.O.S. and Ramenka in 2007 and Izocam, Döktaş and Kofisa in 2006.
(2) The amounts are related to the additions of Harranova Besi and Demir Export to the scope of consolidation in 2007 and 2006, respectively.
(3) Transferred to disposal group liabilities held for sale (Note 35).

The details of carry forward tax losses and unused investment incentives which are not considered in the deferred tax calculation are as follows:

Carry forward tax losses (*)	208,486	490,567
Unused investment incentives (**)	1,183,719	981,862

(*) The expiration schedule of carry forward tax losses is as follows:

2007	-	7,833
2008	4,752	4,752
2009	16,079	25,205
2010	31,631	24,046
2011	141,128	428,731
2012	14,896	-
	208,486	**490,567**

(**) Investment incentives for which the Group qualified as a result of investment expenditures of prior periods can be deductible from earnings until 31 December 2008 (Note 41).

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

a) Other current assets	**2007**	**2006**
Value added tax receivable	325,698	198,735
Taxes and funds deductible	154,696	101,916
Prepaid expenses	149,422	120,920
Advances given	42,472	59,245
Property, plant and equipment held for sale	35,960	93,979
Income accruals	25,450	25,212
Derivative financial instruments (Note 31.a)	25,131	43,264
Payments for credit card settlements	21,924	27,337
Other	168,919	163,686
	949,672	**834,294**

b) Other non-current assets	**2007**	**2006**
Prepaid expenses	214,756	206,772
Spare parts and materials	204,207	152,713
Other	2,239	5,346
	421,202	**364,831**

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

c) Other current liabilities	**2007**	**2006**
Credit card payables	897,511	804,216
Warranty and assembly provision	216,120	255,190
Derivative financial instruments (Note 31.a)	214,211	31,339
Interbank cheque clearing account	163,264	32,172
Provision for lawsuits	118,438	117,048
Import deposits and transfer orders	115,699	186,835
Accrual for costs and expenses	112,136	170,807
Blocked accounts	89,554	213,622
Premium accruals	77,194	57,905
Provision for losses related to loan commitments (Note 31.a)	65,937	80,288
Export commitment provision	48,755	46,107
Non-transferred loans	39,167	17,633
Provision for unused vacation (Note 14)	39,158	45,015
Deferred income	36,335	87,225
Provision for the non-core assets option agreement (Note 31.a)	26,422	61,844
Provision for credit card bonus (Note 14)	18,007	26,721
Provision for the advertising publication agreement (Note 31.a)	17,637	26,037
Accrual for sales and customer premiums	14,271	20,906
Other	386,725	364,096
	2,696,541	**2,645,006**

d) Other non-current liabilities	**2007**	**2006**
Revenue share (*)	136,019	79,329
Warranty provision	52,258	101,122
Deposits and guarantees received	47,065	37,500
Other	55,081	35,741
	290,423	**253,692**

(*) According to Petroleum Market Law, Tüpraş, a Subsidiary of the Group, has been collecting the revenue share over the sales of petroleum products and non-refinery imports of petroleum products since 1 January 2005, and over the sales of Liquefied Petroleum Gas ("LPG") since 16 September 2005 in accordance with the LPG Market Regulation. Blocked demand deposits with special interest rates related to revenue share have been classified within "Cash and due from banks".

NOTE 16 - FINANCIAL ASSETS

	2007	**2006**
Available-for-sale investments	1,055,017	536,125
Held-to-maturity investments	5,685,537	5,810,454
	6,740,554	**6,346,579**

a) Available-for-sale investments

		2007			**2006**	
	Banking	**Other**	**Total**	**Banking**	**Other**	**Total**
Debt securities						
Eurobonds	14,795	134,264	149,059	7,202	137,333	144,535
Government bonds	89,924	643,492	733,416	34,023	159,744	193,767
Treasury bills	12,212	-	12,212	-	-	-
Other	35,163	-	35,163	361	-	361
	152,094	**777,756**	**929,850**	**41,586**	**297,077**	**338,663**
Equity securities						
Listed	30,317	23,426	53,743	22,626	39,410	62,036
Unlisted	28,276	43,148	71,424	70,871	64,555	135,426
	58,593	**66,574**	**125,167**	**93,497**	**103,965**	**197,462**
	210,687	**844,330**	**1,055,017**	**135,083**	**401,042**	**536,125**

At 31 December 2007, government bonds and Eurobonds amounting to YTL425,672 thousand (2006: YTL230,848 thousand) and YTL134,264 thousand (2006: YTL163,552 thousand), respectively represent investments that the Subsidiaries and Joint Ventures of the Group in the insurance sector are required to financial assets in a blocked account in favour of the Turkish Treasury, based on year-end net premiums written.

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

The list of available-for-sale equity securities and shareholding rates at 31 December is as follows:

	2007		2006	
	YTL'000	(%)	YTL'000	(%)
Listed:				
Altınyunus Çeşme Turistik Tesisler A.Ş.	23,426	30.00	24,431	30.00
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	16,928	15.22	15,087	15.22
Mastercard Incorporated	13,372	0.06	7,532	0.06
Yatırım Finansman A.Ş.	17	0.06	7	0.07
Goodyear Tire and Rubber Company	-	-	14,268	0.27
Karsan Otomotiv Sanayi ve Ticaret A.Ş.	-	-	711	0.95
	53,743		**62,036**	
Unlisted:				
Banque de Commerce et de Placements S.A.	19,110	15.34	20,676	15.34
Koç Statoil Gaz Toptan Satış A.Ş.	12,554	50.00	9,065	50.00
Takas ve Saklama Bankası A.Ş.	6,180	2.43	6,180	2.43
Koç Bilgi ve Savunma Teknolojileri A.Ş.	5,180	92.23	5,180	92.23
Promena Elektronik Ticaret A.Ş.	5,000	50.00	5,000	50.00
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	4,053	67.00	6,701	99.00
Koç Statoil Gaz İletim A.Ş.	3,291	50.00	812	50.00
Enternasyonel Turizm Yatırım A.Ş. (1) (2)	-	-	17,441	50.00
Akdeniz Marmara Turizm ve Tic. A.Ş. (1)	-	-	13,687	50.00
Harranova Besi ve Tarım Ürünleri A.Ş. (3)	-	-	10,766	99.67
Bayındırlık İşleri A.Ş. (1)	-	-	8,602	49.59
British American Tobacco Export BV	-	-	6,469	5.00
Other	16,056		24,847	
	71,424		**135,426**	
	125,167		**197,462**	

(1) Merged in 2007 (Note 32).
(2) Provision for impairment has been provided for the total amount of the cost of the available-for-sale investment.
(3) Included in the scope of consolidation in 2007.

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 impairment of unlisted financial assets amounts to YTL93,909 thousand at 31 December 2007 (2006: YTL72,825 thousand).

b) Held-to-maturity investments

	2007			2006		
	Banking	Other	Total	Banking	Other	Total
Debt securities						
Treasury bills	11,913	-	11,913	-	-	-
Government bonds	3,001,739	-	3,001,739	3,064,649	-	3,064,649
Eurobonds	2,551,650	21,235	2,572,885	2,477,059	24,049	2,501,108
Time deposits	-	99,000	99,000	-	240,140	240,140
Other	-	-	-	4,557	-	4,557
Total	**5,565,302**	**120,235**	**5,685,537**	**5,546,265**	**264,189**	**5,810,454**

At 31 December 2007, debt securities amounting to YTL846,623 thousand are pledged under repurchase agreements (2006: YTL1,166,036 thousand).

At 31 December 2007, Eurobonds amounting to YTL17,468 thousand (2006: 24,201) represent investments that the Subsidiaries and Joint Ventures of the Group in the insurance sector are required to financial assets in a blocked account in favour of the Turkish Treasury, based on written year-end net premiums.

NOTE 17 - POSITIVE/NEGATIVE GOODWILL

	2007	2006
Net book value at the beginning of the period	**3,800,853**	**1,051,328**
Acquisitions (1)	1,589	2,736,463
Additions (2)	18,573	13,062
Disposals	(1,264)	-
Transfers (3)	(295,265)	-
Net book value at the end of the period	**3,524,486**	**3,800,853**

(1) Additions to goodwill arose from the acquisitions of Beko China in 2007 and Tüpraş in 2006 (Note 32).
(2) Addition in 2007 represents an adjustment to the cost of business combination of Yapı Kredi Bankası in 2005, based on the contingencies (Note 31.a.ii) realised in the current period (2006: Arising from the purchase of additional Tansaş shares).
(3) Transferred to disposal group assets held for sale (Note 35).

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NOTE 18 - INVESTMENT PROPERTY

	2007	2006
As of 1 January		
Cost	162,783	80,236
Accumulated depreciation	(11,728)	(9,365)
Net book value	**151,055**	**70,871**
Net book value at the beginning of the period	**151,055**	**70,871**
Acquisitions (Note 32)	-	38,117
Additions	85	344
Disposals (*)	(98,522)	(1,734)
Transfers (Note 19)	8,786	36,904
Effects of exchange rate differences	(10,849)	8,499
Current year depreciation	(1,982)	(1,946)
Net book value at the end of the period	**48,573**	**151,055**
As of 31 December		
Cost	53,285	162,783
Accumulated depreciation	(4,712)	(11,728)
Net book value	**48,573**	**151,055**

(*) Disposals amounting to YTL98,417 thousand in 2007 are related to the sale of Ramenka.

Investment property in an amount of YTL38,117 thousand was accounted for at fair value on 26 January 2006 due to the Tüpraş acquisition and it is presumed that there has been no significant change in the fair value as of 31 December 2007.

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Construction in progress and advances given	Leasehold improvements	Total
As of 1 January 2007								
Cost	2,437,258	3,153,089	9,491,420	815,129	1,004,010	1,012,854	747,463	18,661,223
Accumulated depreciation	(105,500)	(1,339,954)	(5,165,814)	(394,934)	(749,523)	-	(357,323)	(8,113,048)
Net book value	**2,331,758**	**1,813,135**	**4,325,606**	**420,195**	**254,487**	**1,012,854**	**390,140**	**10,548,175**
Net book value at the beginning of the period	**2,331,758**	**1,813,135**	**4,325,606**	**420,195**	**254,487**	**1,012,854**	**390,140**	**10,548,175**
Acquisitions (1)	-	9,174	6,608	749	-	-	-	16,531
Additions	33,875	23,269	187,723	135,651	106,371	1,019,899	54,574	1,561,362
Additions to the scope of consolidation (2)	3,942	15,867	7,494	1,366	2,958	-	881	32,508
Disposals	(17,805)	(57,452)	(20,244)	(46,452)	(7,318)	(54,753)	(1,922)	(205,946)
Transfers (3)	13,877	(78,274)	950,316	19,783	(49,372)	(1,434,567)	(224,800)	(803,037)
Translation differences	(444)	(45,467)	(18,299)	(4,989)	(2,634)	(3,615)	107	(75,341)
Current year depreciation	(37,740)	(78,768)	(437,570)	(57,774)	(84,724)	-	(76,142)	(772,718)
Disposals from the scope of consolidation (4)	(4,448)	(220,954)	(92,943)	(2,900)	(30,067)	(42,457)	(20,525)	(414,294)
Net book value at the end of the period	**2,323,015**	**1,380,530**	**4,908,691**	**465,629**	**189,701**	**497,361**	**122,313**	**9,887,240**
As of 31 December 2007								
Cost	2,454,921	2,538,996	9,697,093	845,406	851,519	497,361	265,786	17,151,082
Accumulated depreciation	(131,906)	(1,158,466)	(4,788,402)	(379,777)	(661,818)	-	(143,473)	(7,263,842)
Net book value	**2,323,015**	**1,380,530**	**4,908,691**	**465,629**	**189,701**	**497,361**	**122,313**	**9,887,240**

(1) The amount is related to the acquisition of Beko China (Note 32).
(2) The amount is related to the addition of Harranova Besi to the scope of the consolidation.
(3) The property, plant and equipment amounting to YTL16 thousand, YTL8,786 thousand and YTL794,267 thousand have been transferred from the intangible assets (Note 20) and to investment property (Note 18) and to disposal group assets held for sale, respectively.
(4) The amount is related to the sales of Demirdöküm, B.O.S. and Ramenka (Note 35).

At 31 December 2007, there are mortgages amounting to YTL178,966 thousand on property, plant and equipment.

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	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Construction in progress and advances given	Leasehold improvements	Total
As of 1 January 2006								
Cost	462,630	2,951,763	7,314,414	547,602	955,840	276,120	656,680	13,165,049
Accumulated depreciation	(79,360)	(1,356,250)	(5,250,710)	(351,076)	(746,843)	-	(293,049)	(8,077,288)
Net book value	**383,270**	**1,595,513**	**2,063,704**	**196,526**	**208,997**	**276,120**	**363,631**	**5,087,761**
Net book value at the beginning of the period	**383,270**	**1,595,513**	**2,063,704**	**196,526**	**208,997**	**276,120**	**363,631**	**5,087,761**
Acquisitions [1]	1,843,696	176,711	2,152,644	139,930	6,650	509,053	-	4,828,684
Additions	10,597	27,849	336,773	144,213	85,650	968,612	67,889	1,641,583
Additions to the scope of consolidation [2]	421	7,778	9,839	11,998	1,161	-	2,547	33,744
Disposals	-	(33,991)	(53,154)	(25,072)	(4,564)	(18,579)	(6,940)	(142,300)
Transfers [3]	108,438	142,256	345,721	7,585	38,393	(715,327)	31,223	(41,711)
Translation differences	30,770	6,987	14,419	2,455	3,830	14,777	394	73,632
Current year depreciation	(37,998)	(76,604)	(439,547)	(56,498)	(82,412)	-	(68,604)	(761,663)
Disposals from the scope of consolidation [4]	(7,436)	(33,364)	(104,793)	(942)	(3,218)	(21,802)	-	(171,555)
Net book value at the end of the period	**2,331,758**	**1,813,135**	**4,325,606**	**420,195**	**254,487**	**1,012,854**	**390,140**	**10,548,175**
As of 31 December 2006								
Cost	2,437,258	3,153,089	9,491,420	815,129	1,004,010	1,012,854	747,463	18,661,223
Accumulated depreciation	(105,500)	(1,339,954)	(5,165,814)	(394,934)	(749,523)	-	(357,323)	(8,113,048)
Net book value	**2,331,758**	**1,813,135**	**4,325,606**	**420,195**	**254,487**	**1,012,854**	**390,140**	**10,548,175**

(1) The amount is related to the acquisition of Tüpraş (Note 32).
(2) The amount is related to the addition of Demir Export to the scope of consolidation.
(3) The property, plant and equipment amounting to YTL3,489 thousand, YTL36,904 thousand and YTL1,318 thousand have been transferred to the intangible assets (Note 20), investment property (Note 18) and to other current assets, respectively.
(4) The amount is related to the sales of Döktaş, İzocam, Ram Pacific, Kofisa and Sherbrook.

At 31 December 2006, there are mortgages amounting to YTL385,095 thousand on property, plant and equipment.

NOTE 20 - INTANGIBLE ASSETS

	2007	2006
As of 1 January		
Cost	1,388,447	929,796
Accumulated amortisation	(434,860)	(370,486)
Net book value	**953,587**	**559,310**
Net book value at the beginning of the period	**953,587**	**559,310**
Acquisitions (Note 32)	1,575	361,870
Additions	183,573	113,146
Disposals [1]	(2,494)	(5,424)
Current year amortisation	(72,701)	(84,308)
Transfers [2]	(179,642)	3,489
Effects of exchange rate differences	(3,062)	5,504
Net book value at the end of the period	**880,836**	**953,587**
As of 31 December		
Cost	1,345,870	1,388,447
Accumulated amortisation	(465,034)	(434,860)
Net book value	**880,836**	**953,587**

	2007	2006
Rights	472,788	487,549
Brands	110,526	288,568
Development costs	214,220	91,556
Other	83,302	85,914
Total	**880,836**	**953,587**

(1) Disposals amounting to YTL2,026 thousand in 2007 are related to the sales of Demirdöküm, B.O.S. and Ramenka (2006: Disposals amounting to YTL355 thousand are related to the sales of Döktaş and İzocam) (Note 35).
(2) The amount is related to the transfers amounting to YTL16 thousand and YTL179,626 thousand, to property, plant and equipment (Note 19) and to disposal group assets held for sale (Note 35), respectively (2006: The amount is related to the transfers amounting to YTL3,489 thousand to property, plant and equipment (Note 19)).

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

NOTE 21 - ADVANCES RECEIVED

	2007	2006
Order advances received	126,713	109,468
Other advances received	12,060	14,443
	138,773	**123,911**

NOTE 22 - RETIREMENT PLANS

None (2006: None).

NOTE 23 - PROVISIONS

a) Short-term provisions	**2007**	**2006**
Provision for tax and legal cases (Note 41)	112,089	69,856
Provision for employment termination benefits	2,714	16,487
	114,803	**86,343**

b) Long-term provisions		
Provision for employment termination benefits	291,097	296,489
Provision for the Pension Fund (Note 14)	302,139	299,620
	593,236	**596,109**

Provision for employment termination benefits:		
- Domestic	291,946	308,630
- Foreign	1,865	4,346
	293,811	**312,976**

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).

The amount payable consists of one month's salary limited to a maximum of YTL2,030.19 (2006: YTL1,857.44) for each year of service at 31 December 2007.

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

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 YTL2,087.92 effective from 1 January 2008 (1 January 2007: YTL1,960.69) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

CMB Financial Reporting Standards require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	2007	2006
Discount Rate (%)	5.71	5.71
Turnover rate to estimate the probability of retirement (%)	99	99

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

	2007	2006
Beginning of the period	**312,976**	**201,943**
Increase during the period	86,750	111,246
Payments during the period	(83,715)	(93,780)
Acquisitions (Note 32)	-	100,025
Additions to the scope of consolidation (1)	233	3,916
Disposals from the scope of consolidation (2)	(8,368)	(10,374)
Transfers (3)	(14,065)	-
End of the period	**293,811**	**312,976**

(1) The amounts are related to the additions of Harranova Besi and Demir Export to the scope of consolidation in 2007 and 2006, respectively.
(2) Disposals from the scope of consolidation are related to the sale of Demirdöküm and B.O.S. in 2007, İzocam and Döktaş in 2006 (Note 35).
(3) Transferred to disposal group assets held for sale (Note 35).

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Provision for the Pension Fund:

Yapı Kredi Bankası, a Joint Venture of the Group, obtained an actuarial report from a registered actuary regarding the Pension Fund in accordance with the decree related to principles and procedures on determining the application of transfer transactions published in the Official Gazette dated 15 December 2006, No. 26377 determined by the decision of Council of Ministers No 2006/11345. Based on this decree, the actuarial balance sheet of the Pension Fund has been prepared considering a technical interest rate of 10.24% and CSO 1980 mortality table, and reflects a technical deficit of YTL302,139 thousand as of 31 December 2006.

	2007	2006
Beginning of the period	**299,620**	**277,810**
Current period charges	2,519	21,810
End of the period	**302,139**	**299,620**

c) Insurance technical reserves	**2007**	**2006**
Unearned premiums reserve - net of reinsurers' share	348,017	315,440
Claim provisions - net of reinsurers' share	177,870	144,609
Insurance technical reserves - current	**525,887**	**460,049**
Life mathematical reserves - net of reinsurers' share	712,729	691,318
Insurance technical reserves - non-current	**712,729**	**691,318**
Total insurance technical reserves	**1,238,616**	**1,151,367**

The movement for insurance technical reserves is as follows:

	2007	2006
Beginning of the period	**1,151,367**	**1,096,891**
Premiums written during the period	644,086	602,180
Premiums earned during the period	(611,509)	(549,960)
Paid claims during the period	(73,378)	(61,266)
Payments associated with the life insurance during the period	(136,674)	(224,372)
Other increases in the provisions	264,724	287,894
End of the period	**1,238,616**	**1,151,367**

NOTE 24 - MINORITY INTEREST

Changes in minority interest during the years are as follows:

	2007	2006
Beginning of the year	**6,566,199**	**3,403,207**
Net income attributable to minority interest	1,593,447	914,470
Dividend payments	(700,627)	(446,180)
Increase in share capital	48,846	139,177
Acquisitions (Note 32)	-	2,872,724
Disposal of subsidiaries	(115,395)	(208,532)
Additions to the scope of consolidation	4,456	67,099
Change in financial assets fair value reserve (net)	2,673	(5,617)
Translation differences	(21,526)	40,097
Cumulative gain/(loss) on hedging (net)	(2,519)	(3,765)
Effects of transactions with minority interests	(169,235)	(206,481)
End of the year	**7,206,319**	**6,566,199**

The allocation of minority interest is as follows:

Koç Family members	1,434,150	1,382,870
Other	5,772,169	5,183,329
	7,206,319	**6,566,199**

The allocation of the net income attributable to minority interest is as follows:

Koç Family members	95,869	106,007
Other	1,497,578	808,463
	1,593,447	**914,470**

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

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 registered and issued share capital as of 31 December are as follows:

	2007	2006
Limit on registered share capital (historical)	3,000,000	3,000,000
Issued share capital in nominal value	1,745,700	1,265,000

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

As of 31 December, the shareholding structures of Koç Holding are as follows:

	2007		2006	
	Share %	**YTL’000**	**Share %**	**YTL’000**
Temel Ticaret ve Yatırım A.Ş.	42.44	740,815	42.18	533,634
Semahat Arsel	6.42	112,137	6.42	81,259
Suna Kıraç	5.26	91,715	5.26	66,460
Rahmi M. Koç	5.23	91,362	5.23	66,205
Mustafa V. Koç	3.20	55,945	3.20	40,470
Ali Y. Koç	3.20	55,883	3.20	40,468
Ömer M. Koç	2.81	49,080	2.98	37,673
İpek Kıraç	1.93	33,737	1.93	24,446
Rahmi M. Koç ve Mahdumları Maden, İnşaat, Turizm, Ulaştırma, Yatırım ve Ticaret A.Ş.	0.11	1,835	0.11	1,330
Total Koç Family members and companies owned by Koç Family members	**70.60**	**1,232,509**	**70.51**	**891,945**
Vehbi Koç Vakfı	7.17	125,191	7.17	90,718
Koç Holding Emekli ve Yardım Sandığı Vakfı	1.97	34,453	1.97	24,966
Other	20.26	353,547	20.35	257,371
	100.00	**1,745,700**	**100.00**	**1,265,000**
Adjustment to share capital		967,288		967,288
Total paid-in share capital		**2,712,988**		**2,232,288**

At 8 June 2007, the share capital of Koç Holding was increased by YTL480,700 thousand from YTL1,265,000 thousand to YTL1,745,700 thousand through YTL417,450 thousand in cash, YTL55,000 thousand by the addition of undistributed dividends and YTL8,250 thousand by the a transfer from the reserves.

“Adjustment to share capital” represents the restatement effect of cash contributions to share capital at the balance sheet date equivalent purchasing power. It also includes the difference of YTL121,732 thousand between the fair value of the acquired minority interest from Koç Yatırım Sanayi Mamülleri Pazarlama A.Ş. and the nominal value of shares issued by Koç Holding in 1997, and the difference of YTL436,272 thousand between the fair and nominal value of the shares issued for the acquisition of Migros shares by 50.81%, in 2003 which are all presented as the inflation adjustment to share capital.

The Articles of Association (“the Articles”) of Koç Holding 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 Emekli ve Yardım Sandığı Vakfı up to 2% but not less than 1% of the income before tax remaining after deducting taxes, 5% legal reserves rate determined by CMB and the first dividend.

The analysis of shares by group is as follows:

Group	Unit of shares	YTL’000	Nature of shares
A	46,844,266,549	468,443	Registered
B	127,725,733,451	1,277,257	Registered
	174,570,000,000	**1,745,700**	

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 requirements 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. 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.

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

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

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.

In accordance with the decision of Capital Markets Board on 8 January 2008 no 4/138 the minimum profit distribution ratio shall be applied as 20% (2006: 20%) in relation to publicly-listed joint stock partnerships as of 1 January 2008. Accordingly, it has been made possible that shares, issued in cash or through the addition of dividend to the capital upon the decision of the Company's general assembly, can be distributed to the partners free of charge or that the distribution can be partly made in cash and partly through the free distribution of shares. It has been further enabled that initial dividend amount be left to the partnership without distribution, if such amount is lower than the 5% of the existing paid-up/issued capital amount. Nevertheless, with regard to the joint stock partnerships, which have increased its capital without performing a dividend distribution as to the previous period and which separates its shares as "new" and "old", it has been made obligatory for those partnerships, which will distribute dividend out of its 2007 profits, to distribute the initial dividend amount in cash.

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 within the context of CMB Financial Reporting Standards, if the decision on profit distribution has not been taken in the general assemblies of the related subsidiaries, joint ventures and associates. While calculating this amount, only the profit amount of those companies reflected in the financial statements of the parent is taken into account in view of the participation shares.

In accordance with the CMB Financial Reporting Standards 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 CMB Financial Reporting Standards, the composition of Koç Holding's shareholders' equity as of 31 December is as follows:

	2007	**2006**
Share capital	1,745,700	1,265,000
Share premium	8,068	1,779
Financial assets fair value reserve	22,969	23,542
Inflation adjustment to shareholders' equity	1,555,726	1,555,726
Legal reserves	54,579	51,328
Extraordinary reserves	482,602	488,265
Special reserves	163,708	-
Translation differences	(7,537)	8,269
Cumulative gain/(loss) on hedging	(9,477)	(7,482)
Net income	2,295,419	560,812
Prior years' income	1,540,305	1,140,760
	7,852,062	**5,087,999**

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

2007

	Nominal value	**Restated amounts**	**Inflation adjustment to shareholders' equity**
Share capital	1,745,700	2,712,988	967,288
Share premium	8,068	12,786	4,718
Legal reserves	54,579	150,839	96,260
Extraordinary reserves	482,602	970,062	487,460
	2,290,949	**3,846,675**	**1,555,726**

2006

	Nominal value	**Restated amounts**	**Inflation adjustment to shareholders' equity**
Share capital	1,265,000	2,232,288	967,288
Share premium	1,779	6,497	4,718
Legal reserves	51,328	147,588	96,260
Extraordinary reserves	488,265	975,725	487,460
	1,806,372	**3,362,098**	**1,555,726**

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

NOTE 29 - FOREIGN CURRENCY POSITION

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

	2007	2006
Assets	16,653,842	18,014,485
Liabilities	(23,509,143)	(26,888,501)
Net balance sheet position	**(6,855,301)**	**(8,874,016)**
Off-balance sheet derivative instruments net position	**885,200**	**812,135**
Net foreign currency position	**(5,970,101)**	**(8,061,881)**

Tüpraş, a Subsidiary of the Group, manages its foreign currency risk resulting from its net financial liabilities by reflecting the effects of the changes in foreign currencies to its selling prices of petroleum products. As of 31 December 2007, Tüpraş has raw materials and petroleum products amounting to YTL2,287,480 thousand (2006: YTL1,921,187 thousand).

	2007			
	USD	EUR	Other	Total
ASSETS				
Current assets:				
Cash and due from banks	1,407,253	1,197,825	110,884	2,715,962
Reserve deposits with the central banks	4,289	704,252	1,623	710,164
Marketable securities (net)	475,372	68,780	39,264	583,416
Loans and advances to customers	1,188,558	1,210,365	120,452	2,519,375
Trade receivables and due from related parties (net)	875,671	980,071	285,379	2,141,121
Lease receivables (net)	92,106	211,564	1,827	305,497
Inventories (net)	68,483	180,387	191,194	440,064
Other current assets	65,486	174,933	81,628	322,047
Disposal group assets held for sale	7,004	327,012	26,672	360,688
Total current assets	**4,184,222**	**5,055,189**	**858,923**	**10,098,334**
Non-current assets:				
Loans and advances to customers	2,066,438	623,507	25,045	2,714,990
Lease receivables (net)	193,230	348,965	1,507	543,702
Financial assets (net)	2,726,263	549,261	16,217	3,291,741
Deferred tax assets	-	1,121	2,247	3,368
Other non-current assets	60	1,355	292	1,707
Total non-current assets	**4,985,991**	**1,524,209**	**45,308**	**6,555,508**
Total assets	**9,170,213**	**6,579,398**	**904,231**	**16,653,842**
LIABILITIES				
Current liabilities:				
Customer deposits	4,511,908	2,311,755	225,657	7,049,320
Short-term borrowings (net)	2,052,163	1,197,077	117,637	3,366,877
Short-term portion of long-term borrowings (net)	679,922	629,266	83,651	1,392,839
Lease payables (net)	1,839	24	152	2,015
Insurance technical reserves	21,904	8,878	28	30,810
Trade payables and due to related parties (net)	2,945,739	550,083	81,970	3,577,792
Advances received	19,783	2,706	33	22,522
Provisions	16,469	1,630	3,417	21,516
Other current liabilities (net)	134,430	242,750	88,538	465,718
Disposal group liabilities held for sale	99,376	170,270	21,116	290,762
Total current liabilities	**10,483,533**	**5,114,439**	**622,199**	**16,220,171**
Non-current liabilities:				
Customer deposits	20,303	89,945	1,196	111,444
Long-term borrowings (net)	4,558,928	2,351,268	18,316	6,928,512
Lease payables (net)	1,083	-	265	1,348
Insurance technical reserves	152,993	31,625	-	184,618
Provisions	-	1,515	350	1,865
Deferred tax liabilities	-	2,524	5,326	7,850
Other non-current liabilities (net)	38,119	3,860	11,356	53,335
Total non-current liabilities	**4,771,426**	**2,480,737**	**36,809**	**7,288,972**
Total liabilities	**15,254,959**	**7,595,176**	**659,008**	**23,509,143**
Net balance sheet position	**(6,084,746)**	**(1,015,778)**	**245,223**	**(6,855,301)**
Off-balance sheet derivative instruments net position	**594,491**	**254,598**	**36,111**	**885,200**
Net foreign currency position	**(5,490,255)**	**(761,180)**	**281,334**	**(5,970,101)**

KOÇ HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006
(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

		2006		
	USD	**EUR**	**Other**	**Total**
ASSETS				
Current assets:				
Cash and due from banks	2,476,579	847,491	230,831	3,554,901
Reserve deposits with the central banks	123,071	661,922	1,675	786,668
Marketable securities (net)	788,901	1,307,256	40,743	2,136,900
Loans and advances to customers	1,237,202	558,877	131,581	1,927,660
Trade receivables and due from related parties (net)	638,154	1,114,890	279,050	2,032,094
Lease receivables (net)	58,083	166,864	1,946	226,893
Inventories (net)	72,565	183,243	191,392	447,200
Other current assets	58,130	139,205	130,070	327,405
Total current assets	**5,452,685**	**4,979,748**	**1,007,288**	**11,439,721**
Non-current assets:				
Loans and advances to customers	1,808,745	467,196	6,304	2,282,245
Lease receivables (net)	91,692	213,281	3,247	308,220
Financial assets (net)	3,280,152	643,952	15,929	3,940,033
Deferred tax assets	741	746	5,202	6,689
Other non-current assets	3,247	8,277	26,053	37,577
Total non-current assets	**5,184,577**	**1,333,452**	**56,735**	**6,574,764**
Total assets	**10,637,262**	**6,313,200**	**1,064,023**	**18,014,485**
LIABILITIES				
Current liabilities:				
Customer deposits	4,916,230	2,807,227	195,805	7,919,262
Short-term borrowings (net)	3,114,332	1,567,165	129,267	4,810,764
Short-term portion of long-term borrowings (net)	737,704	329,791	48,419	1,115,914
Lease payables (net)	1,027	69	270	1,366
Insurance technical reserves	7,183	5,250	46	12,479
Trade payables and due to related parties (net)	1,733,606	701,928	285,650	2,721,184
Advances received	14,835	148	1	14,984
Provisions	80	3,138	3,525	6,743
Other current liabilities (net)	294,039	332,323	110,564	736,926
Total current liabilities	**10,819,036**	**5,747,039**	**773,547**	**17,339,622**
Non-current liabilities:				
Customer deposits	80,323	36,518	821	117,662
Long-term borrowings (net)	6,795,290	2,102,037	176,940	9,074,267
Lease payables (net)	941	204	434	1,579
Insurance technical reserves	192,363	74,075	-	266,438
Provisions	-	3,690	656	4,346
Deferred tax liabilities	3,240	2,068	22,859	28,167
Other non-current liabilities (net)	32,023	9,386	15,011	56,420
Total non-current liabilities	**7,104,180**	**2,227,978**	**216,721**	**9,548,879**
Total liabilities	**17,923,216**	**7,975,017**	**990,268**	**26,888,501**
Net balance sheet position	**(7,285,954)**	**(1,661,817)**	**73,755**	**(8,874,016)**
Off-balance sheet derivative instruments net position	**181,884**	**537,199**	**93,052**	**812,135**
Net foreign currency position	**(7,104,070)**	**(1,124,618)**	**166,807**	**(8,061,881)**

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) Exemption from customs duty on imported investment goods, exemption from VAT on investment goods supplied from home and abroad, 100% exemption from VAT on taxes, stamp and duties and domestic investment expenditures,

iii) 40% of the research and development expenditures (Note 41),

iv) Cash allowance from Tübitak-Teydeb for research and development expenditures,

v) Investment allowance of 40%, 100% and 200% on approved capital expenditures (*),

vi) 40% investment incentive allowance for capital expenditures after 24 April 2003 relating to non-current assets over YTL10 thousand (*).

The investment allowance indicated in (v) and (vi) above is deductible from current or future taxable profit for the purposes of corporation tax, and is exempt from corporation tax. The total amount of investment incentive allowance for the year ended 31 December 2007 is YTL418,673 thousand (2006: YTL684,113 thousand) (Note 14).

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

(*) The exemption for investment allowance has been abolished with Law No.5479 effective from 1 January 2006. However, income and corporate taxpayers who have unutilised investment incentives as of 31 December 2005 and who will qualify for investment incentive allowance with the investment expenditures to be made in future periods related to ongoing projects as of 31 December 2005 have been provided a three-year transition year ending at 31 December 2008 (Note 41).

NOTE 31 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

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

	2007	2006
Guarantees given:		
Letters of guarantee	2,671,962	2,844,788
Guarantee notes	70,730	42,802
Guarantees received:		
Letters of guarantee	2,890,502	2,423,907
Guarantee notes	91,311	76,291
Other	19,848	30,216

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 Ventures of the Group, Koç Finansal Hizmetler, Koçbank Nederland and Koçbank A.Ş. regarding the sale of 57.4% of the shares of Yapı Kredi Bankası on 28 September 2005. 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, some of the conditions in those agreements have been fulfilled or secured by Koç Finansal Hizmetler, the indirect main shareholder of Yapı Kredi Bankası. The effects of the remaining agreements have been reflected as in force as of 31 December 2007 by taking the agreements and the best estimations of the Group into consideration.

ii) 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 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. According to the clauses of the agreement, the estimated value of option as YTL26,422 thousand was recognised as a provision in the consolidated financial statements at 31 December 2007 (2006: YTL61,844 thousand) (Note 15.c).

iii) On 10 August 2006, new advertisement agreements were signed between Yapı Kredi Bankası, Çukurova Media companies and Koç Finansal Hizmetler, to supersede the agreement signed on 28 September 2005 between Yapı Kredi Bankası and Çukurova Media companies. The conditions such as the advertisement amount and the agreement term were unchanged and Yapı Kredi Bankası is anticipated to advertise on the basis of the Koç Group's prices through Çukurova Media companies in these new agreements also, however this time, with the guarantee of Koç Finansal Hizmetler. A provision amounting to YTL17,637 thousand regarding this agreement has been recognised in the consolidated financial statements at 31 December 2007 (2006: YTL26,037 thousand) (Note 15.c).

iv) According to SPA, if the payment to be made to Turkish Treasury by Yapı Kredi Bankası in respect of the transfer of the Pension Fund to the SSK or any other prescribed entity or authority does not exceed EUR175,000,000, 50% of the difference between the payment the EUR175,000,000 will be used to net off the cash loan exposure of Çukurova Group at Yapı Kredi Bankası. As of 31 December 2007, Group management determined that the payment to be made to Turkish Treasury in respect of the transfer of the Pension Fund to the SSK or any other prescribed entity or authority will exceed EUR175,000,000 and provision amounting to YTL8,559 thousand has been reversed and accounted for in consolidated income statement.

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.

v) Debt securities, amounting to YTL985,658 thousand (2006: YTL956,835 thousand), included in the marketable securities and financial assets as of 31 December 2007 are pledged;

- to the CBRT due to legal requirements,
- to Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası A.Ş. due to stock exchange and money market operations and,
- to various banks due to loan agreements as guarantees (2006: YTL956,835 thousand).

The summary of significant commitments and contingent liabilities related to banking sector companies as of 31 December is as follows:

Credit related commitments

	2007	2006
Letters of guarantee		
- Foreign currency	2,549,931	2,700,995
- YTL	2,772,052	3,072,752
Letters of credit	1,082,070	1,325,059
Acceptance credits	92,247	108,325
Other commitments and contingencies	302,438	748,807
	6,798,738	**7,955,938**
Less: Provision for losses on credit related commitments (Note 15.c)	(65,937)	(80,288)
	6,732,801	**7,875,650**

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

Custody services:
The Group's Joint Ventures in the finance 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 2007, the Group has custody accounts amounting to YTL10,992,184 thousand (2006: YTL14,754,421 thousand).

Derivative financial instruments:

2007	**Contract amount**	**Fair Values Assets/(Liabilities)**	
Currency forwards	1,553,641	9,651	(44,904)
Currency swaps	2,032,435	5,843	(42,292)
	3,586,076	**15,494**	**(87,196)**
Interest rate cap and floor arrangements	2,151,660	9,055	(118,427)
Option agreement	1,098,450	532	(783)
Commodity futures	293,450	50	(7,805)
	7,129,636	**25,131**	**(214,211)**

2006	**Contract amount**	**Fair Values Assets/(Liabilities)**	
Currency forwards	1,399,734	16,750	(12,118)
Currency swaps	1,809,644	8,176	(14,328)
	3,209,378	**24,926**	**(26,446)**
Interest rate cap and floor arrangements	795,395	13,883	(4,893)
Option agreement	576,302	-	-
Commodity futures	142,405	4,455	-
	4,723,479	**43,264**	**(31,339)**

b) Commitments - Energy

i) Koç Holding's shares in Arçelik and Migros, with nominal value of YTL28,146 thousand and YTL80,853 thousand, respectively, were pledged as collateral against the loan amounting to USD950,000,000 taken from the consortium composed of JP Morgan Europe Limited and JP Morgan Chase Bank NA, in addition shares in Tüpraş with the nominal value of YTL127,714 thousand were pledged as collateral against the loan amounting to USD1,800,000,000 taken by Enerji Yatırımları, a Subsidiary of the Group, from the consortium of Akbank T.A.Ş. Malta Branch, Türkiye Garanti Bankası A.Ş. Luxembourg Branch, Türkiye İş Bankası A.Ş. Bahrain Offshore Branch, Standard Bank Plc, Türkiye Vakıflar Bankası T.A.O. Bahrain Offshore Branch and Türkiye Halk Bankası A.Ş. (Note 6.a).

ii) Several financial and non-financial covenants exist with respect to the loans obtained in order to finance the cost of Tüpraş share purchase and to re-finance the Group's existing loans in 2006. In the event that these covenants are not fulfilled, the aforementioned creditors have the right to recall the outstanding loans (Note 6.a).

iii) Commitments related to Tüpraş Share Purchase Agreement signed by Enerji Yatırımları, a Subsidiary of the Group, and the Republic of Turkey Prime Ministry Privatisation Administration ("PA") on 26 January 2006 are as follows:

-Enerji Yatırımları, a Subsidiary of the Group, has accepted and committed to provide the petroleum products requirements of Turkish Military Forces timely, at the requested quality and at the market value, and to maintain and protect the production of petroleum products and their transfer systems within refineries or under Tüpraş's proprietorship.

-Enerji Yatırımları has committed to operate the Batman refinery for a minimum of three years. As a guarantee of this commitment, Enerji Yatırımları has provided a definite guarantee letter amounting to USD30,000,000 equivalent to YTL34,941 thousand to the PA at the date the Share Sales Agreement was signed. For each year that the commitment is fulfilled, the relevant commitment amounting to USD10,000,000 will be released. Otherwise, the amount will be liquidated and recorded as income by the PA. As at the date of issue of these consolidated financial statements, the remaining guarantee amount is USD10,000,000, following the release of the portion of the aforementioned guarantee.

iv) As an outcome of a sector-wide inspection, the EMRA Control Board criticised certain dealership practices of 26 companies in the sector with the decision dated 31 August 2006 and accordingly imposed on and notified administrative fines to Opet and Opet Dış Ticaret A.Ş. ("Opet Dış Ticaret"), Joint Ventures of the Group. The fine amounting to YTL84,307 thousand was levied in accordance with Law No.5015 (19th article, 2nd paragraph, 4th subparagraph of Section a) and the 19th article of the Petroleum Market Law, "Communiqué about the administrative fines to be applied after 1 January 2005", hereby underlining the right to take this decision to the State Council. Subsequently, these companies publicly announced that the legal procedures to cancel these administrative fines will be applied, and the management of Opet and Opet Dış Ticaret brought lawsuits for the cancellation of the administrative fines by the 13th State Council and for a stay of execution.

Regarding the sentence of the 13th State Council on 10 November 2006, the demand of Opet for a stay of execution was accepted for only YTL1,072 thousand of the total demand, and Opet Dış Ticaret's demand for a stay of execution was rejected. Consequently, Opet and Opet Dış Ticaret paid YTL1,736 thousand, including the interest, to the Anatolian Corporate Tax Administration of the Ministry of Finance.

Regarding the sentence of the 13th State Council on 25 January 2007, the rejection of the demand of Opet for a stay of execution on 10 November 2006 has been cancelled and the demand for a stay of execution has been accepted for YTL83,235 thousand. Based on this sentence of the State Council, the Istanbul 8th Administrative Court also accepted the stay of execution for the collection of the fine on 8 February 2007. The lawsuits for the cancellation of the administrative fine are still continuing. As there is uncertainty on the final conclusion of the subject, and as discussions between the parties and legal observations continue, no provision has been provided in the accompanying consolidated financial statements due to this uncertainty

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

c) Commitments - Automotive

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 produced 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. As of 31 December 2007, unrealised foreign exchange losses on foreign currency denominated engineering payables do no longer exist. Thus, reserve, previously accounted for under equity, transferred to financial expenses in the statement of income.

ii) The long-term loan amounting to EUR17,319,436 (2006: EUR27,603,345) and EUR119,731,114 (2006: EUR56,335,844) was obtained to finance the investment to manufacture the Doblo light commercial vehicles and Mini Cargo commercial vehicles of Tofaş, a Joint Venture of the Group, respectively. According to the manufacturing agreements signed between Fiat Auto S.p.A. (“Fiat”) (the customer of the majority of Doblo production) and Tofaş, and between Fiat and Peugeot Citroen Auto SA (“PSA”) (major importers of Mini Cargo) the repayment obligations related to such a loan are guaranteed by Fiat and PSA through future purchases of Doblo and Mini Cargo. Accordingly, the Group’s exposure to the foreign exchange rate and interest rate fluctuations has been undertaken by Fiat and PSA.

iii) Ford Otosan, a Joint Venture of the Group, entered into a collar agreement in 2000, which is outstanding as of 31 December 2007, to hedge the interest rate risk arising from borrowings amounting to EUR1,273,993. The collar agreement has fixed floor and ceiling rates. Accordingly, at the dates defined in the agreement, if the Euribor rate is below the floor rate Ford Otosan compensates for the difference between the floor rate and the actual rate to the counter bank. Contrarily, if the Euribor rate is above the ceiling rate, the counter bank compensates the difference to Ford Otosan.

Details of the collar agreement, which is valid as of 31 December 2007, are as follows:

Euribor Agreement	Euribor Floor rate	Euribor Ceiling rate	Amount	Due date
Citibank	5.15%	6.00%	EUR1,273,993	28 February 2008

iv) 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 T.A.Ş. is EUR82,080,000.

vi) Tofaş, a Joint Venture of the Group, has realised exports amounting to USD335,061,000 and USD377,843,000 as of 31 December 2007 in the scope of export incentive certificates which require Tofaş to ensure exports amounting to USD834,056,000 and USD372,164,000 until 30 September 2008 and 30 January 2008, respectively (as of 31 December 2006, Tofaş was required to ensure total exports amounting to USD280,164,000 until 30 July 2007 in the scope of the export incentive certificate. Total exports amounting to USD169,613,000 have been realised as of 31 December 2006).

Other commitments given:

	2007	2006
Commitments with respect to export incentive certificates	1,416,636	1,808,574
Mortgages given	187,128	386,912
	1,603,764	**2,195,486**

Commitments received:

	2007	2006
Mortgages taken	173,233	311,722

NOTE 32 - BUSINESS COMBINATIONS

Acquisitions

Business combinations in 2007
On 28 July 2007, Ardutch B.V., a Subsidiary of the Group, signed a share transfer agreement regarding the purchase of all the shares of Changzhou Casa-Shinco Electrical Appliances Co. Ltd., a company operating in People’s Republic of China. Following the completion of the authorisation of the agreement, legal procedures in China were completed; Ardutch B.V. has taken over the shares and the company’s business title has been changed and registered as Changzhou Beko Electrical Appliances Co. Ltd. (“Beko China”).

The details of the net assets acquired and the goodwill concerning Beko China are as follows:

Total acquisition cost (*)	12,576
Net assets acquired	(10,987)
Goodwill (Note 17)	**1,589**

(*) Costs directly attributable to the business combination were included.

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

The fair values of assets and liabilities arising from the acquisition are as follows:

Cash and due from banks	4,699
Inventories	3,824
Property, plant and equipment (Note 19)	16,531
Intangible assets (Note 20)	1,575
Trade and other receivables	6,293
Borrowings	(4,294)
Trade and other payables	(17,641)
Net assets acquired	**10,987**
Total acquisition cost	(12,576)
Cash and due from banks - acquired	4,699
Cash outflow on acquisition (net)	**(7,877)**

Acquisitions

Business combinations in 2006

i) Enerji Yatırımları, a Subsidiary of the Group, acquired 51% of Tüpraş shares on 26 January 2006. As a result of the acquisition, the excess of the acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over the cost of the combination amounting to YTL2,736,463 thousand has been accounted for as goodwill in the consolidated financial statements (Note 17).

The details of the net assets acquired and the goodwill concerning Tüpraş are as follows:

Paid in cash	5,464,800
Dividend payment liability (*)	236,889
Total acquisition cost	5,701,689
Net assets acquired	(2,965,226)
Goodwill (Note 17)	**2,736,463**

(*) In accordance with the Tüpraş Share Purchase Agreement signed on 26 January 2006, the dividend rights, the distributable profits of 2005 shall be paid to PA until 31 May 2006. The amount is the fair value of the calculated dividend at the date of acquisition.

The fair values of assets and liabilities arising from the acquisition are as follows:

Cash and due from banks	838,848
Inventories	1,213,018
Investment property (Note 18)	38,117
Property, plant and equipment (Note 19)	4,828,684
Intangible assets (Note 20)	361,870
Trade receivables	757,919
Other current and non-current assets	274,978
Borrowings	(466,994)
Trade payables	(733,178)
Provision for employment termination benefits (Note 23)	(100,025)
Deferred tax liabilities (net) (Note 14)	(521,030)
Other current and non-current liabilities	(654,257)
Net assets	**5,837,950**
Minority interest (Note 24)	(2,872,724)
Net assets acquired	**2,965,226**
Total acquisition cost	(5,701,689)
Cash and due from banks - acquired	838,848
Cash outflow on acquisition (net)	**(4,862,841)**

ii) The Group acquired 78.10% of Tansaş shares in 2005. The 3.61% shares of Tansaş owned by the shareholders who participated in the tender offer that aimed to collect the remaining 21.90% of shares of Tansaş were acquired by the Group in January 2006. Thus, the percentage of the shares of Tansaş owned by the Group increased from 78.10% to 81.71%. These transactions were considered as part of the Tansaş acquisition realised in 2005 and therefore goodwill has been calculated by taking into account the related net assets, as follows:

Total acquisition cost	26,744
Net assets acquired	(13,682)
Goodwill (Note 17)	**13,062**

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

Legal Mergers
Legal mergers arising between companies controlled by the Group are not considered within the scope of IFRS 3 (Note 3.14).

Legal mergers in 2007
- Ardutch B.V. merged with Izodutch B.V. on 1 January 2007,
- Yapı Kredi Menkul Değerler A.Ş. merged with Koç Menkul Değerler A.Ş. on 12 January 2007,
- Enternasyonel Turizm Yatırım A.Ş. merged with Bayındırlık İşleri A.Ş. and Akdeniz Marmara Turizm ve Ticaret A.Ş. on 8 February 2007,
- Opet Petrolcülük A.Ş. merged with Opet Madeni Yağ Sanayi ve Tic. A.Ş. on 7 May 2007,
- Beko Llc. merged with Izocam Llc. on 1 July 2007,
- Yapı Kredi Nederland N.V. merged with Koçbank Nederland N.V. on 2 July 2007
- Otokoç Otomotiv Tic. ve San. A.Ş. merged with Birmot Birleşik Motor Sanayi ve Tic. A.Ş. on 30 November 2007, by acquiring all related assets and liabilities.

Legal mergers in 2006
- Migros T.A.Ş. merged with Tansaş Perakende Mağazacılık Ticaret A.Ş. on 1 July 2006,
- Yapı Kredi Bankası A.Ş. merged with Koçbank A.Ş. on 2 October 2006,
- Opet Petrolcülük A.Ş. merged with Opet Dış Ticaret A.Ş. on 5 October 2006,
- Yapı Kredi Finansal Kiralama A.O. merged with Koç Finansal Kiralama A.Ş. on 27 December 2006,
- Yapı Kredi Faktoring A.Ş. merged with Koç Faktoring Hizmetleri A.Ş. on 29 December 2006,
- Yapı Kredi Portföy Yönetimi A.Ş. merged with Koç Portföy Yönetimi A.Ş. on 29 December 2006, by acquiring all related assets and liabilities.

NOTE 33 - SEGMENT REPORTING

	2007	2006
a) Net revenues		
Energy	26,210,325	23,961,235
Automotive	6,517,158	6,312,676
Consumer durable	7,101,134	7,668,666
Food and retail (*)	5,384,826	5,369,705
Finance	5,402,479	4,712,609
Other	813,439	1,172,189
	51,429,361	**49,197,080**

(*) The details regarding the discontinued operations are disclosed in Note 33.c.

	2007	2006
b) Net operating profit/(loss)		
Energy	1,532,640	1,014,272
Automotive	439,842	429,709
Consumer durable	541,096	599,978
Food and retail (*)	269,587	243,306
Finance	807,652	669,791
Other	(16,217)	20,229
	3,574,600	**2,977,285**

(*) The details regarding the discontinued operations are disclosed in Note 33.c.

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

c)Segment analysis for the period 1 January - 31 December 2007

				Food and Retail				Finance							
	Energy	Automotive	Consumer Durable	Continuing Operations	Discontinued Operations	Intra Segment	Total	Banking	Insurance	Consumer Finance	Intra Segment	Total	Other	Inter Segment Elimination	Consolidated Total
External revenues	26,210,325	6,517,158	7,101,134	625,320	4,759,506	-	5,384,826	4,010,278	1,219,899	172,302	-	5,402,479	813,439	-	51,429,361
Intra segment revenues	1,131,249	692,996	504,999	574,944	16,265	-	591,209	11,351	6,843	-	-	18,194	554,931	-	3,493,578
Inter segment revenues	75,265	65,490	158,380	22,204	17,588	-	39,792	34,336	78,618	6,857	-	119,811	121,899	-	580,637
Combined revenues	**27,416,839**	**7,275,644**	**7,764,513**	**1,222,468**	**4,793,359**	**-**	**6,015,827**	**4,055,965**	**1,305,360**	**179,159**	**-**	**5,540,484**	**1,490,269**	**-**	**55,503,576**
External revenues	26,210,325	6,517,158	7,101,134	625,320	4,759,506	-	5,384,826	4,010,278	1,219,899	172,302	-	5,402,479	813,439	-	51,429,361
Inter segment revenues	75,265	65,490	158,380	22,204	17,588	-	39,792	34,336	78,618	6,857	-	119,811	121,899	(580,637)	-
Revenues	**26,285,590**	**6,582,648**	**7,259,514**	**647,524**	**4,777,094**	**-**	**5,424,618**	**4,044,614**	**1,298,517**	**179,159**	**-**	**5,522,290**	**935,338**	**(580,637)**	**51,429,361**
Cost of sales	**(23,960,316)**	**(5,663,961)**	**(5,317,659)**	**(1,029,870)**	**(3,598,461)**	**590,190**	**(4,038,141)**	**(2,418,549)**	**(1,152,965)**	**(120,545)**	**9,719**	**(3,682,340)**	**(698,202)**	**391,157**	**(42,969,462)**
Gross operating profit	**2,325,274**	**918,687**	**1,941,855**	**(382,346)**	**1,178,633**	**590,190**	**1,386,477**	**1,626,065**	**145,552**	**58,614**	**9,719**	**1,839,950**	**237,136**	**(189,480)**	**8,459,899**
Operating expenses	(809,855)	(490,614)	(1,384,614)	(139,960)	(981,441)	-	(1,121,401)	(893,866)	(159,289)	(26,031)	-	(1,079,186)	(257,655)	258,026	(4,885,299)
	1,515,419	**428,073**	**557,241**				**265,076**					**760,764**	**(20,519)**	**68,546**	**3,574,600**
Inter segment profit elimination	17,221	11,769	(16,145)				4,511					46,888	4,302	(68,546)	-
Net operating profit/(loss)	**1,532,640**	**439,842**	**541,096**				**269,587**					**807,652**	**(16,217)**	**-**	**3,574,600**

KOÇ HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006
(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

c)Segment analysis for the period 1 January - 31 December 2006

				Food and Retail				Finance							
	Energy	Automotive	Consumer Durable	Continuing Operations	Discontinued Operations	Intra Segment	Total	Banking	Insurance	Consumer Finance	Intra Segment	Total	Other	Inter Segment Elimination	Consolidated Total
External revenues	23,961,235	6,312,676	7,668,666	1,130,304	4,239,401	-	5,369,705	3,405,730	1,185,690	121,189	-	4,712,609	1,172,189	-	49,197,080
Intra segment revenues	1,131,207	745,519	990,289	503,019	18,819	-	521,838	3,228	3,916	-	-	7,144	464,453	-	3,860,450
Intra segment revenues	106,970	89,395	136,283	18,011	14,749	-	32,760	26,295	70,838	24,342	-	121,475	1,062,372	-	1,549,255
Combined revenues	**25,199,412**	**7,147,590**	**8,795,238**	**1,651,334**	**4,272,969**	**-**	**5,924,303**	**3,435,253**	**1,260,444**	**145,531**	**-**	**4,841,228**	**2,699,014**	**-**	**54,606,785**
External revenues	23,961,235	6,312,676	7,668,666	1,130,304	4,239,401	-	5,369,705	3,405,730	1,185,690	121,189	-	4,712,609	1,172,189	-	49,197,080
Inter segment revenues	106,970	89,395	136,283	18,011	14,749	-	32,760	26,295	70,838	24,342	-	121,475	1,062,372	(1,549,255)	-
Revenues	**24,068,205**	**6,402,071**	**7,804,949**	**1,148,315**	**4,254,150**	**-**	**5,402,465**	**3,432,025**	**1,256,528**	**145,531**	**-**	**4,834,084**	**2,234,561**	**(1,549,255)**	**49,197,080**
Cost of sales	**(22,453,628)**	**(5,471,174)**	**(5,721,719)**	**(1,488,198)**	**(3,189,957)**	**520,458**	**(4,157,697)**	**(1,977,898)**	**(1,131,077)**	**(91,148)**	**3,115**	**(3,197,008)**	**(1,842,039)**	**1,297,455**	**(41,545,810)**
Gross operating profit	**1,614,577**	**930,897**	**2,083,230**	**(339,883)**	**1,064,193**	**520,458**	**1,244,768**	**1,454,127**	**125,451**	**54,383**	**3,115**	**1,637,076**	**392,522**	**(251,800)**	**7,651,270**
Operating expenses	(627,153)	(517,745)	(1,500,461)	(129,633)	(877,926)	-	(1,007,559)	(806,032)	(154,551)	(19,584)	-	(980,167)	(365,639)	324,739	(4,673,985)
	987,424	**413,152**	**582,769**				**237,209**					**656,909**	**26,883**	**72,939**	**2,977,285**
Inter segment profit elimination	26,848	16,557	17,209				6,097					12,882	(6,654)	(72,939)	-
Net operating profit/(loss)	**1,014,272**	**429,709**	**599,978**				**243,306**					**669,791**	**20,229**	**-**	**2,977,285**

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

d) Segment assets and liabilities

	2007	2006
Total assets		
Energy	15,377,616	14,191,751
Automotive	3,418,540	2,991,516
Consumer durable	5,588,673	6,090,196
Food and retail	3,236,099	3,144,518
Finance	30,098,646	28,813,157
Other	1,636,277	1,641,298
Segment assets	**59,355,851**	**56,872,436**
Deferred tax assets	351,234	380,415
Total assets as per consolidated financial statements	**59,707,085**	**57,252,851**
Total liabilities		
Energy	8,767,320	9,762,962
Automotive	1,946,886	1,731,696
Consumer durable	4,157,740	4,421,819
Food and retail	1,641,337	2,069,767
Finance	26,260,118	25,722,632
Other	1,123,615	1,204,033
Segment liabilities	**43,897,016**	**44,912,909**
Deferred tax liabilities	639,599	615,968
Tax and legal provisions	112,089	69,776
Total liabilities as per consolidated financial statements	**44,648,704**	**45,598,653**

As of 31 December 2007, disposal group assets held for sale and liabilities directly associated with those assets (Note 35), included in the segment assets and liabilities, are as follows:

Disposal group assets held for sale	
Automotive	51,481
Food and retail	2,739,931
Finance	39,266
	2,830,678
Disposal group liabilities held for sale	
Automotive	-
Food and retail	1,311,866
Finance	2,019
	1,313,885

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

	2007	2006
Purchase of tangible and intangible assets and investment property		
Energy	555,002	580,728
Automotive	403,678	439,858
Consumer durable	329,050	361,713
Food and retail	264,786	255,766
Finance	93,987	49,949
Other	98,517	67,059
	1,745,020	**1,755,073**
Depreciation and amortisation		
Energy	289,058	249,879
Automotive	149,331	168,934
Consumer durable	157,566	172,797
Food and retail	124,696	116,188
Finance	86,997	93,651
Other	39,753	46,468
	847,401	**847,917**

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

f) Non-cash expenses/(income)

	2007						
	Energy	Automotive	Consumer durable	Food and retail	Finance	Other	Total
Changes in sales and customer premiums	-	(2,527)	(4,108)	-	-	-	(6,635)
Changes in warranty and assembly provision	206	3,901	(94,036)	-	-	1,995	(87,934)
Changes in insurance reserves	-	-	-	-	87,249	-	87,249
Changes in provision for cost	(11,560)	4,475	(8,714)	(2,773)	(33,107)	340	(51,339)
Changes in provision for loan losses	-	-	-	-	33,005	-	33,005
Changes in provision for employment termination benefits	13,729	(10,799)	2,735	10,939	(5,219)	(8,350)	3,035
Changes in provision for doubtful receivables	6,088	1,969	(623)	3,069	2,078	5,971	18,552
Changes in impairment for inventories	(2,565)	1,618	4,016	(1,551)	-	-	1,518
Changes in bonus and premium accruals	(361)	(2,759)	(1,613)	-	24,469	(447)	19,289
	5,537	**(4,122)**	**(102,343)**	**9,684**	**108,475**	**(491)**	**16,740**

	2006						
	Energy	Automotive	Consumer durable	Food and retail	Finance	Other	Total
Changes in sales and customer premiums	-	(4,534)	7,615	-	-	-	3,081
Changes in warranty and assembly provision	-	9,792	103,093	-	-	(48)	112,837
Changes in insurance reserves	-	-	-	-	59,646	-	59,646
Changes in provision for cost	(33,077)	1,296	(10,413)	2,504	(1,042)	(8,500)	(49,232)
Changes in provision for loan losses	-	-	-	-	121,351	-	121,351
Changes in provision for employment termination benefits	(8,178)	15,519	5,929	(1,154)	5,657	(307)	17,466
Changes in provision for doubtful receivables	956	731	38,882	124	1,960	(2,995)	39,658
Changes in impairment for inventories	1,562	(103)	6,040	(956)	-	1,375	7,918
Changes in bonus and premium accruals	362	2,392	(1,105)	-	20,937	(133)	22,453
	(38,375)	**25,093**	**150,041**	**518**	**208,509**	**(10,608)**	**335,178**

g) Finance sector operating results

	2007	2006
Finance sector operating profit		
Banking operating profit (*)	801,497	694,702
Consumer finance operating profit	25,846	11,615
Insurance operating loss	(19,691)	(36,526)
Total	**807,652**	**669,791**

(*) Banking operating profit

Net revenues		
Interest income	3,211,050	2,695,010
Commission income	704,344	607,503
Foreign exchange gains (net)	63,605	34,303
Other operating income	31,279	68,914
Total operating revenues	**4,010,278**	**3,405,730**
Operating expenses		
Interest expense	(1,990,483)	(1,649,892)
Commission expense	(165,400)	(118,418)
Provision expense for loan impairment losses	(160,898)	(140,773)
Other operating expenses	(892,000)	(801,945)
Total operating expenses	**(3,208,781)**	**(2,711,028)**
Banking operating profit	**801,497**	**694,702**

NOTE 34 - SUBSEQUENT EVENTS

i) In accordance with the decision taken on 13 February 2008 in the Board of Directors meeting, Koç Holding ("the Seller") decided to sell its interests in Migros shares representing 50.83% of the total capital of Migros' capital, a Subsidiary of the Group, to Moonlight Capital S.A. ("the Buyer"), controlled by BC Partners or to the company or persons assigned by the Buyer following the signing of the Share Purchase Agreement for a consideration of YTL1,977,365 thousand. YTL1,957,365 thousand of the total amount will be paid following the completion of share transfer and YTL20,000 thousand will be paid on the date of signing of the agreement.

Following the date of the completion of the transfer of shares, the difference between the shareholders' equity based on the audited financial statements prepared in accordance with the clauses of the Share Transfer Agreement and the shareholders' equity agreed between the parties, which has been agreed as YTL1,544,454 thousand, will be calculated. In case the difference is positive, the Buyer will pay its portion of the difference to the Seller; whereas, if the difference is negative, the Seller will pay its portion of the difference to the Buyer in YTL.

Before the completion of the share transfer, the shares owned by Migros in Koçtaş, a Joint Venture of the Group, Tat Konserve and Entek, Subsidiaries of the Group and Tanı Pazarlama ve İletişim Hizmetleri A.Ş. will be purchased either by the Seller or the Koç Group company or companies assigned by the Seller, whereas, the shares of Şok Marketler T.A.Ş. and Sanal Merkez Ticaret A.Ş. owned by Koç Group companies will be purchased by Migros.

ii) In the Board of Directors meeting of Beko Elektronik, a Subsidiary of the Group, held on 18 December 2007, it was decided to acquire Alba Europe Ltd.'s shares in Grundig Multimedia B.V., a Joint Venture of the Group and Beko Elektronik's Joint Venture with a 50%-50% partnership with Alba Europe Ltd., for a purchase price of EUR35,000,000 which will be paid in cash during the share transfer and for the determined percentages of revenues generated in the United Kingdom and the Republic of Ireland under Grundig brand between the years 2008 and 2012 which will be paid in five instalments. The determined percentages are 4% for the years 2008-2010 (the total purchase price will not exceed EUR2,000,000 for the year 2008 and EUR3,000,000 for the years 2009 and 2010, per annum) and 2% for the years 2011 and 2012. The share transfer agreement was signed on 18 December 2007 between Beko Elektonik and Alba Europe Ltd. and the transfer of the shares has been completed as of 31 March 2008.

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

iii) In accordance with the decisions taken in the Board of Directors meetings of Türk Traktör and Trakmak, Joint Ventures of the Group, dated 11 December 2007, it has been decided to merge Trakmak into Türk Traktör through transfer of all its assets and liabilities to Türk Traktör based on the financial statements as of 30 September 2007 in accordance with the articles of Turkish Commercial Code and Corporate Tax Laws. The relevant decision was approved by the General Assemblies at the Ordinary General Assembly meetings held on 27 March 2008 and registered on 31 March 2008.

iv) 100% shares of Yapı Kredi Bank Deutschland AG, owned by Yapı Kredi Bankası and Yapı Kredi Holding BV, Joint Ventures of the Group, have been sold to Avenue Europe Investments Singapore Pte Ltd. in return for the value of the net assets of Yapı Kredi Deutschland plus EUR250,000 at 29 February 2007.

v) A Share Transfer Agreement was signed on 7 March 2008 with Ada Metal Demir Çelik Geri Dönüşüm San. ve Tic. A.Ş., Ayhan Tekeli, Bünyamin Tekeli, Aziz Tekeli and Gülcan Tekeli for the sale of shares representing 99.99% of the total capital of Demrad Döküm Ürünleri Sınai ve Ticaret A.Ş owned by Koç Holding, Temel Ticaret, a shareholder of Koç Holding, and various Koç Group companies for a consideration of USD24,000,000 in advance.

NOTE 35 - DISCONTINUED OPERATIONS

As explained in Note 34, in accordance with the BOD decision dated 13 February 2008, Koç Holding decided on the sale of its shares in Migros, a Subsidiary of the Group (together with the shares of Migros in its subsidiaries) for a consideration of YTL1,977,365 to Moonlight Capital S.A. ("the Buyer") controlled by BC Partners or to the company or persons assigned by the Buyer following the signing of the Share Purchase Agreement. In addition, Otoyol Sanayi, a Subsidiary of the Group, discontinued its manufacturing operations in 2007 and Yapı Kredi Deutschland, a Joint Venture of the Group, has been sold in 2008.

Accordingly, IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" has been applied to account for all assets and liabilities of Migros Group and Yapı Kredi Deutschland and property, plant and equipment attributable to the manufacturing operations of Otoyol Sanayi, and to disclose the discontinued operations of the Group.

a) Disposal group assets and liabilities held for sale

	2007
Disposal group assets held for sale	2,830,678
Disposal group liabilities held for sale	1,313,885

A summary of information regarding disposal group assets and liabilities held for sale is as follows:

i) Disposal group assets held for sale

Cash and due from banks	376,172
Marketable securities (net)	568,328
Trade receivables and due from related parties (net)	34,934
Financial assets (net)	3,643
Inventories (net)	399,847
Property, plant and equipment (net) (*) (Note 19)	794,267
Intangible assets (net) (Note 20)	179,626
Positive/negative goodwill (net) (Note 17)	295,265
Other assets	178,596
	2,830,678

(*) Property, plant and equipment amounting to YTL742,786 and YTL51,481, classified as disposal group assets held for sale, are the assets of Migros Group and Otoyol Sanayi, respectively.

ii. Disposal group liabilities held for sale

Bank borrowings (net)	260,832
Trade payables and due to related parties (net)	882,444
Provision for tax	36,363
Provision for employment termination benefits (Note 23)	14,065
Deferred tax liabilities (Note 14)	18,799
Other liabilities	101,382
	1,313,885

b) Income from continuing and discontinued operations

i) Income from continuing operations

	2007	2006
Revenues (net)	46,928,915	45,314,789
Cost of revenues (-)	(39,624,915)	(38,592,762)
Gross operating profit	**7,304,000**	**6,722,027**
Operating expenses (-)	(3,946,701)	(3,953,092)
Net operating profit	**3,357,299**	**2,768,935**
Other income	451,861	266,145
Other expenses (-)	(241,278)	(301,177)
Financial income/expenses (net) (-)	480,363	(816,691)
Operating profit	**4,048,245**	**1,917,212**
Minority interests	(1,321,560)	(872,025)
Income before taxes	**2,726,685**	**1,045,187**
Taxes on income	(712,292)	(524,371)
Income from continuing operations	**2,014,393**	**520,816**
Income from discontinued operations (ii)	281,026	39,996
Consolidated net income	**2,295,419**	**560,812**

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

ii) Income from discontinued operations

	2007	2006
Revenues (net)	4,793,359	4,272,969
Cost of revenues (-)	(3,598,461)	(3,189,957)
Gross operating profit	**1,194,898**	**1,083,012**
Operating expenses (-)	(981,481)	(877,926)
Net operating profit	**213,417**	**205,086**
Other income (*)	420,216	25,784
Other expenses (-)	(19,119)	(9,941)
Financial income/expenses (net) (-)	24,116	(62,165)
Operating profit	**638,630**	**158,764**
Minority interests	(271,887)	(42,445)
Income before taxes	**366,743**	**116,319**
Taxes on income	(85,717)	(76,323)
Income from discontinued operations	**281,026**	**39,996**

(*) The gain of Migros on the sale of Limited Liability Company Ramenka amounting to YTL379,991 pre-consolidation adjustments, has been classified under the other income account.

c) Statement of changes in shareholders’ equity of discontinued operations

	Group	Minority	Total
Translation Differences			
Balances at 1 January 2007	(15,352)	(14,850)	(30,202)
Change in translation differences	12,070	11,675	23,745
Balances at 31 December 2007	**(3,282)**	**(3,175)**	**(6,457)**
Financial Assets Fair Value Reserve			
Balances at 1 January 2007	2,127	2,057	4,184
Financial assets fair value gain	179	173	352
Balances at 31 December 2007	**2,306**	**2,230**	**4,536**

d) Summarised cash flow statement of discontinued operations

	2007	2006
Operating cash flows	216,570	334,622
Investing cash flows	65,502	(270,563)
Financing cash flows	(220,896)	(381)
	61,176	**63,678**

e) Summarised financial information regarding the disposed companies

The Group sold its shares in İzocam Ticaret ve Sanayi A.Ş., Döktaş Ticaret ve Sanayi A.Ş., Kofisa S.A. and Ram Pacific Ltd. in 2006 and its shares in Birleşik Oksijen Sanayi A.Ş.(“B.O.S.”), Türk Demirdöküm Fabrikaları A.Ş. (“Demirdöküm”) and Limited Liability Company Ramenka (“Ramenka”) in 2007 within the strategic plans of the Group. Therefore, the companies have been excluded from the scope of consolidation as of the dates on which the control ceased. As the aforementioned companies do not individually constitute a business or a geographical segment and they have no material impact in the consolidated financial statements, IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” was not applied.

A summary of financial information before consolidation adjustments regarding the mentioned companies is as follows:

	2007	2006
Assets		
Birleşik Oksijen Sanayi A.Ş.	-	98,196
Türk Demirdöküm Fabrikaları A.Ş.	-	703,983
Limited Liability Company Ramenka	-	531,431
	-	**1,333,610**
Liabilities		
Birleşik Oksijen Sanayi A.Ş.	-	18,438
Türk Demirdöküm Fabrikaları A.Ş.	-	502,513
Limited Liability Company Ramenka	-	371,649
	-	**892,600**

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

	2007	2006
Revenues (net)		
Birleşik Oksijen Sanayi A.Ş.	33,084	57,005
Türk Demirdöküm Fabrikaları A.Ş.	481,763	775,617
Limited Liability Company Ramenka	355,887	423,083
İzocam Ticaret ve Sanayi A.Ş.	-	211,472
Döktaş Ticaret ve Sanayi A.Ş.	-	387,853
Kofisa S.A.	-	739,514
Ram Pacific Ltd.	-	393,821
	870,734	**2,988,365**
Net operating profit		
Birleşik Oksijen Sanayi A.Ş.	9,129	12,669
Türk Demirdöküm Fabrikaları A.Ş.	26,607	79,526
Limited Liability Company Ramenka	9,555	25,885
İzocam Ticaret ve Sanayi A.Ş.	-	39,856
Döktaş Ticaret ve Sanayi A.Ş.	-	43,987
Kofisa S.A.	-	6,965
Ram Pacific Ltd.	-	3,458
	45,291	**212,346**
Net income		
Birleşik Oksijen Sanayi A.Ş.	11,798	14,470
Türk Demirdöküm Fabrikaları A.Ş.	4,639	41,024
Limited Liability Company Ramenka	(6,382)	19,397
İzocam Ticaret ve Sanayi A.Ş.	-	57,135
Döktaş Ticaret ve Sanayi A.Ş.	-	55,648
Kofisa S.A.	-	3,674
Ram Pacific Ltd.	-	7,439
	10,055	**198,787**

The information regarding the assets and liabilities of the companies, which had been sold as of 31 December 2007 and 2006, has not been disclosed since the companies were not included in the scope of consolidation.

The gain on the sale of these companies has been classified under the other income account in the consolidated income statement (Note 38).

NOTE 36 - OPERATING REVENUE

	2007	2006
Non-finance sectors	46,026,882	44,484,471
Finance sector	5,402,479	4,712,609
Net revenues	**51,429,361**	**49,197,080**
Non-finance sectors:		
Domestic sales	35,019,876	33,357,025
Foreign sales	12,566,005	12,363,393
Gross sales	**47,585,881**	**45,720,418**
Less: Discounts	(1,558,999)	(1,235,947)
Net sales	**46,026,882**	**44,484,471**

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

NOTE 37 - OPERATING EXPENSES

	2007	2006
General administrative expenses	(2,230,306)	(2,123,028)
Marketing, selling and distribution expenses	(2,584,011)	(2,434,201)
Research and development expenses	(70,982)	(116,756)
Operating expenses	**(4,885,299)**	**(4,673,985)**

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

NOTE 38 - OTHER INCOME/EXPENSES

Other income and expenses for the years ended 31 December are as follows:

	2007	2006
Other income		
Gain on sale of investments (*)	648,831	121,767
Gain on sale of property, plant and equipment	67,660	29,919
Income from incentives	32,385	19,084
Provision reversals	24,485	42,471
Other	98,716	78,688
Other income	**872,077**	**291,929**
Other expenses		
Provision expenses	(182,866)	(221,614)
Loss on sale of property, plant and equipment	(34,245)	(9,694)
Idle time expenses	(23,329)	(13,239)
Pension Fund provision expenses	(2,519)	(30,370)
Other	(17,438)	(36,201)
Other expenses	**(260,397)**	**(311,118)**
	611,680	**(19,189)**

(*) The analysis of gain on sale of investments are as follows:

Limited Liability Company Ramenka	408,796	-
Türk Demirdöküm Fabrikaları A.Ş.	142,269	-
Birleşik Oksijen Sanayi A.Ş.	81,856	-
Goodyear Tire and Rubber Company	14,416	-
İzocam Ticaret ve Sanayi A.Ş.	-	49,040
Döktaş Ticaret ve Sanayi A.Ş.	-	47,393
Biletix Bilet Dağıtım Tic. A.Ş.	-	15,029
Basic International Investment Ltd.	-	8,930
Other	1,494	1,375
Total	**648,831**	**121,767**

NOTE 39 - FINANCIAL INCOME/EXPENSES

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

	2007	2006
Foreign exchange gain/(losses) (net)	1,045,358	(475,498)
Interest expense	(948,103)	(885,867)
Interest income	382,664	361,665
Credit finance income/(expenses) (net)	110,849	143,059
Gain/(loss) on forward agreements (net)	(68,137)	18,518
Other financial expenses (net)	(22,036)	(43,997)
Financial income/(expenses) (net)	**500,595**	**(882,120)**

NOTE 40 - NET MONETARY POSITION GAIN/LOSS

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. Consequently, inflation accounting was not applied effective from 1 January 2005 in line with CMB Financial Reporting Standards, therefore there is no gain/loss on net monetary position thereafter (Note 2).

NOTE 41 - TAXES ON INCOME

	2007	2006
Provision for tax		
Domestic	620,358	446,947
Foreign	12,026	16,572
	632,384	**463,519**
Less: Prepaid corporate tax	(520,295)	(393,663)
Provision for tax (net)	**112,089**	**69,856**

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.

Corporate Tax Law numbered 5520 became effective at 21 June 2006 by being published in the Official Gazette numbered 26205. By the issue of this law, Corporate Tax Law numbered 5422 was abolished.

The corporation tax rate is 20%. Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and allowances. The annual corporate income tax return is required to be filed in the period between the 1st and 25th days of the fourth month following the close of the related fiscal year. Payments can be made up until the end of the month in which the tax return is to be filed.

Corporations established abroad and controlled directly or indirectly by tax resident companies and real persons by means of separate or joint participation in the capital or dividends, irrespective of whether they are distributed or not, or voting rights at the rate of a minimum 50% are considered as Controlled Foreign Corporations ("CFC") provided that the below conditions are fulfilled:

a) 25% or more of the gross revenue of the foreign subsidiary must be composed of passive income like interest, dividend, rent, license fee, or marketable securities sales income;
b) The CFC must be subject to an effective income tax rate lower than 10% for its commercial profit in its home country; and,
c) Gross revenue of the CFC must exceed the equivalent of YTL100 thousand in a foreign currency in the related period.

CFC's profit is included in the corporate income tax base of the controlling resident corporation, irrespective of whether it is distributed or not, at the rate of the shares controlled, in the fiscal period covering the month of closing of the fiscal period of the CFC. The CFC's profit that has already been taxed in Turkey as per this article will not be subject to additional tax in Turkey in the event of dividend distribution; whereas the portion of the profit distributed that has not been previously taxed in Turkey will be subject to taxation.

If the ratio of the borrowings from shareholders or from persons related to the shareholders exceeds three times the shareholders' equity of the borrower company at any time within the relevant year, the exceeding portion of the borrowing will be considered as thin capital. Accordingly, under the new thin capitalisation regulation, the ratio of the loans received from related parties to shareholders' equity will be considered as three to one. Except for the loans received from credit institutions that provide loans only to related companies, half of the loans received from related banks and similar institutions are to be taken into account during thin capitalisation calculations.

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes effective from 1 January 2007. The expression "purchase or sale of goods or services" is used in a broad sense and includes all economic, commercial or financial transactions and employment relations between related parties.

All types of payments made to real persons and corporations (including branches of resident corporations) that are established or are operational in countries which are regarded by the Council of Ministers to undermine fair tax competition due to tax and other practices, will be subject to taxation in Turkey irrespective of whether the payments in question are subject to tax or not; or, whether the corporation receiving the payment is a taxpayer or not. In this case, withholding tax at the rate of 30% is envisaged to be levied over these payments.

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 15%. 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 20% 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 Turkey, there is no procedure for a final and definitive agreement on tax assessments.

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 sales of preferential right certificates and share premiums generated from sales of shares at prices exceeding the 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 in the results of operations are exempted from corporate taxation.

Exemption for participation into foreign subsidiaries
If the following conditions are fulfilled, participation revenues obtained from abroad and those transferred to Turkey by the date when corporate tax declaration regarding the taxation period in which they are obtained is filed shall not be subject to corporate tax in Turkey. The conditions are as follows:

If the Turkish resident company holds at least a 10% stake for a continuous period of a year in the non-resident company. If the total tax burden of the non-resident company is at least 15% (for insurance and financing leasing companies tax burden should be equal to at least the corporate tax burden in Turkey). If the profit is transferred to Turkey in cash by the corporate tax declaration date.

Exemption for income generated from foreign offices and permanent representatives
Gains obtained by corporations through their places of business abroad or permanent offices abroad and bearing a tax liability similar to that of corporate tax at least at the rate of 15% in accordance with the tax law of the country where that place of business and permanent office is located, (equal to at least the corporate tax burden in Turkey regarding insurance and financial activities), and which is transferred to Turkey by the submission date of the corporate tax return of the related period, will be exempt from corporate tax.

Exemption for income generated from foreign participations for holding companies
The participation income generated from the disposal of foreign participation shares resident for at least two continuous years in the assets of joint stock companies, comprising of a participation of at least 10% of the capital of the limited or joint stock companies whose legal or business center is located abroad, and 75% or more of the total assets less cash and cash equivalents for at least a continuous year as at the date the income is generated are exempt from corporate income tax.

Exemption for sale of participation shares and property
A 75% portion of corporations' profits from the sale of participation shares, founding shares, pre-emptive rights and property, which have been in their assets for at least two years, are exempt from corporate tax provided that these profits are added to share capital and are not withdrawn within five years. Income from the sale is generated until the end of the second calendar year following the year in which sale was realised.

The income generated by corporations dealing in the trading and leasing of securities and property through the sale of assets held for such purposes are not included in the scope of this exemption.

Exemption for investment allowance
Capital expenditures, with some exceptions, over YTL10 thousand are eligible for an investment incentive allowance of which 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.

As of 1 January 2006, the exemption for investment allowance has been abolished with Corporate Income Tax Law No.5479.

A transition period of three years has been provided for income and corporate taxpayers which have investment incentive allowance rights as of 31 December 2005, which have not yet been utilised and which have been deferred to the following years where corporate income may be insufficient and where investment allowance will be earned from the investment expenditures made for the ongoing projects as of 31 December 2005.

According to this,

-investment allowances that exist at 31 December 2005 and that cannot be deductible from income generated in 2005 (advance corporate tax or investment allowance of 40%),

-investment allowances calculated in accordance with the legislation valid as of 31 December 2005 and its related 19.8% tax deduction for investment incentive share certificates granted prior to 24 April 2003 and started before 1 January 2006; and

-investment allowances calculated at a rate of 40% in accordance with the legislation valid as of 31 December 2005 for investment incentives granted after 24 April 2003 in accordance with the abolished article No.19 of Corporate Income Tax Law, which were started before 1 January 2006 and which present an economic and technical integrity with the investments, can be utilised for the income generated in the years 2006, 2007 and 2008 in accordance with the articles valid as of 31 December 2005 (including the 30% corporate tax rate).

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

Once one of the above alternatives has been chosen, the chosen alternative cannot be changed. Corporations that choose to utilise this right will be subject to the previous legislation of tax rates.

Apart from the abovementioned exemptions considered in the determination of the corporate income tax base, allowances stated in Corporate Income Tax Law Articles 8, 9 and 10, and Income Tax Law Article 40 are also taken into consideration.

The taxes on income reflected to the consolidated income statement for the periods ended 31 December are summarised as follows:

	2007	**2006**
Current period corporate tax	689,928	483,358
Deferred tax (Note 14)	94,903	172,000
Tax income (expense) attributable to lawsuits (net) (*)	13,178	(54,664)
	798,009	**600,694**

(*) Tax refunds and payments arising as a result of the conclusion of lawsuits regarding the previous period's tax receivables and liabilities.

NOTE 42 - EARNINGS PER SHARE

	2007	**2006**
Net profit for the period	2,295,419	560,812
Weighted average number of shares with nominal value YTL1 each	1,564,995,616	1,328,250,000
Earnings per share in YTL	**1.467**	**0.422**
Earnings per share from continuing operations	1.287	0.392
Earnings per share from discontinued operations	0.180	0.030
Earnings per share in YTL	**1.467**	**0.422**

NOTE 43 - SUPPLEMENTARY CASH FLOW INFORMATION

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

	2007	**2006**
Changes in reserves and provisions:		
Changes in sales and customer premiums accruals	(6,635)	3,081
Changes in provision for warranty and assembly	(87,934)	112,837
Changes in for cost and expenses accruals	(51,339)	(49,232)
Changes in insurance technical reserve	87,249	59,646
Changes in provision for loans and doubtful receivables	51,557	161,009
Changes in provision for the Pension Fund	2,519	21,810
Changes in provision for employment termination benefits	3,035	17,466
Changes in bonus and premium accruals	19,289	22,453
Changes in impairment for inventories	1,518	7,918
	19,259	**356,988**
Add back net interest income:		
Non-banking interest income	(382,664)	(361,665)
Banking interest income	(3,211,050)	(2,695,010)
Non-banking interest expenses	948,103	885,867
Banking interest expenses	1,990,483	1,649,892
	(655,128)	**(520,916)**
Net changes in the operating assets and liabilities:		
Changes in current assets and liabilities:		
Inventories	(557,333)	(1,305,472)
Trade receivables	(694,114)	(1,112,404)
Other current assets	(198,304)	(367,048)
Trade payables	704,184	1,714,384
Other current liabilities	681,419	702,424
Due from/to related parties (net)	(16,155)	(365,987)
Financial assets	(413,964)	(144,582)
	(494,267)	**(878,685)**
Changes in finance segment current assets and liabilities:		
Cash and cash equivalents with original maturities of more than 3 months	(62,628)	(18,475)
Reserve deposits with the central banks	184,962	(839,546)
Loans and advances to customers, short-term	(1,765,536)	(1,138,414)
Loans and advances to customers, long-term	(1,930,508)	(1,451,720)
Customer deposits	233,098	2,545,975
Financial assets	2,038,179	(3,456,802)
	(1,302,433)	**(4,358,982)**
	(1,796,700)	**(5,237,667)**
Changes in other non-current assets	(86,312)	(69,214)
Changes in other non-current liabilities	78,287	57,934
	(8,025)	**(11,280)**

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

Cash and Cash Equivalents

	2007	2006
Short-term cash and due from banks (Note 4.a)	3,307,382	4,159,858
Cash and due from banks held for sale (Note 35)	376,172	-
	3,683,554	**4,159,858**

NOTE 44 - DISCLOSURE OF OTHER MATTERS

a) Interest in Joint Ventures

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

	2007	2006
Current assets	15,898,340	16,669,740
Non-current assets	16,200,107	14,991,610
Total assets	**32,098,447**	**31,661,350**
Current liabilities	24,158,856	24,509,994
Non-current liabilities	3,626,340	3,167,067
Share capital	4,313,251	3,984,289
Total liabilities and shareholders' equity	**32,098,447**	**31,661,350**

	2007	2006
Net sales (net)	13,683,299	13,056,074
Net operating profit/(loss)	1,220,576	1,019,600
Net income/(loss)	840,004	657,646

b) Funds

At 31 December 2007, the Group manages 22 mutual and 22 pension funds which were established under the Turkish CMB Regulations. At 31 December 2007, the Group earned fund management fees amounting to YTL99,399 thousand (2006: YTL80,440 thousand).

Total fund values

	2007	2006
Mutual funds	5,433,818	5,040,954
Pension funds	586,373	641,000
Total	**6,020,191**	**5,681,954**

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