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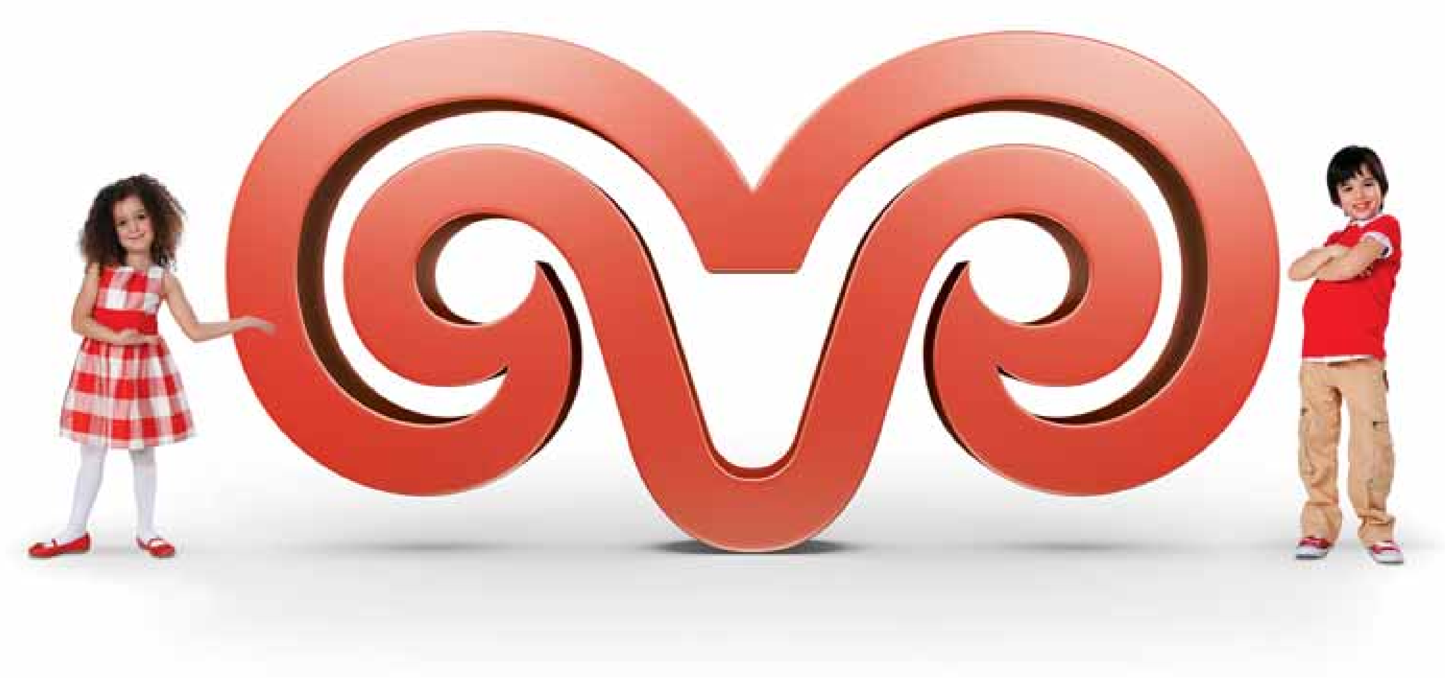


The future is now!

Koç Holding A.Ş.
Annual Report 2008

Contents

Over 80 Years of Building

Koç Holding is Turkey's largest industrial and services group in terms of revenues, exports, share in Istanbul Stock Exchange and number of employees. Following the average growth rate of 31% in U.S. dollar terms over the past five years, Koç Holding ranks as one of the 50 largest publicly traded companies in Europe and among the largest 200 companies in the world. It is a leader in local and international markets in energy, automotive, consumer durables and finance – sectors in which it has strong competitive advantages and that offer strong long term growth potential.

Koç Holding

- The only Turkish company listed in the "Fortune Global 500" list, as 186th largest according to 2007 rankings
- Europe's 46th largest public company according to Handelsblatt 2007 rankings
- Koç Group's combined revenues equal to 9% of Turkey's GDP
- Koç Group's exports constitute 11% of Turkey's total exports
- Five of the ten largest industrial companies in Turkey according to the Istanbul Chamber of Industry's "Turkey's Top 500 Industrial Enterprises 2007" rankings are Koç Group companies
- Among Turkey's three most transparent companies for the last four years according to the annual "Turkish Transparency and Disclosure Survey" conducted by Sabancı University Corporate Governance Forum and Standard and Poor's
- Listed on Boston Consulting Group's "2009 BCG 100 New Global Challengers: How Top Companies from Rapidly Developing Economies Are Contending for Global Leadership"
- Rated as "One of the international companies with the most competitive power in China" according to The China International Institute of Multinational Corporations (CIIMC)
- The first Turkish company in the annual list of "World's Most Admired Companies" compiled by the Hay Group and Fortune magazine among companies from 25 countries
- Ranks among the world's top 1000 companies by R&D investment according to "The EU Industrial R&D Investment Scoreboard"; of the three Turkish companies on the list, two are Koç Group companies

Strategic Principles

- Focus on those sectors where we can create a differential competitive advantage
- Grow in sectors where we can leverage our strong brands and technological prowess
- Derive maximum benefits from economies of scale by being the market leader or a close second in every business we operate
- Achieve the optimum portfolio diversification, where we can balance out and minimize sector and geography-specific risks

Energy

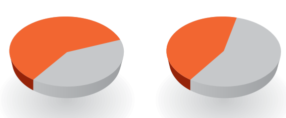
Main Companies

Tüpraş [1]
Aygaz [1]
Opet
Mogaz
Entek

Market Position (Market Share)

- Sole refinery (70% of total market demand)
- 1^{st} in LPG distribution (30%)
- 3^{rd} in petroleum products distribution (16%)
- Largest refinery in Emerging Europe
- 8^{th} largest refinery in Europe
- 5^{th} largest LPG distributor in Europe

Share in Consolidated Revenues 62%
Share in Operating Profit [2] 47%



Automotive

Main Companies

Ford Otosan [1]
Tofaş [1]
Türk Traktör [1]
Otokar [1]
Otokoç

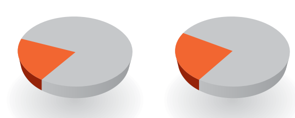
Market Position (Market Share)

- 1^{st} in total automotive (27%)
- 1^{st} in passenger cars (17%)
- 1^{st} in commercial vehicles (41%)
- 1^{st} in farm tractors (50%)
- 1^{st} in retailing (7%)
- 5^{th} largest manufacturer of farm tractors in Europe

International Alliances

Ford Motor Co.
Fiat Auto S.p.A
Case New Holland
Yamaha

Share in Consolidated Revenues 12%
Share in Operating Profit [2] 14%



Consumer Durables

Main Companies

Arçelik [1]
Grundig Elektronik [1]
Arçelik-LG
Arctic
Blomberg
Elektra Bregenz

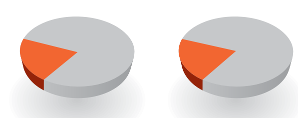
Market Position (Market Share)

- 1^{st} in refrigerators, washing machines, dishwashers and ovens (54%)
- 1^{st} in TVs (45%)
- 1^{st} in air conditioners (47%)
- 3^{rd} largest manufacturer of household appliances in Europe

International Alliances

LG Electronics

Share in Consolidated Revenues 12%
Share in Operating Profit [2] 13%



(1) Listed companies
(2) Excluding one-off capital gains from the sale of subsidiaries

Koç Holding A.Ş. Key Performance Indicators

	2008 [3]	2007 [4]	2008 [3]	2007 [4]	2008	2007	Change (%)		
	(USD millions)		(EUR millions)		(YTL millions)		USD	EUR	YTL
Revenues	43,028	35,960	29,344	26,320	55,631	46,802	20	11	19
Non-Finance Sectors	38,516	31,825	26,267	23,293	49,798	41,420	21	13	20
Finance Sector	4,512	4,136	3,077	3,027	5,834	5,383	9	2	8
Operating Profit	3,895	2,762	2,656	2,021	5,036	3,594	41	31	40
Non-Finance Sectors	3,237	2,211	2,208	1,618	4,185	2,877	46	36	45
Finance Sector	658	551	449	403	851	717	19	11	19
Profit Before Tax From Continuing Operations	2,383	3,125	1,625	2,287	3,081	4,067	-24	-29	-24
Net Income	1,994	2,988	1,360	2,187	2,578	3,889	-33	-38	-34
Minority Interest	429	1,224	292	896	554	1,593	-65	-67	-65
Attributable to equity holders of the parent	1,565	1,764	1,067	1,291	2,024	2,295	-11	-17	-12
Total Assets	42,908	51,264	30,311	34,912	64,890	59,707	-16	-13	9
Total Equity	10,667	12,929	7,535	8,805	16,132	15,058	-17	-14	7
Minority Interest	4,220	6,187	2,981	4,214	3,382	7,206	-32	-29	-11
Shareholders' Equity	6,447	6,742	4,554	4,591	9,749	7,852	-4	-1	24

(3) Convenience translation with 2008 average exchange rates (YTL 1.8958=EUR 1 and YTL 1.2929=USD 1) for income statement items (including net income) and 2008 year-end exchange rates (YTL 2.1408=EUR 1 and YTL 1.5123=USD 1) for balance sheet items.

(4) Convenience translation with 2007 average exchange rates (YTL 1.7782=EUR 1 and YTL 1.3015 =USD 1) for income statement items (including net income) and 2007 year-end exchange rates (YTL 1.7102=EUR 1 and YTL 1.1647=USD 1) for balance sheet items.

Main Competitive Advantages

- We stand as a symbol of trust and achievement and our powerful brands command strong recognition
- We have leading positions in sectors with high growth potential and low penetration levels
- We control Turkey's largest distribution network and customer database, facilitating strong CRM capabilities
- We provide the highest quality sales and after-sales service
- We occupy leadership positions in global markets and have long-standing international partnerships

Finance

Main Companies

Koç Finansal Hizmetler
Yapı Kredi Bankası [1]
Yapı Kredi Sigorta [1]
Yapı Kredi Emeklilik
Yapı Kredi Finansal Kiralama [1]
Yapı Kredi Yatırım Menkul Değerler
Yapı Kredi Yatırım Ortaklığı [1]
Yapı Kredi Faktoring
Yapı Kredi Portföy Yönetimi
Yapı Kredi Koray [1]
UniCredit Menkul Değerler
Koç Tüketici Finansmanı (Koçfinans)

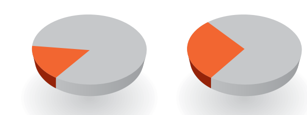
Market Position (Market Share)

- 4^{th} in banking (total assets among private banks)
- 1^{st} in credit cards (22%)
- 1^{st} in insurance (22% in life insurance, total premium production)
- 1^{st} in factoring (20%)
- 2^{nd} in leasing (15%)
- 2^{nd} in asset management (19%)
- 3^{rd} in pension funds (15%)

International Alliances

UniCredit

Share in Consolidated Revenues 11%
Share in Operating Profit [2] 25%



Other

Main Companies

Koçtaş
Tat [1]
Düzey
Koç Sistem
Koç.net
Setur
Mares [1]
Palmira
Setur Marinaları
RMK Marine
Demir Export

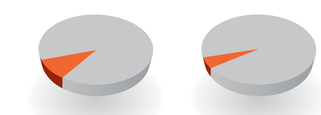
Market Position (Market Share)

- 1^{st} in DIY retailing
- 1^{st} in tomato products (30%)
- 1^{st} in marina capacity

International Alliances

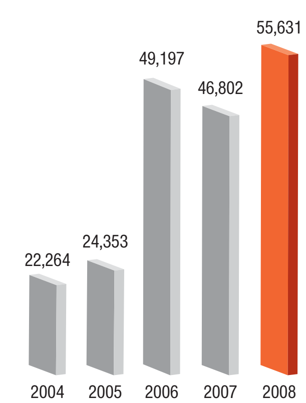
B&Q
Kagome Sumitomo
Kaneka Seeds

Share in Consolidated Revenues 3%
Share in Operating Profit [2] 1%



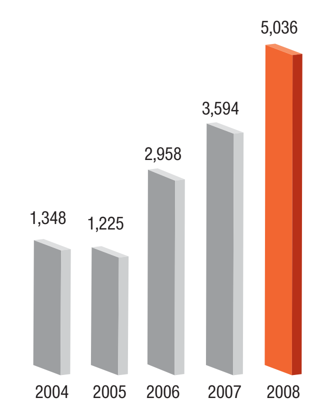
(1) Listed companies
(2) Excluding one-off capital gains from the sale of subsidiaries

Consolidated Revenues (YTL millions)



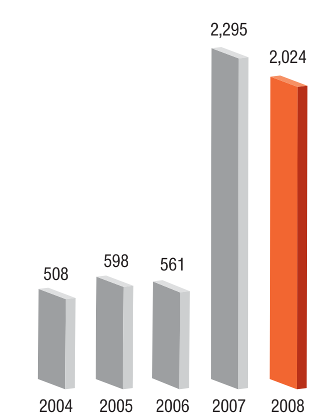
26% average compound revenue growth p.a. in the last four years

Operating Profit[3] (YTL millions)



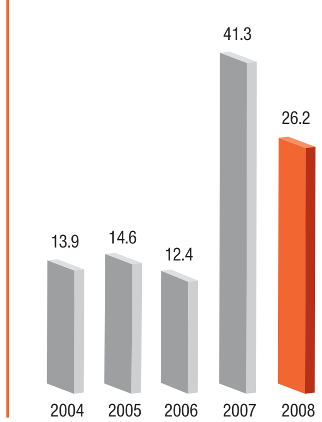
39% average compound operating profit growth p.a. in the last four years

Net Income[4] (YTL millions)



41% average compound net income growth p.a. in the last four years

Return on Equity[5] (%)



12 points increase in Return on Equity in the last four years

(3) Pre-2007 figures have been adjusted as per CMB's new reporting format
(4) Net income attributable to equity holders of the parent
(5) Return on Equity = Net Income ÷ (Shareholders' Equity - Net Income)

2003-2008: Rapid and Profitable Growth

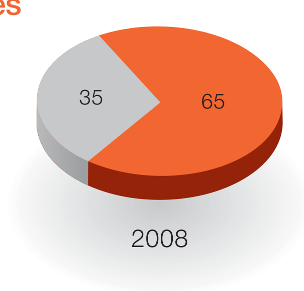
Our Goals	Our Achievements
1 Strong and sustainable growth in revenues	**We achieved a superior performance** through both organic and inorganic growth. **31%** Average compound revenue growth p.a., USD terms **25%** Average compound international sales growth p.a., USD terms
2 Continuous increase in profitability and margins (positive and increasing economic profit)	**We continuously increased our profitability and margins** through effective cost management and higher productivity. **46%** [1] Average compound operating profit growth p.a. USD terms **42%** Average compound net income growth p.a. USD terms
3 Higher Return on Investment and shareholder value maximization	**We have focused on generating higher returns on larger investments and maximization of profitability and shareholder value** through a more focused growth approach and a proactive divestiture policy. **$ 3.0** [2] **billion** Proceeds through proactive disposals **$ 6.6 billion** Acquisitions in core sectors
4 Stronger resilience and optimum portfolio diversification	**We have increased the resilience of our portfolio against the volatility in foreign exchange and interest rates** by increasing the share of foreign currency denominated or linked revenues[3] and significantly decreasing the share of the sectors that are most sensitive to domestic interest rate volatility and growth[4].

(1) Pre-2007 figures have been adjusted as per CMB's new reporting format

(2) Koç Group share

Revenues

Share of revenues in YTL



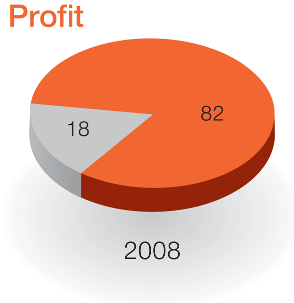
2003 : 56%
2008 : 35%

Share of foreign currency denominated or linked revenues

2003 : 44%
2008 : 65%

Operating Profit

Share of businesses with high interest rate sensitivity



2003 : 69%
2008 : 18%

Share of businesses with low interest rate sensitivity

2003 : 31%
2008 : 82%

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

2008 Highlights

We continued to increase our revenues and profitability

Consolidated Revenues	EBITDA	Net Income
Increased by **19%**	Increased by **35%**	Reached
reaching YTL **55.6** billion	reaching YTL **5.9** billion	YTL **2.0** billion

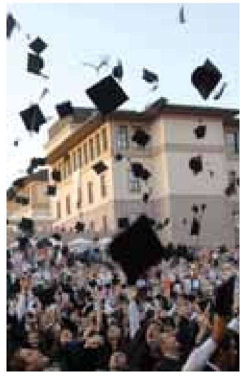
Our companies continued to record new successes

Tüpraş	: The difference between Tüpraş and Mediterranean gross refining margins peaked in favor of Tüpraş. Tüpraş now ranks among Mediterranean's highest complexity refineries.
Opet	: While continuing to gain market share, Opet remained the sector leader in customer satisfaction.
Aygaz	: Continued to be the clear leader in its segment. Voted as one of Turkey's four best known brands and the best brand in the LPG sector. Won an award in the area of social responsibility with its health project "Ayışığı".
Ford Otosan	: Maintained leadership in the local market and started working on Transit Connect exports to the USA. Won awards for products, management and manufacturing.
Tofaş	: Received "Autobest 2008" and "International Van of the Year" awards as well as four product launch communication awards.
Türk Traktör	: Fortified its leadership by boosting its market share to 50% and won the "Quality Circle Award" and the award for "Best Application at Industrial Level".
Otokar	: Contracted to design Turkey's first national tank and won the "Best Design Award" for Doruk LE, a city bus designed for disabled passengers.
Arçelik	: Maintained clear leadership in the domestic market in terms of market share and brand recognition. Arçelik Call Center won two awards; products won numerous awards for design, ecology and ergonomics. Applied for 143 patents and is the first and only Turkish company listed in the World Intellectual Property Rights Organization's Top 500 Companies.
Grundig	: Won numerous prizes for innovative products and design.
Arçelik LG	: Increased exports 2.5 times over the previous year.
Yapı Kredi	: Opened 185 new branches to become an 861-branch bank and won a total of seven awards for the Call Center, internet banking and other banking services.
Tat	: Relocated its tomato paste and meat businesses to Harranova near Urfa and achieved considerable success in improving profitability.
Koçtaş	: Won 2nd place in the "World Shop Window of the Year" contest.
Koç.net	: Became one of the three best known internet service providers only three months after the launch of the BiRi brand in the personal broadband market.
Setur	: Won the "Best Travel Agency" award from Skal International, "Best Travel Agency" award from Capital Magazine and the "Golden Spider" award from Bookinturkey.com.
RMK Marine	: Commissioned to undertake Turkey's largest military vessel project awarded to a privately-owned shipyard for the construction of four Coast Guard search and rescue vessels.

We continued to restructure our portfolio

May	: 50.83% of Migros T.A.Ş was sold for YTL1,977 million.
June	: 99.99% of Döküm Ürünleri Sinai ve Ticaret A.Ş. (Demrad) was sold for $24 million.
July	: 43.41% of Koç Allianz Sigorta A.Ş. and 49% of Koç Allianz Hayat ve Emeklilik A.Ş. were sold for a total of Euro 353.4 million. Kav Danışmanlık Pazarlama ve Ticaret A.Ş. was merged with Koç Holding A.Ş.
August	: Our share in KoçNet Haberleşme Teknolojileri ve İletişim Hizmetleri A.Ş. was increased to 99.99%. 36.19% of Otomotiv Lastikleri Tevzii A.Ş. (Oltaş) was sold for $5.2 million.

We continued to add value to the community

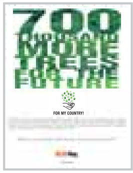


VEHBİ KOÇ FOUNDATION:

- Koç University celebrated its 15th anniversary; Koç School marked its 20th year and Koç Primary School and 13 state-run primary schools established by Koç completed their 10th years.
- 5,699 students received scholarships.
- 24 cultural publications were made.
- 140,000 patients were treated.

Vocational Education: A Top Matter for the Nation:

- With the participation of 21 of our companies, the project encompassed 262 schools and 4,000 students received scholarships and individual development support.
- 1,700 students in 10 provinces were trained in citizenship and environmental protection.



For My Country:

- Following 387 local projects, in its third year, a national project to plant 700,000 trees in seven regions was undertaken.
- 26 companies, 714 dealers,18,595 employees and 98 suppliers contributed to this effort.

Koç Group: 1926-2009

Establishment years
16-year-old Vehbi Koç starts off his career with his father's grocery store in Ankara. He lists it with the Ankara Chamber of Commerce under the name Koçzade Ahmet Vehbi on May 31, 1926 the date that symbolizes the official foundation of Koç Group.

The first joint stock company: Koç Ticaret A.Ş.
Koç Ticaret A.Ş. is established in 1938. This company acts as the cornerstone and development center for the initiatives that over time create Koç Group and is the first in Turkey to make managers shareholders. Foreign representations are acquired during this period and Ram Commercial Corporation, the first Turkish company in the U.S., is established.

First industrial ventures
In the late 1940s, the Group enters the manufacturing sector. A joint venture agreement signed with General Electric in 1948 results in Koç Group's first industrial venture, a light bulb factory.

International partnerships
In the 1960s, a variety of industrial enterprises are established by making cooperation, partnership and license agreements with international companies. Turkey's first automobile, tractor, refrigerator, washing machine, LPG canister and other products are manufactured by Koç Group during this period. A partnership is established between Fiat and Tofaş; a cooperation is formed with Ford, which will evolve into the Ford Otosan partnership in the coming years.

Expanding the areas of activity
Koç Group's areas of activity expand significantly: The Group operates in a broad range of business lines, from automotive to household appliances, from agricultural equipment to textiles, from liquefied petroleum gas to heating devices, from food and retailing to tourism, finance and insurance services.

Establishment of Koç Holding A.Ş.
Koç Holding A.Ş. is founded in 1963 with Vehbi Koç as Chairman of the Board to facilitate rapid growth and development and build an institutional structure.

First public offering
In order to secure capital for large investments that would contribute to the economic development of Turkey by directing the savings to investment, the Group focuses on public offerings. Part of the shares in Aygaz and Koç Holding are sold to Koç Group employees. The shares of Kav match factory, established in 1970, are offered to the public.

Growth and exports
In the 1970s, Koç Group continues its uninterrupted growth and acquires new companies, concentrates on exports and establishes foreign trade companies.

Second generation takes over
A great believer in institutionalization, Vehbi Koç names his son Rahmi M. Koç Chairman of the Board of Directors in 1984 and stays on as Honorary Chairman of Koç Holding.

1987: "Businessman of the Year"
Vehbi Koç was named "Businessman of the Year" by the International Chamber of Commerce.

The 1990s: Koç Group grows in banking
In 1992, Koç Holding acquires all the shares in Koç-American Bank, which was established as a joint venture with American Express Company in 1986. The Bank is renamed Koçbank.

UN World Population Planning Award
Vehbi Koç receives the United Nations World Population Planning Award on behalf of the Turkish Family Planning Foundation.

February 25, 1996: The end of an extraordinary life
Vehbi Koç passes away on February 25, 1996 at the age of 95. This extraordinary life was marked by constant activity and achievements.

A new vision for the new millennium
Koç Group enters the new millennium with a new global vision: "To be one of the world's leading companies."

Financial services consolidated under one roof
In 2001, Koç Financial Services is established as a joint venture with UniCredito Italiano, one of Europe's leading banks.

Third generation assumes command
Rahmi M. Koç turns over the Chairmanship of the Board of Directors to his eldest son Mustafa V. Koç on April 4, 2003. Rahmi M. Koç remains as Honorary Chairman of Koç Holding.

2005-2006: A milestone for Koç Group
While continuing its path of sustainable growth, Koç Group acquires majority stakes in Tüpraş, Turkey's largest industrial enterprise and Yapı Kredi Bank, a giant of the Turkish banking sector as part of its new portfolio restructuring program.

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 dimension.

2006-2008: Focused Growth Strategy
As part of its focused growth strategy that aims to increase efficiency, profitability and shareholder value, Koç Holding decides to grow in energy, automotive, consumer durables and finance sectors.

Turkey's largest industrial group... One of the most admired companies in the world...
Koç Group today is Turkey's largest industrial group in terms of revenue, exports, share in the Istanbul Stock Exchange and number of employees. Koç Holding, as the driving force of the Turkish economy and the world's 186th largest company, continues to fortify its strong position in the global league with the awards granted in the domestic and international platforms.

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

In the conviction that "The future is now", Koç Group carries on the journey which began in 1926, according to a growth strategy rooted in efficiency and productivity.

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

Vehbi Koç

Koç Group Corporate Values

The customer is the focus of everything we do.
Our top priority is to create value for our customers; to respond steadily to their expectations with quality. It is our duty to take responsibility for our products for the long term.

To be "the best" is our ultimate goal.
To be the best in quality, service, supplier, and dealer relationships; as an investment opportunity for our shareholders; and to sustain this public image are our primary goals. To achieve these goals we are committed to managing our businesses to be the leader in the market.

Our most important asset is our people.
The quality of our products and services is based on the quality of our people. For the continuity of the Koç Group, we follow a policy of recruiting the best people, and providing opportunities for development and advancement. To fully utilize the talents, strength, and creativity of our people, we create a work environment which nourishes increased productivity, cooperation, and solidarity.

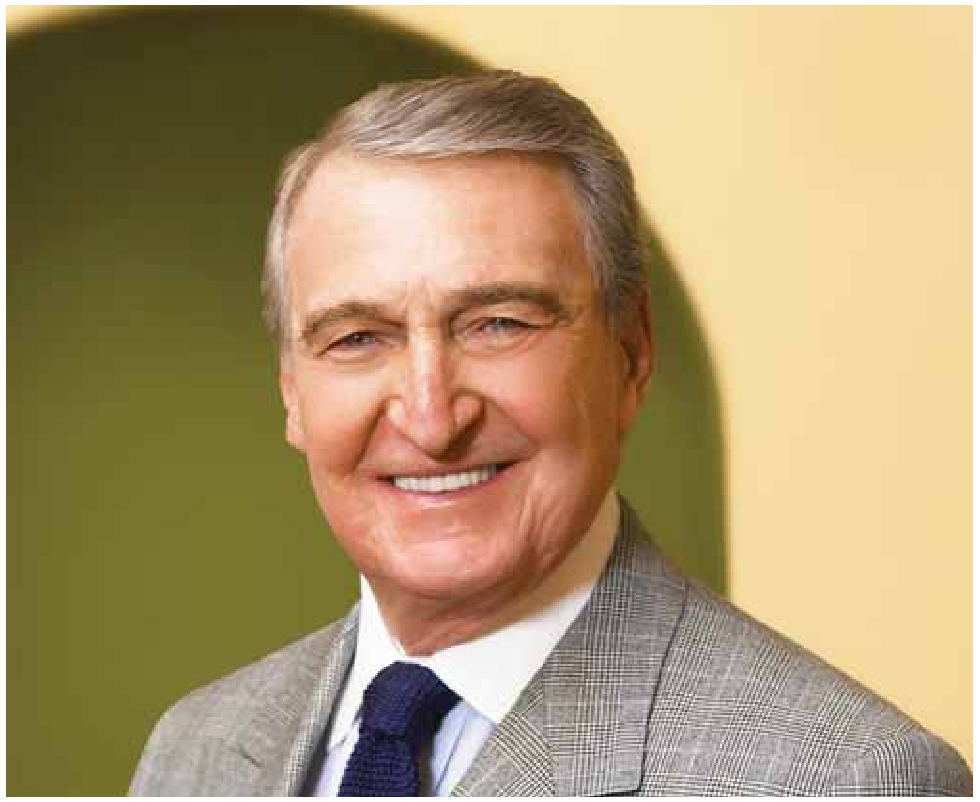
Creation of wealth for continuous development is our key objective.
Creation of value for our shareholders is a guiding principle to assure continuity of service, investments in our future, and contributions to the economic and social development of our people and our society. Therefore, creation of value, elimination of waste, and efficient utilization of all resources are key objectives.

Honesty, integrity, and superior business ethics are the foundations of our behavior.
The conduct of our business is pursued with good intentions, mutual benefit, and fair treatment in all our relationships. We are committed to conforming at all times to the highest ethical and legal standards. We are a leader in serving our society and safeguarding the interests of future generations. Protection of the environment and promotion of a higher level of environmental awareness are our duty to both our country and the world.

We aspire to strengthen the Turkish economy from which we derive our own strength.

There is no shortcut to long-term success. At Koç, we will continue to shield ourselves from risk and calibrate strategies according to insightful interpretation of changing forces and balances.

Rahmi M. Koç



Honorary Chairman's Message

Dear Shareholders,

2008 will be remembered as a defining moment in history – a harbinger of a transformation of the world economic order.

It is no exaggeration to say that the shocking events witnessed in the second half of the year will reshape the world economy, modify the speed of economic globalization and usher in a period of intense debate over the failure and viability of current economic and financial systems.

How did the world get to this point? The financial crisis that has been wreaking havoc in markets in the U.S. and across the world since August 2007 had its origins in an asset price bubble that interacted with new and complex financial products that masked risk; with companies that failed to follow their own risk management procedures; and with regulators and supervisors that failed to restrain excessive risk taking. Thus, what had started as essentially a U.S. problem quickly spread to other markets. The collapse of major financial institutions in August and September of 2008 - and the move by governments to bail-out some of these – hastened the emergence of a worldwide crisis of confidence, a freeze in credit markets and sinking stock markets.

As consumer and business spending dropped, economies in the U.S., U.K., Euro Zone and Japan stagnated, business losses multiplied and pressure on the real economy intensified. Government economic recovery packages, bank bailouts, intervention in credit markets and easing of monetary policies prevented an even more disastrous financial collapse. The same level of support was not extended to the manufacturing sector however.

In the midst of all this, the U.S. elected a new president, Barack Obama, who came to office on the platform of change. Time is needed to understand whether he succeeds in stimulating and restoring confidence in the economy and the global system. From our standpoint today, we can see that certain fundamental changes will take place: finance will be reorganized and better regulated and effective risk management will become more important.

Governments around the world started to confront the global crisis in late 2008 by putting into place a variety of measures to stabilize the financial markets and stimulate the economy. Companies reviewed their operations and set into motion steps to cut costs, adjust production schedules and revise their product lines in order to survive the downturn.

Effects of the global crisis began to be felt strongly in Turkey in the 3rd quarter, as economic growth dipped to half a percentage point, the lowest growth rate seen in the rapidly expanding Turkish economy for 27 quarters. In the fourth quarter, GDP receded by 6.2%. Consumer and business confidence plunged to a historic low. Yet, thanks to the restructuring of the banking sector and financial discipline put into place after the 2001 crisis and minimal exposure to mortgages and derivatives, the impact of the global economic crisis has been relatively lighter in Turkey than in other countries.

In 2009, as the depth of the economic malaise becomes more apparent, GDP growth will diminish, unemployment will rise and companies will go out of business. In this environment, only strong and smart companies will be able to turn the crisis to their advantage.

Turkey, due to its geopolitical position in the eastern Mediterranean and the Black Sea and strong ties with the U.S., European Union and NATO, finds itself at the crossroads of the central issues of our day: conflict in the Middle East and the Caucasus, terrorism and energy. As a neighbor of Iran, Iraq, Syria, Georgia, Armenia in the east and as a major conduit for energy pipelines and shipping, Turkey finds itself entering a period of unexpected opportunity to strengthen its position in the Middle East at a time when the U.S. is trying to open new diplomatic initiatives.

At the same time Turkey is attempting to regain momentum with the European Union. The visit of the Prime Minister to Brussels and the appointment of a head negotiator after a long delay signal that new importance will be placed on reviving relations with the EU, which in the current global economic crisis, will provide an important anchor for the economy. A new agreement with the IMF will provide another key anchor.

As Koç Group, even as we take the steps necessary to combat current conditions, we reaffirm our belief that Turkey's strategic location, young and ambitious population and high growth potential will be strengthened by the changing trends in the market. Thus, the long term potential of Turkey remains the focus of our business strategy.

We entered the present crisis in a strong financial position due to the restructuring of our portfolio in recent years in which we have divested some companies and acquired others. Such proactive restructuring enabled us to maintain our position in world markets.

There is no shortcut to long-term success. The secret lies in predicting and adapting to change. At Koç, we will continue to shield ourselves from risk and calibrate strategies according to insightful interpretation of changing forces and balances. Serious and stringent review of the risks and opportunities facing us will guide our Group through this trying period and position us for profitable growth in the future.

At all times, and especially now, we remain committed to being a responsible corporate citizen by protecting the interests of our shareholders and business partners and creating value for our employees, suppliers, dealers, customers, community and nation.

In closing, I would like to thank our managers for their diligence and dedication and extend my appreciation to our shareholders and investors for their unwavering belief in the integrity, performance and promise of Koç Group.

Rahmi M. Koç
Honorary Chairman

Serious and stringent review of the risks and opportunities facing us will guide our Group through this trying period and position us for profitable growth in the future.

Turkey, due to its geopolitical location and stature in the region, can be one of the architects of the 21st century provided that commitment to democratic reform remains strong.

Mustafa V. Koç

Chairman's Statement

Koç Holding's esteemed shareholders,
valued business partners and employees,

The world witnessed great changes in the political, social and economic spheres during 2008. The year was dominated by the global crisis and its financial and economic repercussions as well as by political tension on the national stage.

The global economy is going through one of the most difficult periods since World War II. The crisis, which started in the U.S. and spread to other countries, has changed international balances and called into question the efficacy of present day economic and political systems. Institutions and companies that are able to adjust and manage change survive; those that do not, as we have seen from global examples, are history.

Despite the trillions of dollars governments have poured into the largest economies in the world, economic recovery is proceeding at an agonizingly slow pace. In today's world, where all economies are increasingly integrated and interdependent, it is inevitable that a crisis of the scope and size of the current one will have a serious impact on Turkey's economy and companies.

The pronounced economic slowdown witnessed in developed countries in the last half of 2008, hit Turkey's export markets hard. This became painfully apparent during the final months of the year, leading to steep declines in production and industrial utilization. This has dampened growth, restricted capital flows and reduced the volume of foreign trade.

In Turkey, as in other countries around the globe, the credit crunch, weak consumer demand, depressed export markets and low consumer and business confidence put a brake on economic growth. The Turkish economy, which had begun to lose steam from mid-2006, went into negative growth territory in the last quarter of 2008. The slump in economic activity had a negative effect on macroeconomic balances, however low costs and weak demand has relieved inflationary pressures and brought the current account deficit down to more manageable levels.

Revival of domestic demand is linked to recovery of consumer and business confidence. This calls for a comprehensive action plan on the economic, political, social and diplomatic fronts. The success of these initiatives, combined with skillful management of expectations, will ease credit markets, inject new confidence into the market, stimulate domestic demand and thus prevent Turkey's industries from losing their competitive advantages.

To do this, the presence of economic and political anchors is of key importance. A new agreement with the International Monetary Fund (IMF) would reinforce the country's credibility and foreign exchange liquidity. The renewal of negotiations with the European Union would also boost confidence in the market. We believe that pushing forward with reforms required by the EU for membership would increase Turkey's global competitiveness.

Sustainable growth can only be achieved through new foreign investment. Enactment of structural reforms would show that Turkey is a safe harbor for investors, resulting in an acceleration of foreign capital inflows as the effects of the global crisis fade.

In today's world, developing countries will bear much of the weight of global economic growth. Turkey, due to its geopolitical location and stature in the region, can be one of the architects of the 21st century provided that commitment to democratic reform remains strong.

The ability to react and adjust to the abrupt and sweeping changes taking place today depend on effective and prudent financial management, global perspective, astute evaluation of risks and opportunities, selective assessment of investment prospects, innovation and team work. These attributes characterize Koç Group, enabling us to reshape our businesses, limit the damage from this period of volatility and emerge more powerful than ever, both in Turkey and in the international arena.

Koç Group became a leaner and more focused organization in 2008. Timely divestiture from companies deemed to be extraneous to our four main business groups yielded a significant inflow of cash at a critical time while improving the overall structure and cohesiveness of the Group. The extraordinary income derived from the sale of these companies gives Koç Holding a war chest that fortifies its financial structure and adds to its ability to manage costs and revenues in the present period of declining demand and tight credit.

In our home market, Koç Group retained its dominant position in all its core businesses. Our brands, products and service are the most admired in Turkey. We are a leader in production and technology and a sought-after employer. We are globally competitive, with a history of long-term partnerships with international companies. For the second year in a row, Koç Group ranked among the 100 top companies from rapidly developing economies selected by Boston Consulting Group in the "2009 BCG 100 - New Global Challengers" list.

Today's challenges call for responsible and farsighted management, effective utilization of resources and responsible corporate citizenship that promote social welfare and environmental protection. Koç has a long and proud history of sensitivity to both social and environment issues. We are concerned about global warming and climate change and seek ways to improve our production processes with these issues in mind.

Through our companies, Koç Holding and Vehbi Koç Foundation, we contribute to raising the quality of life in Turkey. Our university, secondary and nursing schools and hospital rank among the finest in Turkey. We are a leader in improving vocational education and have generously built and equipped primary schools throughout the country. We are proud to sponsor the Istanbul Biennial through 2016, an international contemporary art exhibition held every other year.

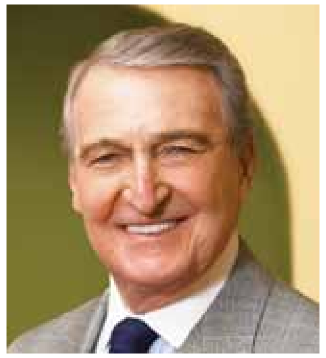
Our commitment to education, healthcare, culture and art and environmental protection is a fundamental part of our corporate culture and will remain so in the years ahead.

The world is going through tough times that leave no company unaffected. Production and profitability are down across the board. There is little good corporate news anywhere. Yet, we are confident that we are well-equipped to cope with the present economic downturn and look steadfastly toward the future. We are determined to continue to create value for our shareholders, business partners, employees, customers and thus to add value to our country and community.

Mustafa V. Koç
Chairman

The ability to react and adjust to the abrupt and sweeping changes taking place today depend on effective and prudent financial management, global perspective, astute evaluation of risks and opportunities, selective assessment of investment prospects, innovation and team work.

Board of Directors



Rahmi M. Koç
Honorary Chairman

A graduate of Johns Hopkins University in Business Administration, he joined Koç Group in 1958 at Otokoç and held various managerial positions at Koç Holding. He became Chairman of the Management Committee in 1980 and was named Chairman of the Board of Directors of Koç Holding in 1984, a post he held until 2003 when he became the Honorary Chairman. In addition to his role as Koç Holding Honorary Chairman, Rahmi M. Koç also serves as Vice Chairman of the Board of Trustees of Vehbi Koç Foundation, Chairman of the Board of Trustees of Koç University, Founder and Chairman of the Board of Directors of Rahmi M. Koç Museum and Cultural Foundation, Chairman of the Board of Directors of Vehbi Koç Foundation American Hospital, Honorary Chairman and Founding Member of TURMEPA (Turkish Marine and Environment Protection Association), Honorary President of the High Advisory Council of Turkish Industrialists' and Businessmen's Association and Member of the Advisory Board of Turkish Employers' Association.

Mustafa V. Koç
Chairman

After graduating with a BA degree in Business Administration from George Washington University in 1984, he started his career in Tofaş. In 1992, he joined Koç Holding and served as Vice President and President of various business groups. He became a Member of the Board of Directors in 2001 and Vice Chairman in 2002. He was appointed as Chairman of Koç Holding Board of Directors on 4 April 2003. He is a member of the Vehbi Koç Foundation Board of Directors, the Board of Trustees of the Turkish Volunteers for Education Foundation and the Istanbul Chamber of Industry. He also serves as the Honorary Consul General of Finland for İstanbul, member of the Foreign Economic Relations Board, Advisory Board of Kuwait International Bank and the Rolls-Royce Advisory Board. He joined the JP Morgan International Council in June 2004. Mustafa V. Koç is also the Chairman of the Turkish Industrialists' and Businessmen's Association High Advisory Council.

Suna Kıraç
Vice Chairman

After studying Banking and Finance at Boğaziçi University, 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 and became Vice Chairman of the Board of Directors in 1980. 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.

Temel Atay
Vice Chairman

A graduate of Mechanical Engineering from Istanbul Technical University, he holds an MBA degree from Wayne State University. He started his career at Koç Group in 1966 serving as the General Manager of Otoyol Sanayi A.Ş. and Tofaş Türk Otomobil Fabrikası A.Ş. After working in various senior management posts at Koç Holding, he served as the CEO between 2000-2001. He has been a Member of the Board of Directors since 1996 and was named Vice Chairman in 1998.

Ömer M. Koç
Vice Chairman

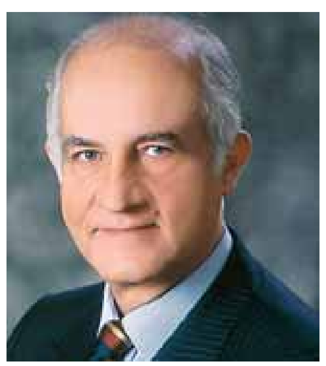
He received his BA degree from Columbia University in 1985. He worked at Kofisa Trading for one year. After completing his MBA at Columbia University in 1989, he went on to work at Ramerica International Inc. He joined Koç Holding in 1990, worked at Gazal A.Ş. and held various senior positions such as the Finance Coordinator, Vice President and President of Energy Group at Koç Holding. He has been a Member of Koç Holding Board of Directors since 2004 and Vice Chairman since May 2008. He is also the President of Turkish Educational Foundation, Geyre Foundation, Yapı Kredi Kültür Sanat Yayıncılık, and Chairman of the Board of Tüpraş.

Dr. Bülent Bulgurlu
Member - CEO

He graduated from Ankara Engineering and Architectural Faculty and earned his Ph.D. from Norwegian University of Science and Technology (NTNU). He started his career in 1972 as a Construction Engineer at Elliot Strömme A/S in Oslo. He joined Garanti İnşaat in 1977 as Construction Engineer and worked as Planning and Construction Manager, Site Coordination and Construction Manager, Assistant General Manager and General Manager. He has worked at Koç Holding since 1996 as President of the Tourism and Services Group, President of the Tourism and Construction Group and President of the Consumer Durables and Construction Group. He became CEO and a Member of the Koç Holding Board of Directors in May 2007. He is also a member of Turkish Industrialists' and Businessmen's Association, TURMEPA (Turkish Marine and Environment Protection Association) and Turkish Tourism Investors' Association.

Semahat Arsel
Member

A graduate of American College for Girls-İstanbul, she studied German at Goethe Institute and is fluent in both English and German. She began her career in 1964 as a Member of Koç Holding Board of Directors, a position she continues to hold. In addition, she is the Chairman of the Board of Directors of Vehbi Koç Foundation, Chairman of the Tourism Group Board of Directors, Vice Chairman of Florance Nightingale Foundation and Chairman of Semahat Arsel Nursing Education and Research Center. She is also the founder of Koç University School of Nursing.



İnan Kıraç
Member

A graduate of City College of Business in London, he started his career at Koç Group in 1961. He served as General Manager of Tofaş Oto Ticaret A.Ş., Tofaş Group President and President of Automotive Companies prior to his appointment as Koç Holding CEO between 1994-1998. He has been a Member of Koç Holding Board of Directors since 1993. He has also been serving as the Chairman of the Board of Directors of Kıraça Group of Companies since 1998.

Ali Y. Koç
Member - President of Corporate Communications and Information Technology Group

He graduated from Rice University in Business Administration and earned an MBA degree from Harvard Business School. He attended the American Express Bank Management Trainee program between 1990-1991 and worked as an analyst at Morgan Stanley Investment Bank between 1992-1994. Starting from 1997, he held various senior positions at Koç Holding such as the New Business Development Coordinator and President of Information Technology Group. He has been serving as the President of the Corporate Communications and Information Technology Group since 2006. He was appointed as a Member of Koç Holding Board of Directors in January 2008.

John H. McArthur
Member

He graduated from the University of British Columbia and received his Masters and Ph.D. degrees from Harvard Business School. He was the Dean of Harvard Business School between 1980-1995. He is currently a member of the Board of Directors of Duke University Health Systems, e-Rewards Inc. and Development Gateway, Chairman of the Asia Pacific Foundation of Canada and member of the Board of Trustees of Reuters Founders Share Co. Ltd. For many years, he served as Chair of the Brigham and Women's Hospital and was the founding Co-Chair of the Board of Trustees of Partners HealthCare System, Inc. John H. McArthur has been a Member of Koç Holding Board of Directors since 1999.

Dieter Christoph Urban
Member

He served as Director of Corporate Planning and Organization at Siemens AG and acted as Administrative Director of the Treuhandanstalt, the German Privatization Agency set up to privatize East Germany in 1991. In 1992, he became Managing Director of the New York office to attract American investors. At the end of 1992, he joined Siemens in Turkey as Executive Vice President and Member of the Board of Siemens Group with special responsibility for Finance. He was appointed Chief Financial Officer of Siemens plc in the U.K. in November 1998. He resigned from Siemens in April 2006. Currently, he serves as chief advisor to Roland Berger Strategy Consultants and London & Oxford Group. He also teaches at the London School of Economics and Koç University. He has been a Member of Koç Holding Board of Directors since 2005.

Prof. Dr. Heinrich V.Pierer
Member

He studied Law and Economics at Erlangen- Nuremberg University. He joined Siemens AG in 1969 and held various senior positions, including Member of the Managing Board, Member of the Corporate Executive Committee and President and CEO of the company. He was the Chairman of Siemens AG Supervisory Board between 2005-2007. He served as Chairman of the Asia-Pacific Committee of German Business between 1993-2006. Prof. Heinrich V. Pierer holds an honorary doctorate in Engineering from the Technical University of Munich and has been a Member of Koç Holding Board of Directors since 2008.

Kutsan Çelebican
Auditor

A graduate of Ankara University School of Political Science, he began his career at the Ministry of Finance Tax Auditors Board in 1969, served as Deputy General Director at the General Directorate of Treasury of the Ministry of Finance between 1979-1982 and was appointed as Assistant to Executive Director in World Bank (IBRD). He joined Koç Group in 1987 and served as Finance Coordinator, Vice President and President of the Finance Group. He retired from Koç Group as of December 2001 and established his own financial consulting business. He was appointed Auditor of Koç Holding Board of Directors in April 2008.

Dr. Füsun Akkal Bozok
Alternate Auditor

A graduate in Business Administration from Istanbul University, she earned a Ph.D. from Boğaziçi University in Business Administration. She began her career in 1980 at Arthur Andersen, joining the Auditing and Financial Control Group of Koç Holding in 1983. She served as Coordinator of the Auditing and Financial Control Group and then as Coordinator of the Finance Group. She teaches at Koç and Sabancı Universities and was appointed a Member of the Board of Directors of Yapı Kredi Bank on 28 September 2005. She has been Auditor of Koç Holding Board of Directors since April 2006.

Koç Holding utilizes cutting-edge technologies and management techniques through its organization. We are committed to the consistent creation of value for all our stakeholders.

Dr. Bülent Bulgurlu

CEO's Letter

Dear Shareholders,

Implementation of effective counter-measures enabled Koç Group to post successful results for 2008 despite extreme volatility in the global economy and a deepening slowdown in economic activity in Turkey and our key export markets in the last half of the year.

At the beginning of the year, in response to the economic concerns that surfaced in mid-2007, we strengthened our risk management policies and readied an alternative business program based on possible macroeconomic changes. We notified our companies of the measures they needed to apply in June. By September, the positive impact of these measures became visible, enabling us to set new targets for our companies. Thanks to these steps, our companies managed the effects of the crisis successfully and incurred minimal damage.

In addition to implementation of effective risk management policies, as Koç Holding, we pursued our strategic plan to focus on four core business segments and successfully divested our shares in İzocam, Demirdöküm, BOS, Ramenka, Demrad, Oltaş, Migros and Koç Allianz at a time when asset prices had reached their peak.

These sales provided significant funds to finance ongoing expenses as well as new investments during this trying period. Thus, we achieved the great majority of our targets as a Group while at the same time fortifying our financial position against foreign exchange rate and interest risks.

Despite the sale of the companies mentioned above, we continued to raise revenues and operating profit. Overall productivity and profitability improved during the year due to growth of our existing business lines and new investments in these areas.

Koç Group's basic indicators continued to improve in 2008 despite adverse conditions in international and local markets. Consolidated revenues have climbed from YTL 15 billion in 2003 to YTL 56 billion in 2008. Koç Holding became the 186th largest company in the world according to Fortune 500 rankings for 2008. Operating profit for 2008 was up 40% to YTL 5.0 billion while net income totaled YTL 2.0 billion.

These strong financial results stem from the profitability and market leadership of our companies in our core business segments and their success in designing and marketing new products and services. Strong investments made in the last few years have made Koç Holding the undisputed leader in Turkey's energy sector. Tüpraş, one of Europe's largest refineries, has set new export and sales records. Opet, while continuing to gain market share, remained the top rated company in its sector in terms of customer satisfaction in the annual Customer Satisfaction Index survey held by the Turkish Quality Association. Aygaz continued to dominate the LPG market.

2008 was a difficult year for the automotive sector as sales in the EU narrowed by 8.1% and slid by 17% in Turkey. Although production and export levels decreased, Koç Group companies were proud to account for 47% of Turkey's total automotive production and exports. Ford Otosan maintained its leadership in the local market for the seventh consecutive year and became an exporter of Ford motor vehicles to the United States. Tofaş' Fiat Linea was selected as "Autobest-Best Passenger Car", Fiorino was exported to 80 countries and voted "International Van of the Year". Otokar won a contract to manufacture Turkey's first national tank for the armed forces. Türk Traktör increased its market share to 50%, a significant improvement.

In consumer durables, Europe -our primary export market - contracted by 3-5% while the local market declined by 3.5%. Our companies in this sector maintained their leadership in the local market with a 54% share in major household appliances and 45% share in televisions. In Russia, Beko LLC became the first Turkish company to receive the "Company of the Year" award in "The fastest developing and the most dynamic company" category in the competition organized by RosBusinessConsulting. In China, Arçelik, which had opened its own factory last year, expanded its distribution network to 12 cities and 200 sales points. Arçelik LG more than doubled exports of air conditioning units.

Although banks around the world have been battered by the global crisis, Koç Group financial services companies reported strong results for 2008. Their healthy position demonstrates very clearly the effectiveness of our risk management policies.

Yapı Kredi increased the size of its branch network from 608 in 2006 to 861 by the end of 2008. The Bank has maintained a capital adequacy ratio of over 15% and a return on average equity above 24%. It continued to increase its market share in profitable products and services. Yapı Kredi's focus on real banking is reflected in its figures and asset quality. Not only did Yapı Kredi open more new branches than any other bank in Turkey in 2008, it was voted the Best Bank in seven categories including Best Foreign Trade Bank, Best Internet Branch and Best Call Center.

During the year, Tat transferred its tomato paste and meat processing plants to Urfa in southeast Turkey as part of the Harranova development project, setting an important example to other companies.

Koç Holding utilizes cutting-edge technologies and management techniques through its organization. It is committed to the consistent creation of value for all its stakeholders. At the same time we seek to foresee and take maximum benefit from change, we are careful not to lose the values that have made us what we are.

This year we are celebrating the 40th anniversary of Vehbi Koç Foundation. As one of Europe's largest philanthropic foundations, Vehbi Koç Foundation raises the quality of life in Turkey in the areas of education, health care, culture & art and environmental protection primarily through its own institutions and by support of other worthwhile charitable foundations.

Creation of a qualified workforce to meet the country's current and future needs is of vital importance as providing hope to young people faced with the threat of unemployment, one of the most significant problems of our world today. For the past three years we have administered the "Vocational Education: A Top Matter for the Nation" project jointly with the Ministry of National Education and Group companies in order to make vocational and technical training a priority.

Thanks to the support of Vehbi Koç Foundation, scholarships and internships have been given to thousands of students and opportunities for coaching and individual development have been made available. We are taking every opportunity to further develop this very important project.

At Koç Holding, our employee-based "For My Country" corporate citizenship project focused on the environment. Prevention of global warming and climate change and the correct use of natural resources are among the most important issues in the world today. At the same time, we continue to develop environmentally friendly technologies to improve our work processes in line with the measures and targets set forth by the Kyoto Protocol of which Turkey is a signatory.

At Koç, we will monitor the outcome of the Copenhagen Conference very carefully to ensure that our work processes meet the resolutions taken to prevent global warming and reduce production of hothouse gases.

Koç Group has distinguished itself by developing new technologies and by applying these technologies to our work processes. We are one of the top 1000 companies in the world in terms of the resources allocated to R&D - an important indicator of our commitment and success in this area.

In the years ahead, Koç Group is determined to bolster its ranking among the world's largest corporations and maintain its position of esteem and recognition at home and abroad. Working hand in hand with our valued employees, we intend to shape the future successes of the Group on the world stage while continuing to drive the Turkish economy.

Dr. Bülent Bulgurlu
CEO, Board Member

Executive Management

Back- from left to right

1 **Ali Tarık Uzun**
President, Auditing Group

He graduated from Ankara University in Economics and earned an MBA from Koç University. He 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. He served as Coordinator between 1996 - 2003 and has been the President of the Auditing Group at Koç Holding since 2004.

2 **Kudret Önen**
President, Defense Industry and Other Automotive Group

He graduated from Gazi University in Mechanical Engineering and began his career in 1975 at Ford Otosan. In 1980, he became R&D Department Manager at Koç Holding and was appointed Assistant General Manager of Otokar in 1984. He served as General Manager of Otokar between1994-2005 and was appointed Co-President of Koç Holding Other Automotive Companies Group in 2005. He has been the President of Defense Industry and Other Automotive Group at Koç Holding since 2006.

3 **Ömer Bozer**
President, Food and Retailing Group

He graduated from Middle East Technical University in Business Administration and earned a Masters degree from Georgia State University. He started his career in 1983 as a Management Trainee at Koç Holding. After serving as the Assistant General Manager at Maret and General Manager at Düzey, he became the General Manager at Migros in 2002. In October 2004, he was named Co-President of Koç Holding Food, Retailing and Tourism Group, and then President in 2005. He has been the President of Food and Retailing Group at Koç Holding since 2006.

4 **Ahmet Ashaboğlu**
CFO - President, Finance Group

He graduated from Tufts University and earned a Masters degree from Massachusetts Institute of Technology (MIT) in Mechanical Engineering. In 1994, he began his career as a Research Assistant at MIT, held various positions at UBS Warburg between1996-1999 and worked as Engagement Manager at McKinsey & Company, New York, between 1999-2003. He joined Koç Holding as Finance Group Coordinator in 2003. He was appointed CFO in 2006.

5 **Turgay Durak**
President, Automotive Group

He graduated from Northwestern University in Mechanical Engineering, joining Koç Group in 1976 at Ford Otomotiv. He was appointed Assistant General Manager in 1986, became Deputy General Manager in 2000 and General Manager of Ford Otosan in 2002. He has been the President of Automotive Group at Koç Holding since 2007.

6 **Erol Memioğlu**
President, Energy Group

He graduated from Middle East Technical University in Petroleum Engineering and started his career in 1979 at Turkish Petroleum Corporation, TPAO, as Specialist Engineer, and served as Production Manager and Head of the Production and Overseas Projects Group. He joined Koç Holding in 1999 as Co- President of the Energy Group. Between 2003 - 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 serving as the President of the Energy Group at Koç Holding.

Front- from left to right

7 **Tamer Haşimoğlu**
President, Strategic Planning Group

He graduated from Istanbul Technical University in Mechanical Engineering and earned a Masters degree in International Business from Istanbul University Institute of Business Administration and Economics. He started his career in 1989 at Koç Holding as a Management Trainee in the Planning Department and went on to become Specialist, Manager and Coordinator of Strategic Planning. He was appointed Koç Holding Strategic Planning Group Acting President in January 2004 and has been serving as the President of Strategic Planning Group at Koç Holding since May 2004.

8 **Ali Y. Koç**
President, Corporate Communications and Information Technology Group - Board Member

He graduated from Rice University in Business Administration and earned an MBA degree from Harvard Business School. He attended the American Express Bank Management Trainee program between 1990-1991 and worked as an analyst at Morgan Stanley Investment Bank between 1992-1994. Starting from 1997, he held various senior positions at Koç Holding such as the New Business Development Coordinator and President of Information Technology Group. He has been serving as the President of the Corporate Communications and Information Technology Group since 2006. He was appointed as a Member of Koç Holding Board of Directors in January 2008.

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

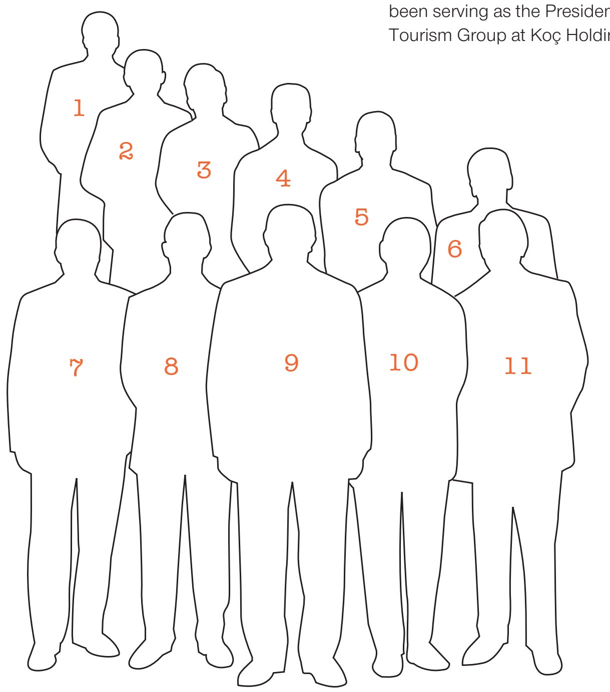
He graduated from Ankara Engineering and Architectural Faculty and earned his Ph.D. from Norwegian University of Science and Technology (NTNU). He started his career in 1972 as a Construction Engineer at Elliot Strömme A/S in Oslo. He joined Garanti İnşaat in 1977 as Construction Engineer and worked as Planning and Construction Manager, Site Coordination and Construction Manager, Assistant General Manager and General Manager. He has worked at Koç Holding since 1996 as President of the Tourism and Services Group, President of the Tourism and Construction Group and President of the Consumer Durables and Construction Group. He became CEO and a Member of the Koç Holding Board of Directors in May 2007. He is also a member of Turkish Industrialists' and Businessmen's Association, TURMEPA (Turkish Marine and Environment Protection Association) and Turkish Tourism Investors' Association.

10 **Aka Gündüz Özdemir**
President, Consumer Durables Group

He graduated from Istanbul Academy of Economics and Commerce and joined Koç Group in 1972 at Beko Ticaret. After serving as Assistant General Manager and General Manager of the company, he was appointed Assistant Vice President of the Consumer Durables Group at Koç Holding and Marketing & Sales Group Director for Arçelik. After becoming the General Manager of Arçelik in 2003, he was also appointed as the President of Consumer Durables Group at Koç Holding in May 2007. He has been serving as the President of Consumer Durables Group at Koç Holding since August 2008.

11 **Hasan Bengü**
President, Foreign Trade and Tourism Group

He completed his education at Berlin Technical University in Industrial Engineering, joining Koç Group in 1975 at Beko Teknik and served in various senior posts in Group companies prior to his appointment as the President of Foreign Trade Group in 1998. He served as the President of Corporate Communications and Foreign Relations between 2003-2006 and has been serving as the President of Foreign Trade and Tourism Group at Koç Holding since 2006.



Risk Management

The greatest risk is lack of awareness of risk. In this regard, Koç Group operates according to an efficiency-focused management philosophy that is based on maintaining a strong asset quality and capital structure and employs interactive early warning systems.

The goal of risk management is to foresee potential risks from wherever they may arise, to monitor and manage these risks, to prepare risk and crisis management action plans in advance and to achieve the optimal capital allocation between business units based on risk-return assessments. The major risks faced by Koç Holding are divided into three categories: financial risks (credit, exchange rate, interest, liquidity and capital risks), operational risks and legal risks.

Financial Risks

The general financial risk management program of Koç Group focuses on minimizing any detrimental effects that volatility in the financial markets may have on the financial performance of the Group. The major steps in monitoring financial risks are summarized below:

Credit Risk:
Koç Group manages credit risk by credit assessments, limiting the counterparty risk by setting credit limits for each counterparty and obtaining the highest possible guarantee. The Group minimizes the negative impact of market volatility by using a risk management program (e-risk) that allows daily tracking of the trade receivables risk arising from the Group's operations.

Exchange Rate Risk:
Koç Group manages currency risk exposure by keeping foreign currency position within legal limits and other limits approved by the Boards of Directors. Depending on general economic conditions and developments in the market, Koç Holding reviews these risk limits continuously and sets new limits as necessary. When required by the exchange rate risk management strategy, derivative transactions are used.

Interest Risk:
In order to manage interest rate risk, Koç Group implements certain precautions such as balancing the repricing dates of interest rate sensitive assets and liabilities and employs certain derivative financial instruments when necessary.

Liquidity Risk:
As part of its liquidity risk management strategy, funding sources are diversified and sufficient levels of cash and cash equivalent assets are kept in hand. Also, to meet any sudden cash need, the total amount of cash and cash equivalent assets are maintained at their preset level vis-à-vis the short term liabilities.

Capital Risk:
Koç Group strives for sustainable operations through maintaining an optimal capital structure that preserves income for its partners, benefits shareholders and minimizes capital costs. To preserve or rearrange the capital structure, dividends to be paid to the partners are determined, new shares are issued and assets are sold to decrease debt level.

Operational Risks

For managing operational risks, all macroeconomic developments and sector-specific risks are monitored by the President of each sector. Koç Group's strong presence in the national economy and its customer-oriented management philosophy enables it to monitor market dynamics closely and to develop early warning systems.

Since its foundation, Koç Group placed great emphasis on internal control. In this regard, the Audit Group Presidency has been operating under the Chairman since January 1, 2004 in accordance with the principle of separating administration and audit tasks. Audit Group Presidency performs audits of processes, risks, financial and operational tasks and for possible frauds at Koç Group companies. In addition to internal audits to manage operational risks, systems such as the E-contractor System, insurance mechanisms and central purchasing systems are applied to maximize the synergy created by Koç Group.

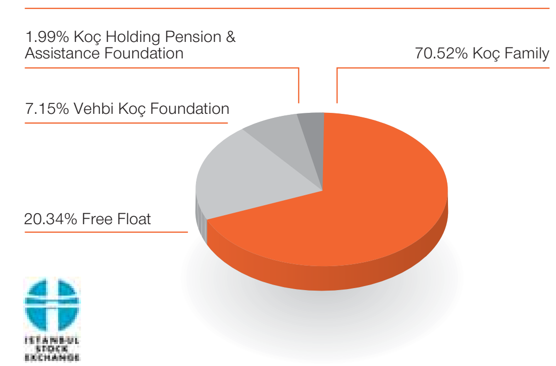
Legal Risks

Koç Holding has developed various systems against legal risks. Early-warning systems, an on-line database, on-line intellectual property rights management program (mari@a sistem), legal compliance test (HUY), and agreement audit system (LERİMAN), to name a few.

Creating Shareholder Value

Koç Holding and its publicly traded subsidiaries comprise 13% of the total market capitalization of the Istanbul Stock Exchange as of 2008. In awareness of the responsibility imposed by its size, Koç Holding works tirelessly to raise shareholder value and customer satisfaction by applying international standards of corporate governance, investor relations and corporate social responsibility.

Shareholder Structure



Stock Information

- Koç Holding shares are traded on the Istanbul Stock Exchange National Market with the symbol "KCHOL".
- Reuters Code: KCHOL.IS
- Bloomberg Code: KCHOL.TI
- Date of initial public offering: 10 January 1986
- Share of foreign ownership in free float: 55% as of 31 December 2008

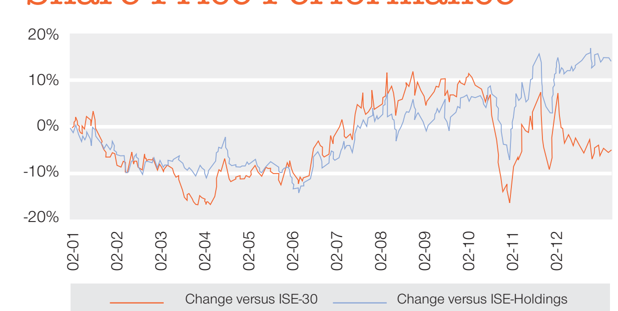
Koç Holding's Value Added to its Investors

- As the largest company in Turkey, Koç Holding is one of the best alternatives for those who want to invest in Turkey's high growth potential on the ISE
- Strong net cash position and solid financial structure
- High growth potential and advantages of economies of scale
- Aggressive player for M&A activity in core sectors
- Portfolio structure that is resistant to economic volatility and risks
- Strategies focused on sustainable profitability and increasing shareholder value
- Superior and sustainable improvement in operating performance

Koç Holding's Value Added to its Group Companies

- Confidence, strong reputation and brand management based on more than 80 years of experience
- Adherence to universal values, business processes, working conditions and environmental and ethical standards throughout the Group by implementing Group-wide vision and objectives
- A performance management system focused on creating shareholder value
- Comprehensive customer information and customer database facilitating strong CRM capabilities; guidance in setting long-term strategies and spread of the best practices throughout the Group
- Financing opportunities that enable companies to invest to improve their competitive strength on an international scale

Share Price Performance



Premium/Discount to Net Asset Value*

	2004	2005	2006	2007	2008
Koç Holding	+10%	+5%	+1%	-15%	-22%
Peer Group Average	-29%	-29%	-25%	-31%	-42%

* Yearly average

Koç Holding's average discount to Net Asset Value has consistently been the lowest among the holding companies in Turkey

Our Most Important Asset: Our People

As of the end of 2008, Koç Group employed 73,677 people, of which 69,214 work in Turkey and 4,463 abroad. Koç Group aims to be an organization made up of the most successful professionals who create added value that results in sustainable growth. Its goal is to be the most preferred employer, an ideal organization of which each employee is proud to be a part. The current human resources systems and approaches, which are the result of many years of hard work and experience, enable the Company to implement this strategy.

Koç@İnsan

Koç@İnsan enables all employees to access the systems that implement the Company's human resources policies via a single interface. This platform, where employee data is managed, makes the policies and applications transparent by providing an open communication environment.

Integrated Performance Management and Planning

The Performance Management System makes it possible to focus employee efforts on specific targets that contribute to the overall goals of the company. It also provides the tools for performance evaluation and reward mechanisms, and for planning individual career paths by competency assessments.

Salary Management System

Koç Group companies' Salary Management System is based on factors such as the salary market, current salary structure of the company and payment power, salary policy, individual performance, and business level. With regular market analyses, a competitive and just salary policy is applied. Job evaluation is conducted through a system that operates across Koç Group and which ranks all jobs according to their potential contribution to organizational goals and their responsibility levels.

Competency Assessment System

To enable our employees to sustain their levels of success, a 360-degree competency assessment tool is used. Employee competencies are assessed, employees with high potential are identified and plans for their development are created.

Koç Academy

Koç Academy is an educational and developmental platform shared by employees. Here activities that supports the development of Koç Group employees are planned and implemented in the light of the Group's, the company's and employees' needs.

Leader Development Training

Koç Group Leader Development Programs have the main aim of creating and establishing a common management and leadership culture in our Group. They also create a learning and cooperation development environment where managers from different Group companies can share their knowledge and experience. 2,535 managers participated in these training programs between 2002 and 2008.

KoçAilem

KoçAilem program has the vision of enabling Koç employees to consider themselves members of the Koç Group family. It assists employees in improving their quality of life at all stages. It provides various advantages to employees, such as making discounts on Group companies' products and services, and participating in social activities and social responsibility projects organized by the Group.

Koç Holding Pensioners Support Fund

As part of the value we place on our employees, we provide additional social security options and support to our employees via Koç Holding Pensioners Support Fund during their retirement periods.

Occupational Health and Safety Board

“Koç Group Occupational Health and Safety Board” is composed of occupational health and safety experts employed in Koç Group companies. It aims to ensure healthy and safe work environment for Group employees and to improve the safety levels of the companies. The Group's business processes strive to make this policy widespread and to reach a common standard for OHS practices throughout Koç Group.

Our employees are the foundation of our competitive power.

Koç Group's R&D Focus

One of the most important strategic objectives Koç Group has put in place in order to reach its ambitious growth targets is “the necessity for each company to possess its own technology.”

To own technology means to be a company that creates and leads the change instead of just following it. Koç Group companies are at the forefront of R&D and innovation in Turkey in order to create and possess their own technologies. The Group's R&D expenditures account for one-fifth of total private sector spending on R&D in Turkey. The total number of R&D staff working in Koç Group companies is over 2,000 and this number is increasing every year.

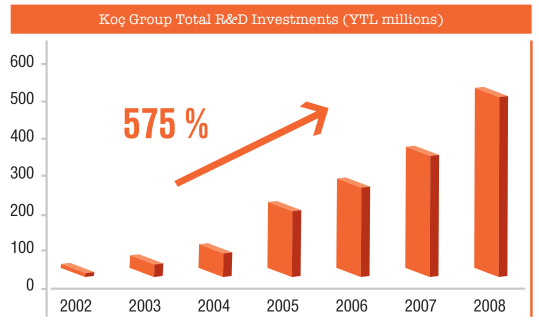
Patent culture and intellectual property rights are an important indicator of ownership of technology. Every year Koç Group companies file over 200 patent applications. Arçelik, Grundig Elektronik, Ford Otosan and Tofaş are always in the forefront of the Turkish patent league.

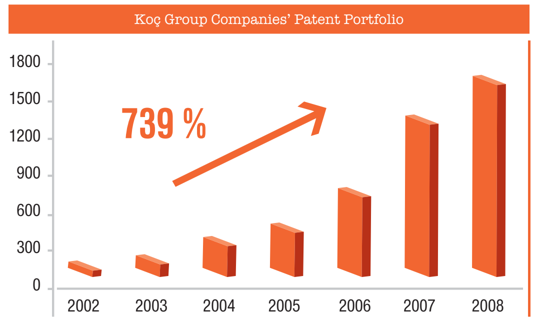
More than half of the patent applications made from Turkey to the World Intellectual Property Rights Organization are made by Koç Group companies.

Our automotive companies which have strong international partners such as Ford Motor Co. and Fiat S.p.A. manufacture certain models whose intellectual property rights they own; and conduct all R&D operations for some models from Turkey.

Koç Group companies have been pioneers in increasing cooperation between universities and industry and developing many R&D projects with universities. Currently there are about 100 R&D projects that are jointly run by Koç Group companies and universities.

Koç Technology Board has been established with the aim of spreading the know-how of specialized companies regarding R&D and innovation primarily throughout the Koç Group and also throughout Turkey. This Board is composed of the R&D managers of all Koç Group companies and is implementing plans to bring the quality and scope of the Group's R&D work up to international standards.





Refining...

Turkey's
only
refinery and
largest
industrial company

Europe's
8th largest
refinery

LPG...

Turkey's
leading
Europe's
5th largest
LPG distributor

Petroleum products distribution...

Turkey's
3rd largest
and
fastest growing
oil distribution company

Sector
leader
in customer satisfaction

Energy

Synergy transformed into energy

Despite volatile oil prices, a good year in terms of refinery margins

Oil prices in 2008 were highly volatile, peaking in July before descending sharply. During the first half of the year, economic growth in developing countries such as China and India created high demand for oil. During the same period, geopolitical problems in producer countries and bottlenecks on the supply side, in addition to the tendency of some investment funds to invest in commodities and oil in order to protect their revenues against inflation and devaluation of the dollar, resulted in oil prices rising to a record $145 per barrel in July. However, as a consequence of the global liquidity crisis and the economic recession that began to worsen in September, there was a severe drop in the price of oil. In December, crude oil prices fell below production cost to $35 per barrel. Even OPEC's attempt to decrease oil production twice during the final quarter failed to halt the decline in prices.

Oil product prices performed better than crude prices for a number of reasons: an uncontrollable deterioration of global crude oil prices coupled with divergences between supply and demand; compliance with changing environmental norms became problematic; production problems arising from European and Asian refinery maintenance down time; and refining bottlenecks resulting from hurricanes in the U.S. Consequently, the profit margin in the Mediterranean oil market remained above the 2007 level by an average of 4.1% to reach $5.54.

Turkish energy sector:

Petroleum products

The sustained growth of the Turkish petroleum products sector in recent years decelerated in 2008, particularly during the last quarter mainly due to the economic slowdown. The rise of international oil prices to all-time highs during the first half of the year and their sharp decline thereafter created an unstable price trend. These factors, combined with the requirement to maintain national reserves and the increase in foreign exchange rates, had an unfavorable financial impact on companies operating in the sector.

Total consumption in the domestic market edged up by 0.1% to 18.1 million tons. Consumption of white products (gasoline and diesel) declined slightly by 0.9% to 15.4 million tons while consumption of black products (fuel oil and central heating fuel) increased by 6.2% to 2.7 million tons.

LPG sector

Utilization of natural gas continued to increase around the world in 2008, limiting the use of LPG in households and industry, although the use of autogas continued to become more widespread.

In Turkey, the second largest LPG market in Europe, total LPG consumption remained stable at 3.5 million tons. Cylinder LPG sales slipped by 10% while bulk gas sales contracted by 20%. In contrast, the autogas market increased by 5% due to attractive pricing.

2008 will be remembered with the volatility in energy prices.

Electricity and natural gas sectors

Energy prices were volatile in the natural gas and electricity sectors. The introduction of previously postponed price increases pushed the price of natural gas used in the industrial sector up by 75%. The 49% price increase in electricity combined with the economic downturn depressed total electricity consumption in Turkey, leading to the first contraction since 2001.

In July 2008, the Higher Planning Board decided to apply the "Cost-Reflective Tariff" model to electricity and natural gas tariffs and; in August 2008, the Electricity Market Law was amended to improve the monitoring and evaluation mechanism for the Security of Supply.

Privatizations in the energy sector

The Privatization Administration placed 20 regional distribution companies operating under Türkiye Elektrik Dağıtım A.Ş. (TEDAŞ) in the privatization program at the beginning of 2008. Four regions in the electricity sector and two regions in the gas distribution sector were privatized during the year. Meanwhile, Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (TETAŞ)'s tender invitation for the construction of Turkey's first nuclear power plant drew only one bid.

Despite the deepening economic crisis, mergers and acquisitions made it a busy year for the energy sector. Local and foreign interest in the sector is expected to continue in 2009 as İstanbul Gaz Dağıtım A.Ş. (İGDAŞ) and Enerji Üretim A.Ş. will continue to privatize various state enterprises, such as power plants.

Koç Group Energy Segment

Koç Group, Turkey's energy sector leader, holds the entire domestic refining capacity through Tüpraş which meets 70% of the country's total demand. Tüpraş posted record average refinery margins for 2008 despite the impact of the economic crisis.

Opet continued to boost its market share and maintained its position as the 3rd largest player in white products and 2nd largest player in black products.

Aygaz became the main shareholder of all Koç Group energy companies, with the exception of petroleum distribution and refining. Aygaz also continued to dominate the Turkish LPG sector.

As the leaders of the Turkish energy sector, Koç Group companies control more than 60% of Turkey's total product storage capacity.

Tüpraş completed 2008 with record average refinery margins despite the impact of the crisis.

Tüpraş

Total Revenues:
$23,516 million

Domestic Market Position:
Turkey's sole refinery providing 70% of total market demand

International Position:
Europe's 8th largest refinery

Share of International Revenues:
19%

Shareholder Structure:
Enerji Yatırımları A.Ş.
51.00%
Free Float
49.00%

www.tupras.com.tr

Turkey's only and Europe's 8th largest refinery company

Tüpraş is Turkey's only refining company, operating four oil refineries with an annual crude oil processing capacity of 28.1 million tons and a petrochemical production facility with an annual capacity of 50,000 tons. Tüpraş, which joined Koç Group in 2005 following the privatization, is Turkey's largest industrial enterprise and the 8th largest refining company in Europe. With its large market share, corporate reliability, production complexes and affiliates, Tüpraş is a leading integrated petroleum company.

A record year for Tüpraş refinery margins

Despite the deepening recession, investments, operational and logistical improvements and an active sales policy contributed to a 51% increase in Tüpraş's gross refining margin from $7.22 per barrel to $10.90 per barrel in 2008. Tüpraş maximized the differential between its own margin and the Mediterranean margin, which increased to $5.36 per barrel in 2008 from $1.90 per barrel in 2007.

One of Mediterranean's hightest complexity refineries

The $330 million investment in the Kırıkkale CCR Reformer and Diesel Sulfur Removal Unit was completed in 2008, raising Tüpraş's Nelson Complexity Index from 7.08 to 7.25 and making it one of Mediterranean's highest complexity refineries. After the processing units at the Kırıkkale refining facility became operational, Tüpraş's low-sulfur diesel production capacity grew by 1.3 million tons per year to 7.5 million tons, while its gasoline production capacity increased by 1 million tons to 5.8 million tons.

Profitability and strong financial structure maintained despite the crisis

The restructuring that began in 2006 enabled the Company to adapt to the challenging macroeconomic conditions that emerged in 2008. Tüpraş took strict measures during the last quarter of the year to minimize the impact of deteriorating indicators and balances, inventory losses, and devaluation of the Turkish Lira, emerging from this period where significant financial losses were recorded in the sector, with its strong financial structure intact. In 2008, Tüpraş's revenues increased by 49.4% to $23.5 billion and consolidated net profit of the Company amounted to $339.8 million, despite a challenging fourth quarter.

In 2008, total production was 22.8 million tons and Tüpraş refineries operated at 86.2% capacity. As a result of the policies Tüpraş implemented, the share of higher value added white products in total production increased from 67.5% in 2007 to 68.7% in 2008.

Completion of investments enable diesel production in EU norms

As of 1 January 2009, the EU implemented specification changes in diesel and gasoline within the scope of Euro V standards for automotive fuels, with which Tüpraş is already compliant. Tüpraş's investments to comply with Euro V specifications were accelerated after the privatization was completed at the beginning of 2006. These investments were finalized in 2008 with the exception of the İzmit Refinery Gasoline Enhancement investment, which is planned for completion during the first quarter of 2009 with total capex of $704 million.

More than 60% of Turkey's total storage capacity

The project to construct additional tanks, to strengthen infrastructure and improve the Company's operational capability, speeded up in 2008 to add 1.1 million m^3 of new capacity. With 2.3 million m^3 of crude oil storage capacity and 3.7 million m^3 of petroleum products storage capacity, Tüpraş's maximum storage capacity increased to 5.9 million m^3, more than 60% of Turkey's total storage capacity. With this infrastructure, Tüpraş has the most potential to meet Turkey's national stock requirement.

Residium Upgrading Project

With refinery construction costs in Turkey exceeding $5 billion and current demand trends, it is clear that the country needs investment in diesel production to close the gap between the demand and local supply rather than in refining other products for which there is already excess supply. The addition of value will be more significant if imports of diesel and other white products for which there is excess demand in Turkey can be reduced.

To this end, Tüpraş has initiated the "Residium Upgrading" project, which has commenced, as originally planned prior to the crisis, with the basic engineering stage. The project, estimated to cost between $1.5-2.0 billion, is scheduled for completion by the beginning of 2013.

By using excess fuel oil, this project will produce 2.5 million tons of white products, 1.9 million tons of which is diesel, in addition to 600,000 tons of petro-coke, which is currently almost entirely imported. As a result, the amount of black products will decrease by 50%, the production of white products will increase by 83% and Tüpraş İzmit Refinery's Nelson Complexity Index will rise from 7.8 to 11.5. While providing optimization for the Tüpraş İzmit Refinery, the project will also increase capacity utilization rates at the Refinery by allowing raw material flow from other refineries to İzmit and provide product flexibility and maximization at the refineries. The project is estimated to generate an additional $500 million of EBITDA.

Emphasis on R&D

At Tüpraş, R&D operations are handled by technical units. Tüpraş aims at continuous development and efficiency gains in every area. In addition to work carried out in conjunction with consultants for developing projects and increasing efficiency, Tüpraş also conducts R&D activities through its Special Projects and Energy Efficiency Departments. The projects completed since 2006 have improved efficiency and profitability significantly with 33 of the 80 projects prepared by Tüpraş technical personnel completed by the end of 2008, resulting in $164 million revenues.

In all its activities, Tüpraş emphasizes development, quality, environment, and communal and employee health. It holds the ISO-9001:2000 quality, ISO-14001 Environment and OHSAS 18001 Occupational Health and Safety Management System certificates. In addition, all Tüpraş laboratories have TURKAK accreditation.

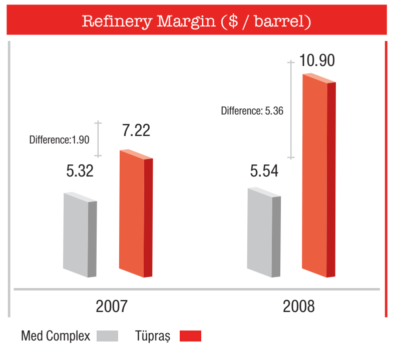
Corporate Governance Index

Tüpraş improved its Corporate Governance rating from 7.91 to 8.20 and is a pioneer among the companies that form the ISE Corporate Governance Index.

2009 and beyond

Tüpraş is Turkey's largest industrial enterprise and a pioneer in the oil sector. The Company plans to continue its investments throughout 2009 to ensure high profitability and a strong financial structure, even though the year is expected to be a challenging one for the sector as a whole. A combination of cost reduction and efficiency measures have been put into place to counter a possible worsening of the crisis, which is anticipated to last and deepen in 2009. Environment-related investments will continue in 2009, in line with the Company's policy of producing products compliant with EU norms and in hygienic and safe settings.

Tüpraş recognizes the importance of the Residium Upgrading project to meet Turkey's demand for diesel. These mid- and long-term investments in domestic production will lead to a higher level of added value for the country.



Aygaz

Total Revenues:
$2,768 million

Domestic Market Position:
(Including Mogaz and Lipetgaz)
Leader of the LPG sector since its establishment in 1961
Market shares:
39.8% in cylinder LPG
23.5% in autogas
29.7% in total LPG

Network:
(Including Mogaz and Lipetgaz)
Total 3,168 service points with 2,137 cylinder LPG dealers and 1,031 autogas stations

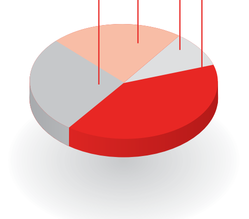
International Position:
5th largest LPG distributor in Europe

Share of International Revenues:
5%

Gross Profit Margin:
13.3%

Operating Profit Margin:
7.0%

Shareholder Structure:
Koç Holding
40.68%
Other Koç
10.53%
Other
24.52%
Free Float
24.27%



www.aygaz.com.tr

Turkey's leading LPG company

Aygaz is Koç Group's first energy sector company and it has been the leading player in the LPG sector since its establishment in 1961. Its progress in the recent years has made Aygaz one of Europe's top five LPG companies. In addition to autogas, cylinder gas and bulk gas distribution, Aygaz also produces and sells gas equipment. Aygaz is the generic name for cylinder gas in Turkey and has been well known for its innovations and reliability since day one.

Aygaz is the market leader in the total LPG sector in all its segments and serves 81 provinces in Turkey through its 1,342 cylinder gas dealers and 597 autogas stations. Thanks to its extensive distribution network, Aygaz cylinder gas reaches more than 100,000 households and about 100,000 people travel using Aygaz's Euro LPG every day. Aygaz also exports LPG equipment to 24 countries and is active in Europe, Middle East, Africa, South America and Far East.

Aygaz is Turkey's first and only publicly traded LPG company and ranks 9th on İstanbul Chamber of Industry's "Turkey's Top 500 Industrial Enterprises 2007" listing.

Aygaz's LPG sales totaled 1,027,205 tons in 2008. At year-end consolidated revenues stood at $2,768 million, of which $134 million was generated by exports and transit sales.

Aygaz's capital expenditures reached YTL50 million in 2008.

World-class facilities

Aygaz's five marine terminals, seven LPG filling facilities and its fleet of five LPG vessels all operate to international standards and use the most advanced techniques. The Dörtyol Terminal and Storage Facilities, with a storage capacity of 170,000 m^3 excluding the tanker fleet, is one of Turkey's largest LPG entry points. The LPG canisters, tanks, valves and regulators manufactured at Aygaz Gebze Facilities are exported to 24 countries in Europe, Middle East and Africa. The Company's ability to export gas cylinders to global LPG firms is a strong indication of the Company's competence and efficiency.

Turkey's largest LPG distribution network

Aygaz has the largest truck tanker fleet in Turkey and LPG procured from domestic or foreign refineries reaches the Aygaz filling facilities via pipeline, ship or truck tanker fleets with capacities of 22 m^3 and 45 m^3. LPG is offered to customers in the form of cylinder gas, bulk gas or autogas through 2,000 Aygaz dealers around Turkey.

In 2007, Aygaz initiated the Integrated Order System (IOS) to accelerate Aygaz dealers' operations and decrease their costs. The number of dealers using the IOS system reached 575 while the number of customers served via IOS was as high as 3.3 million.

Market leader in autogas and cylinder gas segments

With its large market share, Aygaz continued its leadership in 2008. While consolidating its leadership in Autogas segment, it also increased its share of the cylinder gas market despite the overall contraction experienced in the market. As the leading and most trusted brand in the autogas sector, Aygaz continues to differentiate itself through its strong distribution network and product quality under the challenging market conditions where sales have been negatively impacted by the economic slowdown. On a segment basis, Aygaz and Mogaz hold a combined 39.8% share of the cylinder gas market and a 23.5% share of the autogas market.

Enhanced customer satisfaction via the launch of new products

Aygaz introduced flame-resistant gas cylinders with gas filters and child-proof locks as well as a hood with an indicator to eliminate the risk of running out of gas unexpectedly. In addition, the hologram seal - a symbol of Aygaz safety and which has been used on household cylinders since 2006 - was introduced on the smaller 'picnic' type cylinders.

A year of awards

Aygaz took the 3rd place in the "Management" category of the 2007-2008 European Union Environment Awards Turkey Program. It has also been selected as one of the four best brands in Turkey, and the best brand in the LPG sector, according to a "Best Brands" survey conducted by an independent research company. Ayışığı, a social responsibility project initiated by Aygaz in the area of health, came 2nd in the Society of Health Volunteers' Social Responsibility Grand Award category. According to the 2008 results of the "Turkish Transparency and Disclosure Research" prepared by Sabancı University Corporate Governance Forum in cooperation with Standard and Poor's, Aygaz is among the five most transparent companies in Turkey in the category of corporate governance.

Emphasis on R&D

Aygaz holds the highest number of patents among the companies in the Turkish LPG sector. The Company has filed eight patent applications to the Turkish Patent Institute as a result of the R&D and technology improvements carried out during 2008. Aygaz made patent applications for a vacuum control machine, a stacking machine, a double screen-printing machine, a mouth-piece rubber control machine, a lid placement machine for household and 'picnic' gas cylinders, a control machine and a control system. The Company continues to bring innovations to the sector.

2009 and beyond

Aygaz aims to increase its profitability by increasing its market share while maintaining a position of leadership in all segments of its operations. The Company will continue to work on enhancing public awareness of energy supply security and energy mixture concepts by initiating projects that contribute to solving Turkey's need for alternative energy resources.

Mogaz

Mogaz is the second Koç Group company to operate in the LPG sector together with Aygaz. Among the 63 companies active in the sector, Mogaz ranks 4th in cylinder gas, 3rd in bulk gas and 7th in autogas distribution with a sales volume of close to 200,000 tons.

Mogaz moved up to 76th place in the Istanbul Chamber of Industry's "Turkey's Top 500 Industrial Enterprises 2007" listing. In 2008, new dealers and extensive direct sales activities in 10 cities helped the company retain a strong market position.

The Company operates with the Mogaz and Lipetgaz brands in the cylinder, bulk and autogas segments and had a market share of 5.5% in 2008.

Opet

Total Revenues:
$6,107 million

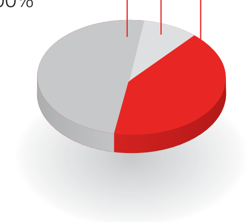
Domestic Market Position:
3rd in white products with
16.1% market share
2nd in black products with
14.5% market share

Network:
1,317 stations (including Sunpet)

Gross Profit Margin:
4.9%

Operating Profit Margin:
1.7%

Shareholder Structure:
Tüpraş
40.00%
Other Koç
10.00%
Öztürk Group
50.00%



www.opet.com.tr

16% revenue increase

Established in 1992, Opet joined Koç Group in 2002 under a 50/50 joint venture. It engages in retail and wholesale operations in the petroleum products distribution sector, markets and sells lubricants and exports oil products. Since it was established, Opet has placed great importance on infrastructure investments and aims to be the number one choice of consumers in the petroleum products distribution sector in Turkey.

The Company continued to increase its market share in 2008, ranking 3rd in white products (gasoline and diesel) with 16.1% market share and 2nd in black products (fuel oil and central heating fuel) with 14.5% market share. Despite the shrinking market, compared with 2007, Opet managed to increase its white product sales by 5% and black product sales by 43%.

Opet's consolidated revenues grew by 16% to YTL7.8 billion in 2008.

In 2008, Opet reiced the total number of gas stations it operates from 1,277 to 1,317. Of these, 753 operate under the Opet brand and 564 under the Sunpet brand.

Sector leader with its storage capacity

With its five terminal location, Opet leads the petroleum products distribution sector with 844,000 m³ storage capacity and has the largest storage capacity in the energy sector after Tüpraş. As part of the project to increase storage capacity, construction of an additional tank of 278,000 m³ at the Marmara Terminal and of a 61,000 m³ tank at the Antalya Terminal is under way. Both tanks are scheduled for completion in 2009 and together they will raise Opet's storage capacity to 1.2 million m³, greatly enhancing Opet's competitive power in the sector.

In 2008, Opet made an agreement with Gunvor International B.V. , a leading Russian oil company operating in the oil trade and shipment sector, to provide storage services at the Opet Marmara Ereğlisi Terminal. The initial capacity allocation was agreed at 60,000 m³, which was raised to 140,000 m³ in December.

Sector leader in customer satisfaction

Results of the Turkish Society for Quality's 2008 Annual Turkish Customer Satisfaction Index survey placed Opet at the top of the sector for the third consecutive year, an award Opet earned by putting its customers first. The number of customers registered in the "Opet Card" program, developed to improve customer satisfaction and loyalty, was 2.9 million at the end of 2008.

Social responsibility plays an important part in Opet's corporate culture. Since its foundation, the Company has carried out numerous social responsibility projects and many are currently under way.

2009 and beyond

Opet's goals and strategies are designed to increase its competitive power by focusing on its advantages. In 2009, the Company plans to continue to execute unique and successful campaigns and projects, improve service quality and equip staff with effective personal sales techniques in order to maintain leadership in customer satisfaction while increasing its market share and stimulating further growth.

Entek

Entek, Koç Group's electricity generation company, operates two natural gas conversion plants with a combined capacity of 253MW as well as gas turbine-based cogeneration facilities in Istanbul, Izmit and Bursa. Turkey's private sector share in electricity production is 20% and around half of this belongs to small-scale auto-producing plants. Entek has a 5% share in the private sector, putting it in 5th place among private sector electricity producers.

The Company's net sales for 2008 increased by 56.7% to YTL382.1 million while EBITDA improved by 371% to YTL78.5 million. Net income totaled YTL59.6 million.

The Company's investment in a cooling system to increase efficiency was completed in 2008 and has started to generate revenue. In addition, Entek also decided to invest in a LM6000 gas tribune that would utilize the idle capacity of the steam turbine at the Izmit facility. When the new turbine becomes operational in August 2009, it will raise the total capacity to 305MW and have a significant impact on revenue and profitability.

In the long term, Entek plans to focus on investing in new facilities to raise capacity and profitability, closely follow privatization opportunities with a view to acquire companies with strong growth potential, new technological developments and potential partnerships. Entek's priority in 2009 will be profit maximization by optimum utilization of its production flexibility.

Akpa

Akpa carries out LPG distribution, wholesale marketing of petroleum products and retail and wholesale sales of consumer durables. The Company has dealers in Bursa, Antalya, Ankara and İzmir and generated YTL200 million total revenue in 2008.

Demir Export

Demir Export, one of Turkey's leading private sector coal producers, is engaged in the production trade and export of iron, chrome, zinc and copper. The Company has an aggregate facility in Wadi İsfini in the United Arab Emirates.

Aygaz Doğal Gaz

Koç-Statoil Gaz was established as a joint venture between Statoil, the Norwegian oil and natural gas company, and Koç Group in April 2004 to import, distribute and market natural gas following changes in the Natural Gas Law permitting private sector companies to operate in the sector. Since then, Koç Group has made significant investments in the energy sector and at the beginning of 2009, in order to maximize investment opportunities, decided to acquire the shares of Statoil Hydro ASA in this joint venture. Following the acquisition, the Company was renamed Aygaz Doğal Gaz and is engaged in the sales, transportation and distribution of compressed natural gas (CNG) in addition to the wholesale and transportation of liquefied natural gas (LNG) in the domestic market.

Production...

47% of total motor vehicles
88% of commercial vehicles

Exports...

47% of total motor vehicles
96% of commercial vehicles

Sales...

Market leader
with

17% in passenger cars
41% in commercial vehicles
50% in farm tractors
25% in total automotive

Automotive

Success built on ingenuity

Global crisis challenges the automotive sector

2008 was a very difficult year for the automotive sector around the world, including Turkey. In global markets, automobile sales were negatively affected by high oil prices during the first half of the year. Sales started to decline even more sharply after the third quarter as the deepening economic crisis began to assert itself on the markets. While sales in the U.S., the world's largest market, faced historic declines, the U.S. auto giants like General Motors and Daimler Chrysler applied to the Administration and Congress for financial support. Companies in other countries began suspending production, laying off workers, postponing model launch dates, and deferring investment due to contruction in demand. In Germany, the biggest market in Europe, the 2008 production level decreased by 3% against 2007 for the first time since 2002 while sales decreased by 1.9%. Meanwhile, the Japanese market shrunk by 6.5% to experience its worst year since 1974.

Total sales in the Turkish automobile market, which were up in the first five months of 2008 compared with the same period in 2007, began to decline from June onwards. Total sales of passenger cars and light commercial vehicles declined by 17% to 494,023 units, according to the Automobile Distributors Association. Passenger car sales fell by 14.4% while the sale of light commercial vehicles slid by 20.8%. The 53.3% decline in sales during the last quarter of the year made it the worst fourth quarter for domestic automotive sales since 2002.

Total automotive production, on the other hand, increased by 4.3% during the year. Exports grew by 14.6% to $21.9 million, according to data from the Automotive Manufacturers Association, despite the contraction in the export markets.

During the first half of 2008, the entry of low-priced Far Eastern brands into the market intensified competition. In Turkey, where car purchases are financed mostly by bank loans, expectations that interest rates would decline towards the end of the year led potential buyers to defer car purchases. This resulted in a decline in sales which was later compounded by the deepening global crisis and subsequent expectations of a decrease in the Special Consumption Tax towards the end of the year.

Volatile energy prices and escalating foreign exchange rates increased costs while the decrease in domestic demand caused manufacturing plants, many of which had recently invested in capacity increases, to stand idle.

Due to the internal dynamics of the heavy commercial vehicle market, the impact of the crisis on this segment was relatively mild. The trend towards higher usage of buses in public transportation and fleet purchases was another factor ameliorating the negative effects of the crisis.

The farm tractor market was adversely affected by the crisis even though the VAT burden on tractors and agricultural equipment was cut from 18% to 8% and the Government continued to support farmers by subsidizing 50% of agricultural equipment purchases. Adverse impact of the crisis intensified since banks cancelled their loan programs, became more selective and increased their interest rates, thereby dampening demand.

The defense industry was strong with higher domestic demand for locally manufactured products as well as stronger demand from export markets.

Despite the contraction in the export markets, automotive exports increased by 14.6%.

Koç Group Automotive Segment

In 2008, Koç Group companies accounted for 47% of Turkish automotive production and exports.

Despite a significant contraction of the domestic market, total production of Koç Group's automotive companies exceeded 561,000 units - an increase of 7.9%. The automotive exports of the Group reached 437,595 units, an increase of 16.7%. Koç Group companies continued their leadership in the commercial vehicles segment with a production level of 462,532 units and realized 96.2% of Turkey's commercial vehicle exports in 2008.

There is continued concern that the global economic crises will worsen. In addition, contraction of the North American, European and Asian markets makes it unlikely that the automotive sector will recover anytime soon. However, it is inevitable that new equilibriums will emerge in the market and it is quite possible that during this process, manufacturers will turn to alternative means to increase their competitive advantages and move operations to more efficient production hubs.

In this context, Koç Group automotive companies, which have long-standing strong partnerships with world automotive giants such as Ford Motor Co. and Fiat S.p.A., made significant investments, initiated large scale export projects and begun to serve as a production hub for several brands, aiming to maximize the advantages they can derive from the restructuring process that will take place in the global automotive market. In particular, such advantages as increased R&D focus, the employment of advanced technologies and the implementation of cost reduction projects, as well as an experienced and efficient labor force, will serve the companies well and create added value in this process.

In 2008, Koç Group companies accounted for 47% of Turkish automotive production and exports.

Ford Otosan

Total Revenues:
$5,419 million

Domestic Market Position:
Market leader for the 7th consecutive year
14.7% total market share

Network:
204 dealers including
77 main sales points

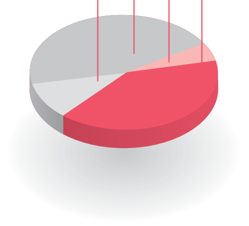
International Position:
Production and export center for Transit and Transit Connect models

Share of International Revenues:
69%

Gross Profit Margin:
14.5%

Operating Profit Margin:
8.7%

Shareholder Structure:
Koç Holding
38.46%
Other Koç
2.58%
Ford Motor Co.
41.04%
Free Float
17.93%



www.fordotosan.com.tr

Market leader for the 7th consecutive year and automotive export champion

Established in 1959 as a small assembly facility, Otosan quickly developed into a production hub and laid the foundation of the Turkish automotive industry. With the Transit and Transit Connect commercial models produced in partnership with the Ford Motor Company at the Kocaeli factory, Ford Otosan remained Turkey's largest commercial vehicles manufacturer and automotive exporter in 2008. Its 14.7% market share in 2008 made Ford Otosan the market leader for the 7th consecutive year. The Company holds a 23.4% market share of the commercial vehicle segment as the market leader and an 8.5% share of the passenger car segment, holding the 4th place.

Ford Otosan ranked 2nd in the İstanbul Chamber of Industry's listing of "Turkey's Top 500 Industrial Enterprises 2007" and is also the 2nd largest exporter in the country. Capacity and improvement investments at the award-winning Kocaeli Plant increased annual production capacity to 320,000 units. Prior to the economic crisis, the factory was working at full capacity but, due to the recession, average annual capacity utilization was realized at 82%.

Ford Otosan, one of Turkey's longest established automotive companies, celebrates its 50th anniversary in 2009. It has flexible production and planning strategies and believes in running operations at an optimum inventory level. Combined with its extensive and successful dealer network and strong financial structure, Ford Otosan continues to operate with a minimum loss of efficiency. Moreover, its cash flow-oriented approach serves as an important precaution in the volatile economic environment.

Ford Otosan's stable profit margins, cash-generation power and high dividend yield make it a defensive stock even in hard times and has created added value to its shareholders. In the coming years, Ford Otosan aims to maintain its profit margins, increase its market share with its strong product portfolio, maintain its leadership position in the Turkish automotive market and become the production hub of Ford Europe. In 2008, in anticipation of the adverse effects of the financial crisis, the Company kept its investments at around YTL70 million in capacity increase, modernization and product development projects.

Revamped product range strengthens market leadership

Ford Otosan closed 2007 with the very successful launch of the Mondeo model and almost completely revamped its product range, particularly for passenger cars in 2008. The Ford Focus, which is one of the most powerful models in the C segment, was revamped according the Ford Kinetics design philosophy. The Focus Coupe Cabriolet and Focus WRC series of the same model have also been launched. These vehicles appeal to the C segment, which comprises up to 50% of car sales in Turkey.

Another important product launch completed in 2008 was the Ford Kuga, Ford's first 4x4 produced in Europe. During the last quarter of the year, the 7th generation Fiesta, which is one of the most powerful models of the B segment and leader of its class in 2005 and 2007, and the 2nd generation KA were introduced.

In the commercial vehicle segment, the Connect Kombi Colorline and Ford Cargo 1835 4x2, along with the trucks and 4.6 ton-series vans added to the Transit's wide product range, thereby appealing to additional customer segments and helping the company increase its market share in this product group.

In April 2009, Ford Otosan will start exporting Transit Connect to North America, one of the most successful models in the Turkish and European markets, thereby becoming the first Turkish Company to export cars to the Americas.

Major competitive advantages supporting leadership

Kocaeli Plant's low-cost, flexible production, port facilities, logistical advantages, proximity to suppliers and the Company's major export program give Ford Otosan a unique competitive advantage in the sector. On account of its emphasis on innovation, Ford Otosan has been investing in automotive technologies that utilize renewable energy sources. It is carrying out the first hybrid car project in Turkey in the light commercial vehicle segment in partnership with TÜBİTAK MAM and Istanbul Technical University.

With the aim of meeting customer requests rapidly and improving customer satisfaction, Ford Otosan has established a strong and experienced distribution network. Currently, in line with geographic features, sales capacity and representative outlets, Ford Otosan serves its customers through 204 facilities.

Awards recognize success

Ford Otosan received many awards in Turkey and abroad in 2008. For the 3rd time, the Company won the "Şehabettin Bilgisu Environment Award" given by Kocaeli Chamber of Industry. Among the other awards garnered by the Company were the "Grand Award in the Large Establishments Category" and the "Passenger Vehicles and Supplier Industry Sectoral Award in the Large Establishments Category" given by the Sectoral Performance Appraisal Organization and the "Worker Health and Safety Best Practices Award" given by the Ministry of Labor and Social Security. Ford Otosan also came in 1st in the "Product Category" as part of the European Union Environment Awards Turkey Program and 2nd in the "Management Category" as part of the same program. Finally, the Company became the world champion at the Castrol Fiesta Sporting Trophy International world championship.

2009 and beyond

Ford Otosan aims to become a powerful company that designs its own vehicles and develops new automotive technologies thus becoming an engineering and R&D center within the global Ford organization. As a result of its efforts at technology improvement geared towards light commercial vehicle design and production, the Company intends to double the number of its R&D employees by 2012. The rapid rise of Ford Otosan will be reflected not just in sales and export figures but also in patents, scientific publications, brand and design development, design awards and market share.

In April 2009, Ford Otosan will start exporting Transit Connect, to North America, one of the most successful models in the Turkish and European markets, thereby becoming the first Turkish company to export cars to the Americas.

Tofaş

Total Revenues:
$3,711 million

Domestic Market Position:
3^{rd} with 12.4% total market share

Network:
159 dealers including
75 main sales points

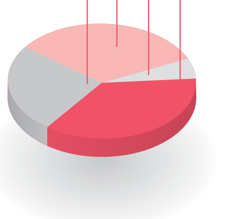
International Position:
Production and export center for Doblo, MiniCargo and Linea models. In charge of Fiat's Middle East and North Africa markets. Joint projects with JSC Sollers in Russia.

Share of International Revenues:
69%

Gross Profit Margin:
5.2%

Operating Profit Margin:
5.1%

Shareholder Structure:
Koç Holding
37.59%
Other Koç
0.27%
Fiat Auto S.p.A
37.86%
Free Float
24.29%



www.tofas.com.tr

Success of MiniCargo

Established in 1968, Tofaş is a joint venture of Koç Holding and Fiat S.p.A. Currently it is one of Fiat's three strategic international production hubs. In addition to the Doblo and MiniCargo models produced at the Bursa factory, it exports Fiat's Linea model to international markets, thus making it an important global player.

Despite the extreme price competition, thanks to a controlled pricing policy, Tofaş retained its 3^{rd} position in the passenger car segment with 8.8% share, in the backdrop of a contracting domestic market. In the light commercial vehicles segment, the launch of new models enabled Tofaş to increase its market share to 18.3%, securing the 2^{nd} place.
Tofaş, one of the leading automotive companies of Turkey, celebrated its 40^{th} anniversary in 2008. Despite the affects of the global crisis, the Company achieved important increases in its total production level, export figures and revenues. The major factor behind this impressive performance was the launching of the MiniCargo model, which belongs to a totally new segment created by Tofaş in the light commercial vehicle category. Tofaş produces this model for Peugeot and Citroen in addition to Fiat.

Record increase in exports

Tofaş set a new record in 2008 by exporting 209,474 vehicles, 43.3% more than a year earlier. Export revenues rose 62% to YTL3.3 million. Take-or-pay export agreements were a key factor behind this success at a time when the European automotive market, the Company's major export destination, contracted significantly.

Turkey's highest capacity automotive company

In 2007, with a production capacity of 250,000 units, Tofaş reached 85% capacity utilization rate. In 2008, production capacity increased to 360,000 units, of which 74% was utilized. Major investments brought capacity up to 400,000 units by the end of 2008, giving Tofaş the highest production capacity among all automotive companies in Turkey. The Company's capex reached Euro 326.6 million in 2008. Over the last five years, Tofaş has invested a total of Euro 1,027 million in capacity increase, modernization and new models.

The new Doblo

The success of the Doblo, a light commercial vehicle, stands as a turning point in Tofaş's history. The development and production of the new generation Doblo, also known as project "263" is being carried out by Tofaş. Tofaş holds the intellectual property rights to the new Doblo, as it does for the MiniCargo, a significant achievement for the Company and the Turkish automotive sector.

The annual production target for the new Doblo is 120,000 units. In 2008, Euro 185 million was invested and an additional Euro 210 million of investment is foreseen in 2009 for the project. The new Doblo will also be produced under the take-or-pay agreements provided by Fiat and two-thirds of the total production will be exported. The vehicle is planned for launch by the and of 2009.

Turkish automotive sector's largest R&D center - R&D spending above global standards

In line with its mission of "becoming the most competitive and self-sufficient passenger and commercial vehicle development hub of Fiat by 2010", Tofaş has recently restructured its R&D department. Tofaş R&D center's goal is to reach a capacity enabling the Company to develop a new vehicle every two years. Tofaş R&D center is Fiat's 2^{nd} largest in Europe and 3^{rd} largest in the world. The Company spent YTL293 million on R&D in 2008, becoming the biggest R&D center in the Turkish automotive sector. The ratio of annual R&D spending to net revenues is as high as 5%. As a result, Tofaş has managed to exceed world standards in terms of the level of R&D investments.

International Van of the Year: Fiat Fiorino

Under the five brands it offers to its customers, Tofaş has a wide range of models to satisfy various customer needs and tastes in Turkey. Through the various new models it launched in 2008, the Company further expanded its product range. Tofaş launched different versions of the Fiorino model, Fiat's MiniCargo brand, as well as the Fiat Bravo and Fiat 500. In August, the Company unveiled the Grande Punto model. In addition to these, the Lancia Delta and Alfa Romeo Mi-To, which hit the market in Italy during the first half of the year and the revamped Alfa 159 were launched in Turkey.

Ferrari Scuderia 430 and Maserati Grantourismo, Grantourismo S and Quattroporte S versions were launched in Turkey in 2008 by Fer-Mas, the Ferrari and Maserati distribution company. The Company started receiving orders for the Ferrari California following its first exhibition at the Istanbul Autoshow.

Koç Fiat Kredi

Koç Fiat Kredi provides financial solutions to the five Fiat brands under the Tofaş umbrella. During the first half of 2008, following an agreement with Türk Traktör, it began to extend loans for Case New Holland agricultural machinery which are part of the Fiat brand portfolio. The Company is continuing talks regarding financing of other Fiat brands and will start issuing loan insurance in the first quarter of 2009.

During 2008, Koç Fiat Kredi had considerable success despite the contraction in the market, issuing 14,399 loans which financed 23.4% of Tofaş's total sales and 46% of its loan-based sales.

40 years of success

Tofaş received many awards in 2008: "Autobest 2008" for the Fiat Linea; "International Van of the Year 2008" for the Fiat Scudo and "International Van of the Year 2009" in two different categories for the Fiat Fiorino.

Tofaş marked its 40^{th} anniversary in 2008 with various cultural activities. It capped the year with four awards it received at the MediaCat Felis Advertising Awards for the Fiat Bravo product launch infomercial. The Company also received an award in the "Training and Development" category of the Human Resources Management Awards organized for the first time in 2008 by PER-YÖN, the Personnel Management Association of Turkey, the first NGO established in the area of human resources management in Turkey.

Corporate Governance Index

Tofaş improved its corporate governance rating from 7.74 to 8.16 and is one of the first companies on the ISE Corporate Governance Index.

2009 and beyond

In line with the rapidly changing international scene, in 2009 Tofaş will give priority to creating alternative sales areas, effective working capital management, turning the crisis into opportunity by focusing on costs and expenses and strengthening the Company and its stakeholders.

Tofaş's goal for the domestic market for 2009 is to increase its market share to 13.4% and, in terms of export volume, the Company foresees a level similar to that of 2008 despite shrinkage in the European market.

In 2009, in addition to the production of the "263" project, the Linea model with a 1.6 liter engine will be added to the product line and exported to Russia on a SKD basis.

Tofaş increased its export revenues by 62%, thanks to the take-or-pay agreements.

Türk Traktör

Total Revenues:
$609 million

Domestic Market Position:
Market leader with 50% market share

Network:
NH brand: 102 tractor dealers,
71 spare part dealers,
434 service dealers
CASE IH brand: 12 dealers

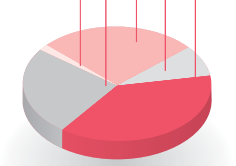
International Position:
Engineering and production center for New Holland TD and Case JX farm tractors

Share of International Revenues:
40%

Gross Profit Margin:
17.5%

Operating Profit Margin:
8.2%

Shareholder Structure:
Koç Holding
37.50%
Koç Holding, held for sale
2.31%
Case New Holland
37.50%
Free Float
22.01%
Other
0.68%



www.turktraktor.com.tr

Turkey's biggest farm tractor producer and exporter

Türk Traktör, a joint venture of Koç Holding and CNH Global NV, one of the world's largest tractor and agricultural product manufacturers, has been operating in Turkey since 1954. Despite the 50% contraction in the domestic market and price pressure resulting from the devaluation of the Turkish Lira on farm tractor imports from Europe and the U.S., as a local producer, Türk Traktör was able to increase its market share thanks to its strong distribution network and large customer portfolio

With 102 tractor dealers operating under the New Holland brand, 71 spare part dealers and 434 service dealers, the Company has the largest dealership network in Turkey. Moreover, by merging with New Holland Trakmak in 2008, the Company integrated its manufacturing and service operations. The Company expanded its dealer network even further with the CASE IH brand launched in 2007, adding 12 new dealers including sales, spare parts and technical support.

There were significant changes in market demand in 2008. Nevertheless, Türk Traktör succeeded in adapting to volatile market conditions by making use of its vertical integration. The Company restructured its domestic tractor production level in order to minimize the effects of the crisis, decreased inventory for all products, strengthened collection mechanisms and reviewed its commercial and industrial investments.

Increase in all market shares

With its annual tractor production capacity of 35,000 units and engine production capacity of 25,000 units, Türk Traktör is the largest domestic manufacturer in the sector. In 2008, the Company increased its market share of New Holland branded products by 10% to attain a market share that is 30 points higher than that of its closest rival, thus consolidating its leadership position. The CASE IH branded vehicles launched in 2007 increased their market share from 0.4% to 2.4%. Through new product launches in the combine harvester market, dealers with a high level of expertise and comprehensive after-sales support service, the Company was able to retain its market share and leadership. Moreover, in the cotton harvesting machine market, the Company turned in a good performance, increasing its market share by 7%.

Expanding product range in a contracting market

Türk Traktör offers the largest product range in Turkey and has been serving Turkish farmers with 68 main models and 250 variations under the New Holland brand. In conformity with new engine emission and noise regulations, all models were upgraded in 2008 and existing models were supported with new features.

R&D focus

Türk Traktör has one of the largest R&D departments of any industrial company in Turkey. The Company strengthened its position in the market in 2008 through the high quality products it manufactured using its own R&D resources and technology. Türk Traktör is among the most important R&D centers within the Case New Holland universe and aims at maintaining this position.

Awards

In 2008, Türk Traktör received numerous awards: the "Agricultural Industry Success Award" given by the Turkish Society of Agriculturists; the "Quality Circle Award" given by the Turkish Society for Quality (KalDer) Ankara Branch for its project that provides 100% product recycling, and the award for "Best Application at Industrial Level" given by the Ministry of Employment and Social Security, for its project to eliminate risks on the assembly lines by conducting a workbench-based risk analysis.

The Company has started providing "Risk Analysis" training for blue collar workers and as part of this project, risk analyses using control lists have been conducted in the field. A total of 10,000 points have been checked and 225 improvements achieved thereby significantly improving personnel safety.

Corporate Governance Index

Türk Traktör improved its corporate governance raiting from 7.52 to 7.83 and is one of the leading companies in ISE Corporate Governance Index.

Otokar

Since 1963, Otokar, utilizing its own technology and design capabilities has been manufacturing minibuses, buses, 4x4 tactical vehicles, light armored vehicles for the defense industry and trailers and semi-trailers for the freight and logistics sectors at its Sakarya factory. Otokar celebrated its 45th anniversary in 2008. Thanks to its achievements in the defense industry, it has been affected by the crisis to a lesser extent than the automotive sector as a whole and increased its revenues by 12% in 2008. The Company has continued to work for its customers, business partners and investors with its slogan "The experience that makes a difference".

15% increase in exports

Otokar increased its total exports by 15% to $115 million while the international sales and service network increased to 30 countries, mainly in Europe. Otokar strengthened its presence in foreign markets in commercial vehicles in particular and posted a 58% increase in exports of small buses.

The Company expanded it production area to 552,000 m^2 after purchasing the factory, facilities and the land owned by Otoyol A.Ş.

The first national tank

In 2008, Otokar became the main contractor for the "ALTAY - Project for Modern Tank Production Using National Resources" through an agreement it signed with the Defense Industry Under-secretariat for a project to design the first Turkish tank.

New orders for the export champion

In 2008, Otokar, the Turkish defense industry's export leader, entered new markets with armored vehicles that the United Nations Forces started using in the Middle East, Africa and Gulf countries. Throughout the year, Otokar delivered military vehicles made for the Turkish Armed Forces to the Turkish Army. At the end of 2008, the Company won a tender to supply Tactical Wheeled Vehicles and has been selected to start negotiations to supply 861 Land Rover Defender vehicles.

A natural gas-powered bus

Otokar's performance in the first nine months of 2008 in the commercial vehicle category paralleled that of the automotive sector. During the last quarter, the Company performed well because of its bus fleet sales and collective purchases. Behind this success are brands like Doruk buses, launched in 2008 and Sultan buses, both of which strengthened their positions in the market, and the minibus series. As part of the projects carried out at Otokar R&D center for developing vehicles using alternative fuels, the Doruk DG was added to the product line in November.

Despite the recession in the trailer market, Otokar managed to maintain its position and share in this market and developed the new Eco series targeted at the local transportation companies.

Design award for Doruk LE

Doruk LE, designed specifically for disabled passengers, was awarded the "Best Design Award" at the Design Turkey Awards.

Corporate Governance Index

Otokar was awarded with a score of 7.94 for its corporate governance rating and became one of the leading companies in the ISE Corporate Governance Index.

Otokoç

Otokoç celebrated its 80th anniversary in 2008, making it Turkey's oldest automotive company. Following several company mergers, Otokoç now operates as a single legal entity. It is a leader in automotive retailing with the Otokoç and Birmot brands as well as the premier car rental company with Avis and Budget brands. On the automotive retailing side, the Company maintained its growth by establishing four new facilities and renovating nine facilities in 2008. In addition, the Company also opened five new Budget offices during the year, of which four are corporate owned and one is franchised.

Otokoç had a 28% share of Ford Otosan sales and a 29% share in Tofaş sales in 2008, selling a total of 39,000 new cars and 5,700 used cars. The Company recorded revenues of YTL140 million from service, YTL154 million from spare parts, and YTL8 million from insurance and vehicle financing.

Otokoç and Birmot continued their quality focused projects in 2008 and made their mark on the vehicle retailing sector by obtaining the ISO 14001 Environmental Management System and OHSAS 18001 Job Security and Employee Health certificates.

Beldeyama

Beldeyama, a partnership with Yamaha (Japan), is Turkey's leading manufacturer and exporter of two-wheeled vehicles. Beldeyama's revenue in 2008 was YTL83 million and its export revenues $27 million as a result of 39,000 moped exports.

Household appliances...

Turkey's
leading
Europe's
3rd largest
World's
6th largest
largest manufacturer

46%
of Turkey's exports

54%
domestic market share

TVs...

Turkey's
leading
manufacturer

23%
of Turkey's exports

45%
domestic market share

Consumer Durables

Powering comfort through technology

Impact of the global crisis on the consumer durables sector

The worldwide household appliances market, with a size of $138 billion, was among those most strongly affected by the global economic slowdown. In 2008, consumer demand in North America and Western Europe, which makes up around almost half of the global household appliances market, declined sharply - dropping by more than10% in North America and by 3-5% in Western Europe. Despite growth rates ranging from 2-8% in Eastern European, Middle Eastern and African markets, a sudden decline was experienced in demand towards the end of the year especially in Eastern Europe.

The global crisis had an adverse effect on retailing companies. Decreasing demand caused leading retailers to accelerate their restructuring programs and take precautionary measures, mainly in the form of layoffs in developed countries.

The significant slowdown in construction and housing in Turkey in 2008 led to a 2% drop in production of the four main household appliances while domestic sales dropped by 3.5%. On a product basis, refrigerator production slid by 13% and sales decreased by 2%; washing machine production and sales shrank by 8%; oven production increased by 29% although sales dipped by 11%; dishwashers turned in the best performance of the four main product categories as production increased by 16% and sales improved by 5%.

The recession in Europe, one of Turkey's most important export markets, had a detrimental effect on the household appliances exports. However, despite this contraction, exports grew by 1% due largely to the strong performance of washing machines and ovens. Household appliances exports showed some positive signs, particularly in October and November, with above average demand for Turkish products in the European market. Economic concerns have increased price sensitivity, decreased the quantities ordered and increased the demand for faster procurement. This has eroded China's economic advantage and redirected some demand towards Turkey.

On a product category basis, exports of refrigerators declined by 14% and washing machines exports decreased by 3%. In contrast, exports of dishwashers were up by 19% and ovens, the best performing category among the four, increased by 41%.

In terms of the breakdown of exports from the sector, the lion's share of household appliances exports went to the refrigerator category (38%), followed by washing machines (31%), ovens (22%) and dishwashers (10%).

While domestic sales dropped by 3.5%, exports increased by 1%.

Growth in consumer electronics continued despite the crisis

Despite the crisis, the global consumer electronics market maintained growth with revenues rising by 9.4% to reach $678 billion. The transition from analog technology (CRT televisions) to digital technology (LCD televisions) continued and the unit share of CRT televisions dropped to 8% of the total TV market. In Western Europe, LCD television unit sales increased by 32% and revenue rose by 15%, making it the only consumer electronics category to grow in both unit sales and revenues. The global economic crisis depressed demand in the second half of 2008, putting pressure on consumer electronics prices that resulted in cuts of up to 50% in LCD panel prices.

In 2008, the domestic market for televisions shrank by 17% to 1.85 million units. The transition from CRT to LCD televisions continued as the CRT television market shrank by 30% and that of LCD television market grew by 47%. At the end of 2008, production of LCD televisions made up 60% of total TV production in Turkey.

Koç Group Consumer Durables Segment

Koç Group Consumer Durables companies maintained their leadership positions in the sector in 2008. With the largest sales and after-sales network in Turkey, Koç Group companies continued to dominate the sector with 54% of the household appliances market and 45% of the television market. As the transition from analog technology to digital technology in televisions continued, domestic sales of Grundig Elektronik LCD televisions increased by 132%. With production facilities in Turkey, Russia, Romania, and China, Koç Group companies rank as the 3rd largest manufacturer of household appliances in Europe and the 6th biggest in the world.

Koç Group companies accounted for 46% of all household appliances exports and 23% of television exports from Turkey.

With the largest sales and after-sales network in Turkey, Koç Group companies continued to dominate the sector with 54% of the household market and 45% of the television market.

Arçelik

Total Revenues:
$5,241 million

Domestic Market Position:
Market leader in household appliances with 54% market share

Network:
4,500 dealers and 600 after-sales service points in Turkey
366 exclusive dealers in 28 countries

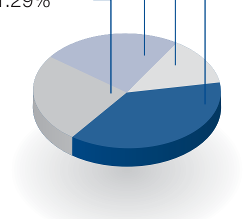
International Position:
3rd largest manufacturer of household appliances in Europe 9.6% market share in Europe Manufacturing centers in Russia, Romania and China

Share of International Revenues:
50%

Gross Profit Margin:
27.6%

Operating Profit Margin:
6.5%

Shareholder Structure:
Koç Holding
39.14%
Other Koç
17.23%
Burla Group
22.34%
Free Float
21.29%



www.arcelikas.com.tr

An experienced player

Established in 1955, Arçelik, the pioneer of the Turkish consumer durables sector, provides products and services to consumers in over 100 countries, operates 11 manufacturing facilities in four countries, manages 10 brands and has 32 companies outside Turkey.

In 2008, Arçelik maintained its domestic leadership with a market share of 54%. To balance the impact of the recession in Western Europe, the Company began directing its sales efforts towards developing markets that are less influenced by the recession and are continuing to grow. Sales to these countries account ed for 45% of exports, up by 7 points from the previous year. On the revenue side, these markets moved from an 18% share of the Company's total revenue in 2007 to a 22% share in 2008. With its 50 years of experience, Arçelik continued to be the most profitable company among its global peers despite difficult market conditions.

Unrivaled local and global brand recognition

Arçelik retained its market leadership for brand recognition in Turkey in 2008. For the last ten years, Nielsen Brands Research has found Arçelik to be the top brand in “spontaneous brand recognition”, “unaided brand recognition” and “the brand that the consumer feels closest to”. According to research conducted across all sectors, Arçelik is the top brand with the highest recall in Turkey and BEKO is the 3rd.

In 2004, Arçelik embarked on a campaign to make the BEKO brand one of the ten global brands commanding the largest market share by 2010. This goal was reached in 2008 as BEKO became the 9th largest global brand, a position it shares with one of its competitors.

Arçelik has continued its investments in Turkey and in international markets, opening the country’s first and only dryer manufacturing facility in Çerkezköy in January 2008.

In 2008, as a result of Arçelik's performance and determination in line with its brand growth strategy, BEKO and Blomberg brands were included in the Turquality Support Program, which is the first and only state-supported branding program in the world.

First Turkish company to be the “Company of the Year” in Russia

Beko LLC, Arçelik's affiliate in Russia, manufactured its one millionth unit in November 2008 and became the first Turkish company to receive the “Company of the Year” award organized by RosBusinessConsulting in Russia by winning 1st place in the “Fastest Developing and Most Dynamic Company” category.

In December 2008, with the Omega company, Arçelik's distributor in Bosnia Herzegovina, Arçelik opened the first Beko Center (a sales, service and logistics center) in Sarajevo.

The best call center

Arçelik Call Center won two awards in the categories of the “Best Call Center” and the “Best Call Center Environment” in Turkey in September 2008. The center initiated a major project in 2008 to provide before and after-sales customer services in German to the Austrian market from Turkey.

The only Turkish company in World Intellectual Property Organization's listing

Arçelik's emphasis on R&D to create competitive advantage and added value for consumers ensured that the Company continued to make its mark in the international arena. With 143 patent applications, Arçelik has moved up 35 places to the 101st position in the World Intellectual Property Organization's listing of the top-500 patent applicants in the world, as the only Turkish company to gain a place in the listing.

Investments in technology and R&D have enabled Arçelik and its affiliates to continuously improve their product range and to offer consumers many 'firsts' in 2008. As part of its strategy of innovation, the Company launched such products as: Divide&Cool (DAC) - dividable cooling technology that allows users to connect four fridge, freezer and cooling units to a single outdoor compressor, a novelty in the world, The New Black Orbital - the world's first A++ no frost refrigerator with the lowest electricity consumption in its class and Inox built-in kitchen furniture series with fingerprint-proof surface features.

Technological superiority confirmed by international awards

Various international awards confirm Arçelik's products' superior technological features and design exclusivities. To mention a few from 2008: The Red Dot Design Award for the BEKO BKS 2520, Kanguru Vacuum Cleaner designed by the Arçelik Industrial Design Team, two ecology awards achieved by Elektrabregenz in the 5th Plus X washing machine contest, iF-International Forum Design 2009 Design Award for the BEKO OIM 25500 X in-laid oven, an ergonomics award for the Beko BUDL 700 HCA model cooler during the Plus X contest, two Design and Ease of Use category awards for the DNE 65500 DPX model refrigerator.

2009 and beyond

With factories in Turkey, Russia, Romania and China, Arçelik enjoys clear logistical advantages, considerable economies of scale and close proximity to its target markets. Together with its well-known local and global brands, Arçelik is a strong competitor in the worldwide household appliances markets.

These competitive advantages and a management team experienced in crisis management, guarantee Arçelik will perform successfully in 2009. Arçelik foresees new opportunities in the global crisis environment in which consumers, particularly in developed countries, are displaying a tendency towards lower cost options and better technical specifications. Arçelik products are recommended as “Best Buys” by many sectoral organizations and publications. The Company targets this important consumer segment while also emphasizing operations in developing markets.

With 143 patent applications, Arçelik moved up 35 places to the 101st position in the World Intellectual Property Organization's listing of companies with the highest number of patent applications.

Grundig Elektronik

Total Revenues:
$997 million

Domestic Market Position:
Market leader with 45% market share

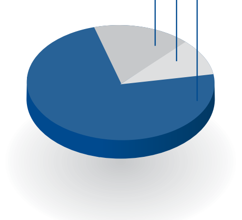
Network:
Sales and distribution of Grundig in Europe

Share of International Revenues:
67%

Gross Profit Margin:
13.6%

Operating Profit Margin:
- 3.5%

Shareholder Structure:
Arçelik
83.03%
Other Koç
5.65%
Free Float
11.32%



www.grundigelektronik.com.tr

Leader with 45% market share

Grundig Elektronik has been a leading player in the consumer electronics market since it was established in 1966, owing to its R&D focus, innovative products, modern production facilities and strong human resources. One of Turkey's largest electronics producers, the Company manufactures for domestic and international markets. In 2008, to reinforce its global market position, the Company bought Alba Europe's 50% share in Grundig Multimedia B.V. to become the sole owner of Grundig Multimedia B.V. and the Grundig brand, one of the most popular in Europe.

Grundig Elektronik increased its domestic sales by 35% in 2008 to sell 1.5 million units, securing a market share of 45% and consolidated revenues of YTL1.3 billion.

During the year, Grundig Elektronik signed an important agreement with Sony United Kingdom Limited to produce Sony brand LCD televisions.

Grundig Elektronik continued its successful performance in the LCD television sector, boosting manufacturing capacity by 38% to 2.5 million units by transforming capacity from CRT to LCD television manufacturing.

Environment-friendly product range

Energy is a major issue in the consumer electronics world. The EU has mandated the use of energy labels on consumer durables starting in 2009. Preliminary work for this started in 2008.

Grundig Elektronik took a pioneering role in this area by developing an environment friendly Class A product range in 2008 that supplemented its products' already impressive energy-saving features. As part of the Enver - Energy Efficiency Project, energy consumption during manufacturing processes has been reduced by 50% and products consuming "zero" energy in standby mode were developed. The issue of energy usage is an important aspect of environmental awareness. Grundig Elektronik, uses cardboard packaging and product manuals produced from recycled paper, thereby offering customers environment friendly products.

Pioneering change in televisions

In order to increase its global competitiveness, Grundig Elektronik rigorously pursues R&D efforts. In 2008, this enabled the Company to supplement its product line with the novel Zero-Standby Power feature for its LCD television and Sound Projector system. The Crew models, with 32" 37" and 42" screen options, proved popular for their modern lines that incorporate emerging design trends. A technology known as "Sound Art Plus" was incorporated in new models for better sound quality. Among the new line of cutting edge television products developed in 2008 were LCD televisions with built-in DVD players and higher dynamic contrast ratios. These are not only compatible with MPEG-2 and MPEG-4 digital media, but also feature Zero-Standby Power, single-chip 100Hz-FHD-Full Motion (a first in Europe), and PVR, which enables the recording and play-back of digital broadcasts.

$21 million capex

To further its goal of expanding in the global LCD television market, Grundig Elektronik invested $21 million in product development, renovation, capacity increase in LCD through transformation and quality improvement projects in 2008.

Technological prowess attracting awards

In recognition of the Company's expertise and experience in industrial design and mechanical technology, the Company has garnered various awards. These include prestigious awards such as the Turkish Electronics Industrialists Association's "Innovative Product Award" in the "Large Company" category, The Chicago Athenaeum (Architecture and design museum) "Good Design" award, the "Best Design Award" at iF Design 2008 and a nomination for Germany's most prestigious design award "Designpreis 2009".

More patent applications through R&D focus

Grundig Elektronik was the first Koç Group company to obtain R&D Center Certificates on October 15, 2008 for its İstanbul and İzmir facilities issued under the 2008 R&D Law.

Grundig Elektronik continued its R&D projects in partnership with various universities in 2008. The Company cooperated with scientists from the Middle East Technical University and Boğaziçi University in Turkey and TWENTE University in the Netherlands on various projects.

Grundig Elektronik places great importance on protecting its inventions and it has filed 25 patent applications for new ideas that emerged in 2008.

2009 and beyond

Grundig Elektronik is advancing towards its vision of being Europe's fastest and most flexible manufacturer of consumer electronics. Its mission is to rapidly transform changes in the consumer electronics sector into user friendly, safe products and services that exceed customer expectations.

Arçelik-LG Klima

With 47% of the domestic market, Arçelik-LG Klima has achieved its targets rapidly and successfully, setting a new objective in 2008, "to be the first choice in air conditioning". The Company sold more than 1.3 million air conditioning units in 2008 as exports to 64 counties continued to grow, reaching 65% of the total sales. Main export markets are the Middle East, North Africa and Europe.

The Company also started commercial air conditioner production for the domestic market in 2008 and environmentally friendly, A energy Inverter, Multi-Inverter and Variable Multiple-Unit Systems were added to the product line. Arçelik-LG Klima aims to become the market leader in this segment.

Air-conditioning stores for the sale of commercial-type air conditioners were opened in addition to a training academy for the same line. To enable the Company to respond quickly to increasing demand both in Turkey and the world, the annual production capacity was doubled to 2 million units.

Among private sector banks...	4th in total asset size
Credit cards...	Market leader
Factoring...	Market leader
Life insurance...	Market leader
Leasing...	2nd
Asset management...	2nd
Pension funds...	3rd

Finance

Leading the way towards a secure future

Resilience to the global financial crisis

The U.S. sub-prime mortgage debacle that surfaced in the second half of 2007 as the housing price bubble deflated ignited an economic crisis which spread to other countries, mainly due to the widespread and unregulated distribution of derivative financial instruments securitized by these mortgages. The problems snowballed to cause a severe global economic crisis in which several major commercial and investment banks and insurance companies collapsed, leading to their sale, partial nationalization or bankruptcy.

By comparison with other countries, the Turkish banking sector has been relatively unscathed for two reasons: the relatively low volume of mortgages and the absence of the types of financial derivatives that were the main cause of the crisis, and restructuring and strengthening of the banking and finance sector after 2001. Turkish banks' high liquidity-low debt ratios, relatively insignificant open foreign exchange positions, asset structures, high capital adequacy ratios and the emphasis on internal controls, corporate governance and risk manangement are the most important factors that has enabled the Turkish banking system to weather the initial onset of the crisis. Despite anxieties concerning the renewal of some syndicated loans, which increased in number in the second half of the year, the banks have no difficulties renewing their loans even in the face of increasing lending costs caused by the global crisis.

By comparison with other countries, the Turkish banking sector has been relatively unscathed from the global crisis due to its recent restructuring.

30% increase in loan volume

Loan volume in the sector increased in 2008, particularly during the first quarter and, even though some decrease was apparent in the second and third quarters, the loan stock at the nine-month close had increased by 28% from the beginning of the year. The final quarter was markedly different, however, as the global financial crisis began to bite and the Turkish banking sector initiated various measures to off-set its impact. Fourth quarter loan stock increased by only 2% as interest and foreign exchange rates increased, expectations soured and economic recession loomed. At 2008 year - end, the growth in loan stock for the year reached 30%.

Contraction in sector profitability

In 2008, commercial banks, together with development and investment banks, reported net income of YTL12.7 billion, 12% lower than the previous year. Strong loan growth during the first half of the year led to an 18% increase in net interest income while net fees and commissions increased by 22%. However, rising interest rates throughout most of the year, a significant slowdown in loan growth in the fourth quarter, falling net commercial profits and a decrease in asset sales and other similar revenues resulted in only 11% growth in total revenues compared to the previous year.

Banks continued to expand their branch networks and hire new staff during 2008, pushing personnel costs up by 22% and total operational expenses up by 18%.

Even though the profits in the sector declined as a result of increased expenditure and loan provisions, the sector's return on equity stood at 16.6% at the end of the year. No capital adequacy problems have arisen in the sector and the capital adequacy ratio of commercial banks reached 16.5% as of year-end.

Significant expansion of branch networks

Positive expectations of growth and increased competition fueled the banks' efforts to increase their branch networks in 2008, particularly in the third quarter. Data from the Banks Association of Turkey shows that the number of commercial, investment and development banks' branches, which totaled 7,618 at the end of 2007, increased by 15% to 8,791 in 2008.

Koç Group Finance Segment

Koç Financial Services, a 50/50 joint venture between Koç Holding and UniCredit Group Italia, and Turkey's first consumer finance company Koçfinans continued their successful operations in 2008. Koç Financial Services is the parent company of Yapı Kredi Bank, which was established in 1944 as Turkey's first nationwide privately owned bank, its financial subsidiaries and UniCredit Menkul Değerler A.Ş. that joined the Group on August 15, 2008.

Yapı Kredi Bank, with consolidated assets of YTL70.9 billion as of 2008-end, ranks as Turkey's fourth largest private bank in terms of assets.

At 2008-end, Yapı Kredi's market share in cash loans increased to 10.6% and to 9.8% in deposits. Yapı Kredi leads the market with a 22% share in the number of credit cards issued, 20% share in factoring and 22% in health insurance. It ranked 2nd in leasing with a 15% share as well as in asset management with a share of 19% and ranked 3rd in pension funds with a 15% market share.

With its customer-oriented strategy and segment-based service model, which was restructured in 2007, Yapı Kredi serves over 6 million active customers.
It has one of the largest branch and alternative delivery channel networks of any bank in Turkey. Its branch network expansion project, initiated during the first half of 2007, was largely completed in 2008 with the opening of 185 new branches, bringing the total number of branches to 861 by the end of the year.

Yapı Kredi has domestic affiliates that complement its strong, segment-based, wide network. It also has affiliates in various countries, including the Netherlands, Russia and Azerbaijan.

Yapı Kredi serves over 6 million active customers through its 861 branches.

Yapı Kredi Bankası

Domestic Market Position:
4th among private sector banks in asset size
1st in credit cards (22%), factoring (20%) and health insurance (22%)
2nd in leasing (15%) and asset management (19%)
3rd in pension funds (15%)

Network:
861 branches
Over 6 million active customers
7.8 million credit cards*

Total Loans:
$26,391 million

Capital Adequacy Ratio:
15.74% (Bank)
14.24% (Group)

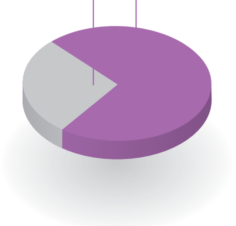
Total Revenues:
$3,245 million

Total Assets:
$48,069 million

Return on Average Equity:
24.6%

Source: Consolidated financials according to Banking Regulation and Supervision Agency

Shareholder Structure:
Koç Financial Services
81.80%
Free Float
18.20%



www.yapikredi.com.tr

(*) Including virtual cards (2008: 1.5 million cards)

A successful year focused on healthy and sustainable growth

Despite the increasing level of economic uncertainty and global volatility, 2008 was a successful year for Yapı Kredi. By adopting a strategy of healthy and sustainable growth focused mainly on retail banking, SMEs and commercial banking activities, the Bank strengthened its risk management approach in line with the requirements of the new economic environment and, to balance the macroeconomic slowdown without risking its long-term growth plans, put much more emphasis than ever on efficiency, thereby reaching its financial and strategic development goals.

The highest number of new branches

Expanding the branch network is a main pillar of Yapı Kredi's long-term growth strategy and the Bank made significant progress in this regard in 2008. Yapı Kredi initiated its branch network expansion plan in July 2007 and opened 185 new branches in 2008, becoming the bank with the highest number of new branches. At the end of 2008, it had 861 branches, the 4th largest branch network in Turkey with 9.9% share in all bank branches in the country.

Increased market share with focus on strategic sectors and banking products

As a result of its increased focus on key strategic sectors and products in 2008, Yapı Kredi experienced significant growth in both loans and deposits.

Gains in total loans derived from consumer, SME and commercial loans. Total consumer loans increased by 53% in 2008, increasing the Bank's market share from 6.2% to 7.7%. Three types of consumer loans - general purpose loans, car loans and mortgage loans - played an important part in this increase. Thanks to the successful implementation of a project providing pre-approved consumer loans to existing customers with positive credit scores, Yapı Kredi increased its share of the consumer loans market from 4.6% to 6.3%.

Special distribution channels and distinctive product offers increased the Bank's share in mortgage loans from 7.3% to 8.5%. The Ford Finance Agreement signed with Ford Otosan played a large part in boosting the Bank's market share in car loans from 8.9% to 11.8%.

With a special service model aimed at the SME segment and its unique product offerings, Yapı Kredi experienced a 39% growth in loans to SMEs. As the domestic macroeconomic and financial environment became risky, the Bank renewed its focus on risk management in this area.
An increased emphasis on commercial banking led Yapı Kredi's loans in this segment to grow by 42% with focus on cash management products and other lucrative areas.

Yapı Kredi's total deposit base grew by 31%, displaying a strong performance above the sector average. Especially due to the growth achieved in YTL deposits, Yapı Kredi's deposit market share increased from 9.4% in 2007 to 9.8% in 2008. Yapı Kredi also recorded an 11% growth in demand deposits, which provides low cost funding opportunities, despite the 1% contraction in the sector.

World: Turkey's most popular credit card

Yapı Kredi has been the unrivaled market leader of credit cards in Turkey since 1988. World - Yapı Kredi's credit card platform - became the country's most widespread credit card brand in 2008 following co-branding agreements with Vakıfbank, Fortis and Anadolu, which brought the total number of World credit cards to over 11 million. According to Nilson Report, World has become the 8th largest European credit card program.

Unwavering focus on customer satisfaction

In line with its focus on customer and employee satisfaction, Yapı Kredi launched a number of initiatives in 2008. Customer satisfaction improved significantly in all business lines due to a constant focus on customers. During the year, branches that serve retail customers raised customer retention by 20%. The satisfaction of commercial and corporate customers increased and strong relations with special customers were fortified. Yapı Kredi started an internal customer satisfaction survey in order to understand, measure and monitor the satisfaction and expectations of internal customers, and thus improve productivity. The results of this survey have become a part of 2009 targets regarding basic support functions.

Innovative products and services for sustainable growth

Yapı Kredi introduced numerous new applications in 2008. Among these are Fonport, an online investment portal designed to provide fast, easy-to-use and efficient investment solutions; the first investment funds with a guarantee protecting the investor's principal; and a system that enables users, whether they are bank customers or not, to make credit card payments and to pay their bills via ATMs using barcodes on the bills.

Strong position despite challenging market conditions

Despite the macroeconomic recession and political uncertainty that emerged in 2008, Yapı Kredi has taken precautions to maintain growth and profitability. From a position of strength based on its firm capital base and high liquidity, the Bank is exercising greater caution in an increasingly challenging market. In this context, the Bank has rearranged its strategic priorities by focusing more on liquidity, funding, assets quality, capital adequacy, efficiency and credit risk management.

Yapı Kredi completed its YTL920 million capital increase successfully with the support of all its shareholders. Now the Bank aims to leverage this capital increase in support of its long-term growth plans. Further capital increases will be made as events and the rapidly changing regulatory environment demands. The Bank obtained a $1 billion syndicated loan in September 2008, which has strengthened its liquidity position.

Efficiency and cost management strategies

Work on increasing efficiency continued in 2008. As part of the project initiated in July 2007 to increase utilization of alternative distribution channels, 678 new generation ATMs (Tele 24 Plus) were added to the network. Currently 72% of the total 2,381 ATMs in use are advanced models. As a result, the share of alternative distribution channels in total banking transactions increased from 65% in 2007 to 69% in 2008.

Corporate Governance Index

In 2008, Yapı Kredi received a rating of 8.02 and was included in the ISE Corporate Governance Index.

7 awards in 2008

Yapı Kredi received 7 awards in 2008: Best Online Banking (PC Magazine Award); Best Call Center (IMI Conferences Istanbul Call Center Awards); Jury Special Award with the Online Chat Service for People with Hearing Disabilities (IMI Conferences Istanbul Call Center Awards); Best Call Center Performance Development (IMI Conferences Istanbul Call Center Awards); Best Bank for Foreign Trade Financing (World Finance); Best New Corporate University (CUBIC Awards) and Superior Achievement Award for Website Design (Interactive Media Awards).

2009 and beyond

Yapı Kredi remains strongly committed to long-term growth and intends to emerge stronger than ever from this period of severe macroeconomic downturn and uncertainty by preserving profitability and reviewing its strategies and priorities in order to adjust to changing market conditions. In 2009, by giving more importance to cost management, enhancing productivity and at the same time focusing more strongly on asset quality and credit risk, the Bank will concentrate on maintaining profitability. Yapı Kredi's objective is to be the bank best positioned for rapid growth once macroeconomic conditions stabilize.

Performance briefs from Yapı Kredi affiliates

Yapı Kredi Faktoring, a leader in its sector since 2002, handled 46.6% of total export transactions in Turkey in 2008, maintaining its leadership with a 20.3% market share.

Yapı Kredi Leasing, a sector leader with a market share of 14.9% at the end of 2008, is the only Turkish company that is a member of the Multilease Association that is made up of the leading leasing companies of the world.

Yapı Kredi Portföy Yönetimi ranks 2nd with its 19% market share in investment funds and the Company attained an M2+(Tur) rating from Fitch Ratings, the highest score in Turkey in its sector.

The portfolio value of **Yapı Kredi Yatırım Ortaklığı**, Turkey's 2nd largest closed-end mutual fund, reached YTL53 million at the end of 2008, giving it a market share of 10%.

Yapı Kredi Yatırım, with a market share of 4.9% in the stock market and 7.7% share in the derivative and options markets, ranked 1st among all brokerage houses at the end of 2008, on the basis of transactions undertaken at Istanbul Stock Exchange.

Yapı Kredi Sigorta maintained its leadership position with a 21.7% market share in health insurance.

Yapı Kredi Emeklilik ranks 3rd in pension funds with a 14.9% share in terms of fund size. The Company is the 5th largest in life insurance with a 6.99% market share and is considered one of the leading companies in both sectors.

Yapı Kredi Bank Moscow serves Yapı Kredi's corporate clients in the Russian market and contributes to the development of Turkish-Russian commercial relations.

Yapı Kredi Nederland provides correspondent banking services in addition to corporate and private banking services.

One of the few private sector banks in Azerbaijan, **Yapı Kredi Bank Azerbaijan** aims to take advantage of growth opportunities in the future. The Bank supports Turkish customers with business interests in Azerbaijan.

Yapı Kredi Kültür Sanat was established in 1984 and is one of Turkey's most prestigious private culture and art ventures serving the public through Yapı Kredi Cultural Center and Yapı Kredi Publications.

Koçfinans

Koçfinans, Turkey's first consumer financing company, extended 85,000 consumer loans in 2008 with a total volume of YTL760 million, making it the leader in consumer finance in Turkey. During the year, a total of YTL660 million was extended as auto loans and YTL100 million for consumer durables.

The Company began offering housing loans on December 21, 2008. It stands as the only consumer finance company active in three sectors; motor vehicles, consumer durables and housing.

In addition to YTL230 million worth of bonds the Company issued in 2007, it issued YTL150 million bonds on September 22, 2008.

UniCredit Menkul Değerler

San Menkul Değerler A.Ş became part of Koç Financial Services on August 15, 2008 and was renamed UniCredit Menkul Değerler on December 17, 2008. The Company is the Turkey Representative for Bayerische Hypo-und Vereinsbank AG and UniCredit CAIB Corporate Finance Beratungs.

Tomato products...	leader
DIY retailing...	leader
Tourism...	leader
Marina...	Turkey's **highest** capacity
Ship and yacht building...	pioneer
Information technology solutions...	leader
Alternative telecom services...	leader

Other

Taking the initiative to improve the quality of life

Tat Konserve

Total Revenues:
$487 million

Domestic Market Position:
Market leader in tomato paste, ketchup, tomato products, mayonnaise and premium pasta
3^{rd} in total pasta and meat products

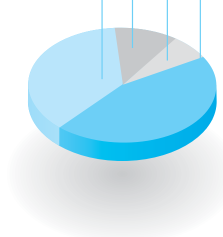
International Position:
Exports to 35 countries

Share of International Revenues:
7%

Gross Profit Margin:
18.1%

Operating Profit Margin:
6.2%

Shareholder Structure:
Koç Holding
43.65%
Other Koç
9.69%
Foreign Partner
5.26%
Free Float
41.41%



www.tat.com.tr

The leader in tomato products

Founded in 1967 and merged in 2003 with the Sek, Maret and Pastavilla brands, Tat is one of Turkey's largest food companies.

The global crisis had a detrimental effect on profit margins in the food sector. Though manufacturers were able to reflect some cost increases, competition in the domestic food market continued to be price-oriented as well as product and service quality-oriented in 2008.

Tat's gross profit margin in 2008 was 18.1% and its operating profit margin stood at 6.2%.

Important advances in the Harranova Project

As part of its strategy of controlling costs via vertical integration and achieving export growth in neighboring markets, Tat initiated Turkey's and region's largest agricultural and industrial investment project in the South East Anatolian (GAP) region. In 2008, Tat sold 10% of its shares in Harranova Besi Şirketi (stock breeding company) to its partner Morning Star in order to benefit from the U.S. company's know-how and experience in the areas of technology, agriculture, production, sales and marketing. The Balıkesir tomato paste factory was relocated to Urfa, 71,000 tons of tomato paste was processed at the Harranova tomato paste factory in the GAP region and a total of 10,100 tons of tomato paste was produced, which is exported to Europe and Russia.

In the face of the threat posed by unregistered production in the meat and meat products categories, Tat's strategy is to achieve vertical integration through the stock breeding activities carried out in GAP region in order to bring costs under control. Accordingly, Maret slaughterhouse was relocated from Istanbul to Harranova and additional units were established. The goal is to increase the number of cattle in Harranova to 25,000 within three years.

Growth of Sek branded dairy products continued as production and sales of high added-value products like pasteurized milk, yoghurt, ayran (drinking yoghurt), fruit juices and butter increased. Growth in products with high profit margins is expected to continue in 2009.

2009 and beyond

Low cost and high yields in 2008 means tomato paste prices in the domestic market are expected to decline in 2009. However, because the global tomato yield of 2008 was similar to that in 2007, global tomato paste prices are not expected to decline. Expectations are that the amended EU law giving incentives per hectare regardless of product type will, thanks to its location, give Turkey the opportunity to become an important tomato and tomato product supplier for neighboring countries and the EU.

The growth seen in milk and dairy products in recent years is expected to continue at a somewhat slower rate in 2009. Despite the clear growth of the sterilized milk market, total fresh milk production is expected to increase in the long run, as has been the case in the EU and U.S. The Company has initiated various projects regarding this development.

The pasta market, following several stable years, expects higher demand in 2009 parallel to economic volatility. Tat, with its Pastavilla brand, is the market leader in the premium pasta segment. The Company's strategy is to keep profit margins high while preserving its market share in this segment.

Tat Konserve initiated Turkey's and the region's largest agricultural and industrial investment with the Harranova Project.

Düzey

Serving thousands of locations across Turkey

Düzey distributes Tat food products to 70,000 sales points throughout the country. Together with its distributors, Düzey manages a sales fleet of 218 vehicles and an additional distribution and delivery fleet of 217 vehicles.

Koçtaş

With 21 stores in 14 provinces and a total sales area measuring 108,000 m^2, Koçtaş is a major player in the Turkish DIY sector, offering to its customers a wide variety of products sourced from 1,794 local and imported suppliers. The Company has changed its positioning from a "construction materials market" to "home renovation and improvement market" and is now able to meet the needs of customers from a single service point. Thanks to its partnership with B & Q, the largest home improvement retailer in Europe, Koçtaş is able to offer unique products to the Turkish market and, due to its long years of experience with Turkish consumers, differentiates itself from competition in the way it presents new products.

Koçtaş aims to create high customer satisfaction though product quality, cost savings and convenience.

A year of rapid growth

2008 revenue increased by 35% while the number of customers rose by 29% to exceed 6.7 million.

A Depofix store was opened in the Gebze Organized Industrial Zone to meet the indirect material needs of companies, factories and small businesses. This enabled corporate customers to procure all of their indirect materials from a single supplier. The Company's goal is to maximize customer satisfaction by providing high quality products at reasonable prices and by offering superior after sales service. Koçtaş also opened six new stores in İstanbul, Ankara, İzmir, Trabzon and Konya, using its first mover advantage in this region with the opening of new stores in Anatolian cities to fortify its market leadership. The new store openings enlarged the total sales area by 38% with the addition of 78,000 m^2, increasing the chain's total sales area to 108,000 m^2.

Koçtaş also won 2^{nd} place in the "World Shop Window of the Year" contest in 2008.

2009 and beyond

Koçtaş has maximized the advantages of its geographical reach, broad product range, quality, established brand, the confidence created by being a Koç Group company and the international procurement synergy gained with its foreign partner. In 2009, Koçtaş aims to increase its coverage of the country and increase brand awareness while enhancing customer satisfaction by offering attractive prices on a wide choice of products.

Already a leader in home improvement retailing, Koçtaş's corporate objective it to grow the home improvement market in Turkey and maintain leadership as the market expands. The Company aims to reach this goal by providing consumers with new and different ideas, delivering alternative solutions to suit all budgets and by becoming a nationwide presence.

In 2009, Koçtaş aims to increase its coverage of the country and increase brand awareness while enhancing customer satisfaction by offering attractive prices on a wide choice of products.

Setur, a sector leader in most of its business lines, continued on its successful track record in 2008.

Setur

Turkey's premier travel agency

Setur provides ticketing, local and international tours, congress and seminar organizations and on-line travel, cruise, study-abroad and visa services. Setur Turizm has led the sector since 1973.

Setur is the Turkish representative office of BCD Travel, which has over 1,300 offices in 96 countries and provides corporate ticketing. Setur acts as the Turkish representative office for Abercrombie & Kent, the international luxury travel brand and for Orient Express, Uniglobal and Costa.

Since December 2005, Setur has offered UK visa services and won the international tender to obtain the rights to continue this service. In this regard, the Visa Application Center has been renovated and a Biometric security system has been installed.

Duty-Free shops

In 2008, Setur Duty-Free shops, served customers at 40 locations and sold duty-free products on the aircrafts of 8 airlines including Turkish Airlines.

Shops at Istanbul's Sabiha Gökçen Airport opened on July 10, 2008.

In 2007, the Company initiated its "Points of Entry Duty-Free and Commercial Zone Management" project at the Habur and Cilvegözü border gates. Kapıkule temporary shops, which are the most important in this project, were opened in February 2008. The new Kapıkule buildings, construction of which has started, have an area of 15,000 m^2 and will be completed in two phases. The first phase consists of the TIR Terminal, which has already been completed. The second phase consists of the Passenger Terminal which is scheduled for completion in 2009. Construction of the Georgia Sarp Border Gate continues and is expected to be completed next year.

The most successful company of the sector

In 2008, Setur won the "Best Travel Agency" award from Skal International, "Turkey's Most Admired Travel Company" award from Capital Magazine and the "Golden Spider" award from Bookinturkey.com. The Company serves all areas of the tourism sector and, with its wide product range and emphasis on customer satisfaction, aims to preserve its leadership in the years ahead.

Divan Group

Providing first class hospitality since 1956

Divan Group operates in the hospitality and food and beverage sector through Palmira A.Ş. and Mares A.Ş. All together, Divan operates 6 hotels, 14 patisseries, 14 in-market bakeries, 10 restaurants and 2 catering units. In line with its strategy of focusing on its core operations, the Company sold its Industrial Catering unit to one of the leading companies in the sector and decided to grow through city hotels. Divan plans to open 238-room Divan-Asia on Istanbul's Anatolian side, 119-room Divan-Çorlu, and 19-room Divan Çukurhan Boutique Hotel in Ankara during 2009. Hotel Mares was rented to the Yazıcı Group in 2008 for a period of five years. The 52-year-old Divan Istanbul Hotel, the flagship of the Divan Hotel Chains, was torn down and construction of a new hotel has started. The hotel is expected to open in the last quarter of 2010.

Palmira A.Ş. exports Turkish delight and chocolates to Australia, France, Ireland, Kuwait, New Zealand, Qatar, South Africa, United Arab Emirates, the UK and the U.S.

2008 highlights

The production unit has adopted the ERP system and initiated control systems to measure efficiency by monitoring production and conducting cost analyses.

Two new patisseries that reflect Divan's design concept were opened in the Istinye and Harbiye districts of Istanbul; Bebek (Istanbul) and Ankara Çankaya patisseries have been renovated and re-opened with a new concept.

The renovation of the American Hospital cafeteria, which is run by Divan, is now complete and the cafeteria has reopened with a more modern and more spacious feel.

As of September 2008, a new online reservation system called Myfidelio was installed at all the Group's hotels. This system provides access to networks that contain all GDS supported tourism portals and GDS, which together with Amadeus, Sabre, Galileo and Worldspan, provides the world's widest tourism agency network. It also enables the Group's hotels to gain uninterrupted and real-time access to popular online tourism agencies like Expedia and Booking.com.

Setur Marinas

28% of Turkey's capacity

Setur Marinas runs seven marinas - Kalamış and Fenerbahçe in İstanbul, Ayvalık, Çeşme, Kuşadası, Marmaris Netsel and Finike. The Company's combined capacity is 3,900 births, which corresponds to 28% of Turkey's total capacity and makes Setur Marinas the leader of Turkey's marina sector.
In 2008, total occupancy of the marinas increased to 124%.

Setur Marinas' growth strategy rests on acquiring new marina operations in Turkey and abroad by capitalizing on its knowledge and experience.

Yalova Marina to open in 2010

In 2007, the Company won the tender for Yalova Marina. Construction will commence in 2009 and the opening is scheduled for 2010. With this new marina, Setur Marinas' total capacity will increase to 4,200 births.

Modernization of Kuşadası Marina

The company plans to modernize Kuşadası Marina in 2009.

KoçSistem

IT solutions leader since 1945

Since 1945, KoçSistem has been a leader in the Turkish information technologies sector. KoçSistem, which summarizes its continuous development and corporate mission with the motto "Your imagination is our strength", provides original technology solutions and outsourcing services to attain its goal of sustainable growth in line with its strategy of "creating a difference".

Accordingly, KoçSistem has merged its creativity and corporate competencies and its lasting and successful strategic partnerships with the world's leading technology suppliers and providers. At the same time, the Company pursues its goal of unconditional customer satisfaction through service centers all over Turkey.

R&D and Innovation Center

With over 100 R&D experts, KoçSistem's R&D and Innovation Center undertakes research, development and innovative projects in information technologies. In 2008, under the new R&D Law, the center was granted an R&D Center License. The R&D and Innovation Center plays a crucial role in the Company's efforts to improve its competitiveness by differentiating itself in the area of information technologies.

Sustainable growth in outsourcing services

KoçSistem holds leadership of the outsourcing services sector, which grew by 28% in 2008. Its internationally accredited Management Center, which is Turkey's largest datacenter, has completed 24 outsourcing projects in partnership with reputable companies of the sector.

KoçSistem has continued to grow in the finance sector services by winning important projects.

Its call center has reached a capacity of 650 seats as a result of 62% growth. The Company has also played a leading role in establishing the Call Center Association, of which all the leading companies in this sector are members.

Technology solutions applications that make a difference

In line with its strategy, KoçSistem continues to focus on providing solutions and services. KoçSistem provides the infrastructure for Paro, one of Koç Group's most important customer relations management projects, and has successfully completed various projects such as Budget and Consolidation, Paperless Bank Branch and Prevention of Money Laundering for Turkey's leading institutions. KoçSistem is the first and only local partner of SAP in Turkey that provides SAP services at international standards. With its experience in the SAP consultancy area, the Company started eight new SAP projects during the year. While continuing its leadership in developing innovative technology, KoçSistem, developed "Pixage", a Digital Publishing Application, and "Agentperformancebooster" to measure in real time the performance of call center employees.

Advances in the defense industry

KoçSistem, through its Koç Information and Defense Technologies company, has made important contributions in the defense industry. In line with its goal of becoming Turkey's market leader in underwater acoustical systems, the Company entered a partnership with Ultra Electronics, one of the leading international players in sonar, torpedo defense and underwater mine systems.

The Company also undertakes other defense industry projects such as the TSK Information System Project, which integrates all the Turkish Armed Forces' software projects and systems.

Koç.net

Integrated communication solutions

Koç.net improved its infrastructure in 2008, advancing toward its goal of becoming Turkey's leading alternative telecommunications company. The Company provides technological leadership, teams of experts, high service quality, a wide service portfolio and integrated communication solutions to meet the needs of various customer groups. Koç.net provides data and voice services (such as access and security services, hosting and ASP services, campus solutions, multimedia solutions and international, inter-city and GSM telephone services) simultaneously. Koç.net began providing broadband internet and voice services to non-corporate customers in 2008.

Koç.net has interconnections with Turkey's fixed line operator, all GSM operators and leading international telecoms. The Company has established a POP (Point of Presence) in Frankfurt to tap international business opportunities and enjoys successful partnerships with British Telecom, KPN (Royal Dutch Telecom), Global Crossing and Bezeq.

Leader in alternative telecom services

Koç.net is the only alternative telecom operator to enter the 2007 Capital 500 list. In the Deloitte Fast 50 list, where rapidly growing technology companies are listed, Koç.net took place in 2008 for the third consecutive year, demonstrating its sustained growth. Koç.net was the only alternative telecom operator included in the 2008 Turkish Fortune 500 List.

Koç.net has focused on a corporate clientele. However, the signing of Local Network Sharing-YAPA and Data Flow Access-VAE agreements, now enables the Company to provide voice and data services via broadband internet. These agreements are important milestones in a market that has been gradually liberalizing since 2004.

In 2008, the Company entered the personal broadband market with its BİRİ brand. Koç.net became one of the three best known internet service providers only three months after the launch of new service packages. In 2008, Koç.net increased its exports by 12% in dollar terms and total revenues by 16%.

Bilkom

Apple products' sole authorized distributor in Turkey

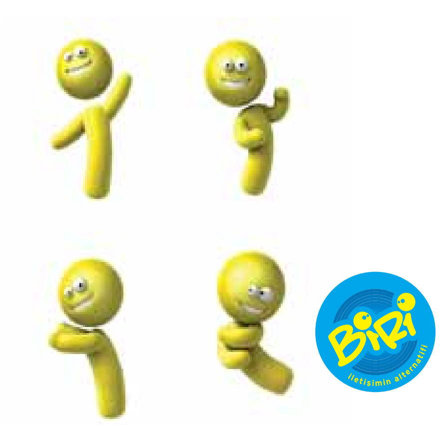
Bilkom has served as Turkey's only distributor of all Apple products for the last 25 years, mainly marketing and selling Mac computers and iPod products. Bilkom has been successfully implementing its strategy of being a value added distributor by enriching its Apple product line with information technologies of distinctive and leading global brands that support the ecosystem. In line with this strategy, the Company has acquired the rights as the sole Turkish distributor of Graphisoft, the only architecture software that operates on both the Apple and PC platforms.

More than 700 information technology retail sales points

Bilkom, with its licensed business partners, sells a full range of Apple products at more than 700 retail points of sale, including its Apple Premium Reseller (APR) concept shops. The Company provides after-sales technical services for Apple products through its authorized service centers. In 2008, the number of APR shops reached 15 as the area of operation was enlarged to encompass Ankara, Izmir and Bursa as well as Istanbul. The Company will continue to pursue growth outside Istanbul.

iPod sales increase by 26%

In 2008, Bilkom increased its iPod sales by 26% on a unit basis. Bilkom has maintained its leadership in the digital music player market with iPod, and achieved a growth rate that was four times that of the market with new generation Mac computers.



Tanı

Customer relations expertise center

Tanı is at the forefront of customer relations management (CRM), customer loyalty programs and business partnership in the area of one-to-one marketing through its expertise in operations and analysis. There are 7.3 million active cards in the Paro program Tanı manages. The annual number of Paro card transactions at member-company locations exceeds 107 million.

Member companies implement common campaigns and applications on Paro's flexible marketing platform. These campaigns and applications have received very positive feedback from customers and are repeated at various times by the member companies. In 2007, the number of campaigns exceeded 300 and in 2008 they exceeded 600.

Data collected through Paro is modeled in line with business needs using analytical methods, and the resulting marketing applications are gradually enriched, thereby enhancing Tanı's position as an expertise center for CRM solutions.

Promena

Efficient procurement services

Promena allows extensive participation and sharpens competition by carrying the procurement processes to the virtual environment. The Company has increased the sales and procurement volume of the projects it has carried out on behalf of its customers by 32% to over $1 billion, bringing significant savings to Koç Group companies as a result. In a repeat of the previous year, Promena was in the first 50 companies in the 2008 Deloitte Technology Fast Turkey list. The number of qualified suppliers in Promena's database increased to 7,000 during the year. The internet based procurement system platform has been expanded to include company procurement processes in 2008. Promena has established a company in Saudi Arabia and started serving customers in this region.

RMK Marine

A leading shipyard

The Company, which was established in 1974, joined Koç Group in 1997 as RMK Marine and undertakes ship and yacht construction, repair and maintenance services within the Tuzla shipyard zone. One of Turkey's largest private shipyards, RMK Marine aims to grow via projects with high added value and to be competitive in terms of expertise and knowledge in international markets for the construction of chemical tankers, off-shore service vessels, tugboats, military vessels and super yachts.

2008 highlights

In a unique development, RMK Marine was recently commissioned to undertake Turkey's largest military vessel project, which involves the construction of four Coast Guard search and rescue vessels.

The Company aims to manufacture vessels with superior features and high added value. To this end, it has started construction of a multi-purpose off-shore construction vessel. The project is the largest off-shore vessel construction project ever initiated in Turkey and will be one of the most important projects in its category in the world.

RMK Marine has also constructed four tugboats, each with a bollard pull of 60 tons, and one mooring boat for Tüpraş. Two tankers constructed for Tüpraş, the T.Sevgi and T.Gönül, were launched and the T.Sevgi was delivered to Tüpraş in December.

Barbarica, the third in a series of 19,000 DWT chemical tankers, was delivered to its Italian owners.

The goal of entering the super-yacht sector

RMK Marine has taken important steps in yacht construction, repair and maintenance. The Company has a mid-term goal of establishing itself as an important brand in the international super yacht sector. The Nazenin V, which draws on the best names in yacht construction for engineering and project management, is a 52-meter ketch. She is scheduled to launch in April 2009 and secure RMK Marine a position in the international luxury yacht sector.

Construction of a 45-meter super yacht was started in 2008.

Construction of 30-meter and 38-meter super yachts for Oyster Marine is currently underway.

Investments

RMK Marine continuously improves its infrastructure using the latest advances in technology. Construction of the Oyster hangar with the largest curing furnace of its class, office areas, a new administration building and indoor block workshop is now complete.

Zer Merkezi Hizmetler

A dedicated procurement center

Zer Merkezi Hizmetler continued to carry out procurement tasks for the Koç Group companies in line with the principles of the expertise center. The Company operates at many points in the supply chain. In 2008, the Company continued to provide savings and benefits in new operational areas, such as logistics, direct material procurement and auxiliary marketing tools.

Ram Dış Ticaret

Founded in 1970, Ram Dış Ticaret is among the most important companies in the sector. With new business models and flexible organizational structure and through its mission adapted to doing business in different markets, cultures and risk environments, the Company has succeeded in remaining dynamic and up to date.

Ram Dış Ticaret provides Koç Group companies and other product and service provider companies, business development services in the Middle East, Africa, Central Asia and South America. These services include foreign investment, special exports, product imports and consultancy services. The Company is also a registered supplier of United Nations Organization and its affiliates, central tender organization units of governments and various multinational companies. In addition to these, the Company undertakes domestic procurement services for iron and steel products and also provides sales consultancy services to Boeing in Central Asia countries. The Company has representative offices in Azerbaijan, Kazakhstan, Uzbekistan, Iraq and Algeria, as well as agents in Kyrgyzstan, Syria and Chile.

Ark İnşaat

Ark İnşaat provides civil engineering services mainly for companies within Koç Group and continued its projects successfully in 2008.

Social responsibility...

Adding value
to the community
with
Education
Health
Environment
Culture
and
Arts
projects

Social Responsibility
Bringing excellence to the community

The Future is now!

A journey that began with our founder, Vehbi Koç...
a journey to design the future starting today ...
working today to meet the needs of tomorrow also in social aspects of development as well....

Vehbi Koç Foundation

Vehbi Koç believed in the importance of institutionalization in creating a tradition of social responsibility and carrying it to future generations. His pioneering efforts to establish Turkey's first major private foundation, Vehbi Koç Foundation (VKV), set an example for us today and for those who will come after us.

By applying the three fundamental principles of the foundation's activities - to work for the benefit of the country, to set an example for others by creating reproducible models, and to create sustainable centers of excellence - Vehbi Koç Foundation has established his own institutions: Turkey's first major private hospital, the American Hospital; the first major private museum, Sadberk Hanım Museum; the first private high school providing foreign language education under the Turkish Ministry of Education curriculum, Koç High School; and Koç University, a center of academic excellence and unique research. These institutions demonstrate the contribution the private sector can make to social development. This perspective is reflected in the "17 Schools Project". Various Koç Group companies provide support to these schools which also benefit from the seminars and development programs designed for teachers, tutors and administrators by VKV Koç Private Primary and High School. On the other hand, the Rahmi M. Koç Museum and Culture Foundation and its affiliates provide a unique and examplory perspective in Turkey for their displays of important examples of industrial archeology and products.

The annual Vehbi Koç Foundation Awards ceremony highlights the importance of pioneering social development, and persons or institutions that have made superior contributions to education, culture, and health, and it provides them with significant financial support. The 2008 Vehbi Koç Award was granted to Prof. Dr. Mehmet Özdoğan for his archeological work from 1980 onwards on sites in the Trakya-Marmara region.

Education

The Instituons of Vehbi Koç Foundation

- Koç University
- Koç Private Primary School and High School

Regular Programs and Projects Supported

- Vehbi Koç Foundation Educational Scholarships
- Koç Primary Schools "17 Schools" Project
- "Vocational Schools-A National Matter" Project
- Harvard University Vehbi Koç Chair for Turkey Studies
- Sarıyer Vehbi Koç Foundation High School
- Private American Robert High School Suna Kıraç Hall
- Galatasaray High School Suna Kıraç Library
- Boğaziçi University Superdorm Students' dormitory
- Vehbi Koç Award (In the field of education)

Healthcare

The Instituons of Vehbi Koç Foundation

- Vehbi Koç Foundation American Hospital
- Vehbi Koç Foundation MedAmerikan Polyclinic
- Vehbi Koç Foundation Zekeriyaköy Family Practice Center
- Göcek Private American Marine Polyclinic
- Koç University School of Nursing and Semahat Arsel Nursing Training and Research Center (SANERC)

Regular Programs and Projects Supported

- Nursing Fund
- Ankara University School of Medicine Vehbi Koç Eye Hospital
- Haydarpaşa Numune Hospital Vehbi Koç Medical Emergency Center
- Vehbi Koç Award (In the field of health)

Culture

The Institutions of Vehbi Koç Foundation

- Sadberk Hanım Museum
- Center of Research on Vehbi Koç and Ankara (VEKAM)
- Suna-İnan Kıraç Mediterranean Civilizations Research Institute (AKMED) and Kaleiçi Museum
- Koç University Anatolian Civilizations

Regular Programs and Projects Supported

- International Sevgi Gönül Byzantium Symposium
- Yapı Kredi Publications Contemporary Art in Turkey
- Sponsorship of Istanbul Biennial
- Tanas Turkish Contemporary Art Gallery (Berlin)
- Josephine Powell Collection
- Atatürk Library
- Vehbi KoçAward (In the field of culture)

Our founder sets the vision for us in our approach regarding social development when he expresses his "code" as: "I live and prosper with my country. As long as democracy exists and thrives so do we. We shall do our utmost to strengthen our economy. As our economy prospers, so will democracy and our standing in the world." Consequently we take our part in addressing the issues in our country to the best of our abilities in the areas of health, education and culture so that we can thrive into the future.

Koç Group, by initiating and managing hundreds of educational, cultural, health, art, sports and environmental projects - in partnership with the Vehbi Koç Foundation and its affiliates, Koç Holding and Group Companies - sets a standard for corporate social responsibility. In a period of global economic crisis, such work is more important than ever and we are moving in full scale with the projects that we have committed to.

Corporate Citizenship Projects

Koç Holding acts together with its companies in the corporate citizenship projects it has started in order to achieve a larger scale and contribute more to the country. The involvement of Koç Group companies in these projects is an essential aspect of increasing awareness of our shared responsibility to take action that will benefit the nation.

Koç Holding and the Global Compact

The United Nations Global Compact, signed by our Chairman Mustafa Koç in 2006, is an important international framework that demonstrates how social responsibility can be integrated into a company's operations and carried forward. As an international platform and network, the Compact brings together the private sector, state institutions and NGOs to ensure continuous development and commitment to moving towards a common goal. Its main goal is to work towards sustainable development by monitoring the progress achieved in human rights labor, and environment and anti-corruption.
To serve this purpose, our Group's Social Responsibility Report relates the best practices in Group companies. The report is available on our website.

We work in close cooperation with our companies to expand the scope of the social responsibility projects that we initiate as the Holding company with a view to bring greater value added to our country. As a way of improving community service by increased participation at individual and corporate level, the joint effort under these projects aids in strengthening the notion of community service in our country. The projects entitled "For My Country" and "Vocational Education: A Top Matter for the Nation" are two examples of such community service.

Vocational Education: A Top Matter for the Nation

This project was initiated to contribute to the development of our country, facilitate Turkey's EU harmonization process, and emphasize the importance of vocational education to create a competent work force for the development of industry. We continue these projects with noteworthy annual improvements and draw encouragement from the significant rise in vocational high school enrollments since the start of the project. Through the 8000 beneficiaries we plan to reach with this project, we will strive to convey the message to our youth that as long as they develop themselves as productive individuals, they can prepare their own futures.

Group companies provide a valuable institutional support, moreover they support with their employees who provide coaching as volunteers, We have thus spread the notion of citizenship and community service in all 81 cities in our country. In our project, carried out collaboratively by the Vehbi Koç Foundation and the Ministry of Education, Koç Holding is working in partnership with 21 Koç companies to carry out the following tasks:

- Organize mentorship meetings whereby our employees share their knowledge and experience with the students we provide scholarships
- Establish new departments at vocational high schools in line with the needs of the industry
- Establish vocational high school laboratories that use advanced technology
- Provide practical training opportunities at our companies which are leaders in their respective fields
- Organize culture-art tours for our scholars
- Introduce our production facilities to our scholars
- Provide our students with e-mail addresses to promote increased technology usage.

Detailed information about our activities and the project can be found on our project web site at www.mlmm.com.tr and in our Corporate Responsibility Report at the following web address: www.koc.com.tr

Koç Holding, in the spirit of giving back to the country which has nurtured its growth, sponsors Children's Musical and Koçfest with the aim of enriching the lives of children and teenagers. Both of these activities complement and increase the impact of the "For My Country!" and "Vocational Education, A Top Matter for the Nation" projects.

"For My Country!"

As part of the "For My Country" project initiated by our founder Vehbi Koç with the mission statement "If my country exists, so do I", Koç Group employees and dealers carry out various social responsibility projects in their respective cities. The goal is to make social responsibility awareness within Koç Group ever more widespread and adopted. A wide variety of social responsibility projects - from building playgrounds for disabled children to renovating schools, from establishing new laboratories to gifting computers - are being realized through the voluntary participation of Group companies, employees, dealers and suppliers. Across Turkey, voluntary support has contributed to 387 social responsibility projects during the last two years.

In 2008, Koç Group changed its approach: instead of carrying out different projects as part of the "For My country" initiative, the Group determined a single theme "Forests for My Country". In partnership with Turkey's leading environmental NGO, TEMA, and the Ministry of Environment and Forestry. The "Forests for My Country" project used grants made by Koç Group companies, employees, dealers and suppliers to plant 700 saplings in seven regions to ensure a better future for our children. As part of the awareness campaign, the "For My Country" and "Vocational Education: A Top Matter for the Nation" projects joined forces on particular tasks and contributed to the effectiveness of the program. Students were given environmental training in 10 cities seven cities where "For My Country" forests are located. Detailed information about our projects can be found at http://ulkemicin.koc.com.tr/. We will continue to develop new ideas and take effective action "For our Country" in 2009!

With the mission to "give back to society", Koç Holding carried its Children's Musical Theatre Plays and Koçfest activities still further as part of its contribution to the development of children and young people and the enrichment of their lives. Both projects work in partnership with the "For My Country" and "Vocational Education: A Top Matter for the Nation" projects to increase their impact.

Koçfest

With contests during the day and rock concerts in the evenings, Koçfest turns university campuses into entertainment parks. The festival has travelled 30.000km so far and has drawn over 1.200.000 university students. The students came from 11 cities in 2006, 13 cities in 2007, and 14 cities in 2008. Koçfest will join forces with the International University Sports Federation in 2009 to merge entertainment and sports under one roof. The champions of Koçfest Sports Games will have a chance to represent Turkey in international organizations.

Children's Musical Theatre Play

Children's Musical production "Sizinkiler" contributes to the intellectual and cultural development of children, who are the future of Turkey. It has reached 200.000 children across Turkey in just three years. The adventures of the "Sizinkiler" characters, from a much-loved cartoon strip of the same name first published in 1991, are brought to the stage by Beşiktaş Cultural Center (BKM) actors and actresses. The play is free to watch and, for the first two years, it invited children to dream and to join a fun adventure following their dreams. In 2008, the play drew attention to the environment.
While Koç Group contributes to the development of young people with its educational and cultural projects, it displays the same level of commitment to preserving Turkey's cultural heritage and representing the country in international forums. Through its support of exhibitions, the Group contributes to the cultural promotion of Turkey. Its support for the International Istanbul Biennial gives the Group a leading role in a very important activity that adds great value to the Istanbul brand and attracts lots of attention.

Beyond Babylon

The "Beyond Babylon: Art, Trade and Diplomacy in 2000BC" exhibition organized at New York's Metropolitan Art Museum was visited by around 5.5 million people between 19 November 2008-15 March 2009. This exhibition was sponsored by DEİK/Turkish-American Business Council with the support of Doğan, Doğuş, Koç and Sabancı groups. Such exhibitions play an important role in fostering a favorable business and investment environment and promoting business and cultural tourism in Turkey. They also promote the "Turkey" brand abroad and enhance Turkey's image.

International Istanbul Biennial

As Koç Holding, we will sponsor five Istanbul Biennials spanning the 10 years from 2007 to 2016. The 11th International Istanbul Biennial, the second sponsored by Koç Holding, will be held in the fall of 2009 around the theme "What Keeps Mankind Alive?" ". Of all the art activities organized in Turkey, the International Istanbul Biennial is the one that attracts the most attention and it is the most popular. The goal of our sponsorship is to create and enhance, particularly in the young, a positive image of contemporary art which, in Turkey, is widely seen distant, hard to comprehend and cold. We also have the goals of introducing contemporary art trends to those who are unacquainted with them and to increase the overall interest in contemporary art. In this way, the Group contributes to the development of Istanbul brand.

Mehmetçik Monument

The Mehmetçik Monument is 6km west of Polatlı and marks the site of the Sakarya Battle. The monument symbolizes the heroic defense put up by the 5713 Turkish soldiers who died during the Sakarya Battle, one of the bloodiest battles of the Turkish War of Independence. The monument, designed by Doç. Dr. Sait Rüstem and rising to 32 meters, was sponsored by the Office of Commander in Chief, Tüpraş, and the Ministry of Transportation. To bear eternal witness to the Turkish soldiers' immortal struggle, the monument was built on Kartaltepe, the point of greatest enemy penetration. The monument reminds everyone of the great struggle that was required to achieve independence for the country.

Koç Group Companies

In addition to the projects run by Koç Holding and Vehbi Koç Foundation, there are scores of projects and initiatives developed and managed by Group companies in various areas.

Detailed information on these projects is given on our Company website **www.koc.com.tr** in the Corporate Social Responsibility Report.

For many years, Koç Group has contributed to the development of young people through its work in the educational and cultural field. The Group shows this same sensitivity to preserving Turkey's cultural heritage and representing Turkey abroad. Every year, the Group sponsors exhibitions on various aspects of culture that are a model of international cooperation.

As the main sponsor of the International İstanbul Biennale, Koç Holding hosts the best known art event in Turkey, one that adds value to the international reputation of İstanbul.

Koç Holding A.Ş.

Corporate Governance Alignment Report

1. CORPORATE GOVERNANCE COMPLIANCE DECLARATION

1.1. Compliance with the Principles of Corporate Governance

Financial markets have been gaining further depth in the recent years, in line with the increasing globalization trends. Deriving the maximum efficiency from the financial markets, reaching a consistent and profitable growth performance despite the challenging competitive landscape and creating shareholder value requires working on the internationally accepted compliance practices and implementation of a set of respective principles. It is of extreme importance for both the country and publicly traded companies that the Turkish capital markets become part of the global liquidity system in order to increase the funding opportunities from international financial markets.

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

Koç Holding was one of the first companies to implement necessary measures to reach the highest standards in this area at a time when corporate governance principles were not generally applied in Turkey. Koç Holding's approach to corporate governance has always been voluntary and proactive. Therefore, Koç Holding has made i) Transparency, ii) Fairness, iii) Responsibility and iv) Accountability its four inviolable principles.

Koç Group's deeply-rooted and prominent 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 corporate culture.

Koç Holding's management structure, processes and policies have been established in compliance with the prevailing laws and regulations, ensuring clarity and transparency in the areas of decision making and responsibility. Koç Holding (Company) is one of the first Turkish companies to appoint independent members to its Board of Directors. Koç Holding is also one of the few companies in Turkey to link the compensation of top management to economic profitability and share price performance. Koç Holding has voluntarily applied internationally accepted standards and practices. 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 timely, 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 and press bulletins.

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

The details of the compliance report that provides Koç Holding's standing in respect of the Corporate Governance Principles that are implemented and those that are in progress can be found in the following sections.

1.2. Corporate Governance Principles Not Yet Implemented

Koç Holding believes in the importance of full compliance to Corporate Governance Principles. However due to challenges encountered in the implementation of some principles, as well as the ongoing discussions in Turkey and in the international platform regarding compliance with certain principles and the failure of the current market and corporate structure to meet such principles in a proper fashion, full compliance has not yet been achieved. There are some principles that are met in application, but have not yet been reflected in the Articles of Association. Koç Holding is closely monitoring the relevant developments while also working continuously in order to ensure that full compliance is achieved in the most appropriate timeframe. The following sections describe the comprehensive practices implemented in our Company within the scope of corporate governance principles as well as those principles where compliance has not yet been achieved.

1.3. Studies Conducted to Ensure Compliance with the Principles within the Period

In 2008, the Corporate Governance Committee continued to work actively and important steps were taken to enhance compliance with Corporate Governance Principles. Under the direction of the Corporate Governance Committee, many studies have been undertaken to improve compliance with the principles by both the Holding and the publicly-listed Group companies.

The first important development is the study on the addition of clauses to the Group companies' articles of associations on the announcement of General Assembly Meetings to be made 3 weeks prior to the meeting date, the invitation of media and stakeholders to the Meetings, the requirement to have members of the Board of Directors, auditors and President responsible from financial reporting to be present at the Meeting, and the establishment of sufficient number of committees in order to enable the Board of Directors to exercise or delegate its functions and authority.

Another important development was to bring forward the date of the 2008 General Assembly Meeting. Further to the completion of the required infrastructure, the General Assembly Meeting was brought forward by two weeks compared to the previous year.

Our company website and annual report have been reviewed and necessary revisions have been made for full compliance with the principles. The General Assembly Procedure delivered to Group companies 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 of the meeting date, providing information about preferred 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, our endeavors continued on the implementation of standard wording and templates on general assembly announcements and informative documents by all Group companies.

In the period ahead, necessary studies will be made in light of the developments in legislation and general practices to ensure full compliance with the principles.

SECTION I - SHAREHOLDERS

2. Investor Relations Department

2.1. Investor Relations Department and Its Duties

All relations between Koç Holding and the shareholders are carried out by the "Investor Relations" department, in coordination with the relevant departments as per the below stated principles.

2.1.1) The Investor Relations Department is responsible for providing information to current and potential shareholders on the Company's operations, its financial position and strategies, excluding trade secrets, and managing the two-way communication between the shareholders and the Company management. The information is provided on a regular basis and in a way that will not cause any inequality of information, by consulting the relevant departments and coordinating with the Group companies when required,

Within this scope, the responsibilities of the Investor Relations Department are as follows:

- To manage coordination with the Corporate Communications Department within the scope of the management of the Company's financial communication.
- To promote the Company to individual and institutional investors in Turkey and abroad;
- To promote the Company to current and potential shareholders and brokerage houses; to meet the requests for information on Koç Holding from analysts and researchers.
- To issue press bulletins following the announcement of financial results and arrange press meetings, teleconferences and web-casts when required.
- To answer investor inquiries and requests.
- To inform current and potential investors proactively and regularly on micro and macro developments by participating in conferences, roadshows and investor meetings.
- To keep the customer database and records accurate and up-to-date.
- To determine the communication strategy by analyzing Koç Holding's share price performance, peer group comparison, perception studies etc.
- To follow and analyze the developments that might have a potential impact on the Company's capital market instruments and propose alternative strategies considering the interests of all stakeholders.
- To facilitate a mutual communication flow between the shareholders and the executive management and the Board of Directors.
- To provide reporting to the relevant departments and executive management on the capital market developments and share price performance.
- To update communication tools such as the website, annual report, investor presentations, investor bulletins, corporate videos, etc. in order to enable shareholders to obtain accurate and complete information about Koç Group.

2.1.2) Directorate of Accounting ensures that investor records are kept in a proper, secure and updated fashion, based on the records of the Central Registry System.

2.1.3) Legal Department ensures that general assembly meetings are held in compliance with the legislation, Company's articles of association and other internal corporate principles.

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2.1.4) Investor Relations Department, with the support of the Finance Group and Legal Department, prepares the documents for the use of shareholders in general assembly meetings, which are shared with the shareholders through the Company website 3 weeks before the meeting date.

2.1.5) The Legal Department ensures that voting results are recorded in the General Assembly meeting minutes and the Investor Relations Department ensures that the reports containing the voting results are shared with the shareholders.

2.1.6) Finance Group is responsible for completing the legal requirements such as financial reporting and disclosing material information to inform the public. Investor Relations and Corporate Communications departments perform the other functions related to informing the public within the scope of the Company's Disclosure Policy.

2.1.7) Corporate governance studies are performed in coordination with the Investor Relations Department, Finance Group and Legal Department under the "Corporate Governance Committee".

2.1.8) Investor Relations Department submits a report, at least annually, to the Corporate Governance Committee and CFO on its activities. If required, the report will also be submitted to the Board of Directors.

Investor Relations Department and the Finance Department ensure that periodic and continual statements are made as required by the relevant legislation and the information policy with regard to the informing the public.

2.2. Investor Relations Department Contacts

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

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

Investor Relations Manager: Aslı Selçuk
Tel : 0 216 531 0537
Fax: 0 216 531 0099
E-mail: aslii@koc.com.tr

2.3. Information on the Activities of the Investor Relations Department in 2008
In 2008 and 1Q2009, the Department attended 11 conferences in Turkey and abroad, held one-on-one meetings with 202 investors, and answered more than 600 telephone and e-mail inquiries. During this period, two teleconferences were held following the announcement of the financial results to inform investors and analysts. The voice records and transcripts of these teleconferences, including the Q&A session and relevant investor presentations were made available on the Company website for the convenience of those investors who were unable to attend the calls. The website, investor presentations and investor bulletins were kept up-to-date to provide the most recent information to shareholders. Investor tools were updated as required and at most on a quarterly basis. Utmost attention was given to ensure compliance with all regulations in carrying out these functions, and there were no complaints filed with our company regarding the exercise of shareholders' rights. There are also no administrative or legal proceedings regarding this subject to the best of our knowledge.

3. Shareholders' Right to Obtain Information

3.1. Principles Regarding the Exercise Shareholders' 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 relevant information other than trade secrets are shared with the shareholders.

Shareholders are provided access to firsthand information regarding strategy and operations by bringing top management and shareholders together at meetings and conferences. Throughout the year, any information that is of importance to shareholders is announced as material disclosures. These announcements, past and current, are posted in English and Turkish on our website and are also distributed via email.

Comprehensive information and statistics that are of interest to shareholders for both the current and past periods are published in Turkish and English on our website (www.koc.com.tr) under Investor Relations section. Public announcements are published in the website under the "Company Internet Website and Contents" heading.

3.2. Information Requests in 2008
Enquiries directed to the Investor Relations Department, with the exception of information considered confidential or a trade secret, are answered in writing or by phone by the most authorized person concerning that particular issue. Within this frame, more than 600 investor inquiries have been answered in 2008 by phone and e-mail.

3.3. The Right to Demand a Private Auditor
While our Articles of Association does not regulate the right to demand a private auditor as an individual right, shareholders have not submitted such a request. Additionally, the Company's activities are audited by an Independent External Auditor and Auditors assigned at the General Assembly. 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 held in accordance with the procedure drawn up for the general rules for Koç Group Companies taking into account the Turkish Commercial Code, Capital Market Legislation and the Corporate Governance Principles, and are organized to provide adequate information to and wide participation by the shareholders.

4.1. General Assembly Meetings Held in 2008
In 2008, Koç Holding held one ordinary and one extraordinary general assembly.

The Ordinary General Assembly Meeting was held on 29 April 2008 with 80.82% 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 certain affiliates covered by our company's consolidation are also obligated to prepare consolidated financial statements. Nevertheless, we are endeavoring to shorten this period as much as possible. Furthermore, given the 14-week period stipulated by the Capital Market Regulations for the publication of annual financial statements by those partnerships obliged to prepare consolidated financial statements and the Corporate Governance Principle that stipulates public announcement of financial statements no later than three weeks prior to the General Assembly Meeting, the general meeting date fulfills the regulations and the general practice.

Our Extraordinary General Assembly meeting, where the merger of our subsidiary Kav Danışmanlık ve Pazarlama Ticaret A.Ş. into Koç Holding as a whole, the increase of the paid-in capital of our Company from YTL 2,007,555,000 to YTL 2,012,617,500 as a result of the merger and amendment of Article 8 of our Articles of Association entitled "Capital" and the temporary article were resolved, was held on 30 June 2008 with 81.10% attendance.

General Assembly Meetings are open to the public. Stakeholders and the media are able to follow the meetings. The General Assembly Meeting is held under the supervisor of a government observer from the Ministry of Industry and Trade.

4.2. Invitations and Announcements
Invitations to the General Assembly Meetings are issued by the Board of Directors in compliance with the Turkish Commercial Code (TCC), Capital Markets Code and Koç Holding's Articles of Association. The public is informed by notifying the ISE and CMB immediately of the Board of Directors' decision to hold the General Assembly Meeting.

General Assembly Meeting announcements are published on our website www.koc.com.tr at least 21 days prior to the meeting and in a high circulation daily newspaper in Turkey so that the announcement reaches the highest number of shareholders possible within the frame of governing regulations.

Prior to the General Assembly Meeting, the agenda items and related documents are announced to the public in compliance with all legal processes and regulations. The agenda items of the General Assembly Meeting - annual report, financial statements, corporate governance alignment report, profit distribution proposal, independent external auditor's and internal auditors' reports and, proposed amendments, if any, to the Articles of Association with copies of the old and new versions of the texts, permissions issued by the CMB and the Ministry of Industry and Trade - are posted on the company website and at Koç Holding headquarters to facilitate easy access to the shareholders.

4.3. Voting Procedure
The voting procedure is explained to shareholders on the company website and newspaper notices. Voting by open ballots is employed through the raising of hands in voting the Agenda items at the General Assembly Meeting.

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

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4.4. Principles of Attendance to General Assembly Meeting
All Koç Holding shares are registered. Shareholders who wish to participate in the General Assembly Meeting, whose shares are in custody in investment accounts under intermediary institutions at the CRA are noted in the 'General Meeting Blockage List', and the records in the General Meeting Blockage List is relied upon within the framework of the respective regulations. Shareholders who fail to get themselves recorded in the Blockage List at CRA are by law not permitted to attend the meeting. The CRA list of blocked shares is issued on the evening before the General Assembly Meeting.

Those shareholders who are unable to participate in the meeting in person have to draw up their proxies in accordance with the proxy form which is available at our company headquarters as well as the company's website www.koc.com.tr , fulfill the requirements specified in Communiqué Series: IV, No.8 of the Capital Markets Board as published in the Official Gazette dated 09.03.1994 and the number 21872, and submit their notarized proxies to the Company Headquarters so that they can be represented by a proxy at the General Assembly Meeting.

Our General Assembly Meetings are held at the company headquarters. However, as stated in our Articles of Association, the meeting may also take place in another part of the city upon the request of shareholders. The location of the General Assembly Meeting is selected to facilitate easy access to all shareholders.

At the General Assembly Meeting, the agenda items are expressed in an unbiased and detailed manner and presented in a clear and concise method to provide shareholders an opportunity to express their opinions under equal conditions and raise any questions.

In the 2007 General Assembly Meeting, our shareholders submitted a request to bring the General Assembly Meeting dates forward. Our company has completed the required work and as a result the General Assembly Meeting for 2008 was brought forward by two weeks compared to the previous years.

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

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

4.6. Priority Transactions
Regarding division and merger of shares which change the capital and management structure of the company, decisions are taken in the General Assembly Meeting. Decisions related to the sale, purchase or lease of tangible/intangible assets are made by the Board of Directors as stipulated by the Articles of Association. A majority attendance is required for board of directors' decisions regarding participation in new companies or disposal of existing subsidiaries which are regarded as important transactions in our articles of association.

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 of the Group companies 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 for the use of the investors, providing information about 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 have been divided into two groups as Group A and B. Each registered Group A share is entitled to 2 voting rights at the General Assembly Meeting. If amendments are required to the Articles of Association, A Group preferred shareholders meet and approve the decisions taken at the General Assembly Meeting. However, in decisions requiring a change in the Articles of Association, all shareholders are entitled to 1 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. A Group shares represent 26.77% of the paid-in capital and 42.23% of the total voting rights. B Group shares, each of which is entitled to 1 vote represent 73.23% of the paid-in capital and 57.77% of the total voting rights.

5.2. Exercise of Voting Rights
In our company, actions that may complicate the use of voting rights are avoided; each shareholder is given the opportunity to exercise his/her voting right in the most appropriate, fair and convenient manner. An ordinary shareholder can vote either personally or by appointing a third party as his/her representative. Our Articles of Association does not include a provision preventing non-holders to vote by proxy as an appointed representative. However, A Group shareholders may only be represented by another A Group shareholder. If such is the case, it should be documented in the legal representations in writing.

Our Company attaches importance to corporate representation in terms of the exercise of voting rights at General Assembly Meetings, and takes measures to assure effective operation of corporate representation.

Within the Holding, no cross ownerships exist that are associated with a controlling relationship.

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

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 2008. 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.

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, presented to the shareholders during the General Assembly Meeting, and also detailed information about the dividend distribution history and capital increases are posted on our company's website for the public.

Our Company conducts dividend distribution within the framework of the provisions of the Turkish Commercial Code, Capital Markets Regulations, Tax Regulations and other relevant legislations as well as those articles 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.

If the distributable profit calculated as above is less than 5% of the issued capital, then no dividend distribution takes place.

In principle, 20% of the "distributable profit for the period", calculated as per the Capital Markets Regulations and other relevant legislation, is distributed in cash or as bonus issue 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.

Dividends to be distributed as per the decision taken at the General Meeting can be paid out fully in cash or fully as bonus issue, or partially in cash and partially as bonus issue.

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, or if it is in the form of bonus issue, 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 the shares existing in the 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.

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6.2. Timing
In respect of dividend distribution, the approval of the General Assembly Meeting is sought and the legal deadlines are followed based on the provisions of the Turkish Commercial Code, Capital Market Regulations and the Company's Articles of Association. Currently dividend distributed in cash and the dividend distributed as bonus issue are paid out to shareholders, respectively, within the five months and the six months following the end of the relevant fiscal period. In accordance with the dividend distribution policy, the dividends are allocated equally among all the shares existing in the respective fiscal period.

7. Transfer of Shares
There are no provisions in the Articles of Association restricting the transfer of publicly-traded B type shares. As stated in the Articles of Association under article 13, Koç Holding Board of Directors may avoid, without indicating any cause, transfer of A type shares held by the controlling shareholder, in accordance with the article 418 in the Turkish Commercial Code.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy

8.1. General Information on Disclosure Policy
Koç Holding, as one of Turkey's leading and most respected corporations making a significant contribution to the Turkish economy and comprising a substantial share of the ISE, follows 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, relevant authorities, existing and potential investors and shareholders in a fair manner, to announce the 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 by the Investor Relations and Corporate Communications Departments.

Koç Holding carries out an active and transparent public disclosure policy in accordance with the regulations and directives of the CMB and ISE with the objective of implementing the most effective communication policy in line with CMB Corporate Governance Principles.

Our Disclosure Policy is announced to the public on our website. Our Disclosure Policy is updated in line with the evolving market conditions and new applications.

8.2. Disclosure Policy Contacts
While it is the responsibility of Koç Holding Corporate Communications and Investor Relations Departments to prepare the Disclosure Policy, President of Koç Holding Corporate Communications and Information Technology Group is responsible for its implementation and development and is required to brief Koç Holding Audit Committee, Strategic Planning Department and Finance Department on a regular basis.

8.3. Disclosure Principles
External inquiries are answered by the Chairman of the Board of Directors, the CEO, CFO, Strategic Planning President or the Investor Relations and Corporate Communications coordinators, depending on the content of the 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 Communication 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 press and public briefings as and when required. During these meetings, 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 press members who have been invited from the print and the visual media, and answers the questions of the press members.

In addition and apart from the subject informative 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.

Furthermore, to ensure that Koç Holding's operational and financial performance, vision, strategies and targets are understood by the shareholders in the best way possible, top executives of the Holding and the Investor Relations Department meet with analysts and investors frequently, and prepare presentations, question/answer charts and summary information in order to promote Koç Holding and other publicly-traded companies of Koç Group effectively and in a transparent manner. Meeting demands presented by shareholders are welcomed, and shareholders are allowed to converse at the highest level possible.

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

9. Material Disclosures
Koç Holding made a total of 46 material disclosures during 2008, 1 of which was additional disclosure upon the request of the ISE. Koç Holding is not listed on any foreign securities exchanges and therefore is not required to issue any material disclosures other than what is required by the CMB and ISE.

10. Internet Site and Contents
Koç Holding's website (www.koc.com.tr) provides contemporary and historic information in both Turkish and English. There is an Investor Relations section to provide more comprehensive information to current and potential shareholders and brokerage houses. Some of the topics on the website are as follows:

- Detailed information on the Company
- Strategic targets and principles
- Information about members of the Board of Directors and executive management
- Company organization and shareholder structure
- Articles of Association
- Commercial registry information
- Foreign partnerships
- Summary information about business segments and companies
- Periodic financial statements, financial information, key performance indicators and analyses
- Annual reports
- Press releases
- CMB Material Disclosures
- Stock information, charts and calculators regarding share price performance
- Share price calculator for investors
- Investor presentations and bulletins
- Information on analysts who analyze the Company, and analyst reports
- Date, agenda items and information memorandum of the General Assembly Meeting
- Minutes of the General Assembly Meeting and list of participants
- Proxy forms
- Corporate Governance Practices and Compliance Report
- Dividend policy, payout history and capital increases
- Disclosure policy
- Detailed information regarding corporate social responsibility

The principles related to the management of our website are part of the Disclosure Policy. In addition, the letterhead of our Company contains our website address.

11. Disclosure of Ultimate Controlling Shareholder(s)
Koç Holding's shareholder structure is published in the website and 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 by working in the Company, that belongs to the Company 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 company shares.

As of the date of this report, Members of the Board of Directors, auditors and Senior Management who could be in such a position to obtain insider information are listed below. These names are disclosed in our annual reports published every year and posted on our website.

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Individuals who are in a position to have insider information (*):

Board of Directors	
Rahmi M. Koç	Honorary Chairman
Mustafa V. Koç	Chairman
Suna Kıraç	Vice-Chairman
Temel Atay	Vice-Chairman
Ömer M. Koç	Vice-Chairman
Dr. Bülent Bulgurlu	Member, CEO
Semahat Arsel	Member
İnan Kıraç	Member
Ali Yıldırım Koç	Member
John H. McArthur	Member
Dieter Christoph Urban	Member
Dr. Heinrich Von Pierer	Member
Kutsan Çelebican	Auditor
F. Füsun Akkal Bozok	Alternate Auditor

Group Presidents	
Ahmet Ashaboğlu	CFO (Finance Group)
Aka Gündüz Özdemir	Consumer Durables Group
Ali Tarık Uzun	Audit Group
Ali Yıldırım Koç	Corporate Communications and Information Technology Group
Erol Memioğlu	Energy Group
Hasan Bengü	Foreign Trade and Tourism Group
Kudret Önen	Defense Industry and Other Automotive Companies Group
Osman Turgay Durak	Automotive Group
Ömer Bozer	Food and Retailing Group
Tamer Haşimoğlu	Strategic Planning Group

General Secretariat	
Tahsin Saltık	General Secretary

Audit Group	
Abdullah Geçer	Coordinator
Ali Yavuz	Coordinator
Başar Engin	Coordinator (**)
İ.Murat Çağlar	Coordinator
İnanç Kiraz	Coordinator (**)
Kemal Uzun	Coordinator
Mehmet Apak	Coordinator (**)
Serkan Özyurt	Coordinator

Energy Group	
Levent Zağra	Coordinator (***)

Finance Group	
Directorate of Accounting	
Emine Alangoya	Director
Ali Uzcan	Coordinator
Dr. Önder Kutman	Coordinator
Ferda Erginoğlu	Coordinator
Memet İlkan Kamber	Coordinator
Murat Timur	Coordinator
Nevin İmamoğlu	Coordinator

Legal Affairs	
Kenan Yılmaz	Chief Legal Advisor
Murat Peksavaş	European Affairs Advisor

Human Resources	
Yağız Eyüboğlu	Director
Buket Çelebiöven	Coordinator
Emre Görgün	Coordinator
Kadir Eşber Çekiç	Coordinator

Corporate Communications and Information Technology Group	
Oya Ünlü Kızıl	Director
Alper Göğüş	Coordinator
Aylin Gezgüç	Coordinator
Gökhan Akça	Coordinator
Ömer Tunç Koyuncu	Coordinator

Risk Management and Business Development	
Mert Şaban Bayram	Coordinator

Strategic Planning Group	
Eşfak Tüzün	Coordinator
Funda Güngör	Coordinator
Murad Ardaç	Coordinator
Murat Tomruk	Coordinator
Orhan Behiç Alankuş	Coordinator (****)

(*) Groups and names who are of the same seniority are listed in alphabetical order.
(**) Appointed as of 1.1.2009
(***) Appointed as of 2.2.2009
(****) Appointed as of 1.3.2009

SECTION III- STAKEHOLDERS

13. Disclosure to Stakeholders

13.1. Stakeholders in General
Our Company, being a holding company, does not have any direct relations with customers, vendors, etc., but has relations with a wide range of stakeholders, due to its affiliates. Stakeholders are informed of issues that may concern them by means of invitations to regular meetings or via intranet and telecommunication tools. Public disclosures are made by press conferences and through statements and bulletins in the media, while information sharing with employees is realized through various meetings and organizations and the company intranet site.

We aim to inform not only shareholders but also all stakeholders through our practices covered by our disclosure policy which is based on general shareholders' meetings open to all stakeholders, detailed information posted on our website, comprehensive annual reports, press releases and transparency.

13.2. Disclosure to Employees
Important announcements, management changes and press bulletins are posted on the intranet for the convenience of Group employees. Additionally, some important announcements and executive management messages are sent to employees by e-mail. Furthermore a periodic internal magazine is issued by the Corporate Communications department to increase communication with the employees.

13.3. Disclosure to Dealers
Koç Holding's Chairman of the Board, CEO and executive management participate in the "Anatolian Meetings" which are held with the dealership network of our Group companies with the aim of exchanging views and generating ideas. In these meetings, dealers are provided with updates on the developments in the Group and they have the opportunity to share their ideas. An intranet platform has been developed to provide information, training and various promotions to our dealership network and it is actively used by 7,160 dealers. Furthermore our dealers participate in Koç Group's "For my country" project as an indication of their dedication to social responsibility.

14. Stakeholders' Participation in the Company Management
Group companies hold comprehensive meetings and exchange ideas during the year with dealers and providers and evaluate and work on the suggestions that come up during these meetings.

The results of the dealer and customer satisfaction surveys, the details of which are provided later on in the report, are of significant importance to Koç Holding. Improvement of dealer and customer satisfaction are made part of Group companies' management performance targets.

15. Human Resources Policy
As of 31.12.2008, Koç Group had a total of 73,677 employees, 69,214 of which are in Turkey and 4,463 of which are abroad. Number of employees in consolidated subsidiaries totaled 70,777.

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 Resource.

Koç Group aspires to become an ideal company with competent professional staff creating value added to ensure sustainable development, that is most preferred and that every employee is proud of being a part of.

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 loyalty of employees to the Company by creating equal opportunities in promotions and rewards, and thereby retain our employees,
- create a working environment that is always peaceful.

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15.2. Implementation of 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 Code describes the working standards and covers the whole process regarding human resources from recruitment to resignation.

The Human Resources department ensures that candidates who meet the competency criteria as described in the Human Resources policies are recruited without discrimination and benefit from equal opportunities throughout their employment. In this context, employees' performance is evaluated, competencies are measured and the improvement and career planning is performed. A competition 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 Resources 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 its other commercial matches.

The Integrated Performance Management and Development 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.

The Integrated Performance Management and Development Planning 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, find the chance to improve and follow their development in person.

In respect of development of a common culture, a total of 2,535 of our managers attended the Group's Leadership Development Program between 2002-2008, which aims to improve competent managers who can carry our Group in 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, finding out 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.

In 2008, the collective labor agreements covering over 31 thousand employees in 10 Group companies have been renegotiated without any disagreements. By doing this, Koç Group has ensured the continuation of a peaceful work environment is these companies.

16. Customer and Supplier Relations
Since 2003, Koç Holding has been conducting centralized customer satisfaction surveys on a regular basis as a sign of the importance given to this issue. As Turkey's most comprehensive end consumer survey, it encompasses 30 brands belonging to 12 Koç Group companies as well as 116 brands belonging to the competition. The results of the survey conducted with approximately 27,000 customers in 45 cities which represent Turkey in general are shared with upper and middle management of Koç Holding and Group companies, and are included in the management's performance score cards.

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 5th time this year by an independent research company among 6,500 dealers Turkey-wide. As is the case with Customer Satisfaction, areas of improvement towards dealer satisfaction are included in the management performance score cards.

17. Corporate Social Responsibility
Koç Holding and the Group companies put social responsibility, which was introduced by Vehbi Koç, one of the pioneers of institutionalization in Turkey, into practice through social projects and in the way they do business. Vehbi Koç Foundation, which is Turkey's first private foundation, is celebrating its 40th year of service in the fields of culture, art, education and health. Koç Holding and Koç Group companies support the activities of the Foundation through many social responsibility projects they undertake. Koç Group's objective to further improve as a socially responsible corporation was confirmed with the participation in the Global Compact, an official and international framework.

Koç Holding's and the Group Companies' approach to social responsibility is based on the principle espoused by our founder Vehbi Koç: "I exist if my country exists'. Within this context, Koç Group seeks to create value for the society, in which it has grown and developed, through projects that will contribute to the development of the society. Every year, thousands of scholarships are extended to students and numerous projects are initiated in the fields of culture, art, environment and health. In addition to projects in Turkey, Koç Group actively contributes to the promotion of Turkey in the international arena by sponsoring a cultural event each year. Through a new strategic partnership in 2007, Koç Holding has become sponsor to the Istanbul Biennial for 10 years to support contemporary art, a branch of art which is directly related to and involved in social issues as well as representation of our country abroad.

Koç Group, which has been a pioneer in Turkey, has acted through the Vehbi Koç Foundation, to establish the first privately-owned museum, the first industrial museum and the first private student dormitory in Turkey, making it a leader in the area of corporate citizenship. Koç Holding and Koç Group companies contribute to the society with their projects in a common understanding and shared principles.

Koç Holding and Koç Group companies view the activities and investments relating to corporate citizenship, not as a duty, but as an integral part of doing business. Approaches to and studies on corporate citizenship are a way of doing business internalized by Koç Group and represent one of the basic foundations of the natural workflow. Koç Group has assumed an important social mission, not just in terms of the large number of people it employs, the economic value it creates and the taxes it pays, but also through its philosophy of corporate citizenship. Koç Group Corporate Citizenship Reports reflecting this approach are posted on the website of Koç Holding.

PART IV - BOARD OF DIRECTORS

18. Structure and Formation of the Board of Directors and Independent Directors

18.1. Structure of the Board of Directors
Koç Holding is the first Turkish company to appoint internationally respected non-Turkish professionals to its Board of Directors. The structure of our Board of Directors conforms to Capital Market Board principles. On the Board of Directors, all members with the exception of Dr. Bülent Bulgurlu, CEO and Ali Y. Koç, President of Corporate Communications and IT Group, are non-executives. Currently, 2 out of the 12 Board members are in overall compliance with the independence criteria stipulated by the Principles. 1 member also complies with all independence criteria except the term.

18.2. Current Members of Board of Directors
The names and attributes of our current Board of Directors are given below:

Rahmi M. Koç	Honorary Chairman - non-executive	Semahat Arsel	Member - non-executive
Mustafa V. Koç	Chairman - non - executive	İnan Kıraç	Member - non-executive
Suna Kıraç	Vice-Chairman - non-executive	Ali Yıldırım Koç	Member, President of Corporate Communications and IT Group
Temel Atay	Vice-Chairman - non-executive	John H. McArthur	Member - Independent
Ömer M. Koç	Vice-Chairman - non-executive	Dieter Christoph Urban	Member - Independent
Dr. Bülent Bulgurlu	Member- CEO	Dr. Heinrich Von Pierer	Member - Independent

18.3. Changes in Board of Directors Members
There were no events in 2008 which would revoke the 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. No changes of this nature took place in 2008.

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18.4. Assignment of Members of Board of Directors to Duties outside the Company
There is no restriction on members taking on other employments or functions. Due to the significant contribution made to the Board by the work experience and knowledge of independent members, no such restriction was considered necessary.

19. Qualification of Directors
The Board of Directors is structured in a way that will maximize its effectiveness and efficiency. The basic qualifications of the BoD members meet CMB Corporate Governance Principles, Section 4, articles 3.1.1, 3.1.2, 3.1.3, 3.1.4 and 3.1.5. Koç Holding BoD members are always selected from among highly qualified, knowledgeable and skillful candidates, with higher education, specific work experience and background.

The Curriculum Vitaes of our Board members are available on our website and annual report. Curriculum Vitaes for new candidates proposed for BoD membership are provided at the General Assembly Meetings.

20. Company Vision and Strategic Principles

20.1. Company Vision and Strategic Principles
The strategic objectives defined within the context of Koç Group's vision and portfolio theme are assessed and approved by the Board. These objectives and strategies are made public through the Annual Report, our website and press releases. Our strategy, the main highlights of which have been cited below, is explained in more detail in the relevant part of our Annual Report and website.

Our Strategic Principles:
- To focus on those businesses in which we can create a difference and we have a competitive advantage,
- To grow in the domestic and international markets in sectors in which we can attain a strong position, minimize risk by geographical diversification and achieve a consistent revenue stream,
- To improve our brand power and our control over technology by leveraging our brands and technologies,
- To become the leader or close second in sectors in which we operate to benefit from economies of scale in the best manner.

These principles offer rapid and profitable growth opportunities in Turkey and the neighboring countries which promise a strong growth potential with their lucrative and underpenetrated markets and sectors. In addition to geographic proximity and benefits of the Customs Union, our strong organization and market positioning allows us to follow a profitable and sustainable growth strategy in Europe.

20.2. Strategic Planning Process
Every year Koç companies prepare their strategic plans in line with the principles and methods defined by Koç Holding's strategic plan and the Group objectives approved by the Board of Directors. Following the evaluation of 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, companies prepare an annual budget that is consistent with the methods and principles defined by Koç Holding. After being approved by senior 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 budgets as they are submitted or they may request changes. To ensure effective implementation of strategic plans and budgets, annual scorecards for top 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, dealer and customer satisfaction are integrated in all scorecards.

20.3. Evaluating Performance in Achieving Strategic Goals
Koç Holding Board of Directors and senior management monitor the performance and operations of companies against their budgets and achievement of objectives in periodic meetings throughout the year. At the quarterly meetings attended by the Chairman of the Board, CEO and Koç Holding senior management, the financial performance, developments in business segments and the actual performance of Koç Holding senior management and general managers are assessed and measured against objectives and budgets.

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

21. Risk Management and Internal Control Mechanisms
The responsibility for Risk Management and Reporting is shared among Koç Holding Presidents. Risks are investigated and assessed in detail at periodic meetings.

The main risks that Koç Holding is exposed to are monitored under three main categories, namely financial risks (credit, FX, interest, liquidity and capital risk), operational risks and legal risks. Detailed information on risk management can be found in the relevant section of the Annual Report.

Koç Holding has given utmost importance to internal control since the establishment of the company. To date, there has always been an Internal Control unit operating under various names. In line with the principle of "separation of management and audit functions" the Audit Group President charged with this duty has been reporting directly to the Board of Directors since 1.1.2004. Our Group companies are also audited periodically regarding processes, risks, finances, operations and fraud. The senior management of Koç Holding and the respective Group company as well as the President and members of the Audit Committee are updated on the audit results on a regular basis.

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

23. Fundamental Activities of the Board of Directors
Activities of the Board of Directors are managed as per the Turkish Commercial Code and the articles of association.

23.1. Determining the Agenda and Convening a Meeting
Matters which have been made subject to the decision of the Board of Directors in the Company's Articles of Association are determined through notification of senior management and Board of Directors members by the concerned departments, who, in turn determine the agenda for Board Meetings. In the event that any one of the members of the Board of Directors notifies Company Senior Management about a decision that must be taken about a certain matter, the agenda of the meeting is drawn up accordingly.

Matters that are to be discussed at the Company's Board of Directors meeting are collected at the General Secretariat, which consolidates and places them on the agenda.

23.2. Board of Directors Secretariat
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 TCC 330/II, making disclosures to the Board and ensuring the flow of communication.

23.3. Number of Board of Directors Meetings
The Board of Directors meets, as many times as business dictates and in any case at a minimum number of times set forth by the Company articles of association. In 2008, the Board met 4 times, and the number of decisions taken within the year, including the decisions made under Article 330 of the Turkish Commercial Code, is 33. Additionally, council meetings are held with the participation of top executives minimum three times a year for the purpose of evaluating the Group's activities.

23.4. Opposing Votes at Board of Directors 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. Active Attendance to Board Meetings by the 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 Right
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 is entitled to one vote.

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24. Prohibition of engaging in 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 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.

26. Number, Struct ure and Autonomy of the Committees Formed by the Board of Directors
Board 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, and these committees work under certain procedures.

Studies carried out by our committees are regularly recorded. 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 previously decided upon by the Board of Directors or on subjects that are contrary to the Strategic Plan. The Committee shall bring the decisions it has taken between Board Meetings to the next meeting of the Board and have them approved.

The Management Committee is 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 is comprised of five persons including Honorary Chairman of the Board of Koç Holding A.Ş., Chairman of Koç Holding A.Ş., 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 ensure 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.

The committee consists of 3 members including the Chairman of the committee and meets at least two times a year and more frequently when the need arises. Chairman of the committee is the independent member of the board of directors and President of the Strategic Planning Group, who is responsible from Investor Relations is a member of the Committee.

The Committee was established on March 29, 2007 and met twice in 2008. It issued a circular letter to ensure proper and harmonious execution of affairs related to General Assembly Meetings at Koç Holding and Group companies, analyzed the changes in the draft Turkish Commercial Code from the perspective of the Corporate Governance Principles and determined the improvement areas, and approved the action plan for 2009.

26.4. Human Resources Committee
This committee evaluates and supervises the implementation of policies related to salaries and bonuses. It evaluates the human resources requirement of the Company through senior management succession plans and development programs. The committee comprises of four people including the Chairman of the Board of Directors.

27. Financial Benefits Granted to the Board of Directors
The financial benefits granted to the members of the Board of Directors are determined at the General Assembly Meeting and announced to the public by means of minutes of meeting, which is open to the press, and in the footnotes to our financial statements.

No transaction 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 has been undertaken.

Koç Holding A.Ş.

Board of Director's Report

To our shareholders,

Welcome to the 45th General Assembly of Koç Holding.

We hereby present for your evaluation the Koç Holding Annual Report for 2008. The first section of the report provides general information about Koç Holding, the company, its goals, strategies and operations in 2008, while the succeeding pages detail developments in our core business segments. The second part of the report contains audited financial statements and accompanying notes as of December 31, 2008 and other disclosures required by the Capital Markets Board (CMB).

The consolidated financial statements presented in this report have been prepared in compliance with International Financial Reporting Standards. However, in accordance with the CMB decree (Serial XI, No. 29 and related announcements) dated March 17, 2005, inflation accounting has not been applied. Other than amounts originating in foreign currencies such as export revenues, convenience translation of the items of the income statement in YTL (including net income for the period) into foreign currency have been converted using the average annual exchange rates, while the balance sheet items have been converted using the year-end exchange rates.

Overview of 2008

Koç Holding and its subsidiaries achieved successful results under challenging market conditions in 2008. Thanks to effective risk management at company and Holding levels and the precautions taken, our Group entered the crisis environment in an extremely strong position in terms of cash position, portfolio structure and other operational indicators. The negative impact of the crisis on our financial results has been minimized through our efforts to strengthen our position in the markets in which we operate, to tap new market opportunities, and to steadily increase our efficiency.

Our consolidated revenue increased by 19% to YTL 55.6 billion, while operating profit increased by 40% to exceed YTL 5.0 billion. Net profit (attributable to equity holders of the parent) amounted to YTL 2.0 billion, 12% lower than the previous year.

Thanks to the results we have achieved, our Group has continued to strengthen its position in the Turkish economy and among the leading companies of the world. The ratio of the combined revenues of the Group to Turkey's GDP is 9%, our exports constitute 11% of Turkey's total exports, and the share of our publicly traded companies within the total market capitalization of all companies listed on the Istanbul Stock Exchange is 13%. According to our 2007 results, we are 186th among the top 500 companies in the world and 46th among the top 500 public companies in Europe.

Developments in Koç Holding and Koç Group in 2008

In line with our strategic management approach, the main activities we undertook in 2008 were as follows:

- Despite shrinking local and international markets, our automotive companies managed to increase their production and exports. Our output increased by 8% to 561,000 units while our exports increased by 17% to 438,000 vehicles. Ford Otosan was the domestic market leader for the seventh consecutive year. Tofaş held steady at third place and by increasing its production capacity to 400,000 units, it became Turkey's highest capacity automotive company.
- In the consumer durables sector, Arçelik continued to increase its international sales by focusing on emerging markets. In April 2008, the remaining 50% share of Grundig was acquired and our Beko Elektronik company was renamed Grundig Elektronik. LCD TV production increased by 27%. Our companies' ability to develop technology and products that make a difference at an international level played an important role in the successful results these companies attained in domestic and international markets.
- In the energy sector, we continued to increase our market share in all main segments of the local LPG and petroleum products markets. Aygaz maintained its leadership in the LPG market while Opet consolidated its number three position in the petroleum products distribution sector. Thanks to new investments, efficiency improvements and capacity usage optimization, Tüpraş achieved a record high refinery margin. The main engineering work for the Residium Upgrading project was started.
- As part of its ambitious expansion program started in 2007, Yapı Kredi opened 185 new branches in 2008, making it the bank that opened the highest number of new branches in Turkey. While the Bank increased its market share by focusing on strategic business segments and banking products, it cut costs through the effective use of alternative distribution channels. With the help of brand sharing agreements, the number of World brand credit cards reached 11 million.
- To improve our competitive power by increasing management efficiency and savings, we acquired Kav Danışmanlık Pazarlama ve Ticaret A.Ş. in 2008 by means of a merger.

Under our strategy of focusing on core sectors, which we initiated in 2006:

- In May, we sold our shares in Migros to Moonlight Capital SA, which is controlled by funds managed by BC Partners.
- In June, we sold Demrad to Ada Metal A.Ş.
- In July, we sold our shares in Koç Allianz Sigorta and Koç Allianz Hayat ve Emeklilik to Allianz SE.
- In August, we sold our shares in Oltaş to Continental.

KOÇ HOLDING CONSOLIDATED FINANCIAL RESULTS

(YTL millions)	2008	2007	Change %
Revenues (net)	55,631	46,802	19
Operating Profit	5,036	3,594	40
Operating Profit (adjusted)[1]	3,361	3,354	0
Profit Before Tax from Continuing Operations	3,081	4,067	-24
Profit for the Year	2,578	3,889	-34
Profit for the Year - Attributable to equity holders of the parent	2,024	2,295	-12
Earnings per Share (Ykr)	YKr 100.5	YKr 127.2	-21
Earnings Before Interest, Taxes and Amortization - EBITDA (adjusted)[2]	5,851	4,331	35
Operating Profit / Revenues (%)	9.1	7.7	1.4 [3]
Operating Profit (adjusted) / Revenues (%)	6.0	7.2	-1.1 [3]
Total Assets	64,890	59,707	9
Total Liabilities	48,758	44,649	9
Total Equity	16,132	15,058	7
Shareholders' Equity	9,749	7,852	24
Capital Expenditures	1,640	1,492	10
Depreciation and Amortization	815	737	11
Revenues / Total Assets	0.86	0.78	0.07 [3]
Operating Profit / Total Assets (%)	7.8	6.0	1.7 [3]
Operating Profit (adjusted) / Total Assets (%)	5.2	5.6	-0.4 [3]
Return on Equity (%)	26.2	41.3	-15.1 [3]
Current Ratio	0.86	0.88	-0.03 [3]
Total Liabilities / Equity	3.0	3.0	0.1 [3]

1) Operating profit excluding one-off capital gains from the sale of subsidiaries.
2) EBITDA excluding one-off capital gains from the sale of subsidiaries.
3) The changes in ratios are given as percentage point differences.

Koç Holding A.Ş.

Board of Director's Report

Financial and Operational Results
The Group continued to achieve successful results in all its areas of operation.

The combined revenue of Koç Holding increased by 16% in 2008 to reach YTL 80,881 million. After YTL 18,377 million is deducted on application of International Financial Reporting Standards to partnerships that are subject to common management and a further YTL 6,872 million is deducted from this amount in lieu of adjustments from consolidation, the net consolidated revenue of Koç Holding amounted to YTL55,631 million, an increase of 19%.

Koç Holding's operating profit increased by 40% against the 2007 results to reach YTL 5,036 million. When one-off capital gains attributable to the sale of our subsidiaries is deducted, our operating profit is YTL 3,361 million.

Our profit before tax from continuing operations decreased by 24% to YTL 3,081 million. A rise in foreign exchange losses due to increasing exchange rates towards the end of the year played an important role in decreasing profitability against 2007. When the affects of capital gains from the sale of subsidiaries and foreign exchange gains/losses are eliminated from both years, adjusted income before tax increased by 6%.

Consolidated net profit for 2008 was YTL 2,578 million and profit attributable to equity holders of the parent was YTL 2,024 million.

The total assets of Koç Holding increased by 9% to YTL 64.9 billion. The Shareholders' equity increased to YTL 9,749 million with an increase of YTL 1,897 million by the end of 2008 as a result of the net profit for the period and capital movements realized during the year.

In 2008, investments of YTL1,640 million were made. The most important investments were refinery modernization, station and terminal investments in the energy sector and capacity and new product investments in the automotive and consumer durables sectors.

Despite the economic crisis, our international sales continued to increase in 2008, with combined revenues of the Group companies in international markets exceeding $15 billion. The sectors that contributed most to the international sales of Koç Group were automotive, energy and consumer durables.

Employment and Labor Relations

The total employment of Koç Holding, its subsidiaries and joint ventures was 70,750 as of the end of 2008.

On a sectoral basis, the highest level of employment was in the consumer durables, automotive and finance sectors, which together accounted for 80% of the Group's personnel.

In our companies whose collective employment agreements expired in 2008, the agreements were renewed amicably. MESS Union Collective Employment Agreement, which at the date of signing encompassed about 31,000 union workers in nine Group companies, was signed between the MESS Employers' Union and Turkish Metal Workers' Union with no disputes arising during the process. Also, a collective employment agreement covering 271 union workers at our Demir Export company was renewed in 2008.

Dividend Distribution Proposal

The financial reports for the fiscal year January 1st, 2008 to December 31st, 2008, prepared in accordance with International Financial Reporting Standards by Koç Holding A.Ş. and audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers), after a deduction of 5% for legal reserves (a sum equal to YTL47,019,781.40) in line with Article 466 of the Turkish Code of Commerce, a distributable income of YTL1,976,534,976.60 was achieved in compliance with the Capital Markets Board's regulations. After addition of tax-exempt grants of YTL183,111.50 made to foundations and societies, a first level dividend base of YTL1,976,718.088.10 was achieved. On the basis of the financial reports prepared in line with the legal records, after deduction of 5% for legal reserves (YTL47,019,781.40), in accordance with Article 466 of the Turkish Code of Commerce and after a loss of YTL10,640,839.33 was deducted, distributable income amounted to YTL893,375,846.65. In line with Capital Markets Board regulations and the provisions of the Company's Articles of Association, it has been decided to allocate the following amounts from the distributable income:

YTL 395,343,617.62	As first level dividend to shareholders
YTL 56,277,123.05	To Dividend Right Certificate Holders, in accordance with article 32/d of our articles of association,
YTL 15,351,161.38	To the Pensioners Support Fund, in accordance with article 32/c of our articles of association (after the deductions paid at a rate of 1% during the year)
YTL 7,179,882.38	As second level dividend to shareholders.

and to allocate the YTL 419,224,062.22 remaining according to the legal records as Extraordinary Reserves.

We hereby present to the General Assembly for approval, the proposal that dividends of YTL 402,523,500.00, which consists of the YTL 395,343,617.62 first level dividend that is a legal requirement and YTL 7,179,882. 38 second level dividend, not be distributed in cash but be given as bonus shares to shareholders; and that the payments allocated for owners of dividend right certificates be funded from the extraordinary revenues portion of the current year's profit and the payments allocated for the Koç Holding Foundation for Pensions and Assistance be funded from the non-extraordinary revenues portion of the current year's profit and that the payment date be May 4, 2009.

Dear Shareholders,

On behalf of our Board of Directors, I thank you, our valued shareholders and customers for their continued trust and support, and our employees, for their dedication and outstanding contribution.

Chairman of the Board of Directors
Mustafa V. Koç

Koç Holding A.Ş.

Auditor's Report

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

The findings of our audit covering the 2008 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 statements of Koç Holding A.Ş.

3. In my opinion, the consolidated financial statements that were prepared in accordance with Decree No. 29 Series XI of the Capital Markets Board "Communiqué Regarding Accounting Standards in the Capital Markets" which was revised on December 31, 2008 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, 2008 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. 2008 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 2008.

Respectfully yours,
24 March 2009

K. Çelebican

Auditor
Kutsan Çelebican

PRICEWATERHOUSECOOPERS

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
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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 2008 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 endorsed 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 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards endorsed by the CMB (Note 2).

Emphasis of Matter

5. As explained in Note 2 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 ("TRY"), 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 2008 for the consolidated balance sheet, and the official EUR and USD average CBRT bid rates of the year 2008 for the consolidated income and cash flows statements. 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. 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, 12 March 2009

Koç Holding A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007

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

	Notes	2008 (*) EUR'000	2008 (*) USD'000	2008 TRY'000	Restated 2007 TRY'000
ASSETS					
Current assets:					
Cash and cash equivalents	6	3,890,787	5,507,766	8,329,395	4,913,347
Financial assets	7	342,175	484,381	732,529	1,574,153
Trade receivables	8	2,361,732	3,343,249	5,055,995	6,062,677
Loans and advances to customers	9	6,123,285	8,668,074	13,108,729	9,476,612
Inventories	10	1,716,366	2,429,675	3,674,397	4,527,185
Derivative financial instruments	17	132,281	187,256	283,188	25,131
Other current assets	22	691,910	979,466	1,481,246	1,096,311
		15,258,536	21,599,867	32,665,479	27,675,416
Assets held for sale	31	22,722	32,166	48,644	2,830,678
Total current assets		**15,281,258**	**21,632,033**	**32,714,123**	**30,506,094**
Non-current assets:					
Financial assets	7	3,204,337	4,536,034	6,859,844	6,641,554
Trade receivables	8	55,397	78,419	118,593	97,266
Loans and advances to customers	9	4,191,389	5,933,298	8,972,926	7,347,119
Investment property	11	35,234	49,876	75,428	48,573
Property, plant and equipment	12	4,883,085	6,912,457	10,453,708	9,898,467
Intangible assets	13	553,993	784,229	1,185,989	880,836
Goodwill	14	1,650,635	2,336,626	3,533,680	3,524,486
Deferred tax assets	17	173,223	245,213	370,835	351,234
Other non-current assets	22	282,585	400,024	604,957	411,456
Total non-current assets		**15,029,878**	**21,276,176**	**32,175,960**	**29,200,991**
Total assets		**30,311,136**	**42,908,209**	**64,890,083**	**59,707,085**
LIABILITIES					
Current liabilities:					
Customer deposits	15	9,629,987	13,632,134	20,615,877	16,792,234
Financial liabilities	16	4,384,980	6,207,344	9,387,366	6,658,282
Trade payables	8	1,588,385	2,248,505	3,400,414	4,669,589
Other payables	18	651,061	921,637	1,393,791	1,466,800
Derivative financial instruments	19	83,473	118,164	178,700	214,211
Insurance technical reserves	20	68,165	96,494	145,928	525,887
Current income tax liabilities	17	47,698	67,520	102,111	146,661
Other current liabilities	22	1,379,192	1,952,374	2,952,575	2,698,398
		17,832,941	25,244,172	38,176,762	33,172,062
Liabilities held for sale	31	15,900	22,508	34,039	1,313,885
Total current liabilities		**17,848,841**	**25,266,680**	**38,210,801**	**34,485,947**
Non-current liabilities:					
Customer deposits	15	128,965	182,562	276,089	138,844
Financial liabilities	16	3,826,044	5,416,118	8,190,795	7,781,417
Insurance technical reserves	20	126,902	179,642	271,672	712,729
Provisions for employee benefits	21	317,820	449,903	680,389	595,950
Deferred tax liabilities	17	355,912	503,826	761,936	639,599
Other non-current liabilities	22	171,310	242,505	366,741	294,218
Total non-current liabilities		**4,926,953**	**6,974,556**	**10,547,622**	**10,162,757**
Total liabilities		**22,775,794**	**32,241,236**	**48,758,423**	**44,648,704**
Equity:					
Paid-in share capital	23	940,124	1,330,833	2,012,618	1,745,700
Adjustment to share capital	23	451,835	639,614	967,288	967,288
Total share capital		1,391,959	1,970,447	2,979,906	2,712,988
Share premium		4,338	6,140	9,286	8,068
Revaluation funds	23	(43,415)	(61,457)	(92,942)	13,492
Translation differences		24,436	34,591	52,312	(7,537)
Restricted reserves	23	234,276	331,639	501,537	218,287
Prior years' income	23	1,997,308	2,827,374	4,275,837	2,611,345
Profit for the year		945,233	1,338,065	2,023,555	2,295,419
Shareholders' equity		4,554,135	6,446,799	9,749,491	7,852,062
Minority interest	23	2,981,207	4,220,174	6,382,169	7,206,319
Total equity		**7,535,342**	**10,666,973**	**16,131,660**	**15,058,381**
Total liabilities and equity		**30,311,136**	**42,908,209**	**64,890,083**	**59,707,085**
Commitments and contingent liabilities	**30**				

(*) Euro ("EUR") and US Dollar ("USD") amounts presented above have been translated from New Turkish Lira ("TRY") for convenience purposes only, at the official TRY bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") on 31 December 2008, and therefore do not form part of these consolidated financial statements (Note 2.1).

These consolidated financial statements as of and for the year ended 31 December 2008 have been approved for issue by the Board of Directors ("BOD") on 12 March 2009 and signed on its behalf of BOD by CFO (Chief Financial Officer), Ahmet F. Ashaboğlu and by Accounting Director, Emine Alangoya. These consolidated financial statements will be definitive following their approval in the General Assembly.

Koç Holding A.Ş.

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

	Notes	2008 (*) EUR'000	2008 (*) USD'000	2008 TRY'000	Restated 2007 TRY'000
Continuing operations:					
Revenue	24	26,267,312	38,516,181	49,797,571	41,419,682
Interest, fee, commission and similar income	5	3,077,086	4,511,981	5,833,540	5,382,552
Total revenue	**5**	**29,344,398**	**43,028,162**	**55,631,111**	**46,802,234**
Cost of sales (-)		(23,224,552)	(34,054,532)	(44,029,105)	(35,931,440)
Interest, fee, commission and similar expenses (-)		(1,882,194)	(2,759,892)	(3,568,264)	(3,424,413)
Total costs	**5**	**(25,106,746)**	**(36,814,424)**	**(47,597,369)**	**(39,355,853)**
Gross profit non-finance		3,042,760	4,461,649	5,768,466	5,488,242
Gross profit finance		1,194,892	1,752,089	2,265,276	1,958,139
Gross profit	**5**	**4,237,652**	**6,213,738**	**8,033,742**	**7,446,381**
Marketing, selling and distribution expenses (-)		(1,089,963)	(1,598,230)	(2,066,352)	(1,904,382)
General administrative expenses (-)		(1,134,843)	(1,664,039)	(2,151,436)	(1,956,679)
Research and development expenses (-)		(61,181)	(89,710)	(115,986)	(70,982)
Other income	26	1,041,562	1,527,260	1,974,594	492,294
Other expense (-)	26	(336,963)	(494,096)	(638,817)	(412,503)
Operating profit		**2,656,264**	**3,894,923**	**5,035,745**	**3,594,129**
Financial income	27	1,739,975	2,551,354	3,298,645	2,409,143
Financial expense (-)	27	(2,771,234)	(4,063,505)	(5,253,705)	(1,936,147)
Profit before tax from continuing operations		**1,625,005**	**2,382,772**	**3,080,685**	**4,067,125**
Income tax expense from continuing operations		**(309,145)**	**(453,304)**	**(586,077)**	**(712,292)**
- Taxes on income (-)	18	(276,276)	(405,108)	(523,764)	(649,665)
- Deferred tax income/expense	18	(32,869)	(48,196)	(62,313)	(62,627)
Profit from continuing operations		**1,315,860**	**1,929,468**	**2,494,608**	**3,354,833**
Discontinued operations:					
Profit from discontinued operations		43,978	64,485	83,373	534,033
Profit for the year		**1,359,838**	**1,993,953**	**2,577,981**	**3,888,866**
Attributable to:					
Minority interest	23	292,450	428,824	554,426	1,593,447
Equity holders of the parent		**1,067,388**	**1,565,129**	**2,023,555**	**2,295,419**
Earnings per share	**33**			**1.005**	**1.272**

(*) EUR and USD amounts presented above have been translated from TRY for convenience purposes only, at the EUR and USD average CBRT bid rates for the year ended 31 December 2008, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

Koç Holding A.Ş

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

	Capital			Revaluation funds				Restricted reserves		Retained earnings			
	Paid-in share capital	Adjustment to share capital	Share premium	Financial assets fair value reserve	Cumulative gain/(loss) on hedging	Non-current assets revaluation fund	Translation differences	Legal reserves	Special reserves	Profit for the year	Prior years' income	Minority interest	Total equity
Balances at 1 January 2007 (*)	**1,265,000**	**967,288**	**1,779**	**23,542**	**(7,482)**	**-**	**8,269**	**51,328**	**-**	**560,812**	**2,217,463**	**6,566,199**	**11,654,198**
Transfers	-	-	-	-	-	-	-	-	163,708	(560,812)	397,104	-	-
Capital increases	480,700	-	6,289	-	-	-	-	-	-	-	(63,250)	48,846	472,585
Dividends paid	-	-	-	-	-	-	-	3,251	-	-	(7,442)	(700,627)	(704,818)
Financial assets fair value gain (net)	-	-	-	(573)	-	-	-	-	-	-	-	2,673	2,100
Cumulative loss on hedging (net)	-	-	-	-	(1,995)	-	-	-	-	-	-	(2,519)	(4,514)
Translation differences	-	-	-	-	-	-	(15,806)	-	-	-	-	(21,526)	(37,332)
Transactions with minority interests	-	-	-	-	-	-	-	-	-	-	67,470	(169,235)	(101,765)
Sale of subsidiary	-	-	-	-	-	-	-	-	-	-	-	(115,395)	(115,395)
Addition to the scope of consolidation	-	-	-	-	-	-	-	-	-	-	-	4,456	4,456
Profit for the year	-	-	-	-	-	-	-	-	-	2,295,419	-	1,593,447	3,888,866
Balances at 31 December 2007	**1,745,700**	**967,288**	**8,068**	**22,969**	**(9,477)**	**-**	**(7,537)**	**54,579**	**163,708**	**2,295,419**	**2,611,345**	**7,206,319**	**15,058,381**
Balances at 1 January 2008 (*)	**1,745,700**	**967,288**	**8,068**	**22,969**	**(9,477)**	**-**	**(7,537)**	**54,579**	**163,708**	**2,295,419**	**2,611,345**	**7,206,319**	**15,058,381**
Transfers	-	-	-	-	-	-	-	37,366	230,625	(2,295,419)	2,027,428	-	-
Capital increases	261,855	-	-	-	-	-	-	-	-	-	(261,855)	262,205	262,205
Dividends paid	-	-	-	-	-	-	-	-	-	-	(40,981)	(786,973)	(827,954)
Financial assets fair value loss (net)	-	-	-	(21,504)	-	-	-	-	-	-	-	(6,241)	(27,745)
Non-current assets revaluation fund (net)													
Acquisition	-	-	-	-	-	17,359	-	-	-	-	-	36,058	53,417
Amortisation and tax effect (net)	-	-	-	-	-	(278)	-	-	-	-	373	197	292
Cumulative loss on hedging (net)	-	-	-	-	(103,089)	-	-	-	-	-	-	(15,960)	(119,049)
Translation differences	-	-	-	-	-	1,078	59,849	-	-	-	-	53,024	113,951
Transactions with minority interests	5,063	-	1,218	-	-	-	-	14,151	1,108	-	(60,473)	7,941	(30,992)
Sale of subsidiary	-	-	-	-	-	-	-	-	-	-	-	(928,828)	(928,828)
Profit for the year	-	-	-	-	-	-	-	-	-	2,023,555	-	554,427	2,577,982
Balances at 31 December 2008	**2,012,618**	**967,288**	**9,286**	**1,465**	**(112,566)**	**18,159**	**52,312**	**106,096**	**395,441**	**2,023,555**	**4,275,837**	**6,382,169**	**16,131,660**

(*) Restated (Note 2.1).

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

Koç Holding A.Ş.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

	Notes	2008 (*) EUR'000	2008 (*) USD'000	2008 TRY'000	Restated 2007 TRY'000
Operating activities:					
Profit before tax from continuing operations		1,625,005	2,382,772	3,080,685	4,067,125
Profit before tax from discontinued operations	31	53,054	77,794	100,580	619,750
Adjustments to reconcile net cash generated:					
Depreciation and amortisation	5	451,109	661,469	855,213	847,401
Changes in provisions	5.34	156,639	229,683	296,957	51,309
Net interest income	34	(387,584)	(568,320)	(734,781)	(648,499)
Banking sector interest income	5.34	1,950,162	2,859,554	3,697,117	3,211,050
Banking sector interest expense	5.34	(1,258,621)	(1,845,536)	(2,386,093)	(1,990,483)
Exchange losses on borrowings (net)		(695,618)	(1,019,996)	(1,318,752)	(955,028)
Gain on sale of investments	26	(883,566)	(1,295,587)	(1,675,064)	(648,831)
Gain on sale of property, plant and equipment (net)	26	(32,402)	(47,512)	(61,428)	(26,335)
		978,178	1,434,321	1,854,434	4,527,459
Net changes in operating assets and liabilities	34	(1,136,837)	(1,666,962)	(2,155,215)	(1,792,461)
Income taxes paid		(326,204)	(478,318)	(618,417)	(623,431)
Cash flows from operating activities		**(484,863)**	**(710,959)**	**(919,198)**	**2,111,567**
Investing activities:					
Purchases of property, plant and equipment and intangible assets	5	(889,820)	(1,304,757)	(1,686,920)	(1,711,389)
Sale of property, plant and equipment and intangible assets		95,127	139,486	180,342	227,262
Acquisitions (net)	3	(29,987)	(43,971)	(56,850)	(7,877)
Sale of subsidiaries (net)		974,376	1,428,743	1,847,222	766,400
Sale of investments		15,422	22,614	29,237	29,818
Transactions with minority		(16,348)	(23,971)	(30,992)	(101,765)
Cash flows from investing activities		**148,770**	**218,144**	**282,039**	**(797,551)**
Financing activities:					
Share capital increases		138,308	202,804	262,205	472,585
Dividend payments		(436,731)	(640,385)	(827,954)	(704,818)
Increase in short-term borrowings (net)		1,345,028	1,972,236	2,549,904	457,013
Increase/(decrease) in long-term borrowings (net)		937,440	1,374,583	1,777,198	(1,354,865)
Non-banking sector interest income	27	201,361	295,259	381,740	331,800
Non-banking sector interest expense	27	(505,319)	(740,957)	(957,983)	(903,868)
Cash flows from financing activities		**1,680,087**	**2,463,540**	**3,185,110**	**(1,702,153)**
Cumulative loss on hedging		(68,665)	(100,685)	(130,176)	(9,215)
Translation differences		26,426	38,745	50,093	(6,599)
Net increase in cash and cash equivalents		1,301,755	1,908,785	2,467,868	(403,951)
Cash and cash equivalents at the beginning of the year		1,931,157	2,831,686	3,661,087	4,065,038
Cash and cash equivalents at the end of the year	34	**3,232,912**	**4,740,471**	**6,128,955**	**3,661,087**

(*) EUR and USD amounts presented above have been translated from TRY for convenience purposes only, at the EUR and USD average CBRT bid rates for the year ended 31 December 2008, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Amounts expressed in thousands of New Turkish Lira ("TRY") 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 2008, the number of people employed by Koç Holding, Subsidiaries and Joint Ventures (collectively referred as the "Group") is 70,750.

The registered address of Koç Holding 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.

As of 31 December 2008, the principal shareholders and their respective shareholding rates in Koç Holding are as follows:

	%
Companies owned by Koç Family members	42.49
Koç Family members	28.03
Vehbi Koç Vakfı	7.15
Koç Holding Emekli ve Yardım Sandığı Vakfı	1.99
Other	20.34
	100.00

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Continued)

Koç Holding is organised mainly in Turkey in five main business segments:

- Energy
- Automotive
- Consumer durables
- Finance (1)
- Other (2)

(1) The finance segment includes three main sectors; 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 sector.

(2) Other operations of Koç Holding mainly comprise of food, retail, 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 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
Damla Denizcilik A.Ş. ("Damla Denizcilik") (*)	Turkey	Shipping of Crude Oil and Petroleum Products
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 B.V. ("Opet Aygaz BV")	The Netherlands	Distribution
Türkiye Petrol Rafinerileri A.Ş. ("Tüpraş")	Turkey	Production and Trading of Petroleum Products
Üsküdar Tankercilik A.Ş. ("Üsküdar Tankercilik") (*)	Turkey	Shipping of Crude Oil and Petroleum Products

(*) Established in 2008.

Opet Aygaz Bulgaria EAD ("Opet Aygaz Bulgaria") has been sold in 2008.

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 UK	Trading
Opet Petrolcülük A.Ş. ("Opet")	Öztürk Family	Turkey	Trading of Petroleum Products
Opet Trade B.V. ("Opet Trade BV")	Öztürk Family	The Netherlands	Trading
Opet Trade (Singapore) Pte. Ltd. ("Opet Singapore") (*)	Öztürk Family	Singapore	Trading
Opet Trade Ireland ("Opet Trade Ireland")	Öztürk Family	Ireland	Trading
TBS Denizcilik ve Petrol Ürünleri Ticaret A.Ş. ("TBS Denizcilik") (Note 31)	O.W. Bunker & Trading	Turkey	Marine Fuel Supplier

(*) Established in 2008.

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
Tasfiye Halinde Otoyol Sanayi A.Ş. ("Otoyol") (Note 31) (*)	Turkey	Trading

(*) The company name of Otoyol Sanayi A.Ş. has been changed as Tasfiye Halinde Otoyol Sanayi A.Ş.

Otomotiv Lastikleri Tevzi A.Ş. ("Otomotiv Lastikleri") was disposed in 2008.

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
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

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Continued)

Consumer Durables Sector

Subsidiaries	Country of incorporation	Nature of business
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 Espãna S.L. ("Beko Espana")	Spain	Trading
Beko France S.A. ("Beko France")	France	Trading
Beko Italy SRL ("Beko Italy") (1)	Italy	Trading
Beko Llc. ("Beko Llc")	Russia	Production
Beko Magyarország K.F.T. ("Beko Magyarország")	Hungary	Trading
Beko Plc. ("Beko Plc")	The UK	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") (2)	Germany	Distribution
Blomberg Werke GmbH ("Blomberg Werke") (2)	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") (2)	The UK	Technology Application
Grundig AG ("Grundig AG")	Switzerland	Sales and Service
Grundig Benelux B.V. ("Grundig Benelux")	The Netherlands	Sales and Service
Grundig Ceska Republika S.r.o ("Grundig Ceska")	Czech Republic	Sales and Service
Grundig Danmark A/S ("Grundig Denmark")	Denmark	Sales and Service
Grundig Elektronik A.Ş. ("Grundig Elektronik") (3)	Turkey	Production
Grundig Espãna S.A. ("Grundig Espana")	Spain	Sales and Service
Grundig Intermedia Ges.m.b.H ("Grundig Austria")	Austria	Sales and Service
Grundig Intermedia GmbH ("Grundig GmbH")	Germany	Sales and Service
Grundig Italiana S.p.A. ("Grundig Italy")	Italy	Sales and Service
Grundig Magyarország Kft. ("Grundig Hungary")	Hungary	Sales and Service
Grundig Multimedia B.V. ("Grundig Multimedia") (4)	The Netherlands	Holding
Grundig Norge AS ("Grundig Norway")	Norway	Sales and Service
Grundig OY ("Grundig Finland ")	Finland	Sales and Service
Grundig Polska Sp. z o.o. ("Grundig Polska")	Poland	Sales and Service
Grundig Portuguesa Lda ("Grundig Portugal")	Portugal	Sales and Service
Grundig Slovakia s.r.o. ("Grundig Slovakia")	Slovakia	Sales and Service
Grundig Svenska AB. ("Grundig Sweden")	Sweden	Sales and Service
Grundig S.A.S. ("Grundig France")	France	Sales and Service
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	Turkey	Foreign Trade
Raupach Wollert GmbH ("Raupach")	Germany	Holding
SC Arctic SA ("Arctic")	Romania	Production

(1) The company name of Arcelitalia SRL has been changed as Beko Italy SRL.
(2) In the process of liquidation.
(3) The company name of Beko Elektronik A.Ş. has been changed as Grundig Elektronik A.Ş.
(4) Acquired by Grundig Elektronik (Note 3).

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Arçelik-LG Klima San. ve Tic. A.Ş. ("Arçelik LG")	LG Electronics Inc.	Turkey	Air Conditioner Production

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Continued)

Finance Sector

Subsidiaries	Country of incorporation	Nature of business
Koç Tüketici Finansmanı A.Ş. ("Koç Finans")	Turkey	Consumer Finance

Koç Allianz Hayat ve Emeklilik A.Ş. ("Koç Allianz Hayat") and Koç Allianz Sigorta A.Ş. ("Koç Allianz Sigorta") were disposed in 2008 (Note 26).

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")	UniCredit S.p.A.	Turkey	Holding
Stiching Custody Services YKB ("Stiching Custody")	UniCredit S.p.A.	The Netherlands	Custody
UniCredit Menkul Değerler A.Ş. ("UniCredit Menkul") (1)	UniCredit S.p.A.	Turkey	Brokerage
Yapı Kredi Azerbaijan C.J.S.C. ("Yapı Kredi Azerbaycan")	UniCredit S.p.A.	Azerbaijan	Banking
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi Bankası")	UniCredit S.p.A.	Turkey	Banking
Yapı Kredi Holding B.V. ("Yapı Kredi Holding")	UniCredit S.p.A.	The Netherlands	Financial Consulting
Yapı Kredi Invest LLC. ("Yapı Kredi Invest") (2)	UniCredit S.p.A.	Azerbaijan	Portfolio Management
Yapı Kredi Nederland N.V. ("Yapı Kredi Nederland")	UniCredit S.p.A.	The Netherlands	Banking
Yapı Kredi Diversified Payment Rights Finance Company ("Yapı Kredi SPC") (3)	UniCredit S.p.A.	Cayman Islands	Special Purpose Company
Yapı Kredi Emeklilik A.Ş. ("Yapı Kredi Emeklilik")	UniCredit S.p.A.	Turkey	Life Insurance
Yapı Kredi Faktoring A.Ş. ("Yapı Kredi Faktoring")	UniCredit S.p.A.	Turkey	Factoring
Yapı Kredi Finansal Kiralama A.O. ("Yapı Kredi Finansal Kiralama")	UniCredit S.p.A.	Turkey	Leasing
Yapı Kredi Bank Moscow ("Yapı Kredi Moscow")	UniCredit S.p.A.	Russia	Banking
Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy")	UniCredit S.p.A.	Turkey	Portfolio Management
Yapı Kredi Sigorta A.Ş. ("Yapı Kredi Sigorta")	UniCredit S.p.A.	Turkey	Insurance
Yapı Kredi Yatırım Menkul Değerler A.Ş. ("Yapı Kredi Menkul")	UniCredit S.p.A.	Turkey	Brokerage
Yapı Kredi Yatırım Ortaklığı A.Ş. ("Yapı Kredi Yatırım")	UniCredit S.p.A.	Turkey	Investment Trust

Yapı Kredi Bank Deutschland A.G. ("Yapı Kredi Deutschland") was sold in 2008.

(1) Acquired by Koç Finansal Hizmetler (Note 3).
(2) Established in 2008.
(3) Although Yapı Kredi Bankası 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.

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
Düzey Tüketim Malları Sanayi Pazarlama A.Ş. ("Düzey") (*)	Turkey	Trading
Harranova Besi ve Tarım Ürünleri A.Ş. ("Harranova Besi") (*)	Turkey	Agriculture and Food
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
Tat Konserve Sanayi A.Ş. ("Tat Konserve") (*)	Turkey	Food
Tat Tohumculuk A.Ş. ("Tat Tohumculuk") (*)	Turkey	Agriculture
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
Koçtaş Yapı Marketleri Ticaret A.Ş. ("Koçtaş Yapı Market") (*)	Kingfisher Plc	Turkey	Retail
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 5).

(*) In accordance with the strategic plans, the Group management decided on the sale of the Group's shares in Migros. Consequently, Migros and its subsidiaries ("Migros Group") have been accounted for in accordance with IFRS 5 in the consolidated financial statements (Note 31). Therefore, the Migros Group has been presented as "Discontinued Operations" until the date on which the Group's control ceased and since the other companies operating in the "Food and Retail" sector have not been considered as a separate reportable segment, they have been presented within "Other" sectors (Note 5).

Discontinued Operations

	Country of incorporation	Nature of business
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

The consolidated financial statements of Koç Holding have been prepared in accordance with the accounting and reporting principles endorsed by the CMB, namely "CMB Financial Reporting Standards". The CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). The Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI-25, "Accounting Standards in Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

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, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting year commencing 1 January 2005.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these consolidated financial statements, the consolidated financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcements dated 17 April 2008 and 9 January 2009, including the compulsory disclosures. Accordingly, necessary reclassifications have been made in the comparative financial statements.

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 TRY 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 by the Banking Regulation and Supervision Agency ("BRSA") for banks and accounting principles issued by the CMB for listed companies. 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.

2.1.2 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 prior periods' financial statements have been restated in order to conform to the presentation of the current period consolidated financial statements prepared within the framework of Communiqué No: XI-29 and related promulgations to it as issued by CMB. The effects of changes as a result of these restatements to the equity have been disclosed in Note 23.

In addition, the consolidated statement of income for the year ended 31 December 2007 has been re-presented due to the fact that discontinued operations of the Group have been accounted for and presented in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

2.1.3 EUR and USD translations

EUR and USD amounts shown in the consolidated balance sheet prepared in accordance with CMB Financial Reporting Standards have been translated from TRY, as a matter of arithmetic computation only, at the official EUR and USD bid rates announced by the CBRT on 31 December 2008 of TRY2.1408 = EUR1 and TRY1.5123 = USD1, respectively and EUR and USD amounts shown in the consolidated income and cash flow statements have been translated from TRY, 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 year ended 31 December 2008 of TRY1.8958 = EUR1 and TRY1.2929 = USD1, respectively, and do not form part of these consolidated financial statements.

2.1.4 Convenience Translation into English of Consolidated Financial Statements

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 and 31 December 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2.2 Amendments in International Financial Reporting Standards

Standards, amendments and interpretations effective from 2008

- IFRIC 11, "IFRS 2 - Group and Treasury Share Transactions"
- IFRIC 12, "Service Concession Arrangements"
- IFRIC 13, "Customer Loyalty Programmes"
- IFRIC 14, "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction"

The aforementioned interpretations do not have material effect on the consolidated financial statements.

Standards, amendments and interpretations that are not yet effective in 2008 and have not been early adopted

Effective from 1 January 2009:
- IAS 1 (Amendment), "Presentation of Financial Statements"
- IAS 19 (Amendment), "Employee Benefits"
- IAS 23 (Amendment), "Borrowing Costs"
- IAS 32 (Amendment), "Financial Instruments: Presentation"
- IAS 36 (Amendment), "Impairment of Assets"
- IAS 38 (Amendment), "Intangible Assets"
- IAS 39 (Amendment), "Financial Instruments: Recognition and Measurement"
- IFRS 1 (Amendment) "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements"
- IFRS 2 (Amendment), "Share-based Payment"
- IFRS 8, "Operating Segments"
- IFRIC 15, "Agreements for the Construction of Real Estate"
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation"

Effective from annual periods on or after 1 July 2009:
- IAS 27 (Amendment), "Consolidated and Separate Financial Statements"
- IAS 28 (Amendment), "Investments in Associates" (and accordingly amendments in IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial Instruments - Disclosures")
- IAS 31 (Amendment), "Interests in Joint Ventures"
- IFRS 3 (Amendment), "Business Combinations"
- IFRS 5 (Amendment), "Non-current Assets Held for Sale and Discontinued Operations"
- IFRIC 17, "Distributions of Non-cash Assets to Owners"
- IFRIC 18, "Transfers of Assets from Customers"

Effects of the aforementioned amendments to the consolidated financial statements will be evaluated and applied starting from the effective dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

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

2.3 Restatement and Errors in the Accounting Policies and Estimates

Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

2.4 Summary of Significant Accounting Policies

Accounting policies used in the preparation of consolidated financial statements, consistent with the prior periods, are summarised below:

2.4.1 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.

The table below sets out all Subsidiaries included in the scope of consolidation and shows their ownership and effective interests (%) as of 31 December 2008 and 2007:

	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest shares held by Koç Family members		Total ownership interest	
Subsidiaries	2008	2007	2008	2007	2008	2007	2008	2007
Akpa	40.68	40.68	100.00	100.00	-	-	100.00	100.00
Arctic	37.84	37.84	96.68	96.68	-	-	96.68	96.68
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	49.34	49.13	95.57	95.57	4.43	4.43	100.00	100.00
Bekodutch	32.50	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	39.14	39.14	100.00	100.00	-	-	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 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 Italy	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beko Llc	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	32.50	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	14.75	14.75	93.88	93.88
Beldeyama	76.57	63.30	96.76	79.99	-	0.01	96.76	80.00
Bilkom	82.27	82.27	99.94	99.94	0.06	0.06	100.00	100.00
Blomberg Vertrieb	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Blomberg Werke	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Damla Denizcilik	34.15	-	80.00	-	-	-	80.00	-
Bozkurt	73.92	73.92	83.89	83.89	16.11	16.11	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	34.15	80.00	80.00	-	-	80.00	80.00
Düzey	31.65	31.60	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	83.71	96.50	96.50	-	-	96.50	96.50
Entek	39.88	38.02	88.61	84.74	-	-	88.61	84.74
Fusion Digital	32.50	28.14	100.00	100.00	-	-	100.00	100.00
Grundig AG (1)	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Austria (1)	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Benelux (1)	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Ceska (1)	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Denmark (1)	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Elektronik (2)	32.50	28.36	83.03	72.46	-	-	83.03	72.46
Grundig Espana (1)	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Finland (1)	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig France (1)	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig GmbH (1)	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Hungary (1)	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Italy (1)	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Multimedia (1)	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Norway (1)	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Polska (1)	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Portugal (1)	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Slovakia (1)	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Slovenia (3)	-	14.18	-	50.00	-	-	-	50.00
Grundig Sweden (1)	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Harranova Besi	31.69	33.05	64.36	74.36	25.64	25.64	90.00	100.00

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

Subsidiaries	Proportion of effective interest 2008	2007	Direct and indirect ownership interest held by Koç Holding 2008	2007	Ownership interest shares held by Koç Family members 2008	2007	Total ownership interest 2008	2007
Kav Danışmanlık [4]	-	18.98	-	18.98	-	29.76	-	48.74
Koçnet	100.00	86.07	100.00	100.00	-	-	100.00	100.00
Koç Allianz Hayat [5]	-	49.87	-	51.00	-	-	-	51.00
Koç Allianz Sigorta [5]	-	43.41	-	43.41	-	3.68	-	47.09
Koç Finans	63.57	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	41.11	41.11	41.11	41.11	53.17	53.17	94.28	94.28
Mares	36.81	36.81	36.81	36.81	33.46	33.46	70.27	70.27
Migros [5]	-	50.83	-	50.83	-	0.02	-	50.85
Mogaz	39.82	36.20	97.90	88.97	-	-	97.90	88.97
Opet Aygaz Bulgaria [5]	-	29.96	-	100.00	-	-	-	100.00
Opet Aygaz BV	30.00	29.96	100.00	100.00	-	-	100.00	100.00
Otokar [6]	44.90	44.09	44.92	44.92	-	-	44.92	44.92
Otokoç	96.42	96.42	96.57	96.57	3.43	3.43	100.00	100.00
Otomotiv Lastikleri [5]	-	52.55	-	57.09	-	32.57	-	89.66
Otoyol	53.95	53.95	53.95	53.95	10.18	10.18	64.13	64.13
Palmira	9.85	9.80	20.78	20.78	79.22	79.22	100.00	100.00
Ram Dış Ticaret	57.24	52.86	83.44	83.44	14.66	14.66	98.10	98.10
Rambutya [5]	-	50.83	-	100.00	-	-	-	100.00
Ramstore [5]	-	50.83	-	100.00	-	-	-	100.00
Ramstore Bishkek [5]	-	50.83	-	100.00	-	-	-	100.00
Ramstore Bulgaria [5]	-	50.83	-	100.00	-	-	-	100.00
Ramstore Makedonya [5]	-	50.32	-	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	33.16	33.10	100.00	99.94
Setur	47.38	47.14	81.07	81.07	18.87	18.67	99.94	99.74
Tat Konserve	43.82	39.39	44.07	44.07	7.12	7.12	51.19	51.19
Tat Tohumculuk [6]	16.15	14.82	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	42.69	51.00	51.00	-	-	51.00	51.00
Üsküdar Denizcilik	34.15	-	80.00	-	-	-	80.00	-
Zer Ticaret	39.00	39.00	39.00	39.00	60.00	60.00	99.00	99.00

(1) Grundig Elektronik acquired other 50% shares of Grundig Multimedia (Note 3).
(2) The pre-emptive rights not used in relation with the capital increase of Grundig Elektronik, have been purchased by Arçelik.
(3) Liquidated in 2008.
(4) Kav Danışmanlık Pazarlama ve Ticaret A.Ş. ("Kav Danışmanlık") merged with Koç Holding (Note 3).
(5) Excluded from the scope of consolidation following share transfers.
(6) 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 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 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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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

The table below sets out the Joint Ventures and shows their ownership and effective interests (%) as of 31 December 2008 and 2007:

Subsidiaries	Proportion of effective interest 2008	2007	Direct and indirect ownership interest held by Koç Holding 2008	2007	Ownership interest shares held by Koç Family members 2008	2007	Total ownership interest 2008	2007
Arçelik LG Klima	22.61	22.61	50.00	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	38.46	38.01	38.46	38.46	2.58	2.58	41.04	41.04
Koç Finansal Hizmetler	38.44	38.14	44.84	44.84	5.16	5.16	50.00	50.00
Koçtaş Yapı Market	42.64	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	19.32	19.79	50.00	50.00	-	-	50.00	50.00
Opet Gıda	19.32	19.79	50.00	50.00	-	-	50.00	50.00
Opet International	19.32	19.79	50.00	50.00	-	-	50.00	50.00
Opet Trade BV	19.32	19.79	50.00	50.00	-	-	50.00	50.00
Opet Trade Ireland	19.32	19.79	50.00	50.00	-	-	50.00	50.00
Opet Trade Singapore	19.32	-	50.00	-	-	-	50.00	-
Platform	37.21	37.21	37.86	37.86	-	-	37.86	37.86
Stiching Custody	31.44	35.87	50.00	50.00	-	-	50.00	50.00
TBS	9.66	9.62	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 [1]	-	39.38	-	39.38	-	17.50	-	56.88
Türk Traktör	37.50	37.50	37.50	37.50	-	-	37.50	37.50
Ultra Kablo	40.53	25.36	50.00	50.00	-	-	50.00	50.00
UniCredit Menkul [2]	38.44	-	50.00	-	-	-	50.00	-
Yapı Kredi Azerbaycan	31.44	31.19	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Bankası	31.44	31.19	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Deutschland [3]	-	31.19	-	50.00	-	-	-	50.00
Yapı Kredi SPC	-	-	-	-	-	-	-	-
Yapı Kredi Emeklilik	25.75	29.60	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Faktoring	31.43	31.18	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Finansal Kiralama	31.37	31.12	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Holding	31.44	31.19	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Invest	31.44	-	50.00	-	-	-	50.00	-
Yapı Kredi Menkul	31.43	33.64	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Moscow	31.44	31.19	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Nederland	31.44	35.86	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Portföy	31.42	33.32	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Sigorta	29.53	29.60	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Yatırım	17.62	18.59	50.00	50.00	-	-	50.00	50.00

(1) New Holland Trakmak Traktör ve Ziraat Makinaları A.Ş. ("Trakmak") merged with Türk Traktör.
(2) Acquired by Koç Finansal Hizmetler (Note 3).
(3) Excluded from the scope of consolidation following the share transfers.

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.

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.

2.4.2 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.

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.

2.4.3 Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each Subsidiaries and Joint Ventures of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in TRY, which is Koç Holding's functional and presentation currency.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

Transactions and balances
Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated using the exchange rates at the balance sheet date. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated financial statement as net revenue by the Group companies operating in the finance sector and as financial income or expense by the Group companies operating in non-finance sectors.

Financial statements of foreign subsidiaries and joint ventures
The assets and liabilities, presented in the financial statements of foreign Subsidiaries and Joint Ventures prepared in accordance with the Group's accounting policies, are translated into TRY at the exchange rate at the date of that balance sheet whereas income and expenses are translated at the average exchange rates. Exchange differences resulting from using the exchange rates at the balance sheet date and the average exchange rates are recognised as the "translation differences" under the equity.

2.4.4 Discontinued operations and non-current assets (or disposal groups) held for sale

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and represents a separate major line of business or geographical area of operations. Discontinued operation is a part of a single co-ordinate plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale.

Net assets related with the discontinued operations are measured at fair value less cost to sell. A single amount on the face of the income statements comprising the total of the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less cost to sell or the disposal of the assets constituting the discontinued operation is disclosed. In addition to this, an analysis of the single amount into the revenue/expenses and pre-tax profit or loss of discontinued operations are disclosed. Also, the net cash flows of the discontinued operations associated with the operating, investment and financing activities are specified in the related note.

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.

2.4.5 Related parties

For the purpose of these consolidated financial statements, shareholders, Koç Holding key management personnel, BOD members and Koç Family, and the companies over which these related parties exercise control and significant influence, subsidiaries and joint ventures excluded from the scope of consolidation are considered and expressed as "related parties".

2.4.6 Financial assets

"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.

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". Held-to-maturity investments are carried at amortised cost using the effective yield method.

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. Available-for-sale investments are subsequently measured at fair value. Available-for-sale investments that are quoted in active markets are measured based on current bid prices. If the market for a financial asset is not active the fair value is determined by using valuation techniques such as discounted cash flow analysis and option pricing models. Debt securities that are quoted in an active market but have trading volumes considerably lower compared to their issue amounts are valued using the indicative prices announced by the CBRT.

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.

"Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "cash and cash equivalents", "trade receivables" and "loans and advances to customers".

The appropriate classification of financial assets is determined at the time of the purchase and re-evaluated by management on a regular basis.

2.4.7 Repurchase and resale transactions

Securities sold subject to linked repurchase agreements ("repo") are classified 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.

2.4.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

2.4.9 Trade receivables and provision for doubtful receivables

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

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

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

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

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

2.4.10 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 in the consolidated financial statements when cash is advanced to borrowers.

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

The provision for loan 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.

2.4.11 Credit finance income/expenses

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

2.4.12 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.

2.4.13 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).

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.

2.4.14 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	3 - 50 years
Machinery and equipment	3 - 35 years
Furniture and fixtures	4 - 15 years
Motor vehicles	4 - 15 years
Leasehold improvements	Shorter of lease period or usef lives

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.

2.4.15 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 is impaired,
the carrying amount of the intangible asset is reduced to its recoverable amount and the impairment loss is recognised as an expense.

2.4.16 Leases

a) 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.

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

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.

b) 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, total of deferred financial income on the transaction date, 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 is recognised in the consolidated income statement on a straight-line basis over the lease term.

2.4.17 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.

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.

2.4.18 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.

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.

2.4.19 Financial liabilities and customer deposits
Financial liabilities and customer deposits are measured initially at fair value, net of transaction costs incurred. These financial liabilities are subsequently stated at amortised cost using the effective interest method. Financial liabilities subject to hedging are accounted within the framework of hedge accounting.

2.4.20 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.

b) Pension rights

Personnel of Yapı Kredi Bankası, a Joint Venture of the Group, are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("the Fund") which was established in accordance with the 20th temporary article of the Social Security Law No. 506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the "Regulation regarding the Actuaries" by a registered independent actuary.

Temporary article 23 paragraph one of the Banking Act published in the Official Gazette dated 1 November 2005 numbered 25983 stated that foundations like the Fund are to be transferred to the Social Security Institution ("SSI") within three years beginning from the published date of the article.

Law article related to the transfer was cancelled (pursuant application by the President on 2 November 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated 22 March 2007) published in the Official Gazette No. 26479 dated 31 March 2007, and the effect of the law article stopped from the date of the publication 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 26372. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" numbered 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on 17 April 2008. The New Law was published in the Official Gazette dated 8 May 2008, numbered 26870 and came into force.

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007
(Amounts expressed in thousands of New Turkish Lira ("TRY") unless otherwise indicated.)

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

In the New Law, it has been decided to form a committee whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organisation, BRSA and Saving Deposit Insurance Fund representing the Fund and one member representing the Fund members. This committee is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9.8% taking into consideration the excess of salaries and income in accordance with the SSI arrangements over the income and expense of the insurance branches of the Funds related to the members of the Fund as of the date of the transfer including the members who have left the scheme and salaries and income of whom were paid by the Funds. In accordance with the New Law, the social rights and payments of Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will be provided by the Fund and the employers of the Fund members.

The main opposition party has applied to the Constitutional Court at 19 June 2008 for cancellation of some articles and requested them to be ineffective until the case of abrogation is finalised. As of the date of the publication of the financial statements, there is no decision of the Constitutional Court announced regarding the court case of abrogation. The Bank provided provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

2.4.21 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.

2.4.22 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.

2.4.23 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 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.

2.4.24 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.

2.4.25 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. 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).

2.4.26 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.

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

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

2.4.27 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.

2.4.28 Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, one that takes a substantial period of time to get ready for use or sale, 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. Borrowing costs that are not in this scope are recognised directly the income statement.

2.4.29 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 a hedge of the fair value of a recognised asset or liability ("fair value hedge"), or 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.

The portion of the gain or loss on the hedging instrument of a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit or loss.

The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised directly in equity is recognised in profit or loss on disposal of the foreign operation.

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.

2.4.30 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 equity. 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.

2.4.31 Events after the balance sheet date
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.

2.4.32 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.

2.5 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. The accounting assessments, forecasts and assumptions are reviewed continuously considering the past experiences, other factors and the reasonable expectations about the future events under current conditions. 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.

NOTE 3 - BUSINESS COMBINATIONS

Business combinations in 2008

i) Grundig Elektronik, a Subsidiary of the Group, acquired 50% shares of Grundig Multimedia B.V., a Joint Venture of the Group, from Alba Europe Ltd, its joint venture partner on 31 March 2008. Thus, the shares of Grundig Elektronik in Grundig Multimedia B.V. increased to 100%.

The details of the net assets acquired and the goodwill are as follows:

Acquisition cost (1)	70,849
Liabilities attributable to the acquisition (2)	13,595
Total acquisition cost	84,444
Net assets acquired	(73,891)
Goodwill at the acquisition date	10,553
Effect of the change in contingent liabilities attributable to acquisition (3)	(4,332)
Goodwill	**6,221**

NOTE 3 - BUSINESS COMBINATIONS (Continued)

(1) Costs directly attributable to the acquisition were included.
(2) The portion of the purchase consideration was determined as certain percentages of revenue earned under the Grundig brand in United Kingdom and Ireland between the years 2008 - 2012 and will be paid in five yearly instalments. The percentages are 4% for the years 2008 - 2010 (the consideration 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.
(3) The royalty income forecasts from the sales in United Kingdom and Ireland under Grundig brand, which are used for determination of the contingent liability at the acquisition date, were revised in accordance with the actual sales realised in 2008. Decrease in the contingent liability resulted from the change in royalty income forecasts are adjusted reciprocally with goodwill in compliance with IFRS 3.

The fair values of identifiable assets and liabilities arising from the acquisition (50%) are as follows:

Cash and cash equivalents	15,603
Trade receivables	92,092
Inventories	60,509
Financial assets	36
Investment property	4,170
Property, plant and equipment	1,047
Intangible assets	94,301
Other current and non-current assets	4,640
Financial liabilities	(11,304)
Trade payables	(113,746)
Deferred tax liabilities	(21,612)
Other liabilities	(51,845)
Net assets acquired	**73,891**
Acquisition cost	(70,849)
Cash and cash equivalents - acquired	15,603
Cash outflow on acquisition (net)	**(55,246)**

ii) Koç Finansal Hizmetler, a Joint Venture of the Group, acquired all the shares of San Menkul Değerler A.Ş. on 15 August 2008. Following the acquisition, the company's name has been changed and registered as UniCredit Menkul Değerler A.Ş.

The details of the goodwill are as follows:

Acquisition cost	1,604
Net assets acquired	(489)
Goodwill	**1,115**

Business combinations in 2007

Ardutch, a Subsidiary of the Group, acquired all the shares of Changzhou Casa Shinco Electrical Appliances Co. Ltd., a company operating in People's Republic of China on 24 September 2007. Following the acquisition, the company's name has been changed and registered as Chagzhou Beko Electrical Appliances Co. Ltd.

The details of the net assets acquired and the goodwill are as follows:

Total acquisition cost (*)	12,576
Net assets acquired	(10,987)
Goodwill	**1,589**

(*) Costs directly attributable to the acquisition were included.

The fair values of identifiable assets and liabilities arising from the acquisition are as follows:

Cash and cash equivalents	4,699
Inventories	3,824
Property, plant and equipment	16,531
Intangible assets	1,575
Trade and other receivables	6,293
Financial liabilities	(4,294)
Trade and other payables	(17,641)
Net assets acquired	**10,987**
Acquisition cost	(12,576)
Cash and cash equivalents - acquired	4,699
Cash outflow on acquisition (net)	**(7,877)**

Legal mergers in 2008

- Türk Traktör ve Ziraat Makinaları A.Ş. merged with NH Trakmak Traktör ve Ziraat Makinaları A.Ş. on 31 March 2008,
- Koç Holding A.Ş. merged with Kav Danışmanlık Pazarlama ve Ticaret A.Ş. on 23 July 2008, by acquiring related assets and liabilities as a whole.

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 related assets and liabilities as a whole.

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

NOTE 4 - INTEREST IN JOINT VENTURES

The aggregate amounts of assets, liabilities and profit/loss of the Joint Ventures, which are proportionately consolidated in the consolidated financial statements, before consolidation adjustments are as follows:

	2008	2007
Current assets	20,341,826	15,929,005
Non-current assets	18,888,753	16,169,442
Total assets	**39,230,579**	**32,098,447**
Current liabilities	29,145,267	24,169,096
Non-current liabilities	4,743,814	3,616,100
Equity	5,341,498	4,313,251
Total liabilities and equity	**39,230,579**	**32,098,447**

	2008	2007
Total revenue	14,995,949	13,683,299
Operating profit (net)	1,355,103	1,200,714
Profit for the period (net)	950,965	840,004

NOTE 5 - SEGMENT REPORTING

a) Revenue	2008	2007
Energy	34,561,056	26,231,431
Automotive	6,434,925	6,510,009
Consumer durables	6,876,061	7,110,024
Finance	5,833,540	5,382,552
Other	1,925,529	1,568,218
	55,631,111	**46,802,234**

b) Operating profit	2008	2007
Energy	1,569,619	1,594,610
Automotive	476,100	481,429
Consumer durables	432,320	530,045
Finance	850,520	716,816
Other (*)	1,707,186	271,229
	5,035,745	**3,594,129**

(*) Gain on sale of investment amounting to TRY1,654,211 thousand (Note 26) has been disclosed under the "Other" sector in which Koç Holding is classified (2007: TRY156,685 thousand).

c) Segment analysis for the period

1 January - 31 December 2008

				Finance						Inter	
	Energy	Automotive	Consumer Durables	Banking	Insurance	Consumer Finance	Intra Segment	Total Finance	Other	Segment Elimination	Total
External revenue	34,561,056	6,434,925	6,876,061	4,716,499	875,731	241,310	-	5,833,540	1,925,529	-	55,631,111
Inter segment revenue	61,838	65,194	117,691	57,213	60,266	1,850	-	119,329	87,731	(451,783)	-
Revenue	**34,622,894**	**6,500,119**	**6,993,752**	**4,773,712**	**935,997**	**243,160**	**-**	**5,952,869**	**2,013,260**	**(451,783)**	**55,631,111**
Total costs	**(32,144,411)**	**(5,543,305)**	**(5,074,300)**	**(2,687,720)**	**(835,631)**	**(179,497)**	**6,616**	**(3,696,232)**	**(1,492,552)**	**353,431**	**(47,597,369)**
Gross profit	**2,478,483**	**956,814**	**1,919,452**	**2,085,992**	**100,366**	**63,663**	**6,616**	**2,256,637**	**520,708**	**(98,352)**	**8,033,742**
Operating expenses											
Marketing, selling and distribution	(420,801)	(265,239)	(1,107,250)	(45,431)	(7,491)	(8,510)	-	(61,432)	(211,630)	-	(2,066,352)
General administrative	(523,419)	(157,969)	(303,342)	(948,798)	(113,079)	(19,280)	-	(1,081,157)	(270,663)	185,114	(2,151,436)
Research and development	(2,398)	(57,177)	(56,394)	-	-	-	-	-	(17)	-	(115,986)
Other income/expenses (net)	25,097	(10,039)	(6,550)	(293,326)	(2,400)	(32,004)	-	(327,730)	1,663,219	(8,220)	1,335,777
	1,556,962	**466,390**	**445,916**					**786,318**	**1,701,617**	**78,542**	**5,035,745**
Inter segment profit elimination	12,657	9,710	(13,596)					64,202	5,569	(78,542)	-
Operating profit	**1,569,619**	**476,100**	**432,320**					**850,520**	**1,707,186**	**-**	**5,035,745**

1 January - 31 December 2007

				Finance						Inter	
	Energy	Automotive	Consumer Durables	Banking	Insurance	Consumer Finance	Intra Segment	Total Finance	Other	Segment Elimination	Total
External revenue	26,231,431	6,510,009	7,110,024	3,975,526	1,225,465	181,561	-	5,382,552	1,568,218	-	46,802,234
Inter segment revenue	70,324	63,381	149,490	34,336	73,052	6,857	-	114,245	105,227	(502,667)	-
Revenue	**26,301,755**	**6,573,390**	**7,259,514**	**4,009,862**	**1,298,517**	**188,418**	**-**	**5,496,797**	**1,673,445**	**(502,667)**	**46,802,234**
Total costs	**(23,976,358)**	**(5,647,829)**	**(5,317,659)**	**(2,257,650)**	**(1,152,965)**	**(128,080)**	**9,719**	**(3,528,976)**	**(1,243,942)**	**358,911**	**(39,355,853)**
Gross profit	**2,325,397**	**925,561**	**1,941,855**	**1,752,212**	**145,552**	**60,338**	**9,719**	**1,967,821**	**429,503**	**(143,756)**	**7,446,381**
Operating expenses											
Marketing, selling and distribution	(324,836)	(288,666)	(1,030,668)	(63,664)	(12,395)	(9,301)	-	(85,360)	(174,852)	-	(1,904,382)
General administrative	(470,646)	(166,371)	(321,454)	(828,150)	(146,894)	(16,730)	-	(991,774)	(218,733)	212,299	(1,956,679)
Research and development	(2,739)	(35,577)	(32,492)	-	-	-	-	-	(174)	-	(70,982)
Other income/expenses (net)	51,475	35,637	(8,347)	(215,148)	7,188	(10,700)	-	(218,660)	227,705	(8,019)	79,791
	1,578,651	**470,584**	**548,894**					**672,027**	**263,449**	**60,524**	**3,594,129**
Inter segment profit elimination	15,959	10,845	(18,849)					44,789	7,780	(60,524)	-
Operating profit	**1,594,610**	**481,429**	**530,045**					**716,816**	**271,229**	**-**	**3,594,129**

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

NOTE 5 - SEGMENT REPORTING (Continued)

d) Segment assets and liabilities

	2008	2007
Total assets		
Energy	15,440,875	15,528,346
Automotive	3,528,236	3,367,058
Consumer durables	6,208,600	5,588,673
Finance	35,745,811	30,059,380
Other	3,547,082	1,981,716
Segment assets	**64,470,604**	**56,525,173**
Assets held for sale	48,644	2,830,678
Deferred tax assets	370,835	351,234
Total assets	**64,890,083**	**59,707,085**
Total liabilities		
Energy	9,099,123	8,805,833
Automotive	2,000,777	1,946,886
Consumer durables	4,665,200	4,157,740
Finance	30,891,547	26,258,099
Other	1,203,690	1,380,001
Segment liabilities	**47,860,337**	**42,548,559**
Liabilities held for sale	34,039	1,313,885
Deferred tax liabilities	761,936	639,599
Current income tax liabilities	102,111	146,661
Total liabilities	**48,758,423**	**44,648,704**

e) Segment capital expenditures, depreciation and amortisation

	2008	2007
Capital expenditures		
Energy	725,694	572,709
Automotive	397,120	403,667
Consumer durables	267,248	324,911
Finance	114,632	93,987
Other	**135,304**	**96,940**
Segment capital expenditures	**1,639,998**	**1,492,214**
Discontinued operations	46,922	219,175
Total capital expenditures	**1,686,920**	**1,711,389**
Depreciation and amortisation		
Energy	314,906	298,942
Automotive	183,196	149,331
Consumer durables	174,768	157,566
Finance	85,077	86,997
Other	**57,345**	**44,290**
Segment depreciation and amortisation	**815,292**	**737,126**
Discontinued operations	39,921	110,275
Total depreciation and amortisation	**855,213**	**847,401**

f) Non-cash expenses/(income)

			2008			
Changes in provisions	Energy	Automotive	Consumer durables	Finance	Other	Total
Customer premiums	-	(3,257)	10,268	-	-	7,011
Warranty and assembly provision	(206)	(6,755)	(10,945)	-	(174)	(18,080)
Insurance technical reserves	-	-	-	89,510	-	89,510
Provision for loans and doubtful receivables	5,764	8,431	28,105	(15,406)	2,436	29,330
Provision for the Fund	-	-	-	85,044	-	85,044
Employee termination benefits	1,904	4,886	4,148	(3,233)	(3,285)	4,420
Impairment on property, plant and equipment	-	18,349	-	926	11,297	30,572
Impairment on inventories	68,211	-	2,278	-	(1,339)	69,150
	75,673	**21,654**	**33,854**	**156,841**	**8,935**	**296,957**

			2007			
Changes in provisions	Energy	Automotive	Consumer durables	Finance	Other	Total
Customer premiums	-	(2,527)	(4,108)	-	-	(6,635)
Warranty and assembly provision	206	3,901	(94,036)	-	1,995	(87,934)
Insurance technical reserves	-	-	-	87,249	-	87,249
Provision for loans and doubtful receivables	6,088	1,969	(623)	35,083	9,040	51,557
Provision for the Fund	-	-	-	2,519	-	2,519
Employee termination benefits	13,729	(10,799)	2,735	(5,219)	2,589	3,035
Impairment on property, plant and equipment	-	-	-	-	-	-
Impairment on inventories	(2,565)	1,618	4,016	-	(1,551)	1,518
	17,458	**(5,838)**	**(92,016)**	**119,632**	**12,073**	**51,309**

NOTE 5 - SEGMENT REPORTING (Continued)

g) Finance sector operating results

	2008	2007
Finance sector operating profit		
Banking operating profit (*)	875,001	712,449
Consumer finance operating profit	3,701	16,870
Insurance operating loss	(28,182)	(12,503)
Total	**850,520**	**716,816**

(*) Banking operating profit

	2008	2007
Net revenues		
Interest income	3,697,117	3,211,050
Commission income	915,362	669,593
Foreign exchange gains (net)	49,910	63,605
Other operating income	54,110	31,278
Total operating revenues	**4,716,499**	**3,975,526**
Operating expenses		
Interest expense	(2,386,093)	(1,990,483)
Commission expense	(167,044)	(165,400)
Provision expense for loan impairment losses	(211,609)	(160,898)
Other operating expenses	(1,076,752)	(946,296)
Total operating expenses	**(3,841,498)**	**(3,263,077)**
Banking operating profit	**875,001**	**712,449**

NOTE 6 - CASH AND CASH EQUIVALENTS

	2008			2007		
	Banking	Other	Total	Banking	Other	Total
Cash in hand	301,977	2,112	304,089	217,961	1,687	219,648
Cheques received	186	147,625	147,811	540	173,893	174,433
Due from banks						
- Demand deposits	261,888	524,977	786,865	220,669	764,157	984,826
- Time deposits	1,221,039	3,655,049	4,876,088	460,368	1,162,001	1,622,369
- Reverse repurchase agreements	-	9,748	9,748	-	9,916	9,916
Money markets	113,981	-	113,981	209,870	-	209,870
Central banks						
- Reserve requirements	1,610,037	-	1,610,037	1,376,495	-	1,376,495
- Other balances	444,425	-	444,425	271,236	-	271,236
Other	1,880	34,471	36,351	3,962	40,592	44,554
	3,955,413	**4,373,982**	**8,329,395**	**2,761,101**	**2,152,246**	**4,913,347**

As of 31 December 2008, total long-term bank balances amount to TRY203,964 thousand (2007: TRY106,374 thousand). All reverse repurchase agreements are with maturity periods of less than three months.

As of 31 December 2008, total blocked deposits amount to TRY398,547 thousand (2007: TRY145,563 thousand).

Reserve deposits at the central banks

	2008	2007
Central Bank of the Republic of Turkey	1,546,541	1,363,582
Other central banks	63,496	12,913
	1,610,037	**1,376,495**

Reserve deposits requirements of the CBRT represent the minimum deposits, as required by the Turkish Banking Law, calculated on the basis of local and foreign currency denominated customer deposits taken at the rates determined by the CBRT which are 6% (2007: 6%) and 9% (2008: 11%), respectively. These funds cannot be used for financing the daily operations of the banks.

Other balances with the central banks

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.

NOTE 7 - FINANCIAL ASSETS

	2008			2007		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Financial assets at fair value through profit or loss	214,480	-	214,480	346,088	-	346,088
Available-for-sale investments	229,965	794,904	1,024,869	289,279	1,055,017	1,344,296
Held-to-maturity investments	288,084	6,064,940	6,353,024	938,786	5,586,537	6,525,323
	732,529	**6,859,844**	**7,592,373**	**1,574,153**	**6,641,554**	**8,215,707**

a) Financial assets at fair value through profit or loss

	2008			2007		
	Banking	Other	Total	Banking	Other	Total
Debt securities:						
Government bonds	17,724	22,140	39,864	10,430	150,637	161,067
Eurobond	77,370	16,248	93,618	80,853	52,734	133,587
Treasury bills	32,921	-	32,921	14,312	288	14,600
Other	17,793	21,490	39,283	503	20,910	21,413
	145,808	59,878	205,686	106,098	224,569	330,667
Equity securities:						
Listed	8,771	23	8,794	9,579	5,842	15,421
	154,579	**59,901**	**214,480**	**115,677**	**230,411**	**346,088**

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NOTE 7 - FINANCIAL ASSETS (Continued)

b) Available-for-sale investments

	2008			2007		
	Banking	Other	Total	Banking	Other	Total
Debt securities:						
Government bonds	244,157	176,505	420,662	92,948	851,052	944,000
Eurobond	176,521	149,907	326,428	14,795	144,482	159,277
Treasury bills	34,389	1,063	35,452	49,661	994	50,655
Other	123,694	-	123,694	37,244	-	37,244
	578,761	327,475	906,236	194,648	996,528	1,191,176
Equity securities:						
Listed	26,644	9,943	36,587	30,368	23,426	53,794
Unlisted	43,137	38,909	82,046	28,225	71,101	99,326
	648,542	**376,327**	**1,024,869**	**253,241**	**1,091,055**	**1,344,296**

The list of equity securities and the shareholding rates are as follows:

	2008		2007	
	TRY'000	(%)	TRY'000	(%)
Listed:				
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	15,677	15.22	16,928	15.22
Altınyunus Çeşme Turistik Tesisler A.Ş.	9,451	30.00	23,426	30.00
Mastercard Incorporated	5,724	0.03	13,372	0.06
Visa Incorporated	5,191	0.01	-	-
Other	544	-	68	-
	36,587		**53,794**	
Unlisted:				
Banque de Commerce et de Placements S.A.	27,797	15.34	19,110	15.34
Koç Statoil Gaz Toptan Satış A.Ş.	12,554	50.00	12,554	50.00
Takas ve Saklama Bankası A.Ş.	6,190	2.43	6,180	2.43
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	5,876	88.00	4,053	67.00
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
Koç Statoil Gaz İletim A.Ş.	3,291	50.00	3,291	50.00
Demrad Döküm Ürünleri Sınai ve Tic. A.Ş.	-	-	27,953	99.99
Other	16,158		16,005	
	82,046		**99,326**	

Unlisted available-for-sale investments (that are not quoted in an active market), that do not have a quoted fair value or fair value cannot be reliably measured through alternative methods, are measured at cost less any impairment.

Available-for-sale investments, in which the Group, 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 TRY81,904 thousand as of 31 December 2008 (2007: TRY93,909 thousand).

c) Held-to-maturity investments

	2008			2007		
	Banking	Other	Total	Banking	Other	Total
Debt securities:						
Government bonds	3,397,059	-	3,397,059	3,685,476	-	3,685,476
Eurobond	2,955,965	-	2,955,965	2,777,013	23,678	2,800,691
Treasury bills	-	-	-	38,256	-	38,256
Other	-	-	-	900	-	900
	6,353,024	**-**	**6,353,024**	**6,501,645**	**23,678**	**6,525,323**

The details of debt securities that are pledged under repurchase agreements are as follows:

	2008	2007
Financial assets at fair value through profit or loss	53,227	50,907
Available-for-sale investments	9,320	-
Held-to-maturity investments	372,482	882,447
	435,029	**933,354**

The details of debt securities that are blocked in favour of the Turkish Treasury by the subsidiaries and joint ventures of the Group in the insurance sector are as follows:

	2008	2007
Financial assets at fair value through profit or loss	33,832	158,857
Available-for-sale investments	260,733	685,404
Held-to-maturity investments	-	19,911
	294,565	**864,172**

Koç Holding A.Ş.

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Trade receivables	**2008**	**2007**
Trade receivables	3,582,627	4,288,909
Notes and cheques receivables	1,627,040	1,768,436
Other	1,996	3,033
	5,211,663	6,060,378
Less: Provision for doubtful receivables	(159,180)	(138,451)
	5,052,483	5,921,927
Due from related parties (Note 28)	122,105	238,016
Total trade receivables	5,174,588	6,159,943
Less: Long-term trade receivables	(118,593)	(97,266)
Short-term trade receivables	**5,055,995**	**6,062,677**

Movement of provision for doubtful receivables is as follows:

Beginning of the period - 1 January	**138,451**	**138,483**
Increase during the period	43,782	40,237
Collections	(6,833)	(21,685)
Transfers (1)	(1,166)	(6,332)
Disposals from the scope of consolidation (2)	(23,079)	(12,252)
Acquisitions (3)	8,025	-
End of the period - 31 December	**159,180**	**138,451**

(1) Transferred to assets held for sale.
(2) Related to the sale of Koç Allianz Sigorta, Koç Allianz Hayat and Otomotiv Lastikleri in 2008; Birleşik Oksijen Sanayi and Türk Demirdöküm in 2007.
(3) Related to the acquisition of Grundig Multimedia.

Trade payables	**2008**	**2007**
Trade payables	3,236,186	4,410,541
Notes payables	7,065	9,046
Other	12,271	10,244
	3,255,522	4,429,831
Due to related parties (Note 28)	144,892	239,758
Short-term trade payables	**3,400,414**	**4,669,589**

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS

2008	**Corporate and commercial loans**	**Consumer loans**	**Credit card loans**	**Leasing loans**	**Factoring loans**	**Total**
Performing loans	11,863,614	4,041,507	3,525,316	1,224,500	482,782	21,137,719
Watch listed loans	406,664	125,318	197,454	83,086	-	812,522
Loans under legal follow-up	444,894	199,005	246,931	91,549	2,492	984,871
Gross	**12,715,172**	**4,365,830**	**3,969,701**	**1,399,135**	**485,274**	**22,935,112**
Less: Provision for impairment	(464,350)	(102,290)	(224,623)	(56,838)	(5,356)	(853,457)
Net	**12,250,822**	**4,263,540**	**3,745,078**	**1,342,297**	**479,918**	**22,081,655**
Less: Long-term loans and advances						(8,972,926)
Short-term loans and advances						**13,108,729**

2007	**Corporate and commercial loans**	**Consumer loans**	**Credit card loans**	**Leasing loans**	**Factoring loans**	**Total**
Performing loans	8,835,205	3,074,399	3,117,558	1,111,977	341,932	16,481,071
Watch listed loans	109,757	108,103	181,118	44,309	-	443,287
Loans under legal follow-up	590,715	79,578	202,618	42,078	2,037	917,026
Gross	**9,535,677**	**3,262,080**	**3,501,294**	**1,198,364**	**343,969**	**17,841,384**
Less: Provision for impairment	(644,233)	(80,875)	(250,753)	(37,737)	(4,055)	(1,017,653)
Net	**8,891,444**	**3,181,205**	**3,250,541**	**1,160,627**	**339,914**	**16,823,731**
Less: Long-term loans and advances						(7,347,119)
Short-term loans and advances						**9,476,612**

As of 31 December 2008, the fair value of the guarantees received related with the Group's watch listed loans and loans under legal follow-up amounts to TRY534,328 thousand (2007: TRY255,037 thousand).

Movement of provision for impairment of loans and advances to customers is as follows:

	2008	**2007**
Beginning of the period - 1 January	**1,017,653**	**979,907**
Provisions for loan losses during the period	449,580	301,176
Recoveries of amounts previously provided	(253,569)	(112,600)
Write-off during the period as uncollectible	(179,050)	(155,765)
Disposals due to sale of non-performing loan portfolio	(181,234)	-
Translation differences	77	4,935
End of the period - 31 December	**853,457**	**1,017,653**

Koç Holding A.Ş.

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NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Net investment in finance leases is shown below:

	2008	**2007**
Gross investment in finance leases	1,480,115	1,360,268
Less: Unearned finance income	(255,615)	(248,291)
Investment in finance leases (net)	**1,224,500**	**1,111,977**

Leasing receivables consist of rentals over the terms of leases.

The rentals according to their maturities are as follows:

	2008	**2007**
2008	-	548,556
2009	605,860	386,172
2010 and over	874,255	425,540
Less: Unearned finance income	(255,615)	(248,291)
	1,224,500	**1,111,977**

NOTE 10 - INVENTORIES

	2008	**2007**
Raw materials and supplies	1,496,300	2,086,727
Finished goods	912,550	1,193,359
Merchandise	930,684	951,951
Work in progress	322,918	291,889
Other inventories	11,945	3,259
Total inventories (net)	**3,674,397**	**4,527,185**

Movement of provision for impairment on inventories is as follows:

	2008	**2007**
Beginning of the period - 1 January	**51,358**	**50,083**
Increase during the period	85,295	27,652
Reversal of provisions	(7,439)	-
Acquisitions (1)	6,336	-
Transfers (2)	(1,400)	-
Disposals from the scope of consolidation (3)	-	(243)
Realised due to sale of inventory	(13,642)	(26,134)
End of the period - 31 December	**120,508**	**51,358**

(1) Related to the acquisition of Grundig Multimedia.
(2) Transferred to assets held for sale.
(3) Related to the disposal of Türk Demirdöküm.

NOTE 11 - INVESTMENT PROPERTY

	2008	**2007**
As of 1 January		
Cost	53,285	162,783
Accumulated depreciation	(4,712)	(11,728)
Net book value	**48,573**	**151,055**
Opening net book value	**48,573**	**151,055**
Acquisitions (Note 3)	4,170	-
Additions	70	85
Disposals	(2,473)	(105)
Transfers (1)	31,513	8,786
Disposals from the scope of consolidation (2)	(6,378)	(98,417)
Translation differences	1,230	(10,849)
Current period depreciation	(1,277)	(1,982)
Closing net book value	**75,428**	**48,573**
As of 31 December		
Cost	115,662	53,285
Accumulated depreciation	(40,234)	(4,712)
Net book value	**75,428**	**48,573**

(1) Transferred from property, plant and equipment.
(2) Related to the sales of Koç Allianz Sigorta in 2008 and Ramenka in 2007.

As of 31 December 2008 the fair value of the investment property has been determined as TRY87,058 thousand (2007: TRY48,760 thousand).

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Constructions in progress	Leasehold improvements	Total
1 January 2008								
Cost	2,505,807	2,492,756	9,697,399	706,896	984,461	511,125	265,525	17,163,969
Accumulated depreciation	(149,957)	(1,145,370)	(4,788,402)	(275,094)	(763,105)	-	(143,574)	(7,265,502)
Net book value	**2,355,850**	**1,347,386**	**4,908,997**	**431,802**	**221,356**	**511,125**	**121,951**	**9,898,467**
Opening net book value	**2,355,850**	**1,347,386**	**4,908,997**	**431,802**	**221,356**	**511,125**	**121,951**	**9,898,467**
Acquisitions (Note 3)	-	242	342	162	205	96	-	1,047
Additions	7,136	9,197	164,242	129,867	120,975	915,318	49,840	1,396,575
Disposals	(14,107)	(6,463)	(13,485)	(48,947)	(14,352)	(8,355)	(1,933)	(107,642)
Transfers (1)	135,712	60,883	490,547	78,700	35,839	(818,024)	45,091	28,748
Disposals from the scope of consolidation (2)	(9,285)	(30,755)	(4,196)	(1,266)	(5,295)	(918)	(155)	(51,870)
Translation differences	778	12,734	14,848	588	546	1,405	(105)	30,794
Impairment	-	(11,798)	(17,250)	-	(855)	(323)	(346)	(30,572)
Current period depreciation	(45,342)	(64,152)	(443,862)	(39,974)	(81,116)	-	(37,393)	(711,839)
Closing net book value	**2,430,742**	**1,317,274**	**5,100,183**	**550,932**	**277,303**	**600,324**	**176,950**	**10,453,708**
31 December 2008								
Cost	2,623,787	2,429,673	10,234,333	850,038	1,051,462	600,324	348,288	18,137,905
Accumulated depreciation	(193,045)	(1,112,399)	(5,134,150)	(299,106)	(774,159)	-	(171,338)	(7,684,197)
Net book value	**2,430,742**	**1,317,274**	**5,100,183**	**550,932**	**277,303**	**600,324**	**176,950**	**10,453,708**

(1) TRY28,748 thousand have been transferred between property, plant and equipment, assets held for sale, investment property and intangible assets. Other transfers are realised from constructions in progress to other line items within property, plant and equipment.
(2) Related to the sales of Koç Allianz Sigorta, Koç Allianz Hayat, Otomotiv Lastikleri and Opet Aygaz Bulgaria.

There are TRY12,689 thousand of mortgages on property, plant and equipment as of 31 December 2008.

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Constructions in progress	Leasehold improvements	Total
1 January 2007								
Cost	2,488,144	3,106,849	9,491,726	676,619	1,136,952	1,015,391	747,202	18,662,883
Accumulated depreciation	(123,551)	(1,326,858)	(5,165,814)	(290,251)	(850,810)	-	(357,424)	(8,114,708)
Net book value	**2,364,593**	**1,779,991**	**4,325,912**	**386,368**	**286,142**	**1,015,391**	**389,778**	**10,548,175**
Opening net book value	**2,364,593**	**1,779,991**	**4,325,912**	**386,368**	**286,142**	**1,015,391**	**389,778**	**10,548,175**
Acquisitions (Note 3)	-	9,174	6,608	749	-	-	-	16,531
Additions	33,875	23,269	187,723	135,651	106,371	986,268	54,574	1,527,731
Disposals	(17,805)	(57,452)	(20,244)	(46,452)	(7,318)	(49,145)	(1,922)	(200,338)
Transfers (1)	13,877	(78,274)	950,316	19,783	(49,372)	(1,393,725)	(224,800)	(762,195)
Additions to the scope of consolidation (2)	3,942	15,867	7,494	1,366	2,958	-	881	32,508
Disposals from the scope of consolidation (3)	(4,448)	(220,954)	(92,943)	(2,900)	(30,067)	(42,457)	(20,525)	(414,294)
Translation differences	(444)	(45,467)	(18,299)	(4,989)	(2,634)	(5,207)	107	(76,933)
Current period depreciation	(37,740)	(78,768)	(437,570)	(57,774)	(84,724)	-	(76,142)	(772,718)
Closing net book value	**2,355,850**	**1,347,386**	**4,908,997**	**431,802**	**221,356**	**511,125**	**121,951**	**9,898,467**
31 December 2007								
Cost	2,505,807	2,492,756	9,697,399	706,896	984,461	511,125	265,525	17,163,969
Accumulated depreciation	(149,957)	(1,145,370)	(4,788,402)	(275,094)	(763,105)	-	(143,574)	(7,265,502)
Net book value	**2,355,850**	**1,347,386**	**4,908,997**	**431,802**	**221,356**	**511,125**	**121,951**	**9,898,467**

(1) The property, plant and equipment amounting to TRY794,267 thousand, TRY8,786 thousand and TRY40,858 thousand have been transferred to assets held for sale (Note 31), to investment property (Note 11) and from other non-current assets, respectively.
(2) Related to the addition of Harranova Besi to the scope of the consolidation.
(3) Related to the sales of Türk Demirdöküm, Birleşik Oksijen Sanayi and Ramenka.

There are TRY186,320 thousand of mortgages on property, plant and equipment as of 31 December 2007.

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NOTE 13 - INTANGIBLE ASSETS

	Rights	Brand	Development Costs	Other	Total
1 January 2008					
Cost	722,551	110,526	448,393	65,973	1,347,443
Accumulated amortisation	(245,715)	(18,347)	(157,072)	(45,473)	(466,607)
Net book value	**476,836**	**92,179**	**291,321**	**20,500**	**880,836**
Acquisitions (1)	-	93,929	-	372	94,301
Fair value differences (1)	-	71,701	-	-	71,701
Additions	34,103	-	199,818	9,432	243,353
Disposals	(723)	-	(136)	(652)	(1,511)
Transfers (2)	756	-	(15,418)	(136)	(14,798)
Disposals from the scope of consolidation (3)	(2,300)	-	-	-	(2,300)
Translation differences	15,606	-	778	199	16,583
Current period amortisation	(36,301)	(8,154)	(52,807)	(4,914)	(102,176)
Closing net book value	**487,977**	**249,655**	**423,556**	**24,801**	**1,185,989**
31 December 2008					
Cost	751,220	276,156	619,401	71,116	1,717,893
Accumulated amortisation	(263,243)	(26,501)	(195,845)	(46,315)	(531,904)
Net book value	**487,977**	**249,655**	**423,556**	**24,801**	**1,185,989**

(1) As a result of the Grundig acquisition (the 50%) realised in 2004, the corresponding 50% of intangible assets have been accounted for. According to the Grundig acquisition realised in 2008 (the other 50%), all the intangible assets with the net book value amounting to TRY45.200 thousand have been accounted for with their total fair value determined as TRY188,602 thousand (Grundig brand: TRY173,446 thousand, trademark license: TRY13,061 thousand and other: TRY2,095 thousand) in accordance with IFRS 3. Consequently, the portion related to the acquisition in 2008 (50%: TRY94,301 thousand) has been accounted for as the acquisition, and the difference between the portion related to the acquisition realised in 2004 (50%: TRY94,301 thousand) and the net book value (50%: TRY22,600 thousand) has been accounted for as fair value gain (TRY71,701 thousand).
(2) Transferred to property, plant and equipment.
(3) Related to the sales of Koç Allianz Sigorta, Koç Allianz Hayat, Otomotiv Lastikleri and Opet Aygaz Bulgaria.

Total research and development expenditures incurred in 2008 amount to TRY315,804 thousand.

	Rights	Brand	Development Costs	Other	Total
1 January 2007					
Cost	733,484	284,684	300,891	68,921	1,387,980
Accumulated amortisation	(236,491)	(10,193)	(134,713)	(52,997)	(434,394)
Net book value	**496,993**	**274,491**	**166,178**	**15,924**	**953,586**
Acquisitions (Note 3)	1,575	-	-	-	1,575
Additions	23,471	-	149,651	10,451	183,573
Disposals	(169)	-	(118)	(197)	(484)
Transfers (1)	(4,521)	(174,158)	(21)	(926)	(179,626)
Disposals from the scope of consolidation (2)	(1,230)	-	(719)	(77)	(2,026)
Translation differences	(3,008)	-	-	(53)	(3,061)
Current period amortisation	(36,275)	(8,154)	(23,650)	(4,622)	(72,701)
Closing net book value	**476,836**	**92,179**	**291,321**	**20,500**	**880,836**
31 December 2007					
Cost	722,551	110,526	448,393	65,973	1,347,443
Accumulated amortisation	(245,715)	(18,347)	(157,072)	(45,473)	(466,607)
Net book value	**476,836**	**92,179**	**291,321**	**20,500**	**880,836**

(1) Transferred to assets held for sale (Note 31).
(2) Related to the sales of Türk Demirdöküm, Birleşik Oksijen Sanayi and Ramenka.

Total research and development expenditures incurred in 2007 amount to TRY220,633 thousand.

NOTE 14 - GOODWILL

	2008	2007
Opening net book value - 1 January	**3,524,486**	**3,800,853**
Acquisitions (Note 3)	7,336	1,589
Additions (1)	1,533	18,573
Disposals	(332)	(1,264)
Translation differences	657	-
Transfers (2)	-	(295,265)
Closing net book value - 31 December	**3,533,680**	**3,524,486**

(1) Additions represent adjustment to the cost of acquisition of Yapı Kredi Bankası in 2005, based on the contingencies (Note 30) realised in the current periods.
(2) Transferred to assets held for sale (Note 31).

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NOTE 15 - CUSTOMER DEPOSITS

	2008			2007		
	Demand	Time	Total	Demand	Time	Total
TRY deposits						
Saving deposits	522,046	7,393,889	7,915,935	465,234	5,178,244	5,643,478
Commercial deposits	700,467	3,170,922	3,871,389	615,107	2,714,669	3,329,776
Deposits from banks	56,352	48,753	105,105	19,686	23,036	42,722
Funds deposited under repurchase agreements	-	70,477	70,477	-	699,648	699,648
	1,278,865	**10,684,041**	**11,962,906**	**1,100,027**	**8,615,597**	**9,715,624**
Foreign currency deposits						
Saving deposits	877,317	4,210,098	5,087,415	753,471	3,467,239	4,220,710
Commercial deposits	884,688	2,520,641	3,405,329	743,989	1,665,829	2,409,818
Deposits from banks	59,967	63,860	123,827	22,226	233,716	255,942
Funds deposited under repurchase agreements	-	312,489	312,489	-	328,984	328,984
	1,821,972	**7,107,088**	**8,929,060**	**1,519,686**	**5,695,768**	**7,215,454**
Less: Long-term deposits			(276,089)			(138,844)
Short-term deposits			**20,615,877**			**16,792,234**

NOTE 16 - FINANCIAL LIABILITIES

	2008	2007
Short-term financial liabilities		
Bank borrowings	9,158,904	6,541,930
Debt securities in issue	227,784	114,515
Leasing payables	678	1,837
	9,387,366	**6,658,282**
Long-term financial liabilities		
Bank borrowings	7,027,934	6,828,565
Debt securities in issue	1,158,927	951,324
Leasing payables	3,934	1,528
	8,190,795	**7,781,417**
	17,578,161	**14,439,699**

The details of the loans obtained in 2006 in order to finance the cost of acquisition of Tüpraş shares and to re-structure the Group's existing loans are given below:

- 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 N.A. in an amount of USD1,000,000,000 with a maturity of 3 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 N.A. in an amount of USD950,000,000 with a maturity of 7 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 N.A. in an amount of USD550,000,000 with a maturity of 2 years and a 1 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 the principal repayments amounting to USD1,861,984,558 regarding the loans detailed above, the total borrowings decreased to USD2,438,015,442 as of 31 December 2008.

As of 31 December 2008, 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 TRY983,149 thousand (2007: TRY771,305 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.

As of 31 December 2008, Yapı ve Kredi Bankası has subordinated loans amounting to TRY1,110,301 thousand (2007: TRY875,385 thousand), (EUR525,000,000) with 10 years maturity and repayment option at the end of 5 years. These loans were borrowed from Merrill Lynch Capital Corporation (EUR250,000,000), Goldman Sachs International Bank (EUR175,000,000), and Citibank (EUR100,000,000) with UniCredit S.p.A. as guarantor. For the first 5 years, the interest rates of the loans are determined as Euribor+2%, Euribor+2.2% and Euribor+1.8%, respectively.

As of 31 December 2008, Yapı Kredi Bankası provided a 1 year dual tranche multi-currency term loan facility amounting to TRY739,902 thousand (USD500,000,000) with an interest rate of Libor+0.75% per annum.

The details of collaterals, mortgages and pledges given related with the loans of the Group are disclosed in Note 30.

The redemption schedule of long-term financial liabilities is as follows:

	2008	2007
2009	-	2,440,828
2010	2,486,749	1,022,530
2011	1,353,484	897,212
2012	980,448	855,406
2013	840,061	691,942
2014 and over	2,530,053	1,873,499
	8,190,795	**7,781,417**

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NOTE 17 - TAX ASSETS AND LIABILITIES

	2008	2007
Current income tax liabilities		
Domestic	496,974	620,358
Foreign	16,340	12,026
Less: Prepaid corporate tax	(411,203)	(485,723)
Current income tax liabilities (net)	**102,111**	**146,661**
Deferred tax liabilities		
Domestic	748,184	631,749
Foreign	13,752	7,850
	761,936	**639,599**
Deferred tax assets		
Domestic	(353,058)	(347,866)
Foreign	(17,777)	(3,368)
	(370,835)	**(351,234)**
Deferred tax liabilities (net)	**391,101**	**288,365**

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

The corporation tax rate is 20% in Turkey. Corporation tax is payable on the total income of the company after adjusting for certain disallowable expenses, exempt income and allowances.

Income tax expenses in the consolidated income statements are summarised as follows:

	2008	2007
Current period tax expense	523,764	649,665
Deferred tax expense (net)	62,313	62,627
	586,077	**712,292**
Profit before tax	**3,080,685**	**4,067,125**
Domestic tax rate	20%	20%
Tax calculated at domestic tax rate	616,137	813,425
Tax effects of income not subject to tax	(236,071)	(90,790)
Expenses not deductible	62,728	54,814
Tax losses	148,991	(65,417)
Tax rate differences	(5,708)	260
Tax charge	**586,077**	**712,292**

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 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.

The principal tax rates (%) of the tax authorities in each country used to calculate deferred taxes as of 31 December 2008 are as follows:

Country	Tax rate	Country	Tax rate	Country	Tax rate
Germany	31.5	Finland	26.0	Italy	37.3
Australia	30.0	France	33.3	Hungary	16.0
Austria	25.0	The Netherlands	25.5	Norway	28.0
Azerbaijan	22.0	The UK	28.0	Poland	19.0
Czech Republic	21.0	Ireland	12.5	Romania	16.0
China	25.0	Spain	30.0	Russia	20.0
Denmark	28.0	Switzerland	25.0	Slovakia	19.0

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

NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and deferred tax assets and liabilities provided using principal tax rates, are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2008	**2007**	**2008**	**2007**
Property, plant and equipment and intangible assets	4,272,518	4,021,797	(849,741)	(782,309)
Tax losses carried forward	(508,665)	(439,328)	102,220	94,476
Provision for the Fund (Note 21)	(387,183)	(302,139)	77,437	60,428
Provision for impaired loans	(368,761)	(342,430)	73,786	68,486
Provision for employment termination benefits (Note 21)	(290,523)	(291,946)	57,803	58,272
Warranty and assembly reserves	(212,624)	(226,623)	42,177	47,093
Inventories	(154,452)	(75,519)	30,890	16,509
Derivative financial instruments	145,516	(172,793)	(28,412)	33,472
Unused research and development incentives	(84,204)	-	16,841	-
Provision for lawsuits	(63,978)	(47,498)	12,796	9,500
Provision for doubtful receivables	(63,476)	(45,141)	12,696	9,075
Impairment of investments	(62,293)	(68,017)	12,314	13,604
Provision for unused vacation	(54,082)	(39,158)	10,817	7,769
Unearned credit finance income (net)	(50,489)	(27,942)	9,966	5,649
Provision for credit card bonus (Note 22.c)	(28,337)	(18,007)	5,668	3,602
Deferred income	(20,557)	(20,582)	4,112	4,488
Unused investment incentives	-	(418,673)	-	42,705
Other (net)	(91,894)	(79,220)	17,529	18,816
Deferred tax assets / (liabilities) (net)			**(391,101)**	**(288,365)**

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 separately 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.

The details of carry forward tax losses and unused investment incentives which are not considered in the deferred tax calculation are as follows:

	2008	2007
Carry forward tax losses (1)	1,099,469	361,201
Unused investment incentives (2)	1,506,106	1,183,719

(1) The expiration schedule of carry forward tax losses is as follows:

	2008	2007
2008	-	4,752
2009	17,546	17,546
2010	23,670	23,670
2011	212,468	214,405
2012	100,828	100,828
2013	744,957	-
	1,099,469	**361,201**

(2) Investment incentives for which the Group is qualified as a result of investment expenditures of prior periods cannot be deductible from taxable income after 1 January 2009.

Movements of deferred tax assets and liabilities are as follows:

	2008	2007
Beginning of the period - 1 January	**(288,365)**	**(242,357)**
Charge to the income statement:		
- Continuing operations	(62,313)	(62,627)
- Discontinued operations	-	(32,276)
Charge to the equity:		
- Financial assets fair value reserve	2,267	(806)
- Cumulative gain/(loss) on hedging	11,127	4,701
- Non-current assets revaluation fund	(18,129)	-
- Translation differences	(2,914)	1,786
Acquisitions (Note 3)	(21,612)	-
Additions to the scope of consolidation	-	2,219
Disposals from the scope of consolidation (1)	(11,162)	22,196
Transfers (2)	-	18,799
End of the period - 31 December	**(391,101)**	**(288,365)**

(1) Related to the sales of Koç Allianz Sigorta, Koç Allianz Hayat and Otomotiv Lastikleri in 2008; Birleşik Oksijen Sanayi, Türk Demirdöküm and Ramenka in 2007.
(2) Transferred to the assets held for sale (Note 31).

NOTE 18 - OTHER PAYABLES

	2008	2007
Taxes and duties payable	1,370,546	1,430,553
Social security premiums payable	23,245	30,105
Rescheduled taxes payable	-	6,142
	1,393,791	**1,466,800**

NOTE 19 - DERIVATIVE FINANCIAL INSTRUMENTS

	2008		2007	
	Asset	Liability	Asset	Liability
Derivatives held for trading	271,717	109,875	24,290	159,360
Derivatives held for hedging	11,471	68,825	841	54,851
	283,188	**178,700**	**25,131**	**214,211**

Derivatives held for trading:

	2008			2007		
	Contract	Fair values		Contract	Fair values	
	amount	Asset	Liability	amount	Asset	Liability
Currency swaps	4,351,004	139,590	24,855	1,923,539	5,845	34,372
Currency forwards	2,387,000	70,544	32,944	1,457,422	9,651	34,047
	6,738,004	210,134	57,799	3,380,961	15,496	68,419
Interest rate swaps	2,683,846	56,331	52,058	1,202,192	8,212	82,353
Option agreements	527,816	2,317	18	1,098,450	532	783
Commodity futures	27,539	2,935	-	293,450	50	7,805
	9,977,205	**271,717**	**109,875**	**5,975,053**	**24,290**	**159,360**

Derivatives held for hedging:

	2008			2007		
	Contract	Fair values		Contract	Fair values	
	amount	Asset	Liability	amount	Asset	Liability
Currency swaps	159,923	11,019	-	108,896	-	7,921
Currency forwards	513,693	165	5,211	152,465	-	10,856
	673,616	11,184	5,211	261,361	-	18,777
Interest rate swaps	2,036,088	-	63,614	949,467	841	36,074
Option agreements	5,178	287	-	-	-	-
	2,714,882	**11,471**	**68,825**	**1,210,828**	**841**	**54,851**

NOTE 20 - INSURANCE TECHNICAL RESERVES

	2008	2007
Unearned premiums reserve - net of reinsurers' share	104,266	348,017
Claim provisions - net of reinsurers' share	41,662	177,870
Insurance technical reserves - current	**145,928**	**525,887**
Life mathematical reserves - net of reinsurers' share	271,672	712,729
Insurance technical reserves - non-current	**271,672**	**712,729**
Total insurance technical reserves	**417,600**	**1,238,616**

The movement for insurance technical reserves is as follows:

	2008	2007
Beginning of the period - 1 January	**1,238,616**	**1,151,367**
Premiums written during the period	325,621	644,086
Premiums earned during the period	(275,578)	(611,509)
Paid claims during the period	(84,545)	(73,378)
Payments associated with the life insurance during the period	(71,908)	(136,674)
Disposals from the scope of consolidation (*)	(910,527)	-
Other increases in the provisions	195,921	264,724
End of the period - 31 December	**417,600**	**1,238,616**

(*) Related to the sales of Koç Allianz Sigorta and Koç Allianz Hayat.

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NOTE 21 - EMPLOYEE BENEFITS

	2008	2007
Provision for employment termination benefits	293,206	293,811
Provision for the Fund	387,183	302,139
	680.389	595,950

Provision for employment termination benefits:

- Domestic	290,523	291,946
- Foreign	2,683	1,865
	293,206	293,811

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, who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men).

As of 31 December 2008, the amount payable consists of one month's salary limited to a maximum of TRY2,173.18 (2007: TRY2,030.19) for each year of service.

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 TRY2,260.05 effective from 1 January 2009 (1 January 2008: TRY2,087.92) 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:

	2008	2007
Discount rate (%)	6.26	5.71
Turnover rate to estimate the probability of retirement (%)	98	99

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

	2008	2007
Beginning of the period - 1 January	**293,811**	**312.977**
Interest expense	18,393	17,871
Actuarial losses/(gains)	13,101	11,045
Increase during the period	53,472	57,799
Payments during the period	(82,481)	(83,716)
Transfers (1)	(173)	(14,065)
Translation differences	363	35
Additions to the scope of consolidation (2)	-	233
Disposals from the scope of consolidation (3)	(3,280)	(8,368)
End of the period - 31 December	**293,206**	**293,811**

(1) Transferred to liabilities held for sale (Note 31).
(2) Related to the addition of Harranova Besi to the scope of consolidation.
(3) Related to the sales of Koç Allianz Sigorta, Koç Allianz Hayat and Otomotiv Lastikleri in 2008; Birleşik Oksijen Sanayi and Türk Demirdöküm in 2007.

Provision for the Fund:
As of 31 December 2008, Yapı Kredi Bankası, a Joint Venture of the Group, accounted provision amounting to TRY387,183 thousand for the technical deficit based on the report prepared by a registered actuary as of 30 November 2008 in accordance with the technical interest rate of 9.8% determined by the New Law and CSO 1980 mortality table. (2007: The provision for the technical deficit calculated as of 31 December 2006 in accordance with the decision of the Council of Ministers numbered 2006/11345 published in the Official Gazette dated 15 December 2006 and numbered 26377 using a technical interest rate 10.24% amounts to TRY302,139 thousand).

The amounts recognised in the income statement:

	2008	2007
Provision expenses for the Fund (Note 26)	(85,044)	(2,519)

Provision for the Fund accounted for in the balance sheet is determined as follows:

	2008	2007
Transferrable pension benefits	518,069	354,219
Transferrable post-employment benefits	13,522	33,191
Present value of funded obligations	531,591	387,410
Fair value of plan assets	(144,408)	(85,271)
Provision for the Fund	**387,183**	**302,139**

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NOTE 21 - EMPLOYEE BENEFITS (Continued)

Plan assets are comprised as follows:

	2008		2007	
	Amount	(%)	Amount	(%)
Government bonds and treasury bills	72,104	50	26,962	32
Property, plant and equipment	47,298	33	48,816	57
Bank placements	8,620	6	6,050	7
Short term receivables	3,831	3	540	1
Other	12,555	8	2,903	3
	144,408	**100**	**85,271**	**100**

The principal actuarial assumptions used are as follows:

	2008	2007
Discount rate (%):	9.80	10.24

Mortality rate:

Average life expectation has been mentioned according to the mortality table based on statistical data, as 19 years for men and 15 years for women who have retired at the age of 64 and 63, respectively.

NOTE 22 - OTHER ASSETS AND LIABILITIES

a) Other current assets	2008	2007
Value added tax receivables	336,449	325,698
Prepaid expenses	224,680	149,422
Taxes and funds deductible	211,069	154,696
Prepaid taxes and funds	198,867	34,572
Advances given	123,758	136,836
Deposits and guarantees given	67,812	11,460
Income accruals	61,791	25,450
Precious metals	37,262	66,921
Payments for credit card settlements	22,041	21,924
Interbank cheque clearing account	16,025	27,431
Other	181,492	141,901
	1,481,246	**1,096,311**

b) Other non-current assets	2008	2007
Prepaid expenses	276,310	173,898
Spare parts and materials	217,514	204,207
Advances given	107,464	29,631
Other	3,669	3,720
	604,957	**411,456**

c) Other current liabilities	2008	2007
Credit card payables	1,007,376	897,511
Advances received	215,654	138,773
Warranty and assembly provision	198,666	216,120
Import deposits and transfer orders	185,459	117,323
Payables to personnel and premium accruals	182,944	177,476
Blocked accounts	135,701	89,554
Provision for lawsuits	113,642	118,438
Interbank cheque clearing account	87,044	148,475
Provision for losses related to loan commitments (Note 30.a)	86,849	65,937
Provision for unused vacation	53,949	39,158
Deferred income	47,771	36,335
Transitory accounts	39,394	61,287
Provision for credit card bonus	28,337	18,007
Sales and customer premiums accruals	21,282	14,271
Provision for the non-core assets option agreement (Note 30.a)	20,491	26,422
Export commitment accruals	20,248	19,973
Accruals for license expenses	18,598	8,376
Subrogation payables	16,386	10,335
Deposits and guarantees received	14,501	9,438
Provision for the advertising publication agreement (Note 30.a)	14,049	17,637
Other	444,234	467,552
	2,952,575	**2,698,398**

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NOTE 22 - OTHER ASSETS AND LIABILITIES (Continued)

d) Other non-current liabilities	2008	2007
Revenue share (*)	200,824	136,019
Deposits and guarantees received	52,924	47,113
Warranty provision	51,632	52,258
Other	61,361	58,828
	366,741	**294,218**

(*) 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 cash equivalents".

NOTE 23 - EQUITY

Share Capital

Koç Holding adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of YKr1.

Koç Holding's registered and issued share capital is as follows:

	2008	2007
Limit on registered share capital (historical)	3,000,000	3,000,000
Issued share capital in nominal value	2,012,618	1,745,700

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

The shareholding structures of Koç Holding are as follows:

	2008		2007	
	Share %	TRY'000	Share %	TRY'000
Temel Ticaret ve Yatırım A.Ş.	42.39	853,162	42.44	740,815
Semahat Arsel	6.42	129,123	6.42	112,137
Suna Kıraç	5.25	105,637	5.26	91,715
Rahmi M. Koç	5.23	105,259	5.23	91,362
Mustafa V. Koç	3.20	64,392	3.20	55,945
Ali Y. Koç	3.20	64,322	3.20	55,883
Ömer M. Koç	2.80	56,442	2.81	49,080
İpek Kıraç	1.93	38,798	1.93	33,737
Rahmi M. Koç ve Mahdumları Maden, İnşaat, Turizm, Ulaştırma, Yatırım ve Ticaret A.Ş.	0.10	2,110	0.11	1,835
Total Koç Family members and companies owned by Koç Family members	**70.52**	**1.419.245**	**70.60**	**1,232,509**
Vehbi Koç Vakfı	7.15	143,973	7.17	125,191
Koç Holding Emekli ve Yardım Sandığı Vakfı	1.99	40,041	1.97	34,453
Other	20.34	409,359	20.26	353,547
Paid-in share capital	**100.00**	**2,012,618**	**100.00**	**1,745,700**
Adjustment to share capital (*)		967,288		967,288
Total share capital		**2,979,906**		**2,712,988**

(*) "Adjustment to share capital" represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the CMB Financial Reporting Standards. "Adjustment to share capital" has no use other than being transferred to paid-in share capital.

The issued share capital of Koç Holding amounting to TRY1,745,700 thousand was increased by TRY261,855 thousand to TRY2,007,555 thousand through the transfer from reserves on 22 May 2008. As a result of the transfer of all assets and liabilities at 31 December 2007 of Kav Danışmanlık to Koç Holding as a whole, the two companies were merged in accordance with the clauses of Turkish Commercial Code and the Corporate Tax Law, and CMB legislation. The merger ratio has been determined as 99.748% derived by weighted average of discounted cash flow analysis, comparison valuation and equity method based on IFRS prepared by an independent expert firm. As a result of the merger, the share capital of Koç Holding was divided to the determined ratio and increased by TRY5,063 thousand to TRY2,012,618 thousand. Subsequently, related amendments to articles of association were registered to the trade registry on 23 July 2008.

According to the Articles of Association ("the Articles") of Koç Holding, there exist 100 registered shares. The holders of registered shares are entitled to receive 3% of the profit before tax, which remains after taxes, 5% of legal reserves and 5% of the paid capital have been deducted. However, this cannot be higher than 10% of the amount obtained after deducting legal reserves, taxes and first dividend from distributable profit. Registered share holders do not have any interest in the capital of Koç Holding and do not have any voting rights. 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 profit 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	TRY'000	Nature of shares
A	53,870,906,532	538,709	Registered
B	147,390,843,468	1,473,909	Registered
	201,261,750,000	2,012,618	

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NOTE 23 - EQUITY (Continued)

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).

Revaluation Funds

Increases of carrying amounts as a result of revaluations recognised directly in the equity are followed in the headings below:

	2008	2007
Financial assets fair value reserve	1,465	22,969
Cumulative gain/(loss) on hedging	(112,566)	(9,477)
Non-current assets revaluation fund	18,159	-
Total revaluation funds	**(92,942)**	**13,492**

The movements in the revaluation funds are presented in the statements of changes in equity.

Restricted Reserves

The Turkish Commercial Code 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. In addition, according to Exemption for Sale of Participation Shares and Property, a 75% portion of corporations' profits arising from such sales are not withdrawn within 5 years and are followed in special reserves.

The details of these restricted reserves are as follows:

	2008	2007
Legal reserves	106,096	54,579
Special reserves (*)	395,441	163,708
Total	**501,537**	**218,287**

(*) Within the scope of the Exemption for Sale of Participation Shares, the 75% portion of gains in statutory financial statements arising from the sale of investments in the current period (Note 26), in the amount of TRY1,734,154 thousand, will be transferred to "Special Reserves".

Prior Years' Income

In accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity Inflation Adjustment Differences" could have been utilised in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences shall be classified as follows:

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";
- the difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, shall be classified under "Prior Years' Income",

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Accordingly, "Prior Years' Income" is restated as follows:

As of 31 December 2007 - as previously reported	**1,540,305**
Extraordinary reserves and inflation adjustment	970,062
Inflation adjustment to legal reserves	96,260
Inflation adjustment to share premium	4,718
As of 1 January 2008 - as restated	**2,611,345**
As of 31 December 2006 - as previously reported	**1,140,760**
Extraordinary reserves and inflation adjustment	975,725
Inflation adjustment to legal reserves	96,260
Inflation adjustment to share premium	4,718
As of 1 January 2007 - as restated	**2,217,463**

Dividend Distribution

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

In accordance with the CMB Decision dated 9 January 2009, concerning allocation basis of profit from operations of 2008, minimum profit distribution shall be applied as 20% (2007: 20%). According to the Board's decision and Communiqué No: IV-27 issued by CMB regarding allocation basis of profit of publicly owned companies, the distribution of the relevant amount may be realised as cash or as bonus shares or partly as cash and bonus shares; and in the event that the first dividend amount to be specified is less than 5% of the paid-up capital, the relevant amount can be retained within the company. However, companies that made capital increases before distributing dividends related to the prior period and whose shares are therefore classified as "old" and "new" and that will distribute dividends from the profit made from 2008 operations are required to distribute the initial amount in cash.

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NOTE 23 - EQUITY (Continued)

In addition, according to the aforementioned Board decision, the restrictions on the distributions of the profit derived from the subsidiaries, joint ventures and associates of entities who are required to prepare consolidated financial statements where no profit distribution decision is taken in the general assemblies of such subsidiaries joint ventures and associates is abolished. It is decided that as long as the entities can provide the necessary amount from their statutory reserves, the distributable profit can be calculated based on the net income declared at the publicly announced consolidated financial statements in the accordance with Communiqué XI No:29.

Accordingly, if the amount of dividend distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the total amount of distributable profit shall be distributed. If it exceeds the statutory net distributable profit, the total amount of the statutory net distributable profit shall be distributed. It is stated that dividend distributions should not be made if there is a loss in either the consolidated financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

In accordance with the Board Decision dated 9 January 2009, the total amount of net income after the deduction of accumulated losses at statutory records and reserves that can be subject to dividend distribution shall be disclosed in the notes to the financial statements which will be prepared and publicly announced in accordance with Communiqué XI No:29. The concerning amount for Koç Holding is TRY1,840,446 thousand.

Minority Interest
In accordance with the Communiqué No XI, No: 29 effective from 1 January 2008 and the explanatory announcements of CMB regarding the aforementioned Communiqué, the "Minority Interests" are re-classified under the "Equity". Therefore, "Total Equity" is restated as follows:

As of 31 December 2007 - as previously reported	**7,852,062**
Minority interest	7,206,319
As of 1 January 2008 - as restated	**15,058,381**
As of 31 December 2006 - as previously reported	**5,087,999**
Minority interest	6,566,199
As of 1 January 2007 - as restated	**11,654,198**

The allocation of the minority interest is as follows:

	2008	2007
Koç Family members	1,291,387	1,434,150
Other	5,090,782	5,772,169
	6,382,169	**7,206,319**

The allocation of profit attributable to minority interest is as follows:

	2008	2007
Koç Family members	38,501	95,869
Other	515,925	1,497,578
	554,426	**1,593,447**
Profit from continuing operations attributable to minority interest	513,423	1,330,843
Profit from discontinued operations attributable to minority interest	41,003	262,604
	554,426	**1,593,447**

NOTE 24 - OPERATING REVENUE

	2008	2007
Domestic sales	37,363,709	30,412,676
Foreign sales	13,741,492	12,566,005
Gross sales	**51,105,201**	**42,978,681**
Less: Discounts	(1,307,630)	(1,558,999)
Operating revenue	**49,797,571**	**41,419,682**

Finance sector operating revenue is disclosed in Note 5.

NOTE 25 - EXPENSE BY NATURE

Expense by nature includes cost of goods sold, marketing, selling and distribution expenses, general administrative expenses and research and development expenses.

	2008	2007
Raw materials, supplies and trade goods	39,309,291	31,017,135
Changes in work in progress, finished goods and trade goods	271,047	199,921
Personnel expenses	2,283,883	2,125,565
Depreciation and amortisation charges	815,292	737,126
Transportation, distribution and storage expenses	554,694	483,750
Energy and utility expenses	493,949	328,546
Advertisement and promotion expenses	388,747	354,786
Warranty and assembly costs	381,330	354,914
Maintenance and repair expenses	214,926	219,157
Information technologies expenses	138,074	141,144
Outsourcing expenses	136,546	122,846
Taxes, duties and charges	122,336	102,716
Rent expenses	112,321	107,189
Sales, incentives and premium expenses	96,846	99,719
Litigation and consultancy expenses	77,304	71,121
Insurance expenses	72,104	67,242
Travel expenses	43,173	44,731
Grants and donations	30,996	35,105
Royalty expenses	26,279	17,517
Other	2,793,741	3,233,253
	48,362,879	**39,863,483**

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NOTE 26 - OTHER INCOME/EXPENSES

	2008	2007
Other income		
Gain on sale of investments (*)	1,675,064	240,035
Gain on sale property, plant and equipment	86,913	60,580
Reversal of provisions	55,820	65,299
Income from incentives	26,799	36,044
Dividend income	23,966	4,435
Rent income	22,750	8,904
Other	83,282	76,997
	1,974,594	**492,294**
Other expenses		
Provision expenses	(469,003)	(350,429)
Provision expenses for the Fund	(85,044)	(2,519)
Loss on sale of property, plant and equipment	(25,485)	(34,245)
Other	(59,285)	(25,310)
	(638,817)	**(412,503)**

(*) The details of gain on sale of investments are as follows:

	2008	2007
Migros Türk T.A.Ş.	1,148,348	-
Koç Allianz Sigorta A.Ş.	314,155	-
Koç Allianz Hayat ve Emeklilik A.Ş.	187,379	-
Opet Aygaz Bulgaria EAD	20,827	-
Demrad Döküm Ürünleri Sınai ve Tic. A.Ş.	4,329	-
Türk Demirdöküm Fabrikaları A.Ş.	-	142,269
Birleşik Oksijen Sanayi A.Ş.	-	81,856
Goodyear Tire and Rubber Company	-	14,416
Other	26	1,494
	1,675,064	**240,035**

A Share Transfer Agreement was signed on 13 February 2008 between Koç Holding and Moonlight Capital SA, controlled by the funds managed by BC Partners, regarding the transfer of 50.83% of Migros shares. Share transfer was concluded on 30 May 2008 following the obtainment of all required permission and the fulfilment of all other prerequisites. In accordance with the Share Transfer Agreement, a cash dividend in the amount of TRY53,626 thousand paid to Koç Holding by Migros in 2008 was deducted from the sales price, and a total balance of TRY1,922,440 thousand including the price adjustment effected to take into consideration the closing balance sheet of Migros, dated 31 May 2008, was paid to Koç Holding in cash.

Following the Share Transfer Agreement signed with Allianz SE on 20 April 2008 for the sale of 43.41% and 49.00% of shares owned by Koç Holding in Koç Allianz Sigorta and Koç Allianz Hayat, respectively; the share transfer was completed on 21 July 2008 after the necessary permissions were obtained and all other prerequisites were fulfilled. The entire share transfer amounts of EUR228,215,920 and EUR125,219,348, including price adjustments applied in the scope of the Share Transfer Agreement, were paid in cash to Koç Holding for the shares owned by Koç Holding in Koç Allianz Sigorta and Koç Allianz Hayat, respectively.

Within the scope of the Exemption for Sale of Participation Shares, the 75% portion of gains in statutory financial statements arising from the sale of investments in the current period will be transferred to "Special Reserves" in the Equity (Note 23).

NOTE 27 - FINANCIAL INCOME/EXPENSES

	2008	2007
Financial income		
Foreign exchange gains	2,199,938	1,627,043
Credit finance income	598,402	438,010
Interest income	381,740	331,800
Gains on derivative financial instruments	102,913	4,234
Other financial income	15,652	8,056
	3,298,645	**2,409,143**
Financial expenses		
Foreign exchange losses	(3,809,192)	(632,841)
Interest expenses	(957,983)	(903,868)
Credit finance charges	(311,042)	(298,363)
Losses on derivative financial instruments	(155,302)	(72,371)
Other financial expenses	(20,186)	(28,704)
	(5,253,705)	**(1,936,147)**

NOTE 28 - RELATED PARTY DISCLOSURES

(a) Related party balances

	2008			2007		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Cash and cash equivalents	1,377,191	-	1,377,191	796,998	-	796,998
Trade receivables	78,972	43,133	122,105	201,760	36,256	238,016
Trade payables	92,664	52,228	144,892	213,236	26,522	239,758
Loans and advances to customers	10,550	3,707	14,257	5,984	12,264	18,248
Customer deposits	21,034	265,173	286,207	56,217	173,153	229,370
Financial liabilities	241,490	-	241,490	204,497	-	204,497

(b) Related party transactions

	2008			2007		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Sales of goods and services	1,264,723	72,786	1,337,509	1,119,558	103,958	1,223,516
Purchases of goods and services	954,862	138,575	1,093,437	1,164,872	242,326	1,407,198

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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

(c) Key management compensation

Total compensation provided to key management personnel by Koç Holding in 2008 amounts to TRY15,528 thousand (2007: TRY14,493 thousand).

NOTE 29 - GOVERNMENT GRANTS

The Group is entitled by the following incentives and rights:

a) Exemption from customs duty on investment goods imported,
b) Exemption from VAT on investment goods supplied from home and abroad,
c) Exemption from taxes, duties and charges,
d) Incentives under the jurisdiction of the research and development law,
e) Cash allowance from Tübitak-Teydeb for research and development expenditures,
f) Investment incentive allowance for capital expenditures (*)

(*) 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 17).

NOTE 30 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

The summary of commitments regarding the non-finance sector companies is as follows;

Guarantees given:

	2008	2007
Letters of guarantee	2,741,662	3,435,697
Guarantee notes	26,240	70,730

The guarantees have been given for the loans borrowed to the related financial institutions amount to TRY154,344 thousand as of 31 December 2008 (2007: TRY160,995 thousand).

Guarantees received:

	2008	2007
Letters of guarantee	3,087,108	2,890,502
Guarantee notes	179,907	91,311
Other	46,448	19,848

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 2008 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. According to the clauses of the agreement, the estimated value of option as TRY20,491 thousand was recognised as a provision in the consolidated financial statements at 31 December 2008 (2007: TRY26,422 thousand) (Note 22.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 TRY14,049 thousand regarding this agreement has been recognised in the financial statements as of 31 December 2008 (2007: TRY17,637 thousand) (Note 22.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 Fund to the Social Security Institution or any other prescribed entity or authority does not exceed EUR175,000,000, 50% of the difference between the payment and the EUR175,000,000 will be used to net off the cash loan exposure of Çukurova group at Yapı Kredi Bankası. Koç Finansal Hizmetler has declared to Yapı Kredi Bankası that, it is agreed and committed to irrevocably pay the amount of any discount, if any, provided by Yapı Kredi Bankası to Çukurova group loans.

v) As of 31 December 2008, debt securities, amounting to TRY1,423,113 thousand (2007: TRY985,658 thousand), included in the financial assets 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.

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NOTE 30 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The summary of significant commitments and contingent liabilities related to banking sector companies is as follows:

Credit related commitments

	2008	2007
Letters of guarantee		
- Foreign currency	3,591,294	2,549,931
- TRY	2,962,261	2,772,052
Letter of credit	1,390,782	1,082,070
Acceptance credit	105,684	92,247
Other commitments and contingencies	324,206	302,438
	8,374,227	6,798,738
Less: Provision for losses on credit related commitments (Note 22.c)	(86,849)	(65,937)
	8,287,378	**6,732,801**

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. As of 31 December 2008, the Group has custody accounts amounting to TRY12,289,814 thousand (2007: TRY10,992,184 thousand).

b) Commitments - Energy

i) Koç Holding's shares in Arçelik and Migros, with the nominal values of TRY156,546 thousand and TRY80,853 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 N.A., in addition shares in Tüpraş with the nominal value of TRY127,714 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. Following the execution of the Share Transfer Agreement with Moonlight Capital S.A., controlled by the funds managed by BC Partners, the pledges on Migros shares were released. Accordingly, Koç Holding's shares in Aygaz A.Ş. with TRY101,994 thousand nominal value, and shares in Otokar Otobüs Karoseri Sanayi A.Ş. with TRY10,301 thousand of nominal value were pledged on 21 May 2008, and shares in Tat Konserve with TRY50,394 thousand of nominal value were pledged on 1 July 2008, in favour of the creditors. The dividends and voting rights for these shares remain with Koç Holding (Note 16).

In addition, deposit of TRY197,260 thousand is blocked at JP Morgan Chase Bank N.A. as of 31 December 2008 related to these loans.

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 16).

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' 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 to the PA as of 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 of 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 Energy Market Regulatory Authority (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 TRY84,307 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 TRY1,072 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 TRY1.736 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 TRY83,235 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.

v) National petroleum stock is provided through the obligation of refinery, fuel and LPG distribution licensees to keep a minimum of 20 times the average daily product supplied in their own storages or licensed storage facilities, whether as a whole or separately according to their status. According to the Petroleum Market Law, in order to ensure a sustainable oil market, to prevent the risks in crisis or extraordinary cases and to meet the requirements of international agreements, it is required to keep petroleum stock at an amount equal to at least 90 days of the net import in the previous year's average daily consumption, and refineries have been obliged to retain the complementary portion of the national petroleum stock.

vi) Tüpraş, a Subsidiary of the Group, committed to transport minimum of 3,000,000 metric ton crude oil between 1 January 2008 and 31 December 2008 from Ceyhan - Kırıkkale Crude Oil Pipeline of Boru Hatları ile Petrol Taşıma A.Ş. in return of the right to use the pipeline. The aforementioned commitment was fulfilled as of 31 December 2008.

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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NOTE 30 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

c) Commitments - Automotive

i) 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 exports 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 EUR28,317,600. As of 31 December 2008 Ford Otosan accomplished its export commitments to Akbank T.A.Ş.

ii) As of 31 December 2008, Tofaş, a Joint Venture of the Group, carried out an export transaction of USD69,662,400 within the scope of the export incentive certificate, which brought about an export commitment of USD1,099,075,800 to be fulfilled by 9 June 2008.

Other:

	2008	2007
Mortgages given	47,199	187,728
Mortgages taken	154,403	173,233

NOTE 31 - DISCONTINUED OPERATIONS

The Group sold its shares in;
- Migros on 30 May 2008 in accordance with the Share Transfer Agreement signed with Moonlight Capital S.A. on 13 February 2008,
- Koç Allianz Sigorta and Koç Allianz Hayat on 21 July 2008 in accordance with the Share Transfer Agreement signed with Allianz SE on 20 April 2008,
- Otomotiv Lastikleri on 28 August 2008 in accordance with the Option Agreement signed with Continental Aktiengesellschaft,
- Opet Aygaz Bulgaria on 31 October 2008 in accordance with the Share Transfer Agreement signed with Hellenic Petroleum Bulgaria Ltd. on 19 June 2008,
- Yapı Kredi Deutschland on 29 February 2008.

Gains on sale of investments are disclosed in Note 26.

In addition, Otoyol Sanayi has been decided to be liquidated at the Extraordinary General Assembly dated 5 September 2008. Moreover, the Share Transfer Agreements have been signed with O.W. Bunker & Trading Co. Ltd. for the sale of shares in TBS Denizcilik.

Therefore, IFRS 5 has been applied in the accounting of all the assets and liabilities of the subsidiaries and joint ventures which are either sold or planned to be sold/liquidated, and in the presentation of the Migros Group as discontinued operations of the Group.

a) Assets and liabilities held for sale
A summary of information regarding assets and liabilities held for sale is as follows:

Assets held for sale	2008	2007
Cash and cash equivalents	12,108	376,172
Financial assets	-	571,971
Trade receivables and due from related parties	9,849	34,934
Inventories	362	399,847
Property, plant and equipment	1,399	794,267
Intangible assets	-	179,626
Goodwill	-	295,265
Other assets	24,926	178,596
	48,644	**2,830,678**

Liabilities held for sale	2008	2007
Financial liabilities	-	260,832
Trade payables and due to related parties	3,232	882,444
Current income tax liabilities	-	36,363
Provision for employment termination benefits	173	14,065
Deferred tax liabilities	-	18,799
Other liabilities	30,634	101,382
	34,039	**1,313,885**

b) Income from discontinued operations

	2008	2007
Revenue (net)	1,937,085	4,793,359
Cost of sales (-)	(1,425,259)	(3,598,461)
Gross profit	**511,826**	**1,194,898**
Marketing, selling and distribution expenses (-)	(309,316)	(729,158)
General administrative expenses (-)	(83,798)	(252,323)
Other income/expense (net) (*)	(5,722)	382,217
Operating profit	**112,990**	**595,634**
Financial income/expense (net)	(12,410)	24,116
Profit before tax	**100,580**	**619,750**
Taxes on income (net)	(17,207)	(85,717)
Profit for the period	**83,373**	**534,033**

(*) Includes the gain of Migros on the sale of Limited Liability Company Ramenka in 2007, amounting to TRY379,991 thousand before consolidation adjustments.

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NOTE 31 - DISCONTINUED OPERATIONS (Continued)

c) Reserves related to discontinued operations

	2008	2007
Currency translation differences	-	(3,282)
Financial assets fair value reserve	-	2,306

d) Summary of cash flow information related to discontinued operations

	2008	2007
Cash flow from operating activities	49,560	216,570
Cash flow from investing activities	171,682	65,502
Cash flow from financing activities	(231,900)	(220,896)

e) Summary of financial information related to other disposed companies

The Group sold its shares in Birleşik Oksijen Sanayi A.Ş. and Türk Demirdöküm Fabrikaları A.Ş. in 2007 and its shares in Koç Allianz Sigorta, Koç Allianz Hayat, Otomotiv Lastikleri and Opet Aygaz Bulgaria EAD in 2008, 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, they have not been considered as discontinued operations in the scope of IFRS 5.

A summary of financial information before consolidation entries regarding the mentioned companies is as follows:

Revenue	2008	2007
Koç Allianz Sigorta A.Ş.	442,796	825,468
Koç Allianz Hayat ve Emeklilik A.Ş.	75,408	137,631
Opet Aygaz Bulgaria EAD	56,112	78,118
Otomotiv Lastikleri Tevzi A.Ş.	42,028	69,079
Türk Demirdöküm Fabrikaları A.Ş.	-	481,763
Birleşik Oksijen Sanayi A.Ş.	-	33,084
	616,344	1,625,143

Operating profit	2008	2007
Koç Allianz Sigorta A.Ş.	31,801	10,311
Koç Allianz Hayat ve Emeklilik A.Ş.	1,898	2,923
Opet Aygaz Bulgaria EAD	(5,016)	(4,374)
Otomotiv Lastikleri Tevzi A.Ş.	753	553
Türk Demirdöküm Fabrikaları A.Ş.	-	26,607
Birleşik Oksijen Sanayi A.Ş.	-	9,129
	29,436	**45,149**

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments and Financial Risk Management

Financial Risk Management
The Group is exposed to variety of financial risks due to its operations. These risks include credit risk, market risk (foreign exchange risk and interest rate 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 is the risk that a counterparty cannot fulfil its obligations in the agreements that the Group is party to. The Group monitors the credit risk 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 management procedures

Finance Sector:

Credit risk which is inherent in all products ranging from loans to customers and commitments to letters of credit is monitored through detailed credit policies and procedures by the management of companies operating in the finance sector.

Yapı Kredi Bankası identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Board of Directors for each correspondent bank are followed up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each Treasury and Fund Management employee who is authorised for transactions in the market are controlled by the system. In the loan granting process, liquid collaterals are obtained to the greatest extent possible. Long-term projections of the companies are analysed both by financial analysis specialists and head office when granting long-term and project finance loans. Since credit and interest risks are higher in long-term commitments, their pricing is coordinated with Treasury Management.

As a part of internal scoring system, the loan proposals received from branches are not accepted by the system unless they include detailed financial information of the companies. All rated corporate and commercial loan customers (excluding construction companies and financial institutions) are followed up in the system with risk scores and relatively more risky customers are closely monitored by the Credit Management - Risk Monitoring Department. Moreover, the probability of default for the customers with its rating system for various types of customers is calculated.

Koç Holding A.Ş.

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Other sectors:

The Group's non-finance sector companies are exposed to credit risk arising from their trade receivables, financial assets, derivative instruments and bank deposits.
A majority of the trade receivables stem from the dealers over which the Group exerts a significant control mechanism. Credit risk by dealer is followed up by taking into account the relevant customers' financial position, past experience and other related factors, and guarantees are obtained to the greatest extent possible. Moreover, the risk management program (E-risk), which enables the daily follow-up of trade receivables' risk arising from the Group's activities, aims to minimise the potential adverse effects of market fluctuations.

In financial asset management it is ensured that investments are made in highly liquid instruments with low level of volatility and financially strong banks are chosen for transactions.

Credit risk details

The maximum exposure of the Group to credit risk as of 31 December 2008 and 2007 is as follows:

	2008	2007
Balance sheet		
Cash and cash equivalents	8,329,395	4,913,347
Loans and advances to customers	22,081,655	16,823,731
Trade receivables	5,174,588	6,159,943
Financial assets	7,592,373	8,215,707
Derivative financial instruments	283,188	25,131
Other assets	429,377	381,642
Off-balance sheet		
Guarantees given	2,767,902	3,506,427
Loan commitments	8,287,378	6,732,801
	54,945,856	**46,758,729**

Trade Receivables

a) Trade receivables' credit risk details:

	2008	2007
Neither past due nor impaired	4,256,680	5,827,854
Restructured	42,315	36,968
Past due but not impaired	826,429	266,044
Impaired		
Gross amount	208,344	138,451
Impairment (-)	(159,180)	(109,374)
	5,174,588	**6,159,943**

As of 31 December 2008, trade receivables amounting to TRY3,224,942 thousand are secured with guarantees (2007: TRY2,684,678 thousand).

b) Details of neither past due nor impaired or restructured trade receivables' credit quality:

	2008	2007
New customers (Less than 3 months)	278,756	522,090
Public institutions and corporations	97,916	108,061
Other customers with no payment defaults	3,615,024	5,087,206
Customers with prior collection delays	307,299	147,465
	4,298,995	**5,864,822**

c) Analysis of past due trade receivables:

Not impaired	2008	2007
0 - 1 month	216,162	119,874
1 - 3 months	213,351	142,212
3 - 12 months	362,744	273,977
1 - 5 years	34,172	14,209
	826,429	**550,272**

As of 31 December 2008, past due but not impaired trade receivables amounting to TRY553,070 thousand are secured with guarantees (2007: TRY196,525 thousand).

Impaired	2008	2007
0 -3 months	12,932	6,962
3 - 6 months	13,570	15,406
Over 6 months	181,842	116,083
Less: Provision for loan losses	(159,180)	(109,374)
	49,164	**29,077**

All the impaired trade receivables of the Group are past due. As of 31 December 2008, impaired receivables amounting to TRY37,947 thousand are secured by guarantees (2007: TRY29,077 thousand).

Koç Holding A.Ş.

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Loans and advances to customers

a) Details of loans and advances to customers' credit risk:

	2008	2007
Neither past due nor impaired	20,774,678	16,371,807
Restructured loans	15,744	132,302
Past due but not impaired	1,159,819	420,249
Impaired		
Gross amount	984,871	917,026
Impairment (-)	(607,107)	(729,846)
Collective provision for impairment (-)	(246,350)	(287,807)
	22,081,655	**16,823,731**

b) Details of neither past due nor impaired or restructured corporate and commercial loans credit quality:

	Rating Class	Concentration Level
Low	1 - 4	32.71%
Medium	5+ - 6	48.29%
High	7+ - 9	19.00%

c) Details of the past due but not impaired loans and advances:

31 December 2008	Corporate and commercial loans	Consumer loans	Credit card receivables	Leasing receivables	Factoring receivables	Total
Past due up to 30 days	260,445	212,862	248,466	6,310	-	728,083
Past due 30-60 days	82,585	99,517	137,818	4,874	-	324,794
Past due 60-90 days	20,174	26,829	59,641	298	-	106,942
Total	**363,204**	**339,208**	**445,925**	**11,482**	**-**	**1,159,819**

31 December 2007	Corporate and commercial loans	Consumer loans	Credit card receivables	Leasing receivables	Factoring receivables	Total
Past due up to 30 days	52,545	69,956	126,299	3,917	-	252,717
Past due 30-60 days	30,467	35,686	50,662	3,380	-	120,195
Past due 60-90 days	26,743	12,260	4,158	4,176	-	47,337
Total	**109,755**	**117,902**	**181,119**	**11,473**	**-**	**420,249**

d) Sector-specific details of loans and advances to customers:

	2008	%	2007	%
Production	5,016,221	23	3,960,962	24
Consumer loans	4,263,537	19	3,181,206	19
Credit card receivables	3,745,078	17	3,250,541	19
Food and retail	1,013,632	5	850,543	5
Public sector	690,219	3	395,744	2
Financial institutions	486,368	2	349,495	2
Real estate	132,440	1	140,149	1
Other sectors	6,734,160	31	4,695,091	28
	22,081,655	**100**	**16,823,731**	**100**

Cash and cash equivalents

As of 31 December 2008 and 2007, no cash and cash equivalents are past due or impaired. A significant portion of the bank deposits that are classified under cash and cash equivalents are held in banks operating in Turkey.

Financial assets

As of 31 December 2008 and 2007, no debt securities classified under financial assets are past due or impaired.

The rating of debt securities is as follows:

	2008	2007
Moody's Credit Rating		
Aaa	18,079	34,775
Aa	82,426	31,812
Baa	49,003	43,380
Ba3 (*)	7,254,601	7,864,146
Unrated	60,837	73,053
	7,464,946	**8,047,166**

(*) Securities consist of Republic of Turkey government bonds and treasury bills.

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

B) Market Risk

a) Foreign Exchange Risk

The difference between the foreign currency denominated and foreign currency indexed assets and liabilities are defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Another important dimension of the currency risk is the changes of the exchange rates of different foreign currencies in "Net Foreign Currency Position" (cross currency risk).

Yapı Kredi Bankası, a Joint Venture of the Group, keeps the currency risk exposure within the related legal limits follows the currency risk on a daily basis and presents the results to the Asset and Liability Committee. The other Subsidiaries and Joint Ventures of the Group keep the currency risk exposure within the limits approved by their Board of Directors. Koç Holding, the parent company, continuously reviews the risk limits of the Subsidiaries and Joint Ventures, taking into account the overall economic conditions and developments in the market, hence determines new limits, when necessary. Futures contracts such as swaps, options and forwards are also employed as instruments for currency risk management, when needed for hedging purposes.

Assets and liabilities denominated in foreign currency held by the Group before consolidation adjustments are as follows:

	2008	2007
Assets	22,847,302	16,653,842
Liabilities	(26,077,144)	(23,509,143)
Net balance sheet position	**(3,229,842)**	**(6,855,301)**
Off-balance sheet derivative instruments net position	**(41,915)**	**885,200**
Net foreign currency position	**(3,271,757)**	**(5,970,101)**

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 2008, Tüpraş has raw materials and petroleum products amounting to TRY1,130,893 thousand (2007: TRY1,995,283 thousand).

In addition, the repayment obligation related to the loans of Tofaş, a Joint Venture of the Group, obtained for investment purposes, is guaranteed by Fiat Auto S.p.A and Fiat and Peugeot Citroen Automobiles S.A. (the "Purchasers") through future purchases. Accordingly, the exposure to foreign exchange and interest rate risks are undertaken by the Purchasers. Therefore, the net foreign currency liability position should be considered lower by TRY348,666 thousand when assessing foreign exchange risk (2007: TRY238,149 thousand).

As of 31 December 2008 and 2007, if EUR and USD had appreciated/depreciated by 10% against TRY with all other variables held constant, profit before tax and minority interests would have been TRY327,175 thousand (2007: TRY597,010 thousand) lower/higher, mainly as a result of foreign exchange losses/gains on the translation of the foreign exchange position. The net effect of the mentioned foreign exchange losses/gains on net profit/equity is approximately TRY204,214 thousand.

31 December 2008	USD	EUR	Other	Total
Foreign currency net asset/liability	283,782	104,837	(65,635)	322,984
Hedged items	30,300	(54,477)	28,368	4,191
Net effect	**314,082**	**50,360**	**(37,267)**	**327,175**

31 December 2007	USD	EUR	Other	Total
Foreign currency net asset/liability	608,475	101,577	(24,522)	685,530
Hedged items	(59,449)	(25,460)	(3,611)	(88,520)
Net effect	**549,026**	**76,117**	**(28,133)**	**597,010**

In Turkey, sharp increases in foreign exchange rates have been experienced as a result of recent developments in global markets. As of the issue date of these financial statements, TRY depreciated by 19% against USD and 6% against EUR, when compared with the effective rates at 31 December 2008, and the volatility in exchange rates still exists.

	2008			
	USD	EUR	Other	Total
Current assets:				
Cash and cash equivalents	3,482,984	2,630,835	242,102	6,355,921
Financial assets	91,917	7,547	56,017	155,481
Trade receivables	477,498	1,296,038	291,737	2,065,273
Loans and advances to customers	2,323,110	1,856,810	257,313	4,437,233
Inventories	34,557	240,131	213,611	488,299
Other current assets	110,076	153,789	52,069	315,934
Assets held for sale	6,601	75	-	6,676
Total current assets	**6,526,743**	**6,185,225**	**1,112,849**	**13,824,817**
Non-current assets:				
Financial assets	3,196,764	670,091	44,136	3,910,991
Loans and advances to customers	3,282,150	1,595,035	55,480	4,932,665
Deferred tax assets	-	5,138	12,639	17,777
Other non-current assets	31,537	129,515	-	161,052
Total non-current assets	**6,510,451**	**2,399,779**	**112,255**	**9,022,485**
Total assets	**13,037,194**	**8,585,004**	**1,225,104**	**22,847,302**

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	2008			
	USD	EUR	Other	Total
Current liabilities:				
Customer deposits	6,305,979	3,005,692	358,330	9,670,001
Financial liabilities	3,737,325	2,363,210	29,078	6,129,613
Trade payables	1,905,843	628,208	50,088	2,584,139
Insurance technical reserves	131,124	34,747	-	165,871
Current income tax liabilities	-	3,257	1,534	4,791
Other current liabilities	188,213	393,052	85,384	666,649
Liabilities held for sale	-	233	-	233
Total current liabilities	**12,268,484**	**6,428,399**	**524,414**	**19,221,297**
Non-current liabilities:				
Customer deposits	25,218	208,509	15,996	249,723
Financial liabilities	3,562,456	2,969,768	290	6,532,514
Insurance technical reserves	-	-	-	-
Provisions for employee benefits	-	2,021	662	2,683
Deferred tax liabilities	-	4,505	9,247	13,752
Other non-current liabilities	18,853	20,173	18,149	57,175
Total non-current liabilities	**3,606,527**	**3,204,976**	**44,344**	**6,855,847**
Total liabilities	**15,875,011**	**9,633,375**	**568,758**	**26,077,144**
Net balance sheet position	**(2,837,817)**	**(1,048,371)**	**656,346**	**(3,229,842)**
Derivative financial assets	693,041	766,192	-	1,459,233
Derivative financial liabilities	(996,039)	(221,424)	(283,685)	(1,501,148)
Off-balance sheet derivative instruments net position	**(302,998)**	**544,768**	**(283,685)**	**(41,915)**
Net foreign currency position	**(3,140,815)**	**(503,603)**	**372,661**	**(3,271,757)**
Net foreign currency monetary position	(3,175,372)	(743,734)	159,050	(3,760,056)
Fair value of currency derivatives held for hedging	8,284	(2,023)	-	6,260
Hedged foreign currency liabilities	314,810	24,285	-	339,095

	2007			
	USD	EUR	Other	Total
Current assets:				
Cash and cash equivalents	1,411,542	1,902,077	112,507	3,426,126
Financial assets	475,372	68,780	39,264	583,416
Trade receivables	875,671	980,071	285,379	2,141,121
Loans and advances to customers	1,280,664	1,421,929	122,279	2,824,872
Inventories	68,483	180,387	191,194	440,064
Other current assets	65,486	174,933	81,628	322,047
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:				
Financial assets	2,726,263	549,261	16,217	3,291,741
Loans and advances to customers	2,259,668	972,472	26,552	3,258,692
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**
Current liabilities:				
Customer deposits	4,826,551	2,513,185	294,510	7,634,246
Financial liabilities	2,419,281	1,624,937	132,587	4,176,805
Trade payables	2,945,739	550,083	81,970	3,577,792
Insurance technical reserves	21,904	8,878	28	30,810
Current income tax liabilities	-	1,630	3,417	5,047
Other current liabilities	170,682	245,456	88,571	504,709
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
Financial liabilities	4,560,011	2,351,268	18,581	6,929,860
Insurance technical reserves	152,993	31,625	-	184,618
Provisions for employee benefits	-	1,515	350	1,865
Deferred tax liabilities	-	2,524	5,326	7,850
Other non-current liabilities	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)**
Derivative financial assets	661,364	377,304	47,940	1,086,608
Derivative financial liabilities	(66,873)	(122,706)	(11,829)	(201,408)
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)**
Net foreign currency monetary position	(5,558,738)	(941,567)	90,140	(6,410,165)
Fair value of currency derivatives held for hedging	(9,474)	(9,303)	-	(18,777)
Hedged foreign currency liabilities	150,236	28,248	-	178,484

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Import and export details

Export	2008	2007
EUR	5,371,716	4,540,505
USD	7,121,683	5,733,920
Other	431,089	490,271
	12,924,488	**10,764,696**
Import		
EUR	3,483,563	3,437,084
USD	25,963,299	19,775,152
Other	26,213	45,856
	29,473,075	**23,258,092**

b) Interest Rate Risk

The Group is exposed to interest rate risk arising from the rate changes on interest-bearing liabilities and assets. The Group manages this risk by offsetting interest-bearing assets and liabilities' residual terms of revaluation and by using derivative instruments for hedging purposes.

The monitoring of interest rate sensitive assets and liabilities and sensitivity analysis of Yapı Kredi Bankası, a Joint Venture of the Group, regarding the effect of interest rate fluctuations on the financial statements are performed by the Risk Management Department for all interest sensitive instruments. The results are presented monthly to the Asset and Liability Committee. By using sensitivity and scenario analyses, the possible loss effects on the equity were analysed due to the interest rate volatility not only within current year but also for the future periods. The effects of the volatility of market interest rates on positions and on cash flows are also closely monitored.

The weighted average effective annual interest rates (%) for the financial assets and liabilities of the Group are as follows:

	2008			2007		
	USD	EUR	TRY	USD	EUR	TRY
Assets						
Cash and cash equivalents	4.59	3.86	19.17	5.98	4.87	17.34
Financial assets						
- Assets at fair value	9.56	8.98	20.18	8.51	5.42	18.16
- Available-for-sale investments	6.42	7.74	15.38	6.53	7.67	15.70
- Held-to-maturity investments	10.85	5.50	19.02	7.28	6.11	19.14
Loans and advances to customers	6.30	7.77	25.24	6.95	6.84	20.66
Liabilities						
Financial liabilities	4.11	5.84	20.71	6.02	5.52	17.00
Customer deposits	4.41	3.36	20.15	4.82	3.32	18.68

Group's financial assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates are as follows:

31 December 2008	Up to 3 months	3 months - 1 year	1 year - 5 years	5 years and over	Non-interest bearing	Total
Assets						
Cash and cash equivalents	6,098,864	149,331	83,640	126,097	1,871,463	8,329,395
Financial assets						
- Assets at fair value	28,025	69,683	66,165	20,301	30,306	214,480
- Available-for-sale investments	287,194	102,589	198,812	290,552	145,722	1,024,869
- Held-to-maturity investments	2,340,929	603,895	1,178,408	2,229,792	-	6,353,024
Loans and advances to customers	7,652,606	5,922,102	5,515,039	2,617,129	374,779	22,081,655
Total	**16,407,618**	**6,847,600**	**7,042,064**	**5,283,871**	**2,422,270**	**38,003,423**
Liabilities						
Customer deposits	16,778,416	692,132	226,789	49,302	3,145,327	20,891,966
Financial liabilities	6,488,984	9,341,369	1,573,774	171,253	2,781	17,578,161
Total	**23,267,400**	**10,033,501**	**1,800,563**	**220,555**	**3,148,108**	**38,470,127**

31 December 2007	Up to 3 months	3 months - 1 year	1 year - 5 years	5 years and over	Non-interest bearing	Total
Assets						
Cash and cash equivalents	2,779,394	332,887	93,058	13,311	1,694,697	4,913,347
Financial assets						
- Assets at fair value	27,051	37,754	178,659	21,363	81,261	346,088
- Available-for-sale investments	134,119	113,265	556,933	164,297	375,682	1,344,296
- Held-to-maturity investments	2,631,213	902,608	854,339	2,133,396	3,767	6,525,323
Loans and advances to customers	5,971,310	4,740,646	4,986,810	926,911	198,054	16,823,731
Total	**11,543,087**	**6,127,160**	**6,669,799**	**3,259,278**	**2,353,461**	**29,952,785**
Liabilities						
Customer deposits	12,843,696	1,125,433	124,790	-	2,837,159	16,931,078
Financial liabilities	4,877,730	7,277,145	1,052,279	7,113	1,225,432	14,439,699
Total	**17,721,426**	**8,402,578**	**1,177,069**	**7,113**	**4,062,591**	**31,370,777**

Koç Holding A.Ş.

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

The interest rate position is as follows:

	2008	2007
Fixed interest rate financial instruments		
Financial assets		
Cash and cash equivalents	6,457,932	3,218,650
Assets at fair value through profit or loss	154,602	172,456
Assets held for sale	623,576	843,472
Loans and advances to customers	16,583,459	10,904,856
Total	**23,819,569**	**15,139,434**
Financial liabilities		
Customer deposits	17,746,639	14,093,919
Financial liabilities	7,234,820	5,322,352
Total	**24,981,459**	**19,416,271**
Floating interest rate financial instruments		
Financial assets		
Assets at fair value through profit or loss	29,572	92,371
Assets held for sale	255,571	125,142
Loans and advances to customers	5,123,417	5,720,821
Total	**5,408,560**	**5,938,334**
Financial liabilities		
Financial liabilities	10,340,560	7,891,915
Total	**10,340,560**	**7,891,915**

As of 31 December 2008, if the annual interest rate on TRY basis were 100 base points higher/lower, and all other variables remained constant, due to the changes in the carrying values of financial investments; the profit before tax would be TRY2,112 thousand (2007: TRY4,984 thousand) and due to its direct effect on equity, the equity would be TRY11,339 thousand (2007:TRY21,987 thousand) lower/higher.

C) Liquidity Risk

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed in illiquid markets. In the framework of liquidity risk management, funding sources are being diversified, and sufficient cash and cash equivalents are held. In order to meet instant cash necessities it is ensured that the cash and cash equivalent assets level does not fall below a predetermined portion of the short term liabilities.

As of 31 December 2008 and 2007 the undiscounted contractual cash flows of the financial liabilities of the Group are as follows:

2008	Demand or up to 3 months	3-12 months	1-5 years	5 years and over	Total
Non-derivative financial instruments					
Financial liabilities	4,593,472	5,529,722	6,868,779	2,626,615	19,618,588
Customer deposits	19,950,388	808,557	263,422	70,089	21,092,456
Trade payables	3,260,143	119,742	25,312	-	3,405,197
Other liabilities	4,322,231	91,081	366,741	-	4,780,053
Derivative financial instruments					
Cash inflow	3,620,942	1,709,583	1,009,927	164,323	6,504,775
Cash outflow	(2,452,703)	(1,563,907)	(2,023,192)	(164,323)	(6,204,125)

2007	Demand or up to 3 months	3-12 months	1-5 years	5 years and over	Total
Non-derivative financial instruments					
Financial liabilities	3,135,249	4,184,089	6,228,407	2,787,840	16,335,585
Customer deposits	15,782,493	1,213,641	138,844	-	17,134,978
Trade payables	4,398,792	327,771	27,195	-	4,753,758
Other liabilities	4,760,324	56,238	6,427	-	4,822,989
Derivative financial instruments					
Cash inflow	2,568,947	267,802	1,028,565	240,893	4,106,207
Cash outflow	(2,106,589)	(326,792)	(1,309,310)	(240,893)	(3,983,584)

Koç Holding A.Ş.

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial instruments

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

The following methods and assumptions are used to estimate the fair value of the financial instruments:

Financial assets

The carrying values of significant portion of cash and cash equivalents are assumed to approximate to their fair value due to their short-term nature.

The carrying values of trade receivables, along with the related impairment provisions, are assumed to approximate to their fair value.

Fair values of held to maturity investments are determined based on market price, or in the case where the price can not be determined, on market prices quoted for the securities of the same nature in terms of interest, maturity and other similar conditions.

The estimated fair value of loans and advances to customers are determined by calculating the discounted cash flows using the current market interest rates for loans with fixed interest rates. For loans with floating interest rates, it is assumed that the carrying value approximates to the fair value.

Financial liabilities

The fair values of short term borrowings and trade payables are assumed to approximate to their carrying values due to their short-term nature. The estimated fair values of long-term financial liabilities are determined by calculating the discounted cash flows, using the current market interest rates for the fixed interest loans.

The estimated fair value of demand deposits expresses the amount to be paid at the moment of withdrawal. The fair value of the overnight deposits indicates the book value. The estimated fair value of the fixed interest deposits is determined by calculating the discounted cash flows, using the market interest rates applied to similar loan and other debts. In case where the maturities are short, the carrying values are assumed to reflect the fair values.

In the framework of the methods and assumptions explained above, carrying and fair values of financial assets and liabilities as of 31 December 2008 and 2007 are presented in the following table:

	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Cash and cash equivalents	8,329,395	8,336,865	4,913,347	4,930,261
Held-to-maturity investments	6,353,024	6,241,359	6,525,323	6,615,845
Loans and advances to customers	22,081,655	22,231,004	16,823,731	16,907,604
Liabilities				
Customer deposits	20,891,966	20,891,974	16,931,078	16,945,025
Financial liabilities	17,578,161	17,508,705	14,439,699	14,500,979

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 2008 and 2007 is as follows:

	2008	2007
Total liabilities	47,894,376	43,862,444
Cash and banks	(6,719,358)	(3,536,852)
Net debt	41,175,018	40,325,592
Total equity	16,131,660	15,058,381
Total capital	57,306,678	55,383,973
Net debt/total capital ratio	**72%**	**73%**

NOTE 33 - EARNINGS PER SHARE

	2008	2007
Earnings per share from continuing operations:		
Profit from continuing operations	2,494,608	3,354,833
Profit from continuing operations attributable to minority interest (Note 23)	(513,423)	(1,330,843)
Profit from continuing operations attributable to equity holders of the parent	1,981,185	2,023,990
Weighted average number of shares with nominal value TRY1 each	2,012,617,500	1,804,283,419
Earnings per share from continuing operations (TRY)	**0.984**	**1.122**

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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NOTE 33 - EARNINGS PER SHARE (Continued)

Earnings per share from discontinued operations:		
Profit from discontinued operations (Note 31)	83,373	534,033
Profit from discontinued operations attributable to minority interest (Note 23)	(41,003)	(262,604)
Profit from discontinued operations attributable to equity holders of the parent	42,370	271,429
Weighted average number of shares with nominal value TRY1 each	2,012,617,500	1,804,283,419
Earnings per share from discontinued operations (TRY)	**0.021**	**0.150**
Earnings per share:		
Profit for the period	2,577,981	3,888,866
Profit attributable to minority interest	(554,426)	(1,593,447)
Profit attributable to equity holders of the parent	2,023,555	2,295,419
Weighted average number of shares with nominal value TRY1 each	2,012,617,500	1,804,283,419
Earnings per share (TRY)	**1.005**	**1.272**

The calculation of earnings per share of prior periods has been adjusted retrospectively due to the merger of Koç Holding with Kav Danışmanlık and issuance of bonus shares in the current period.

NOTE 34 - SUPPLEMENTARY CASH FLOW INFORMATION

As of 31 December 2008 and 2007, supplementary information for the details included in the consolidated cash flow statements:

	2008	2007
Changes in reserves and provisions:		
Sales and customer premiums accruals	7,011	(6,635)
Provision for warranty and assembly	(18,080)	(87,934)
Insurance technical reserves	89,510	87,249
Provision for loans and doubtful receivables	29,330	51,557
Provision for the Fund	85,044	2,519
Provision for employment termination benefits	4,420	3,035
Provision for impairment of property, plant and equipment	30,572	-
Provision for impairment on inventories	69,150	1,518
	296,957	**51,309**
Add back net interest income:		
Non-banking interest income	(381,740)	(331,800)
Banking interest income	(3,697,117)	(3,211,050)
Non-banking interest expenses	957,983	903,868
Banking interest expenses	2,386,093	1,990,483
	(734,781)	**(648,499)**
Net changes in the operating assets and liabilities:		
Inventories	800,551	(557,333)
Trade receivables	734,926	(670,229)
Other assets	(673,324)	(328,810)
Trade payables	(1,167,150)	704,184
Other liabilities	294,797	727,656
Financial assets	287,211	(314,753)
	277,011	**(439,285)**
Changes in finance segment assets and liabilities:		
Cash and cash equivalents with original maturities of more than 3 months	(97,590)	(62,628)
Reserve deposits at the central banks and blocked deposits	(486,526)	134,219
Loans and advances to customers	(5,523,416)	(3,696,044)
Customer deposits	3,960,888	233,098
Financial assets	(285,582)	2,038,179
	(2,432,226)	**(1,353,176)**
	(2,155,215)	**(1,792,461)**
Cash and cash equivalents:		
Cash and cash equivalents	8,329,395	4,913,347
Cash and cash equivalents held for sale	12,108	376,172
Less: Long-term bank deposits	(203,964)	(106,374)
Less: Reserve deposits with the central banks	(1,610,037)	(1,376,495)
Less: Blocked deposits	(398,547)	(145,563)
	6,128,955	**3,661,087**

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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NOTE 35 - EVENTS AFTER THE BALANCE SHEET DATE

i) In accordance with the Article 1 of the Law numbered 5083 concerning the Currency of the Republic of Turkey and according to the Decision of The Council of Ministers dated 4 April 2007 and No: 2007/11963, the prefix "New" used in the "New Turkish Lira" and the "New Kurus" will be removed as of 1 January 2009. When the prior currency, New Turkish Lira ("YTL"), values are converted into TL and Kr, one TRY (YTL1) and one YKr (YKr1) shall be equivalent to one TL (TRY1) and one Kr (Kr1).

All references made to New Turkish Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to TL at the conversion rate indicated above. Consequently, effective from 1 January 2009, the TL replaces the TRY as a unit of account in keeping and presenting of books, accounts and financial statements.

ii) The share transfers regarding the acquisition of additional 50% of shares in Koç Statoil Gaz Toptan Satış A.Ş. and Koç Statoil Gaz İletim A.Ş. by Aygaz, a Subsidiary of the Group, from Statoil Hydro ASA, Aygaz's joint venture partner, were completed upon the approval of Turkish Competition Authority and Energy Market Regulatory Authority as of 9 January 2009 and the purchase consideration was paid in cash.

The company names of Koç Statoil Gaz İletim A.Ş. and Koç Statoil Gaz Toptan Satış A.Ş. have been changed as Aygaz Doğal Gaz İletim A.Ş. and Aygaz Doğal Gaz Satış A.Ş., respectively. The aforementioned changes were approved by the İstanbul Trade Registry Office on 26 February 2009.

iii) Koç Holding obtained a loan in the amount of approximately USD770,000,000 on 13 January 2009, comprising two tranches of USD320,000,000 and EUR339,000,000, from a consortium including 14 financial institutions and to be used to meet various financing needs of Koç Group companies. The principal repayment of this loan, the USD-denominated part with 1-year maturity and the EUR-denominated part with 3-year maturity, will be due at maturity. For both the USD and EUR parts of the loan, interest payment options are available once every three or six months and interest rates are determined as Libor +2.50% for USD and Euribor +4.50% for EUR per annum.

iv) A principal payment of USD587,500,000 was made on 16 January 2009 related to the loans obtained in 2006 to finance the acquisition cost of Tüpraş shares and to re-finance the Group's existing loans as mentioned in Note 16. Following this repayment, the total loan amount decreased to USD1,850,515,442.

v) The following decisions were taken at the Board of Directors meeting of Arçelik, a Subsidiary of the Group, held on 27 February 2009:

- Arçelik's management is authorised for the disposal of the shares, which Arçelik owns in Koç Finansal Hizmetler, amounting to TRY230,642 thousand and 23,064,204,064 shares with a nominal value of 1Ykr each, and the cash collection of this transaction on 6 March 2009. The 8,926,253,373 shares amounting to TRY201,573 thousand will be transferred to Koç Holding A.Ş. and the 2,144,510,952 shares amounting to TRY48,427 thousand will be transferred to Temel Ticaret ve Yatırım A.Ş.

- The total paid-in share capital of Arçelik is decided to be increased from TRY399,960 thousand to TRY649,935 thousand within the limits of TRY1,500,000 thousand on the registered share capital.

- Following the transactions mentioned above, in accordance with the articles of Turkish Commercial Code, Corporate Tax Laws and CMB Legislation, Arçelik management is authorised to execute the procedures to merge Grundig Elektronik into Arçelik through the transfer of all its assets and liabilities in its balance sheet dated 31 December 2008 and prepared in accordance with the related CMB regulations.

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