www.koc.com.tr

1938 TURKEY'S **FIRST** JOINT STOCK COMPANY, KOÇ TİCARET TÜRK A.Ş. 1951 **FIRST** TURKISH LIGHT BULB FACTORY. 1956 **FIRST** PRIVATE MATCH FACTORY, TÜRKAY. 1959 **FIRST** TURKISH WASHING MACHINE, ARÇELİK. 1963 TURKEY'S **FIRST** HOLDING COMPANY, KOÇ HOLDİNG. 1964 TURKEY'S **FIRST** CABLE FACTORY. 1966 **FIRST** TURKISH PASSENGER CAR, ANADOL. 1966 TURKEY'S **FIRST** LPG TANKER. 1968 **FIRST** BLACK-WHITE TELEVISION. 1969 **FIRST** INSTITUTIONALIZATION OF SOCIAL RESPONSIBILITY, VEHBİ KOÇ FOUNDATION. 1975 TURKEY'S **FIRST** PRIVATE R&D CENTER. 1975 TURKEY'S **FIRST** FIVE-STAR HOTEL, TALYA. 1979 TURKEY'S **FIRST** EXPORT OF FARM TRACTOR. 1980 **FIRST** PRIVATE MUSEUM, SADBERK HANIM MUSEUM. 1982 **FIRST** CATALYTIC STOVE, GAZAL. 1984 TURKEY'S **FIRST** DEPARTMENT OF ENVIRONMENTAL ENGINEERING. 1985 **FIRST** TURKISH DISHWASHER, ARÇELİK. 1986 **FIRST** EXPORT OF REFRIGERATOR TO USA. 1986 **FIRST** TURKISH DIESEL ENGINE. 1989 **FIRST** PRIVATE COMPANY TO EXCEED TRILLION UNITS OF SALES, ARÇELİK. 1994 **FIRST** TURKISH COMPANY AMONG "WORLD'S TOP 500 INDUSTRIAL ENTERPRISES". 1994 TURKEY'S **FIRST** MUSEUM OF INDUSTRY. 1997 **FIRST** PRIVATE COMPANY TO RECEIVE THE NATIONAL QUALITY AWARD, ARÇELİK. 2000 **FIRST** TURKISH AUTOMOTIVE COMPANY TO RECEIVE ISO:9000:2000 QUALITY CERTIFICATION. 2001 TURKEY'S **FIRST** AUTOGAS. 2005 **FIRST** TURKISH COMPANY TO ENTER "FORTUNE GLOBAL 500" LIST. 2009 **FIRST** TURKISH AUTOMOTIVE COMPANY TO EXPORT VEHICLES TO USA, FORD OTOSAN.

KOÇ HOLDİNG 2011 ANNUAL REPORT

AT **KOÇ,** MANAGERS WHO THINK THE UNTHINKABLE **PROPEL TURKEY FORWARD.**

CONTENTS

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KOÇ HOLDİNG 2011 ANNUAL REPORT

Koç

KOÇ GROUP'S STRATEGY

Focus on those sectors where we can create a differential competitive advantage

FOCUS

We focus on four core sectors: Energy, automotive, consumer durables and finance.

Grow in sectors where we can leverage our strong brands and technological competence

SUSTAINABLE GROWTH

With the highest R&D expenditures in Turkey, we combine innovation with an extensive product range. We increase our competitiveness by offering our customers the best service quality in their respective segments.

Derive maximum benefits from economies of scale by being the market leader or a close second in every business we operate

LEADERSHIP

Our strong brands and companies secure leading positions in their respective sectors with low penetration levels and high growth potential.

Use early warning indicators and unmatched customer database to proactively manage risks and make the best use of potential opportunities

EXECUTION POWER

We design ambitious long-term targets with the support of our international partnerships, strong competitive advantages and flexible management systems.

Achieve the optimum portfolio diversification where we can balance out and minimize sector and geography-specific risks

RISK MANAGEMENT

With our strong B/S and balanced portfolio, we focus on sustainable profitability and high productivity while minimizing risks through geographical and sectoral diversification.

SECTORS	MAIN COMPANIES	MARKET POSITION	INTERNATIONAL ALLIANCES	SHARE IN CONSOLIDATED REVENUES AND OPERATING PROFIT
ENERGY			AES Mont Blanc Holdings B.V.	63% - 45%
Refinery	Tüpraş[1]	Sole and Leader		
Fuel Distribution	Opet	3^{rd} - 18%		
LPG Distribution	Aygaz[1], Mogaz	Leader - 28%		
Power Generation	AES Entek, Eltek			
Natural Gas	Aygaz Doğalgaz			
Other	Akpa, Demir Export			
AUTOMOTIVE			Ford Motor Co. Fiat Auto S.p.A Case New Holland	14% - 14%
Automotive	Ford Otosan[1], Tofaş[1]	Leader - 30%		
Passenger Car		Leader - 20%		
Commercial Vehicle		Leader - 49%		
Farm Tractor	Türk Traktör[1]	Leader - 51%		
Defense Industry	Otokar[1]	Leader		
CONSUMER DURABLES			LG Electronics	11% - 12%
White Goods and Consumer Electronics	Arçelik[1]	Leader		
Air Conditioner	Arçelik LG	Leader		
FINANCE			UniCredit	8% - 28%
Banking	Yapı Kredi Bankası[1]	4^{th} [2], Leader [3] - 18%		
Leasing	Yapı Kredi Leasing[1]	Leader - 20%		
Insurance	Yapı Kredi Sigorta[1]			
Asset Management	Yapı Kredi Yatırım Ortaklığı[1]	2^{nd}		
Real Estate Investment	Yapı Kredi Koray[1]			
Pension Funds	Yapı Kredi Emeklilik	4^{th} - 16%		
Factoring	Yapı Kredi Faktoring	Leader - %18		
Brokerage	Yapı Kredi Yatırım	3^{rd} - 6%		
Portfolio Management	Yapı Kredi Portföy Yönetimi	2^{nd} - 17%		
Securities	Unicredit Menkul Değerler			
Consumer Finance	Koçfinans	Leader - 19%		
OTHER			B&Q Kagome Sumitomo Kaneka Seeds	5% - 0.4%
Food Production	Tat Konserve[1]	Leader[4]		
Food Product Distribution	Düzey			
DIY Retailing	Koçtaş, Setur, Divan	Leader		
Tourism	Mares[1]			
Marina	Setur Marinaları	Leader - 25%		
IT	Koç Sistem, Bilkom			
Ship and Yacht Construction	RMK Marine			

(1) Listed companies (2) Among private banks, in asset size (3) credit cards outstanding volume (4) tomato paste, tomato products, premium pasta and ketchup markets

MAIN COMPETITIVE ADVANTAGES

We stand as a symbol of trust and achievement

Our powerful brands command strong recognition

We have leading positions in sectors with low penetration levels and high growth potential

We own the largest distribution networks and the most extensive customer database, facilitating strong CRM capabilities

We provide the highest quality sales and after-sales service

We have leading positions in global markets and strong international partnerships

Disclaimer

The Board of Directors' Report, Auditors' Report, Consolidated Financial Statements and Independent Audit Report regarding the operations and financials of the year 2011, included in this Annual Report ("Report"), is prepared in accordance with the legal requirements for the Ordinary General Assembly which will be held on 10 April 2012, Tuesday at Koç Holding, Nakkaştepe, Azizbey Sokak No: 1 Kuzguncuk 34674, Istanbul.

This Report is prepared only for providing information to the shareholders and it is not intended to form the basis of any investment decision. The opinions and statements regarding estimated figures contained within this Report, are only reflecting the Company management's views with respect to certain future events; thus the actual results and developments may differ from those estimation depending on the variables and assumptions. Accordingly, none of Koç Group or their respective advisers, directors or employees shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in or omission from this Report or in any other information or communications in connection with the Report.

All information contained in this Report was believed to be accurate at the time of writing. Koç Holding does not accept any responsibility for any spelling or printing errors occurred during its preparation.

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AWARDS AND ACHIEVEMENTS

Koç Holding **is the only Turkish company in "Fortune Global 500"** list (One of the first 250 companies according to the 2010 financial results).

9%

Koç Group's **combined revenues** corresponded to **9% of Turkey's GDP** in 2011.

11%

Koç Holding generated **11% of Turkey's total exports** in 2011.

Koç Holding was named as the **"Most Admired Company" in the world** in the energy sector in **Fortune**'s 2012 rankings.

5

Koç Holding remains Turkey's largest industrial conglomerate. According to **Istanbul Chamber of Industry's** "Turkey's Top 500 Industrial Enterprises 2010" listing, **five of the top ten companies are Koç Group companies.**

4

Four of the top ten companies in **Turkish Exporters'** Assembly's "Top 1,000 Exporters of Turkey" listing in 2010 are Koç Group companies.

Koç Holding ranked **among Turkey's five most transparent companies** consecutively according to the annual "Turkish Transparency and Disclosure Survey" conducted between 2005-2008 by Sabancı University Corporate Governance Forum in collaboration with Standard and Poor's.

Koç Holding was listed among the **top 23** new global challengers on Boston Consulting Group's **"2011 BCG Global Challengers: Companies on the Move:** Rising Stars from Rapidly Developing Economies Are Reshaping Global Industries" report.

562^{nd}

Koç Holding was listed among the **world's top companies by R&D investment** according to the **"EU Industrial R&D Investment Scoreboard"** for 6 consecutive years rising to 562^{nd} place in 2011. Of the 4 Turkish companies on the list, 3 are Koç Group companies.

Koç Holding was rated as **"One of the** international companies with the **most competitive power in China"** according to the China International Institute of Multinational Corporations (CIIMC).

Koç Family was honored with one of the most prestigious international awards of its kind, the Andrew **Carnegie Medal of Philanthropy** for their philanthropic contributions to the society.

The **"Vocational Education: a Crucial Matter for the Nation"** project was the winner of the award for **"Large Company"** in the **national category** of the **"European Employee Volunteering Awards"** organization held by the partnership with the Corporate Social Responsibility and the Corporate Volunteer Associations of Turkey.

The **"Vocational Education: a Crucial Matter for the Nation"** project received the **European award for "Large Company"** in the international category of the "European Employee Volunteering Awards" organized by Business in the Community and supported by the European Commission.

Koç Holding **"For My Country" project** was awarded as the **"Best Volunteer Program"** in the **"Awards From The Heart!"** by the Corporate Volunteer Association.

Koç Holding "I'm Donating Blood **For My Country"** campaign received the **"Best Social Responsibility Application"** in the category of health on the "10^{th} Golden Compass Awards" organization held by the Turkish Public Relations Association.

Koç Holding **"Koç Fest" project** was awarded as **"Social Media Campaign of the Year"** in the "Digital Communication Awards" organized by Berlin Quadriga University.

Koç Holding **"Koç Fest"** project received the **"Golden"** award in **event** category and the **"Silver"** award in **entertainment** category of the "W3 Awards" in New York.

Koç Holding **Annual Report** was garnered the **"World's Most Improved Annual Report"** and the **"World's Best Holding Annual Reports"** by the "League of American Communications Professionals" as well as the **"Turkey's Best Annual Report"** by the "World Finance".

THE CORPORATE VALUES SET BY OUR FOUNDER VEHBİ KOÇ WILL CONTINUE TO LEAD OUR GROUP IN THE FUTURE, JUST LIKE THEY HAVE IN THE PAST.

THE CUSTOMER IS THE FOCUS OF EVERYTHING WE DO.

TO BE “THE BEST” IS OUR ULTIMATE GOAL.

OUR MOST IMPORTANT ASSET IS OUR PEOPLE.

CREATION OF WEALTH FOR CONTINUOUS DEVELOPMENT IS OUR KEY OBJECTIVE.

HONESTY, INTEGRITY AND SUPERIOR BUSINESS ETHICS ARE THE FOUNDATIONS OF OUR BEHAVIOR.

VEHBİ KOÇ

TURKEY'S LARGEST CONGLOMERATE

Koç Group is Turkey's **largest conglomerate in terms of revenues, exports, share in the Istanbul Stock Exchange market capitalization** and **employment generation.**

LEADER AND GLOBAL PLAYER

Koç Group focus on **sustainable** and **profitable growth** with consistency of being in **leading positions in Turkey as well as in the region** and an important player in the worldwide.

CREATING VALUE FOR ITS STAKEHOLDERS FOR 86 YEARS

For 86 years becoming more powerful against the economic volatility in Turkey, Koç Holding **aims creating value** for its stakeholders.

SUSTAINABILITY FOCUSED, PROFITABLE AND HIGH GROWTH MODEL

Following an average annual growth rate of 22% in revenues and 35% in operating profit in US$ terms between 2002-2011, Koç Holding ranks **among the world's top 250 companies.***

PIONEER IN ITS CORE SECTORS

Koç Holding **has leading positions** with strong competitive advantages in **energy, automotive, consumer durables** and **finance** sectors, which offer strong long term growth potential.

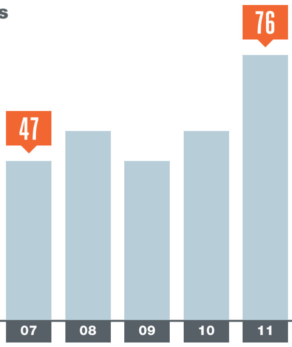
** Fortune 500, based on 2010 financial results*

WE ARE GROWING BY COMBINING **SMART** AND **INNOVATIVE** STRATEGIES WITH A TRADITION OF **LEADERSHIP.**

Consolidated Revenues
(TL billion)

13%

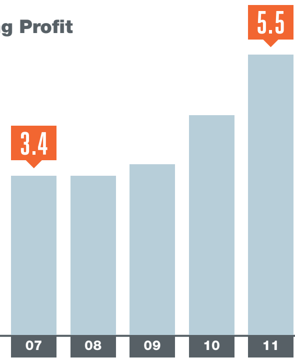
13% average compound revenue **growth** per annum in the last four years



Consolidated Operating Profit
(TL billion)

13%

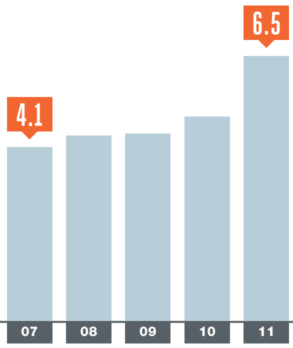
13% average compound operating profit **growth** per annum in the last four years



Consolidated EBITDA
(TL billion)

12%

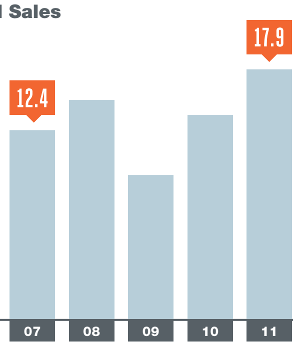
12% average compound EBITDA **growth** per annum in the last four years



Combined International Sales
(US$ billion)

10%

10% average compound combined international sales **growth** per annum in the last four years



Koç Holding A.Ş. Key Performance Indicators

	2011(1)	2010(2)	2011(1)	2010(2)	2011	2010	Change (%)		
	(US$ Million)		(EUR Million)		(TL Million)		US$	EUR	TL
Revenues	**45,354**	**35,865**	**32,613**	**27,050**	**75,741**	**53,812**	**26**	**21**	**41**
Gross Profit	**6,683**	**6,126**	**4,805**	**4,620**	**11,160**	**9,192**	**9**	**4**	**21**
Operating Profit	**3,287**	**2,734**	**2,364**	**2,062**	**5,490**	**4,102**	**20**	**15**	**34**
Profit Before Tax	**2,819**	**2,590**	**2,027**	**1,953**	**4,707**	**3,886**	**9**	**4**	**21**
Net Income	**2,306**	**2,092**	**1,658**	**1,578**	**3,850**	**3,138**	**10**	**5**	**23**
Minority Interest	1,033	936	743	706	1,726	1,404	10	5	23
Equity Holders of the Parent	1,272	1,156	915	872	2,124	1,734	10	5	22
Total Assets	**52,211**	**52,485**	**40,356**	**39,599**	**98,621**	**81,143**	**-1**	**2**	**22**
Total Equity	**12,320**	**13,569**	**9,522**	**10,238**	**23,271**	**20,978**	**-9**	**-7**	**11**
Minority Interest	4,963	5,436	3,836	4,101	9,374	8,404	-9	-6	12
Shareholders' Equity	7,357	8,133	5,687	6,136	13,897	12,574	-10	-7	11

(1) Convenience translation with 2011 average exchange rates (TL2.3224 = EUR1 and TL1.6700 = USD1) for income statement items (including net income) and 2011 year-end exchange rates (TL2.4438 = EUR1 and TL1.8889 = USD 1) for balance sheet items.
(2) Convenience translation with 2010 average exchange rates (TL1.9894 = EUR1 and TL1.5004 = USD1) for income statement items (including net income) and 2010 year-end exchange rates (TL2.0491 = EUR1 and TL1.5460 = USD 1) for balance sheet items.

OUR PERFORMANCE

	OUR FLAGSHIP COMPANIES	OUR COMPETITIVE ADVANTAGES	2011'S DEVELOPMENTS	2007-2011 CAGR REVENUE	2007-2011 CAGR OPERATING PROFIT
WHY ENERGY? Turkey's primary position as an energy corridor Fast growing energy market Liberalization Privatization	**TÜPRAŞ** Turkey's sole refining company	Production flexibility Monopolistic and leading market positions High complexity High refining margins High storage capacity High customer satisfaction	Tüpraş secured US$2.1 billion in loans in order to finance its US$2.4 billion Residuum Upgrade Project. It distributed TL746 million in gross dividends in 2011. It became the leader in Turkey's total exports.	16%	11%
	AYGAZ LPG market leader in Turkey for 50 years		Aygaz celebrated its 50th year. It acquired the dealership network of Totalgaz. Aygaz was once again the sector leader with 28% market share.		
	OPET Turkey's fastest growing fuel distribution company		Maintaining its fast growth, Opet became number two in the market in the second half of the year. It was honored by the best customer satisfaction award in its field by KALDER for six consecutive years.		
	AES ENTEK Partnership with a global giant AES for new investments in electricity generation		Power generation investments gathered momentum, following the JV agreement with world giant AES. Target is to achieve 3 GW within the next five years. A JV agreement was signed with Oyak for a greenfield investment of 625 MW power plant.		
WHY AUTOMOTIVE? Low penetration levels Dynamic market with high growth potential Attractive low cost manufacturing base Ideal distribution center for global brands	**FORD OTOSAN** Leader in Turkey's automotive market for the 10th consecutive years	Wide distribution network High-quality, efficient and safe manufacturing standards High quality service before and after sales "Cost +" Export contracts "Take or Pay" export agreements High profitability Economies of scale advantages= Turkey's; 51% of total automotive production 50% of total automotive exports 30% of total automotive sales	Ford Otosan distributed record level dividends in 2011 with TL519 million. It left behind a successful year full of records in production, exports, domestic wholesales and employment.	12%	13%
	TOFAŞ Highest production capacity in Turkey		Besides Fiat, Peugeot and Citroen, Tofaş also started to manufacture LCVs for Opel and Vauxhall. An agreement was signed to export the New Doblo to the US market.		
	TÜRKTRAKTÖR Largest farm tractor manufacturer in Turkey		With 51% market share, Türk Traktör has leaded the strong growth rates in the market. It acquired new land to increase capacity.		
	OTOKAR Largest private sector company in the Turkish defense industry		Otokar grew its military vehicle business by 111% and its commercial vehicle business by 45%.		
WHY CONSUMER DURABLES? Low penetration levels Powerful demographic dynamics supporting market High productive and R&D focused production base	**ARÇELİK** Turkey's leader; a giant providing products and services 100 countries worldwide	Manufacturing centers in highly populated, low-penetrated, high-margin markets such as Turkey, Romania, Russia, China and South Africa Extensive and exclusive distribution network Strong brand recognition R&D-focused manufacturing Innovative and extensive product range Superior service quality before and after sales High profitability margins	Arçelik registered higher profitability ratios compared to the sector average as well as its international peers, while maintaining over 50% market share in the local market. It has acquired Defy in South Africa and established a sales company in Australia-New Zealand.	4%	6%
WHY FINANCE? Sustainable growth Low penetration levels Strong growth potential in SME and retail banking	**YAPI KREDİ BANKASI** Balanced growth and sustainable profitability	Customer-focused banking Extensive branch network Leading positions in lucrative business lines such as credit cards, project finance, asset management, non-cash loans, leasing and factoring Strong B/S management with focus on sustainable revenue streams High profitability High asset quality	YKB maintained its leading position in fee and commission income with strong market shares in fee generating products such as credit cards, project finance, non-cash loans, leasing and factoring.	3%	21%

YEAR BY YEAR, WE CONSOLIDATE **OUR LEADERSHIP** IN THE **LOCOMOTIVE SECTORS** OF THE TURKISH ECONOMY.

ECONOMIC OUTLOOK

INCREASING UNCERTAINTY IN GLOBAL FINANCIAL MARKETS

2011 was marked by the increasing level of uncertainties in the global financial markets as well as deepening **European debt crisis.**

LOCOMOTIVES OF WORLD ECONOMIC RECOVERY: DEVELOPING COUNTRIES

Structural reforms adopted by the developing economies as well as the difficulties experienced by developed countries and their banking systems since year 2008 yielded developing countries to start functioning as **locomotives of the world economy.**

GROWING TURKEY

2011 was a strong year for **Turkey,** especially during the first half, when it registered **high growth rates** while **strengthening its position in the region.** Although global crisis had its reflections also on the Turkish economy as of the last quarter of the year, Turkish GDP grew by 8.5% and Turkey's exports increased by 18.5%.

TURKEY'S MAIN ECONOMIC INDICATORS

			2012 Forecast	
	2010	**2011**	**Government**	**Koç Holding**
GDP (US$ billion)	736	775	822	818
GDP Growth (%)	9.0	8.5	4.0	4.0
Inflation (CPI, %)	6.4	10.5	6.5[1]	6.5
Budget Deficit / GDP (%)	-3.6	-1.3	-1.5	-1.5
Exports (US$ billion)	114	135	149	154
Imports (US$ billion)	185	241	249	253
Current Account Deficit / GDP (%)	-6.5	-10.0	-8.0	-7.6

[1] *CMB forecast*

KOÇ GROUP OF COMPANIES ARE IDEALLY PLACED TO TAKE MAXIMUM ADVANTAGE OF TURKEY'S POTENTIAL FOR GROWTH AND TO **CONTRIBUTE THE MOST TO THIS POTENTIAL** DUE TO OUR POSITION OF **LEADERSHIP** IN OUR CORE SECTORS, **OUR BROAD DISTRIBUTION CHANNELS** AND **ECONOMIES OF SCALE.**

KOÇ GROUP IN 2011: OPERATIONAL AND FINANCIAL OUTLOOK

9%

Koç Group's **combined revenues corresponded to 9%** of Turkey's GDP.

41%

Koç Holding's **consolidated sales increased by 41%** in TL terms and by **26%** in US$ terms.

11%

Koç Holding generated **11% of Turkey's total exports.**

31%

Combined **exports increased by 31%,** reaching **US$14.5 billion.**

80,987

Koç Group increased its total employment by **7,924** new employees, increasing the total **number of its workforce to 80,987.**

2.9

Combined **investments reached TL2.9 billion.**

34%

Operating profit increased by **34%** in TL terms and **20%** in US$ terms.

22%

Net profit increased by **22%** in TL terms and **10%** in US$ terms.

>270

With its strong focus on **R&D investments, over 270** patent applications were filed.

70%

Koç Gorup **energy companies** met **70% of the total storage capacity** in Turkey.

50%

Koç Group **automotive companies** made **51% of total production, 50% of total exports** and **30% of total sales in the domestic market.**

5

Number of Arçelik's **global manufacturing centers** reached **5**.

22%

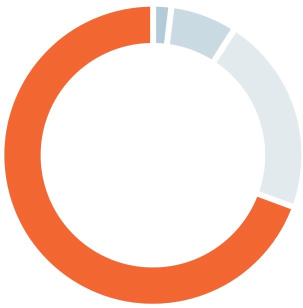
Yapı Kredi one more time attained one of the **highest RoEs** in its sector with **22%**. Yapı Kredi Leasing and Yapı Kredi Faktoring were leaders in their respective segments.

AS THE **LARGEST CONGLOMERATE IN TURKEY,** KOÇ HOLDİNG IS THE **BEST PROXY TO INVEST** IN TURKEY'S HIGH GROWTH POTENTIAL **ON THE ISE.**

- Koç Holding and its 14 publicly traded subsidiaries comprise **15% of the total market capitalization** of the Istanbul Stock Exchange as of 2011-end.
- With **an increase of 131%** in the last two years, **Koç Holding** shares **significantly overperformed** the ISE Holding Index (106% increase) and **ISE 30 Index** (92% increase).
- As the leading conglomerate in Turkey, Koç Holding works tirelessly to **increase shareholder value** by implementing **international standards in corporate governance** and **investor relations**.
- In 2011, Koç Holding Investor Relations attended 18 roadshows and 1-on-1 conferences in Turkey and abroad and held 500+ meetings with existing and potential investors. Regular webcasts to discuss quarterly financial results are organized with the attendance of senior management.

Shareholder Structure

Koç Family	**68.51%**
Free Float	**22.35%**
Vehbi Koç Foundation	**7.15%**
Koç Holding Pension & Assistance Foundation	**1.99%**



Stock Information

ISE Code	:**KCHOL**
Reuters Code	:**KCHOL.IS**
Bloomberg Code	:**KCHOL.TI**
Date of initial public offering	:**10.01.1986**
Share of foreign ownership in free float (31.12.2011)	:**76%**

Koç Holding's Value Added to its Investors

- The best proxy to invest in Turkey's high growth potential on the ISE
- Leading conglomerate in Turkey
- Strategies focused on sustainable profitability and increasing shareholder value
- Strong net cash position and solid financial structure
- High growth potential and advantages of economies of scale
- Superior and sustainable improvement in operating performance
- Portfolio structure that is resilient to economic volatility and risks
- Efficient risk and opportunity management, supported by extensive customer database as well as effective early warning systems
- 86 years of building and track record, proven by proactive restructuring, M&A's, privatizations as well as domestic and international partnerships

Koç Holding's Value Added to its Group Companies

- Reliability, strong reputation and powerful brand management based on 86 years of experience
- Guidance in defining long-term strategies and exchange of best practices throughout the Group
- Financing opportunities to facilitate companies to make investments that will strengthen their international competitiveness
- Strong balance sheet management and ability to access advantageous terms of financing
- Embracing universal standards with Koç Group vision and objectives in the way we do business, ethical standards, environmental policies and work environment
- Comprehensive customer information and database facilitating strong CRM capabilities
- Benefits of economies of scale and effective resource management
- Performance management system focused on creating shareholder value
- Effective use of early warning systems and strong risk management, backed by leading positions in diversified business segments
- Strong human resources

THE INCREASING SHARE OF FOREIGN INSTITUTIONAL INVESTOR BASE AND THE FACT THAT KOÇ HOLDİNG TRADES WITH MUCH LOWER DISCOUNTS TO ITS NAV COMPARED TO ITS DOMESTIC AND GLOBAL PEERS ARE RESULTS OF **HIGH SHAREHOLDER VALUE CREATION.**

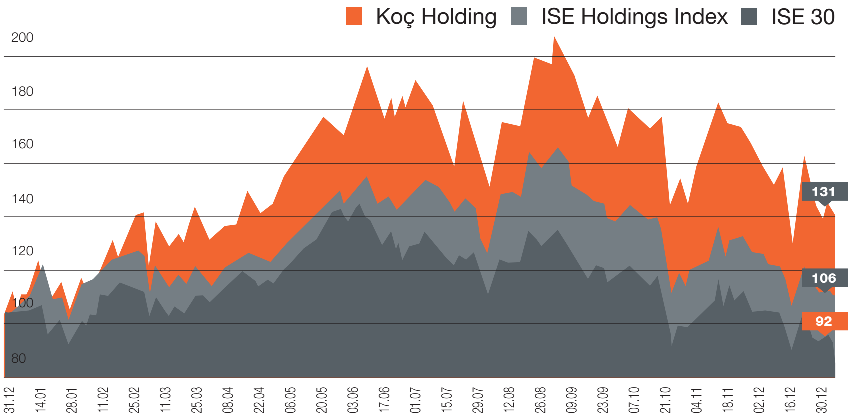
As a sign of the high share value created by Koç Holding, it consistently trades with much lower discounts, sometimes with premiums, to its NAV compared to all other holding companies in Turkey.

Premium / Discount to Net Asset Value

Average	2H 2010	1H 2011	2H 2011
Koç Holding	-9%	-8%	-6%
Peer Group Average	-44%	-43%	-54%

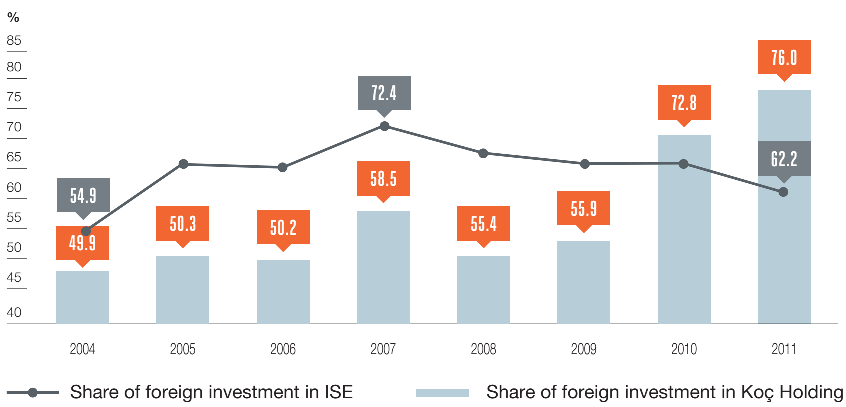
With an increase of 131% in 2010-2011, Koç Holding shares overperformed the ISE Holding Index (106% increase) and ISE 30 Index (92% increase).

Share Price Performance (%)



The share of foreign institutional investors in Koç Holding increased steadily while during the same time, the average share of foreign investors declined in ISE.

Foreign Ownership in Koç Holding's Free Float (%)



WE CONTINUE THE JOURNEY WE BEGAN IN 1926 BY CONSTANTLY **CREATING VALUE FOR** OUR **STAKEHOLDERS.**

1926

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.

1930's

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 US, is established.

1940's

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.

1950's

International partnerships
In 1951, the first Turkish light bulb was introduced to the market, following the first Turkish-American joint investment together with General Electric. A cooperation is agreed with Ford, which will evolve into the Ford-Otosan partnership in the coming years.

1960's

Institutionalization
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.

In 1969, Vehbi Koç Foundation, which is the first and largest foundation in Turkey, is established to enrich life and accelerate Turkey's development.

1970's

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.

1980's

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

First private museum
Sadberk Hanım Museum, which currently has a collection of over 18 thousand artifacts, is established as Turkey's first private museum in 1980.

1990's

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

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

2000's

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".

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 becomes Honorary Chairman of Koç Holding, a post he still continues to hold.

FOR 86 YEARS, KOÇ HOLDİNG HAS BEEN **A FORERUNNER, LEADING TURKEY INTO THE FUTURE.**

2005

Large investments in energy and finance
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.

2006

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.

2007

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.

2008

Koç Group - A powerful player in the crisis
Koç Group weathers the storm successfully by picking up early warning signals in foresight of the crisis, implementing timely measures, proactive risk management, and strict focus on cost cutting and efficiency gains.

2009

Koç Family is awarded the Carnegie Medal
Koç Family was honored with one of the most prestigious international awards of its kind, the Andrew Carnegie Medal of Philanthropy for their philanthropic contributions to the society.

2010

Increasing R&D investments
Koç Holding was listed among the world's top 1000 companies by R&D investment according to the "EU Industrial R&D Investment Scoreboard" for five consecutive years rising to 506th place in 2010. Of the three Turkish companies on the list, two are Koç Group companies.

2011

Turkey's largest industrial and services group...
One of the most admired companies in the world...
Koç Group is Turkey's largest industrial and services group in terms of revenues, exports, market capitalization and number of employees. Koç Holding, as the driving force of the Turkish economy and among the world's 250 large companies, continues to fortify its strong position in the global league with the awards granted in the domestic and international platforms.

2012: Think the Unthinkable

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.

While celebrating our 86th year in 2012 with pride and excitement, we continue our journey which began in 1926, following a growth strategy that pursues bigger investments in our core business lines for sustainable profitability.

Defining its slogan for 2012 as "Think the Unthinkable", Koç Group will continue to create value for all of its stakeholders in the future, differentiating itself in every step of its business plan by focusing on innovation, taking manageable risks and providing the best product and service quality.

THE KOÇ GROUP ASPIRES TO BE A SYMBOL OF **RELIABILITY, CONTINUITY** AND **REPUTABILITY** BY OFFERING PRODUCTS AND SERVICES OF **UNIVERSAL QUALITY AND STANDARDS.**

Dear Shareholders,

Despite all the difficulties encountered in the global economy, 2011 was a successful year for Koç Group and Koç Holding.

World economies are at a turning point

We are at a crucial turning point in the world - economically and politically. Turkey is caught between the different transformational processes occurring in the East and in the West. Western countries are reeling under the effects of the economic crisis. Having begun in the US financial sector, the crisis engulfed the economies of the entire world, particularly those of developed countries and the European Union, forcing a structural transformation. The experience of the economic crisis in the EU and its variations in member countries has caused a reexamination of the commitment to a common currency unit and the very structure of the Union. Uncertainty remains as to how member countries will implement the recommended solutions and various initiatives, how long this challenging process will last, and the financial costs to be incurred. In the East, the wave of uprisings in the Middle East and North Africa, the Arab Spring, highlights the breadth of the travails that accompany political change. Even though developing countries continue as a locomotive of world growth, the weakness of developed countries slows their growth.

Turkey has stood apart

Turkey distinguished itself economically and politically in 2011, despite the challenging processes the surrounding countries experienced. Turkey's 2011 economic growth stood at 8.5%. The private sector continued to support the country's economy with strong investments. Turkey was among the countries that overcame the 2008-2009 global crisis the earliest and fastest and it became one of the most rapidly growing countries in the world in 2011 - a global front-runner in growth of employment levels. Even so, we are aware of certain structural fragilities of the Turkish market. Moreover, the fluctuations and uncertainties in global markets have begun to be seen in the Turkish economy, especially recently. In the second half of 2011, the growth rate slowed and the costs of borrowing rose. Current account deficits and the dampening effect of inflation emerged as serious macroeconomic risks for Turkey.

We project 4% growth in the Turkish economy in 2012

We opened 2012 with these uncertainties. The markets got a boost from developments in the first weeks of the year and from the beginnings of a better understanding of Turkish Central Bank policies by market players. However, because US and European growth projections for 2012 are extremely pessimistic, developing countries must expect a slow down in their rates of growth. As uncertainties continue in Europe, particularly in the Euro Zone, which has already come to a standstill, the beginning of recession may further stain financial markets and it has the potential to significantly shrink the real sector and the volume of commerce. This brings to light the necessity of companies being cautious when determining strategies. The Koç Group, operating on the assumption that the Turkish economy will have a soft landing, has based its budget assumptions on 4% GDP growth expectations.

With over 85 years of experience, we have consistently grown stronger whatever the economic conditions

Koç Group has played a leading role in Turkey for over 85 years. As a Group, it has grown stronger whatever the economic conditions by managing risk and by profitable, growth-centered strategies. Our 2011 financial results are a graphic indicator of the Group companies' strong infrastructure and of their success under experienced management, despite economic conditions. In fact, the performance of our companies was better than what their peers achieved, not only in Turkey but also in the world as a whole. Our companies have continued to rise in their sectors and to acquire global prestige in terms of, among other things, gains in market share, profit margins and innovative products.

News of global changes travels at the speed of light, making rapid adaptation to change and decision-making necessary. However, rapid decision-making increases the room for error and we have to be careful of the dangers in this. As the Koç Group, by preparing scenarios and readying ourselves for possible changes, we minimize risk.

We are leader in social responsibility and create model projects

While making these gains, our Group works toward improving Turkey and the community. To this end, we have undertaken many social responsibility projects spanning many areas. By offering products and services to universal standards of quality, our Group strives to satisfy our customers and employees and to be a symbol of reliability, continuity and respect for all of our stakeholders. The Koç Group has always been concerned about community development in all that it does and this concern makes it a leader in the Turkish business world. Our Group

has identified its most important goals as increasing the levels of prosperity in its regions of operation and of social creativity, and to contribute to social development in line with the expectations and needs of its stakeholders.

Our work with the Ministry of Education, which began with the signing of the "Vocational Education Development Cooperation Protocol" in 2006, has become synonymous with the slogan "Vocational Education: a Crucial Matter for the Nation". Through a strategy of school-business cooperation, it has developed as and become a model of bridge-building between the worlds of education and business.

Our Group companies worked with the Turkish Red Crescent in 2010 and 2011 under the "For Our Nation" project to raise public awareness of the importance of donating blood and of volunteering to become regular blood donors. Through the associated campaigns, 71,733 units of blood were donated, bringing a ray of hope to the lives of 215,199 people.

Sponsor of the International Istanbul Biennale for the 10 years 2007-2016, the Koç Group also sponsored two Ottoman Art Galleries at the New York Metropolitan Museum of Art, 5th among the world's most popular museums in 2011. The two new galleries, as part of the preeminent collection of the Museum's Department of Islamic Art, are named for the Koç Family.

Koç Holding has also contributed to the development of our school-age children and youth through various projects such as "Hand in Hand for Development", "Anatolia is Reading", and "Model School". Moreover, it has created a special festival for students, "Koç Fest", which has become a tradition since 2006.

In the aftermath of the 7.2 earthquake in Van, Eastern Turkey in October 2011, which saddened the entire country, our Group companies took rapid action. Koç Holding established a Coordination Committee and began sending aid to the earthquake region. Arçelik, Yapı Kredi Bank, Tüpraş, Tofaş and Ford Otosan sent search and rescue teams, consisting of approximately 100 people, quickly to the area and began rescue efforts. In addition, Aygaz, Arçelik, Koçtaş and Tat Konserve organized a campaign to procure desperately needed items such as generators, heaters and basic foods. As a start, four 18-wheel trucks were dispatched to the area with 74.5 tons of aid, including emergency supplies.

I believe our greatest reward is the knowledge that our corporate responsibility activities have reached millions of hands and hearts over the years. We are forging ahead with similar activities in the year to come.

I would like to thank all of our stakeholders once again for their support for these projects that our Group holds so dear.

Rahmi M. Koç
Honorary Chairman

THE TURKISH ECONOMY REMAINS VIBRANT DESPITE GLOBAL DEVELOPMENTS AND, IN PARTICULAR, THE DIFFICULTIES FACED BY THE EUROZONE.

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

We are forging ahead in an extremely adverse and tumultuous global economic situation. Developments demonstrate that this dizzying global transformation will accelerate in the near future. I would like to submit for your approval our successful operational and financial results, despite the difficulties of 2011. We expect to remain in the shadow of deepening and diversifying risks in 2012.

2012: A year full of risks

In a risk-filled environment, making projections becomes difficult. Many matters, such as the European debt crisis, US presidential primaries, continuing political strife in the Middle East, Iran's nuclear programs and the sanctions imposed on the country, the change in leadership in North Korea, and the deceleration of the Chinese and Indian economic growth, cast a shadow over 2012. Regardless of the degree to which the internal dynamics of Turkey lessened the impact of unfavorable international developments in the first quarter of 2011, the effects of the global situation have made themselves felt in the country, particularly in the final quarter of the year.

Turkey's 2011 growth rate of 8.5% stands out as a success story when compared to the 1-2% growth rate in developed countries. Moreover, important indicators as capacity utilization rates, the rate of unemployment, increased exports, the budget deficit and bank balance sheets remain favorable. Despite a drop in Europe's share of our exports from 60% to 45%, European countries remain Turkey's largest trade partners. A significant amount of direct foreign investment flowed into our country and nearly 70% of the foreign borrowing obtained by our companies came from Europe. Thus, the grave difficulties facing Europe also pose a threat to Turkey's pace of growth.

Utmost importance placed on sustainability

With all this uncertainty, sustainability becomes an even greater concern than usual. In addition to risks, uncertainties and fluctuations can create opportunities for well-prepared, strong companies. Companies that interpret developments and early warning systems correctly and that continue to invest cautiously as part of a profitable growth strategy are able to manage risks more effectively and quickly seize new opportunities as they arise. These companies can successfully pursue their long-term growth strategies irrespective of economic conditions.

Profitability-centered long-term growth strategy

Koç Holding always bases its plans on long-term, sustainable growth. We have grown consistently since the early days of the Turkish Republic and we have attained leadership in our sectors of operation through strategies centered on productivity, leadership and innovation. By consistently anticipating economic change, we have modified the way we do business and our portfolio so as to create the greatest benefit, and we have led change in most of our sectors.

In the 2000s, when Turkey entered a period of lower inflation and more stable growth, we concentrated on sectors that we believed would create a difference and bring the highest returns to our stakeholders through a more focused portfolio structure. Pulling out of sectors and companies that we believed would lower returns on growth and profitability, we used the funds released to invest strongly in four core sectors. Today, we are the largest conglomerate in Turkey with leading positions in energy, automotive, consumer durables and finance. We focus on strategically important sectors with strong growth potential and high added value. We aim to secure maximum benefit from growth potential through our position at the forefront of these sectors, to play a leading role in reaching the penetration level these sectors should have in Turkey and to be an effective global player by strengthening our presence in international markets.

Diversification and effective risk management

The diversity of sectors in our portfolio is Koç Holding's biggest advantage since we are not dependent on the opportunities and risks of any one sector. The cyclical and financial risks of our core sectors vary, ensuring a balance of different risks in our portfolio during a period of uncertainty. Hence, we can more readily overcome difficult conditions and evaluate opportunities more effectively. Furthermore, our steadily rising international revenues and our increasingly diverse export markets minimize geographical risks. The balance sheet structure is strong at the Holding level as well as underlying companies. Through our robust net cash position at the Holding level, we have the capacity to effectively take advantage of new investment and privatization opportunities in both local and international markets.

We believe that Koç Holding was one of the companies best prepared to deal with the uncertainties experienced in global business cycles over the past four years. Indeed, in addition to growing rapidly since 2008, we have applied an extremely prudent risk management policy across the board. In Koç companies, we do not maintain speculative foreign exchange positions. We also want to maintain the net financial borrowing and the current ratios of our companies within certain limits so as to keep their indebtedness and liquidity levels at judicious levels. We take potential risks into consideration when making investment decisions and identifying anticipated returns by utilizing sophisticated methods such as risk-adjusted return on equity.

2012: A record year in investments
For over 85 years, Koç Holding has had the most extensive distribution channels and largest customer database in Turkey. This is derived from creating leading companies that are close to the customer in the sectors in which they operate and in the services they provide to Turkey. These qualities are crucial for the proper functioning of early warning systems during crisis periods and for being able to provide our customers with the best service under the most appropriate conditions. We are working quickly and continuing to invest in strengthening our distribution channels even further and meeting the needs of our customers through the most creative, newest and most efficient products.

From the point of view of investments, 2012 will be a record year for Koç Holding. Our companies have investment budgets for 2012 totaling TL6.5 billion. The largest share of this investment belongs to Tüpraş's Residuum Upgrade Project. Ford Otosan, which has ongoing new vehicle projects that will get off the ground in the next few years, has the second highest investment budget after Tüpraş. Arçelik, Tofaş, Otokoç and Yapı Kredi Bank are also companies with hefty investment budgets. In addition to these budgeted investments, there are inorganic growth projects in the electricity generation and white goods sectors, as well as privatization projects, such as toll road privatizations, on which we are working to become an opportunistic buyer. We intend to use our cash position in the best way possible for all our stakeholders by effectively analyzing market opportunities and potential for high returns.

A pioneer in social responsibility
Sustainability is an issue that Koç Holding has internalized in a very real sense. We owe our existence, which has continued and grown stronger over the years, to our institutionalized, transparent and socially-aware business ethics. Through our social responsibility projects, we share our gains with the community. We have undertaken crucial projects in the fields of education, health, culture and art to provide our country and youth with a better, healthier future.

Environmentally friendly products and production systems
While aiming at making life easier for our stakeholders with the products and services we offer, we are also developing projects to reduce the environmental impact of production. In 2011, Group companies made environmental investments of TL203.5 million and R&D investments continued to develop environmentally friendly products. The efficient use of energy, water and other natural resources, recycling and reuse are indispensable priorities for our companies. Through these efforts, they achieved savings of 3.37 GJ in energy consumption and succeeded in utilizing over 20% of their water consumption via recycled resources. We are playing a pioneering role not only in environmentally friendly production and resource savings projects, but also in developing environmental awareness within the community through our work on the protection of nature and the preservation of biodiversity. For example, we have been engaged in forestation projects, through which Group companies have planted more than 1.3 million trees, thereby contributing to the creation of thousands of acres of new forest land.

Within the scope of our sustainable growth-centered strategies, our operations in 2012 will continue to generate increased benefit of all of our stakeholders. As in past years, I would like to extend my thanks and appreciation to our shareholders, customers, dealers, business partners, unions, managers and employees who have carried us forward in our continuous search for excellence.

Mustafa V. Koç
Chairman of the Board

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 senior 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. He was the President of the International Chamber of Commerce between 1995-1996. 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 Founder of TURMEPA (Turkish Marine and Environment Protection Association), Honorary President of the High Advisory Council of Turkish Industrialists' and Businessmen's Association, Member of the Advisory Board of the Turkish Employers Association, Honorary Member of the Foreign Policy Association, Honorary Member of the NY Metropolitan Museum Board of Trustees and Founder Member of Global Relations Forum.

Mustafa V. Koç
Chairman

After graduating with a B.A. degree in Business Administration from George Washington University in 1984, he joined Koç Group in Tofaş. In 1992, he moved to 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 Vehbi Koç Foundation Board of Directors, Board of Trustees of Turkish Volunteers for Education Foundation, Advisory Board of Kuwait International Bank, Rolls-Royce Advisory Board and JP Morgan International Council. He also serves as the Honorary Consul General of Finland for Istanbul.

Temel Atay
Vice Chairman

A graduate of Mechanical Engineering from Istanbul Technical University, he holds an MBA degree from Wayne State University. He joined Koç Group in 1966 and later served 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 B.A. degree from Columbia University in 1985. He worked at Kofisa Trading for one year. After completing his MBA at Columbia University in 1989, he worked at Ramerica International Inc. He joined Koç Group in 1990 and worked at Gazal A.Ş. He held various senior positions at Koç Holding including Finance Coordinator, Vice President and President of Energy Group. 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 and Geyre Foundation and Chairman of Yapı Kredi Kültür Sanat Yayıncılık Board of Directors and Tüpraş Board of Directors.

Osman Turgay Durak
Member - CEO

He completed his undergraduate and graduate degrees at Northwestern University in Mechanical Engineering, joining Koç Group in 1976 at Ford Otomotiv as Design Engineer for product development. He was appointed as Assistant General Manager in 1986, became Deputy General Manager in 2000 and General Manager of Ford Otosan in 2002. He served as the President of Automotive Group at Koç Holding between 2007-2009. Durak was appointed Koç Holding's Deputy CEO in May 2009 and became CEO and Board Member in April 2010. He was the Chairman of the Board of Directors of Automotive Manufacturers' Association between 2004-2010.

Prof. Dr. John H. McArthur
Member

He graduated from the University of British Columbia and received his MBA and doctorate from the Harvard Business School. He became a professor at the Harvard Business School in 1962 and served as Dean between 1980-1995. He currently chairs the Asia Pacific Foundation of Canada and is a Member of the Board of Directors of Duke University Health Systems, e-Rewards Inc., Stemnion, Inc., Development Gateway Foundation, and the Thomson Reuters Founders Share Co. Ltd. For many years, he served as Chair of the Brigham and Women's Hospital and, following its merger with the Massachusetts General Hospital, was the founding co-chair of the Board of Partners HealthCare System, Inc. He has also served on the boards of Chase Manhattan Corporation, Bell Canada, GlaxoSmithKline PLC, and the AES Corporation. John H. McArthur has been a Member of Koç Holding Board of Directors since 1999.

Sanford I. Weill
Member

A graduate of Cornell University, he served as the Chairman of Shearson Loeb Rhoades and its predecessor companies (1965-1985), President of American Express Co. (1983-1985), Chairman and CEO of Fireman's Fund Insurance Co. (1983-1985), Chairman and CEO of Travelers and its predecessor companies (1986-1998). He was a Director on the Boards of United Technologies Corp. (1999-2003), AT&T Corp. (1999-2003) and E. I. Du Pont Nemours & Co. (1998-2001). He served as Director of the Federal Reserve Bank of New York (2001-2006). He retired as CEO of Citigroup in 2003, served as Chairman until 2006 and is now Chairman Emeritus. A few of Mr. Weill's charitable endeavors include, Chairman of Weill Cornell Medical College (since 1995); Chairman of Carnegie Hall (since 1991); and Founder and Chairman of the National Academy Foundation (since 1982). Mr. Weill has been the recipient of many corporate and philanthropic awards including Chief Executive Magazine's 2002 CEO of the Year Award, the EastWest Institute Corporate Leadership Award and, along with his wife Joan, the 2009 Carnegie Medal of Philanthropy. His book "The Real Deal: My Life in Business and Philanthropy" was a best seller. Sanford I. Weill has been a Member of Koç Holding Board of Directors since 2009.

Prof. Dr. Heinrich V. Pierer
Member

He studied Law and Economics at the Friedrich Alexander University Erlangen-Nuremberg. He joined Siemens AG in 1969 and held various senior positions in the Company. He was the Chief Executive Officer of Siemens AG between 2002-2005 and the Chairman of the Supervisory Board of Siemens AG between 2005-2007. He served as Chairman of the Asia-Pacific Committee of German Business between 1993-2006. Prof. Dr. Heinrich V. Pierer holds various honorary doctorates and is a Honorary Professor at the Friedrich Alexander University Erlangen-Nuremberg: Law School, School of Business and Economics. He has been a Member of Koç Holding Board of Directors since 2008.

Semahat Arsel
Member

A graduate of American College for Girls in Istanbul, 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, Chairman of Semahat Arsel Nursing Education and Research Center and Second Chairman of Florance Nightingale Foundation. She is also the Founder of Koç University School of Nursing.

Dr. Bülent Bulgurlu
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 Tourism and Services Group, President of Tourism and Construction Group and President of Consumer Durables and Construction Group. He was Koç Holding CEO between May 2007-April 2010. He is a Member of Koç Holding Board of Directors since May 2007. He is also a Member of Turkish Industrialists' and Businessmen's Association, TURMEPA (Turkish Marine and Environment Protection Association).

İnan Kıraç
Member

A graduate of City College of Business in London, he joined 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. In 1998, with his close friends, he founded Kıraça Group of Companies and he has been serving as the Chairman of the Board of Directors. He has been a Member of Koç Holding Board of Directors since 1993.

Ali Y. Koç
Member

He graduated from Rice University in Business Administration and completed his MBA degree at 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. He held various senior positions at Koç Holding such as the New Business Development Coordinator and President of Information Technology Group between 1997-2006. He was the President of Corporate Communications and Information Technology Group between 2006-2010. He was appointed as a Member of Koç Holding Board of Directors on January 30, 2008.

Peter Dennis Sutherland
Member

He was educated at Gonzaga College, University College Dublin and the King's Inns and graduated in Civil Law. He served as Attorney General of Ireland (1981-1984), EC Commissioner responsible for Competition Policy (1985-1989), Director General of The World Trade Organization (1993-1995) and Chairman of BP p.l.c. (1997-2009). Mr. Sutherland is Chairman of Goldman Sachs Intl. (1995 - current) and the London School of Economics and UN Special Representative for Migration and Development. His other associations include Allianz BoD, BW Group Ltd. BoD, Eli Lilly Advisory Board, World Economic Forum, Trilateral Commission (Europe) and The Federal Trust. He has received fifteen honorary doctorates from universities in Europe and America and has many awards and publications. P. D. Sutherland has been a Member of Koç Holding Board of Directors since 2009.

Kwok King Victor Fung
Member

He received his bachelor and master's degrees in Electrical Engineering from the Massachusetts Institute of Technology, and a doctorate in Business Economics from Harvard University. He joined Li & Fung Group in 1973 as Manager, became Managing Director of the Group's export trading business in 1977, Group Managing Director in 1981 and Group Chairman in 1989. He was the Chairman of the Hong Kong Trade Development Council (1991-2000), the Hong Kong representative on the APEC Business Advisory Council (1996-2003), Chairman of the Hong Kong Airport Authority (1999-2008) and Chairman of The Council of The University of Hong Kong (2001-2009). Dr. Fung is the Group Chairman of the Li & Fung group of companies. He is the Founding Chairman of the Fung Global Institute, an independent and non-profit think-tank that generates and disseminates innovative thinking and business-relevant research on global issues from Asian perspectives, Honorary Chairman of International Chamber of Commerce, Chairman of Asia Advisory Board of Prudential Financial, Inc (USA). He is also a member of Chinese People's Political Consultative Conference, Vice Chairman of China Centre for International Economic Exchanges, a member of the Commission on Strategic Development of the Hong Kong Government and Chairman of the Greater Pearl River Delta Business Council. Dr. Fung is an independent non-executive Director of the Bank of China (Hong Kong) Limited and Chow Tai Fook Jewellery Group Limited in Hong Kong, and Baosteel Group Corporation in the People's Republic of China. He was awarded the Gold Bauhinia Star in 2003 and Grand Bauhinia Medal in 2010 for distinguished service to the community. Fung has been a Member of Koç Holding Board of Directors since 2011.

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.

A MANAGEMENT STYLE THAT EMPHASIZES **THINKING THE UNTHINKABLE DISTINGUISHES** KOÇ GROUP COMPANIES, ENABLING THEM TO OBTAIN **COMPETITIVE ADVANTAGES** TO SUSTAIN **LEADERSHIP** IN THEIR RESPECTIVE SECTORS.

Koç Holding's esteemed shareholders and stakeholders,

2011 was filled with challenges and opportunities as economic and political balances continuously shifted. While world economies, especially those of the developed countries, grappled with difficult issues, Turkey, in spite of considerable uncertainty, had a successful year. Growth in the Euro Zone, our most important commercial partner, remained limited to 1.6%; in contrast, the Turkish economy expanded by over 8%.

High performance in excess of the Turkish economy

As our financial results demonstrate, Koç Holding outperformed the general economy in our core sectors. Consolidated revenues jumped 41% to TL75.7 billion (US$45.4 billion) while operational profit climbed 34% to TL5.5 billion (US$3.3 billion).

Spearheading Turkey's exports

Koç Holding companies lead change in the sectors they dominate. Making the most of the growth dynamics in the domestic market in 2011, these companies staved off a decline in exports by diversifying markets and boosting market shares. Our combined international revenues rose 34% to US$17.9 billion. Koç Group companies spearheaded Turkish exports, with Tüpraş ranked 1st, Ford Otosan 2nd, Tofaş 4th and Arçelik 6th in terms of Turkey's total exports. Koç Group companies accounted for nearly all of Turkey's petroleum and petroleum product exports, for half the exports of the number of passenger cars and light commercial vehicles, and for one-third of all consumer durable and electrical machine exports. Overall, Koç Group constituted 11% of Turkey's exports.

Indisputable leader of the energy sector

As of the end of 2011, the energy sector comprised 63% of total revenues and 45% of operating profit. We maintain a clear superiority in petroleum and LPG products in the energy sector, upon which we place great strategic importance.

Tüpraş, Turkey's only refinery company, continued to grow, raising operating profit by 93% in 2011. Despite all the difficulties in global markets, the US$2.4 billion-Residuum Upgrade Project got off the ground by obtaining long-term loans at very favorable terms. We anticipate that the implementation of this project will further enhance the significant gains with respect to Mediterranean refinery margins.

Celebrating its 50th anniversary, Aygaz continued its supremacy in the LPG sector by attaining a market share of 28%. It also took over Totalgas's dealerships and continued to seek advantages of investment opportunities in natural gas distribution and electricity production.

Opet, our petroleum distribution company, received Turkish Quality Association's (KalDer) customer satisfaction award for the 6th consecutive year and also became the sector's fastest growing company one more time.

Our investments in electricity generation gathered momentum as a result of the partnership between our company Entek and the world giant AES. AES-Entek formed a partnership with Oyak to make a greenfield investment of a 625 MW coal-fired power plant.

Demir Export, our mining company, is investing in the future. In the past three years, we drilled 30,000 meters to develop new mining fields. Another 30,000 meters were drilled in 2011 and a further 30,000 meters are planned for 2012.

In short, we have consolidated our leadership of the energy sector while stepping up our investments.

Koç Holding accounts for half of Turkey's automotive production and exports

Demand in the domestic automotive market in the first half of 2011 was buoyant. Despite slowing in the second half, the total market - automobiles, light, medium and heavy commercial vehicles, and buses - reached 911,000 vehicles, making record growth of 15%.

Ford Otosan maintained its market lead for the 10th time with a 15.6% market share and Tofaş came a close second with a 14.3% share. Türk Traktör retained a clear advantage in the sector, dominating half of the domestic market. The Company purchased property in Ankara to build an assembly plant since its existing production facilities are all operating at full capacity. Otokar increased its military vehicle business by 111% and commercial vehicles by 45% compared to 2010. Otokoç expanded its vehicle-leasing business by 42%.

In short, not only did we maintain unrivalled superiority in the automotive sector and attain a 30% share of the domestic market, the Group's companies conducted half of Turkey's production and exports.

Arçelik: A world giant becoming even stronger through global production centers

Arçelik is continuing to invest in its growing global presence. It forged ahead with market diversification, purchasing Defy, a company possessing 33% of South Africa's market, adding to its existing array of production centers in Turkey, Romania, Russia and China. It set up a sales company in Australia-New Zealand. Despite a recession in Europe, Arçelik increased its market

shares in the region. In three years, it has raised its market share in Western Europe from around 4% to 6%. What's more, it sustained its lead in Turkey with a market share of over 50%.

Arçelik generates the highest number of patent applications in Turkey. It continued to expand its range with innovative energy and water-saving products.

Yapı Kredi: The private sector bank with one of the highest returns on equity

2011 was a difficult year for the financial sector. Measures taken to cool the economy, as well as those taken by the Central Bank and the Banking Regulation and Supervision Agency dampened banking revenues.

Yapı Kredi Bank's total asset growth not only exceeded the sector average, its deposits grew more than that of its competitors. At a time when transaction fees and commission revenues became even more critical as pressure on interest margins grew, Yapı Kredi continued to be the best performer in its own category. Moreover, as in the last year, it was the private bank with one of the highest returns on equity.

Yapı Kredi's leasing and factoring companies, each leaders in their sectors, as well as its subsidiaries operating in the areas of asset management, insurance, private pension funds and investment banking, all had a successful year.

Innovative management approach that thinks the unthinkable

Change and innovation are important for the Koç Group, which has broken new ground in the Turkish economy. Therefore, as we enter 2012, our Group has chosen as its theme "to think the unthinkable". Actually, to maintain the competitive advantages that have carried us to the leading positions we hold today, we have been compelled to be companies that think the unthinkable and offer the best, most innovative and varied products and services to the customer. Accordingly, the importance we have placed on R&D and product development has been an indispensable part of the role we have assumed in the economy over the past 85 years. Three of the four Turkish companies appearing on the EU Research and Development Investment Scoreboard, prepared by the EU Commission in 2011, are Koç Group companies: Koç Holding, Tofaş and Ford Otosan. Today, our Group has 14 R&D centers around Turkey and approximately one-fifth of all R&D technicians in Turkey work for Koç Group companies.

I express my heartfelt thanks to our shareholders, whose great support has enabled us to attain our achievements as Koç Holding. Our fundamental goal has always been to utilize our resources in the best way possible in order to turn them into sustained high-yielding investments for our stakeholders.

As Koç Holding, we will strive with everything we've got to make the highest possible contribution to our:

- country, through our pioneering initiatives in corporate social responsibility
- dealers and employees, through our modern, continuous development management philosophy
- customers, by providing the best products and services at affordable prices
- shareholders, through the high stock and dividend performance of our publicly traded companies.

Osman Turgay Durak
CEO & Member of the Board of Directors

Osman Turgay Durak
CEO and Board Member

He completed his undergraduate and graduate degrees at Northwestern University in Mechanical Engineering, joining Koç Group in 1976 at Ford Otomotiv as Design Engineer for product development. He was appointed as Assistant General Manager in 1986, became Deputy General Manager in 2000 and General Manager of Ford Otosan in 2002. He served as the President of Automotive Group at Koç Holding between 2007-2009. Durak was appointed Koç Holding's Deputy CEO in May 2009 and became CEO and Board Member in April 2010. He was the Chairman of the Board of Directors of Automotive Manufacturers' Association between 2004-2010.

Ali Tarık Uzun
President, Audit Group

He graduated from Ankara University in Faculty of Political Science with a B.A. in Economics and earned his MBA degree 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 Audit and Finance Group. He served as Coordinator between 1969-2003 and has been serving as the President of Audit Group at Koç Holding since 2004.

Tamer Haşimoğlu
President, Tourism, Food and Retailing Group

He graduated from Istanbul Technical University in Mechanical Engineering and earned a master's 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 later became Specialist, Manager and Coordinator of the Strategic Planning Department. He was appointed Koç Holding Strategic Planning Group Acting President in January 2004 and he served as the President of Strategic Planning Group between May 2004-April 2011. He has been serving as the President of Tourism, Food and Retailing Group at Koç Holding since April 2011.

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 Vice President of Energy Group. Between 2003-2004, he was an Executive Member of Koç Holding Board of Directors, responsible for the operations of the Energy Group. He has been serving as the President of Energy Group at Koç Holding since May 2004.

Kudret Önen
President, Defense Industry, Other Automotive and IT Group

He graduated from Gazi University in Mechanical Engineering and joined Koç Holding in 1975 at Ford Otosan. In 1980, he became R&D Department Manager at Koç Holding and was appointed as the Assistant General Manager of Otokar in 1984. He served as the General Manager of Otokar between 1994-2005 and was appointed Co-President of Koç Holding Other Automotive Companies Group in 2005. He was the President of Defense Industry and Other Automotive Group at Koç Holding between 2006-2010. He has been serving as the President of Defense Industry, Other Automotive and IT Group at Koç Holding since 2010.

** Listed according to presidential seniority.*

Ahmet Ashaboğlu
CFO - President, Finance and Strategic Planning Group

He graduated from Tufts University and earned a master's 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 between 1996-1999 and worked as Engagement Manager at McKinsey & Company, New York, between 1999-2003. He joined Koç Holding as Finance Group Coordinator in 2003. He has been serving as the CFO at Koç Holding since 2006.

Cenk Çimen
President, Automotive Group

He graduated from Istanbul Technical University in Industrial Engineering and completed Executive Development Programs at Stanford University (USA) and University of California Los Angeles (USA). He joined Koç Group in 1991 as Management Trainee at Nasoto. He assumed Sales Coordinator, Regional Manager and Import Manager responsibilities at Otosan Pazarlama between 1993-1996. He served as Fleet Sales Manager at Ford Otosan between 1996-1998 and became the General Manager of Otokoç Ankara in 1998. In 2001, he was appointed as the General Manager of the companies merged under Otokoç. In 2005 his responsibility was extended to include the General Manager role for Birmot A.Ş., also assuming responsibility for Avis car rental. He has been serving as the President of Automotive Group at Koç Holding since June 2009.

Levent Çakıroğlu
President, Consumer Durables Group

He graduated from Ankara University School of Political Science in Business Administration and completed his MBA at the University of Illinois. He began his career at the Ministry of Finance as junior accountant in 1988. Between 1997-1998, he worked as part-time lecturer at Bilkent University and as Vice President of Financial Crimes Investigation Board at Ministry of Finance. He joined Koç Holding in 1998 as Finance Group Coordinator. He was the CEO of Koçtaş between 2002-2007 and Migros between 2007-2008. After becoming the CEO of Arçelik in 2008, he was also appointed as the President of Consumer Durables Group at Koç Holding in April 2010.

Faik Açıkalın
President, Banking and Insurance Group

After earning a BS degree in Business Administration from Middle East Technical University, Faik Açıkalın began his banking career in 1987 as a Management Trainee at Interbank. He subsequently worked in various positions including Internal Auditor, Relationship Manager, Branch Manager and Marketing Manager at Interbank, Marmarabank, Kentbank, Finansbank and Demirbank between 1992-1998. In May 1998, he joined Dışbank as Executive Vice President. Later that year, he was appointed Chief Operating Officer (COO) responsible for the coordination and communication between the Board of Directors and business units. He also assumed the position as a member of the Credit Committee. In June 1999, Açıkalın was appointed Deputy President and Member of the Board of Directors. In December 2000, he became President of Dışbank. Following the acquisition of the majority shares of Dışbank by Fortis, he continued to serve as President and Deputy CEO of the Bank and member of the Fortis Global Management Committee in Brussels. In October 2007, he resigned from his duties at Fortis and became CEO at Doğan Gazetecilik. In April 2009, Açıkalın was appointed as Executive Director and Chairman of the Executive Committee of Yapı Kredi. Serving as Yapı Kredi's CEO since May 2009, in 2010 he was also appointed as CEO of Koç Financial Services. In addition to his current role, in August 2011, Açıkalın became the President of Koç Holding's Banking and Insurance Group.

OUR MOST IMPORTANT ASSET IS OUR PEOPLE.

As of the end of 2011, Koç Group employed 80,987 people, of which 73,339 work in Turkey and 7,648 abroad. Koç Group aims to be an organization employing the most successful professionals who create added value that results in sustainable growth. Our goal is to be the most preferred employer, and an ideal organization that each employee is proud of being a part. In order to implement this strategy, Koç Holding utilizes human resources systems and approaches formed through many years of hard work and experience.

Koç@İnsan

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

Integrated Performance Management and Planning

The Performance Management System facilitates focusing employee efforts on specific targets by delegation of the Company's overall goals. It also provides the tools for performance evaluation and reward mechanisms and planning individual career paths through competency assessments.

Salary Management System

Koç Group's 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 level of the employee. With regular market analyses, a competitive and fair salary policy is applied. Bonus system encourages reaching higher performance of the Company. Focused on long-term consequences rather than short-lived achievement, the bonus system aims to reward stability and outstanding success.

Salary management system is based on job grades which are determined as a result of reviews. Job evaluation is conducted through an international system that operates across Koç Group and ranks all jobs according to their potential contribution to organizational goals and their responsibility levels.

Fringe Benefit System

In line with their job grades, fringe benefit packages are offered to all our employees, targeting to satisfy their needs of business and social lives. Fringe benefit system aims to maximize employee satisfaction.

Leadership Potential Assessment Process and LiderSensin "You are the leader" Program

Koç Group companies define career paths for employees at all levels with an assessment process based on their competencies. In addition, successful employees with leadership skills are identified by an application of Assessment Center and included in a special program as potential senior managers. Therefore Koç Group's top management positions are backed up and the future top managers are planned beforehand.

THE TARGET IS TO BE THE MOST PREFERRED EMPLOYER FOR THE MOST SUCCESSFUL PROFESSIONALS

INDIVIDUAL AND COMPANY PERFORMANCE BASED REMUNERATION AND LEADERSHIP PROGRAMS, PROMOTING STRONG PERFORMANCE

A GROUP THAT SUPPORTS ITS EMPLOYEES THROUGH HEALTH AND SAFETY PROGRAMS, FRINGE BENEFITS, PENSIONS AND FINANCIAL ASSISTANCE TRUSTS

Koç akademi

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. In total, 4,676 managers participated in these training programs between 2002-2011.

KoçKariyerim

Koç Group employees have priority when filling vacant positions that are available at the Group companies. KoçKariyerim is a portal that is used to announce all available positions within the Group and enables our employees to actively participate in shaping their career paths.

Koç Academy

Koç Academy is an educational and developmental platform shared by employees. On Koç Academy, activities that support the development of Koç Group employees are planned and implemented in the light of the Group's, the Company's and employees' needs. It allows each employee to plan and monitor his/her own progress.

Koç ailem

Work Environment Evaluation Survey

The Work Environment Assessment Survey is conducted every year to measure the loyalty as well as the satisfaction of our employees and the factors, which have an impact on their loyalty, are analyzed. Group companies are given goals on employee loyalty and the results are closely monitored.

KoçAilem

KoçAilem Program provides employees with various advantages, similar to a loyalty program, in using the products and services of Koç Group and external companies, participating to the program. Its objective is to increase employee satisfaction and loyalty and establish a common corporate identity through the benefits it offers and social activities and social responsibility projects it organizes. KoçAilem has around 87,000 members.

Emekli Vakfı

Industrial Relations

The Industrial Relations Department deals with seven different trade unions on behalf of Koç Group in seven different industry branches, coordinating collective labor agreements and organizing periodic meetings to establish and protect labor peace during the negotiations. Industrial Relations is responsible from establishing and developing a sustainable, proper and constructive social dialogue with the labor unions within the context of Turkish regulations, EU regulations and the UN Global Compact.

Occupational Health and Safety (OHS) Board

Koç Group Occupational Health and Safety Board aims to ensure a healthy and safe work environment for Koç Group employees and to improve the safety levels of companies and procedures. The Board's objective is to achieve widespread implementation and reach a common standard for OHS practices throughout Koç Group. The total amount of training given at the Koç Group companies on occupational health and safety in 2011 was 221,317 man-hours.

Koç Holding Pension and Assistance Foundation

As part of the value Koç Group places on employees, additional social security options and support are provided to employees via Koç Holding Pension and Assistance Foundation during their employment and retirement periods.

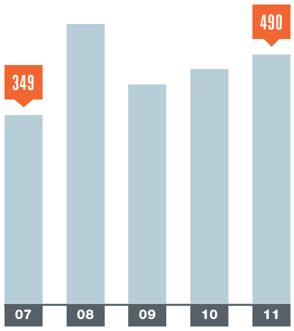
14 R&D CENTERS

ONE FIFTH OF ALL R&D EMPLOYEES IN TURKEY

GROUP COMPANIES WITH WORLDWIDE INCREASING RANKS IN R&D SPENDING

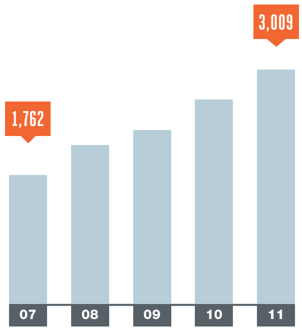
40% **Koç Group Total R&D Expenditures** (TL million)

Increase in the last four years



71% **Koç Group Total R&D Employees**

increase in the last four years



Koç Group has a target of enhancing its competitive edge by leading the way in innovation and technology with regard to its businesses. It continues to focus on delivering innovative, environmentally friendly and energy-efficient products and services.

Koç Group increased its R&D spending from nearly TL70 million in 2002 to over TL500 million in 2008. With an investment level of almost TL500 million in 2011, the Group remained the highest spending Group in Turkey for R&D. The R&D spending of Koç Group constitutes 12% to 16% of the private sector R&D spending across Turkey.

According to an EU Commission study dealing with 2011 R&D investments; with consolidated R&D spending totaling €118 million in 2010, Koç Holding ranked 562nd worldwide and 396th in the EU. The average R&D spending to turnover ratio of all companies engaged in R&D activities across the Koç Group is close to the international sector standards at the level of 1.5%.

Koç Holding fortifies its strengths with its R&D culture. The Company has 14 R&D centers certified by the Ministry of Industry and Commerce. The Koç Technology Board was established in 2005 to transfer technology management know-how, spread the use of best practices within the Group and support the development of joint R&D projects among Group companies to help companies augment their R&D and technology management capacities. Koç Holding believes R&D investments to be a significant contributor toward creating a competitive edge in the long term. It will continue to carry out its activities in cooperation with the universities, the after-market and SMEs.

Turkish Signature in Automotive

Having started the first R&D efforts in Turkey, Ford Otosan has become a design center. Today, its R&D center has the technological capability to assume full design and product development of a vehicle. The Company exports vehicles totally developed within its own confines to nearly 70 countries on 5 continents.

The Tofaş R&D center is Fiat's 2nd largest in Europe and 3rd largest in the world. The Company has sole ownership of the intellectual and industrial property rights and holds the design responsibility for the MiniCargo and new Doblo models. With ratios of annual R&D spending to net revenue changing between 4% and 6% in the last five years, Tofaş has successfully exceeded global average figures in terms of R&D investments.

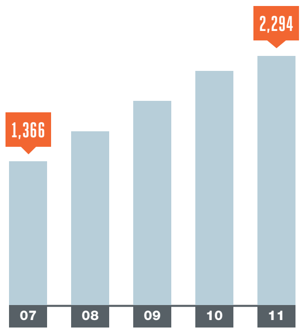
THE LARGEST INTELLECTUAL PROPERTY RIGHTS PORTFOLIO IN TURKEY WITH OVER **5,000** BRANDS, OVER **2,000** PATENTS, MORE THAN **600** INDUSTRIAL DESIGNS AND OVER **3,000** DOMAIN NAMES

ONE THIRD OF ALL INTERNATIONAL PATENT APPLICATIONS FILED FROM TURKEY

INTELLECTUAL PROPERTY RIGHTS

68% **Koç Group Companies' Patent Portfolio** (Cumulative-Units)

increase in the last four years



Koç Group derives its competitive edge from the innovations driven in every field. The intellectual property rights held by Koç Group constitute one of the most important factors supporting its growth, competitiveness and profitability. With a view toward increasing value created for its investors, Koç Group increases investments for intellectual property rights year after year; it places great importance on the management of intellectual property rights.

Koç Group intellectual property rights portfolio, consisting of over 5,000 brands, over 2,000 patents and more than 600 industrial designs, with more than 3,000 domain names is the largest in Turkey and the most important one in the region it operates. Koç Group companies have applied for 253 patents in 2010; their patent applications in Turkey constitute 8% of all the patent applications filed by local companies. Koç Group companies have filed 273 patent applications in 2011.

Koç Group files over one third of all international patent applications from Turkey. Arçelik, the first and only Turkish company to be listed among the global top 500 companies in the World Intellectual Property Organization (WIPO) list, received awards for the "Highest Number of Patent Applications", "Highest Number of Patent Registrations", and "Highest Number of International Patent Applications" in 2010 by the Turkish Patent Institute. Ford Otosan, another Koç Group company, ranked 3rd among companies for having the highest number of patent applications and the most patent registrations held.

WE ARE GROWING BY **MINIMIZING RISKS** AND **MANAGING** THEM **ASTUTELY.**

The global financial turmoil and the uncertainties that prevail in the financial markets in its aftermath, one more time reminded the market players of the importance of risk management policies. Koç Group adopts a cautious risk management policy, increases awareness across Group companies, and improves its asset quality in line with proactive risk management measures. To ensure growth and value creation, one should be able to take risks. That's why, while strengthening risk control and processes, flexibility is provided to managers not to miss market opportunities.

The only way to ensure that we are creating sustainable shareholder value is to maintain awareness of the risks that we take to generate profits. Koç Group has sophisticated risk model and capital allocation processes that improve transparency and encourage us to consider risks more systematically as an integral part of investment and business decisions at all levels.

At Koç Group, risks are managed with the oversight of the Board of Directors, in coordination with all Group presidents. Koç Holding's Risk Management Function is established to further develop the Group's risk policies, limits and review mechanisms. This risk function leverages the risk infrastructures in each of our businesses, which have adopted an approach that is aligned with the Group's overall risk policies and limits.

Risks identified through our risk management processes are prioritized depending on their probability and severity. We ensure that the most important risks have responsible business leaders at company and/or Group level. For managing risks, we have general response strategies, which identify categories according to whether the Company will avoid, transfer, reduce or accept the risk. These response strategies are tailored to ensure that risks are within acceptable Board of Directors tolerance levels.

Our risk infrastructure is designed to identify, evaluate and mitigate risks within each of four main categories:

Financial Risks

Financial risks relate to our ability to meet financial obligations and mitigate effects of market volatility, in five categories:

Exchange rate: Koç Group protects itself from exchange rate volatility through keeping exposures under limits approved by the Board of Directors. Derivative transactions are used when required by this strategy.

Liquidity: Our policy is to continue to diversify our funding sources and maintain a sufficient level of cash and cash equivalent assets. We also balance our cash and cash equivalent assets with the short term liabilities to meet any sudden cash need.

Credit: We manage this risk with credit assessments, credit limits and obtaining the highest possible guarantee. We leverage the Group's credit intelligence across different markets using an internally developed program called E-risk, which tracks trade receivables risk on a daily basis.

SOPHISTICATED RISK MODELING

EARLY WARNING SYSTEMS AND INTER-SECTORAL COORDINATION

RISK BASED CAPITAL ALLOCATION

RISK MANAGEMENT BEST PRACTICES SHARED ACROSS THE GROUP

Interest rate: 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.

Commodity price: We take commodity exposures where they are part of our core business and avoid or reduce exposure where possible through a variety of hedging mechanisms.

Strategic

Strategic risks relate to the demand for our products and services, market regulations as well as factors that drive market share such as competition, technological changes, consumer trends and product innovation. In the long term, market's diversification is used as an important strategic risk management tool to minimize geographical risks and take part in the world's markets as a global player as well as to benefit from the opportunities in different markets. In the short term, macroeconomic and sector specific developments are monitored centrally by the president of each group. Koç Group's strong presence and diversified business lines in the national economy enable us to recognize market changes early and coordinate responses rapidly.

Operational

Operational risks include incidents that affect our operations such as earthquakes, fires and environmental accidents, as well as the integrity of our internal systems and processes. Insurable risks are frequently re-assessed and transferred out of the Group based on a cost-benefit analysis. Koç Group places great emphasis on internal control to operate properly the internal system and processes. In this regard, the Audit Group Presidency operates under the Chairman of the Board of Directors in accordance with the principle of separating administration and audit tasks. Audit Group Presidency performs audits of financial and operational processes and for potential risks and frauds at Koç Group companies.

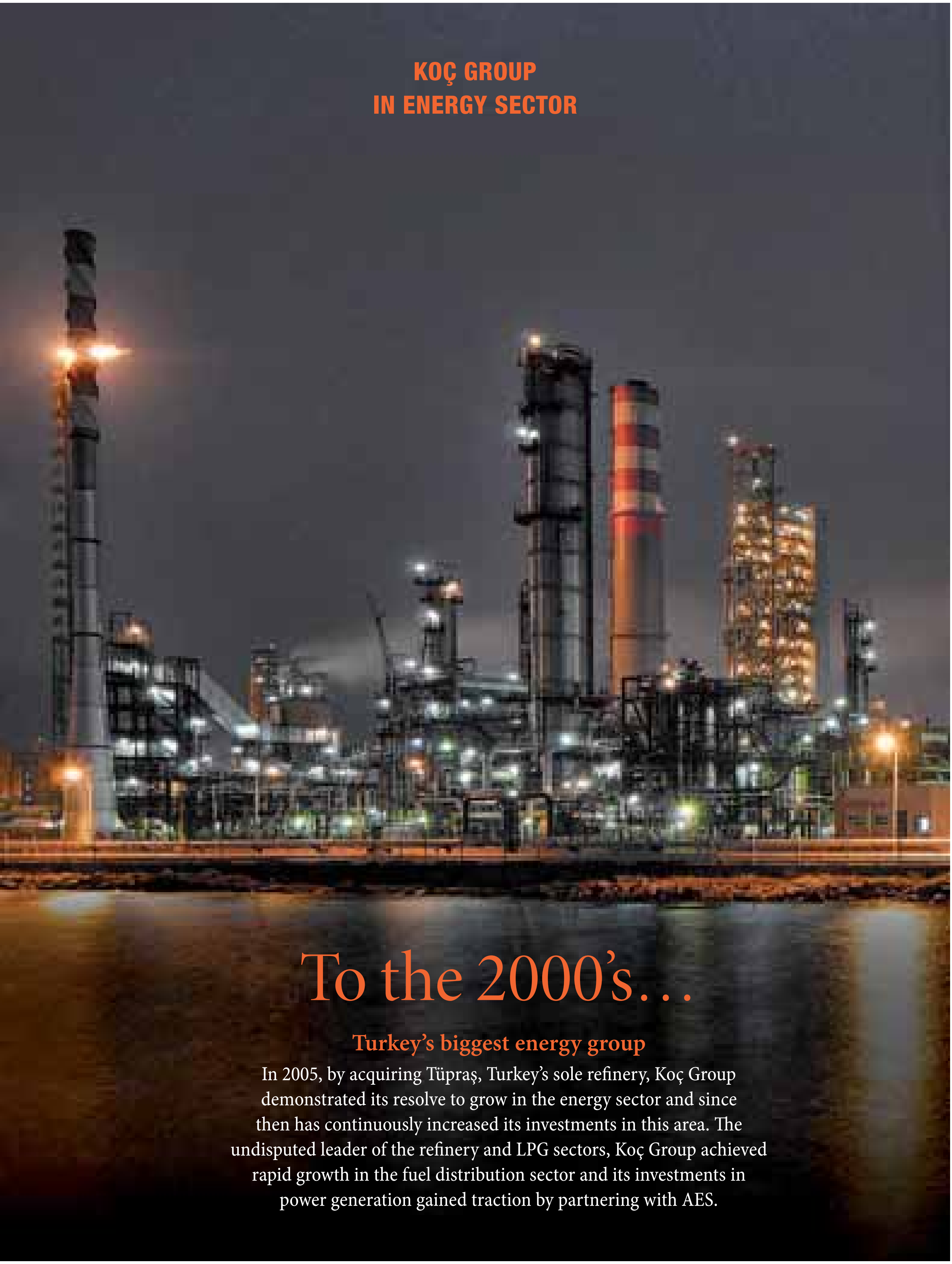
Legal

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

From the 1920's…

1928: Turkey's first private energy venture

In 1928, a young and farsighted businessman became the Ankara representation of Standard Oil (Mobil), thus taking his first initiative in the energy sector. It was this businessman, Vehbi Koç, who understood at a young age the critical importance of the energy sector to the country's economy and resolved to invest in this field. From that date forward, Koç Group's investments in the field of energy would continue without a break, transforming the Company into Turkey's biggest energy group.



KOÇ GROUP
IN ENERGY SECTOR

To the 2000's…

Turkey's biggest energy group

In 2005, by acquiring Tüpraş, Turkey's sole refinery, Koç Group demonstrated its resolve to grow in the energy sector and since then has continuously increased its investments in this area. The undisputed leader of the refinery and LPG sectors, Koç Group achieved rapid growth in the fuel distribution sector and its investments in power generation gained traction by partnering with AES.

KOÇ GROUP **LEADS TURKEY'S ENERGY SECTOR THROUGH TÜPRAŞ, WHICH CONTROLS TURKEY'S ENTIRE REFINING CAPACITY, AYGAZ, THE INDISPUTABLE LEADER OF THE LPG SECTOR** AND **OPET, THE FASTEST GROWING PETROLEUM DISTRIBUTION COMPANY. AES ENTEK** IN THE ELECTRICITY GENERATION SECTOR AND **DEMİR EXPORT** IN THE MINING SECTOR MAKE **GROWTH MOVES.**

ENERGY PRODUCTION INCREASES DUE TO ECONOMIC GROWTH IN TURKEY.

In 2011, electricity and jet fuel consumption increased 9% and 13.9%, respectively.

Energy sector developments in 2011
In 2011, the European debt crisis became more entrenched and systemic, the socio-political fluctuations stemming from the Arab Spring and the consequent production shortages, the upward pressure on oil and commodity prices paved the way for global inflation and rising current account deficits. World economic growth slowed down in 2011 to 3.8%, down 1.4% from the year before.

Oil prices escalated in April to US$125 under the impact of the Arab Spring then they began faltering in the second half of the year to close at US$106.50. The lower price was due to the deepening of the European debt crisis in the summer and its spread to larger Euro Zone countries, the borrowing ceiling problem in the US and, in Asia, China's cooling of economy in an attempt to slow down the inflation.

The rate of growth in the global economy slowed in the second half of the year, which resulted in a weakening of crude oil demand in 2011 compared to demand in 2010. Crude oil demand increased by 0.7 million barrels/day and reached 89.0 million barrels/day. Oil prices remained over the US$100 level because of the continuation of economic weakness and the expected seasonal decline in oil prices in the final months of the year, coupled with the EU decision to apply sanctions against Iran and the US efforts to extend its sanctions, systematic financial measures to counter the EU debt crisis, and production cuts by African and Asian oil producers amidst chaos. The world net oil commodity consumption surplus transferred to 2011 stood at 0.80 million barrel/day. However, due to economic factors, it shrunk less than expected, to only 0.60 million barrels/day. In 2011, there was a negative impact on refinery margins caused by the intensification of the debt problem in the global economy, the savings strategies many countries implemented in response, commodity prices unable to keep pace with the rise in oil prices, the cheapening of USA-WTI (West Texas Intermediate) oil compared to Brent during the year, the greater penetration of commodities comparative price advantage into the European market, and the US reduction in imports to meet its gasoline needs. Overall, the Mediterranean refinery margin declined from US$2.89/barrel to US$1.17/barrel in 2011.

Developments in the petroleum sector
The consumption of white products (diesel and gasoline) in Turkey grew by 5.5% to 20.1 million m3. Broken down, diesel consumption went up by 7% to 17.5 million m3 while gasoline consumption fell by 3.5% to 2.6 million m3. These data show that the overall growth in diesel parallels that in Europe with a tendency towards the use of diesel at the expense of gasoline.

Consumption of black products (heating oil and fuel oil) declined by around 3% to just over 1 million tons.

The change in the petroleum sector began in 2010 with the restriction of gas station usufruct agreements to 5 years and the distribution companies and dealers' adjustment to these new conditions continued through 2011.

One of the most serious problems that prevented the market growing as required was the inadequate results from the adjustment of taxes on the use of number 10 oil as fuel. Various new regulations to ensure a permanent solution are expected in the near future.

Developments in the LPG sector in Turkey

In 2011, LPG consumption in Turkey, Europe's 2nd largest LPG market, was 3.7 million tons, of which 71% was for use as autogas and 26% as cylinder gas for household and business use, representing 10 million users.

Autogas consumption in Turkey, the 2nd largest autogas market in the world and the largest in Europe, grew by 6% in 2011 to 2.6 million tons.

Autogas is the fuel of choice in over 3 million vehicles, or 40% of all the vehicles in Turkey. Autogas growth is expected to continue in the years to come due to its price advantage.

The decline in the use of cylinder gas slowed down as the natural gas infrastructure has been completed throughout Turkey. According to 2011 EPDK figures, cylinder gas and bulk gas consumption dropped by 6% and 2%, respectively.

Tüpraş supplied 19% of all the LPG used in Turkey in 2011, while imports - primarily from Kazakhstan, Algeria and Norway - met the remaining 81%.

Developments in the electricity sector

The need for nuclear energy was reexamined globally in the wake of the earthquake in Japan.

Paralleling economic growth, Turkey's consumption of electricity increased 9% to 229.3 TWh in 2011. The free eligible customer limit, which gives electricity consumers the right to chose providers, was initially set at 30,000 kWh/year. Turkish Electricity Transmission Company (TEİAŞ) purchases under the Renewable Energy Sources Support Mechanism (YEKDEM) of electricity generated by renewable energy resources went into effect. Connection to the European Network of Transmission System Operators for Electricity (Entso-e) was established and in June 2011, commercial transactions with Greece and Bulgaria started.

Privatization of distribution assets was not completed in 2011 and the privatization of generation assets under the Electricity Generation Company (EÜAŞ) has not yet begun. The long expected natural gas price increase took place in October with an increase of 15%.

Koç Holding Energy Group

Koç Group is Turkey's energy sector leader. It owns Turkey's entire refining capacity through its company Tüpraş and, together with Opet, it controls 70% of the country's storage capacity. Tüpraş continued its operational flexibility and proactive stock management policy in 2011. Negotiations over the financing of investments for the Residuum Upgrade Project were concluded and, despite market volatility, a long-term loan agreement for approximately US$2.1 billion was obtained on very favorable terms.

Opet continued to be the fastest growing gasoline distribution company and it retained its 3rd place in white products and 2nd place in black products in 2011.

Aygaz, one of Europe's top five LPG companies, maintained its leadership of the Turkish LPG sector. It further consolidated its position by adding new dealerships to its distribution network through acquiring cylinder LPG dealership agreements of Totalgaz in 2011.

AES Entek, after forming a partnership with AES, quickly began to implement its investment plans. It concluded a partnership agreement with Oyak Group for a 625 MW coal fired power plant. Paralleling privatization projects in the electricity generation market, the Company aims at reaching 3GW capacity within five years and thereby become one of the leading actors in electricity production.

Demir Export, one of Turkey's largest mining companies, won the Turkish Coal Enterprises public tender for underground mining at the Soma Coal Reserve Bed and the Company started investing in this project. In 2011, Demir Export significantly increased studies and exploration for gold, copper, silver, zinc and coal in Turkey and it continues to obtain licensed sites for this purpose.

TÜPRAŞ IS TURKEY'S **SOLE REFINING COMPANY** AND **LARGEST INDUSTRIAL COMPANY** WITH AN ANNUAL CRUDE OIL PROCESSING CAPACITY OF 28.1 MILLION TONS.

www.tupras.com.tr

TÜPRAŞ

US$ 24,682 million

Total Revenues

Domestic Market Position
Turkey's sole refining company

61% share in fuel products, excluding industrial products

International Position
Europe's **7th**

World's **30th** largest refining capacity

Share of International Revenues
15%

EBITDA
US$**1,329** million

Net Refining Margin
US$**5.29**/barrel

Shareholder Structure

Enerji Yatırımları A.Ş.	**51.00%**
Free Float	**49.00%**

Turkey's largest industrial company
Tüpraş is Turkey's only refining company, operating four oil refineries in Izmit, Izmir, Kırıkkale and Batman. It is Turkey's largest industrial company, creating added value and generating revenues with an annual crude oil processing capacity of 28.1 million tons. Tüpraş, the 7th largest refining company in Europe, joined Koç Group in 2005. With its large market share, corporate reliability and production facilities, Tüpraş operates in refining, retailing and sea transportation of crude oil and petroleum products, through its subsidiaries Opet, Turkey's 3rd largest distributor and Ditaş.

Tüpraş supplies 36 different petroleum products across Turkey and it is among the most complex refineries in the Mediterranean, with a Nelson Complexity level of 7.25. In 2011, the Company sold 46% of its products to fuel distribution companies, 22% to export markets, 2% to the military, 4% to LPG customers, 14% to direct customers and 12% to asphalt customers.

Operational flexibility in addition to optimum production policy drive profitability
Tüpraş maintained its production policy, which emphasizes operational flexibility and stock minimization, in 2011. A total capacity utilization rate of 79.9% was achieved, of which 74.4% were of crude oil and the rest semi-processed products.

In accordance with policy, while 18.7 million tons of products were made available domestically, 5.2 million tons of goods were exported, with total sales jumping by 6.7% to 23.9 million tons compared to that of the previous year.

Taking product margins into consideration, jet fuel and solvents were emphasized rather than diesel and in black products, asphalt maximization was preferred over fuel oil. Paralleling developments in the airline transportation sector, domestic jet fuel sales, excluding military fuels, were 173,000 tons in excess of last year. Within the year, the share of white products in domestic sales increased from 74% to 76.3%. The refinery reached record sales of jet fuel, solvent, asphalt and sulfur.

70% of Turkey's storage capacity
Tüpraş owns 40% of Opet, Turkey's 3rd largest fuel distribution company. Tüpraş and Opet control approximately 70% of Turkey's total storage capacity.

Through the energy efficiency projects it has initiated in its refineries, Tüpraş plans to minimize energy consumption by preventing energy losses without compromising quality or performance. The Company aims at taking a place among those European refineries with the lowest emissions by expanding its energy saving projects. To achieve this, it keeps abreast of all advanced technology and programs around the world concerned with energy saving. The Company's average annual Energy Intensity Index (EII) value fell from 114.5 in 2008 to 104.1 in 2011 as a result of improvements derived from energy efficiency projects.

Energy efficiency projects provided savings of US$239.5 million between 2008 and 2011.

Strong investments despite financial crisis and important steps for Residuum Upgrade Project
Negotiations over the investment financing of the Residuum Upgrading Project were completed and a loan agreement totaling US$2.1 billion - a large amount of which was insured by CESCE, the Spanish export credit assurance agency and SACE, its Italian counterpart - was concluded on October 13, 2011. Procurement for this loan from European banks at a time financial markets were deeply affected by the crisis indicates confidence in Tüpraş's financial strength. The loan package was provided by ten European banks: Banco

Bilbao Vizcaya Argentaria, S.A., The Bank of Tokyo-Mitsubishi Ufj, Ltd., BNP Paribas, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG- London Branch, HSBC Bank Plc., Banco Santander, S.A. Sumitomo Mitsui Banking Corporation Europe Limited, Société Générale and WestLB AG- London Branch.

The Izmit Refinery B Zone has been designed using the latest refining technology; it is set to become operational in 2014. Low value added products, such as high sulfur-containing fuel oil, will be converted in B Zone into more valuable white products such as Euro V-compliant gasoline and diesel. Through this investment, approximately 4.2 million tons of black products (fuel oil and similar products), domestic and global consumption of which has been rapidly declining, will be processed and converted into about 3.5 million tons of more valuable and environmentally friendly white products, such as gasoline and LPG, to EU standards.

Izmir Refinery's kerosene sweetening unit operational

The kerosene sweetening unit at the Izmir Refinery treats kerosene, removing caustic impurities through a process using mercaptans and oxidation, converting it into a product having jet fuel-like properties. The unit, which became operational on October 6, 2011, has a daily jet fuel production capacity of 3,840 cubic meters. It is projected that the investment cost of TL21 million will be recouped in nine months by significantly reducing the production cost of jet fuel.

Strong corporate governance performance

Tüpraş increased its corporate governance rating from 8.56 to 8.62. The Company has been among the pioneers of the ISE Corporate Governance Index since 2007.

Occupational health and safety

Tüpraş is committed to the continual improvement in its health, safety and environmental performance to minimize the impact of refining operations on the environment, its workers and the community. Given the importance the Company places on safe working conditions, Tüpraş produced a work safety film to instill in the minds of employees, partners and other stakeholders visiting the refining premises, the mandatory occupational safety rules at Tüpraş facilities.

Tüpraş's occupational health and safety film, "Our Minds are the Key to our Lives", came 2nd at the International Film & Multimedia Festival held in the 19th Occupational Health & Safety Congress, in which 161 countries participated, September 11-15, 2011.

Tüpraş came first in Energy Efficiency in Industry Project Contest

Tüpraş competed in the 12th Energy Efficiency in Industry Project Contest in 2011 with 14 projects it developed at its four refineries. The Izmir Refinery came first with 6 components in the SEVAP-3 category, while the Batman Refinery came in first with 2 components in the SEVAP-2 category. Tüpraş was granted 2 out of 3 awards.

These important projects made energy savings of 372,000 Gcal/year possible in the Izmir Refinery by using online cleaning in crude oil ovens, heat integration in the machine oils unit, low-heat feedwater in the power plant and preheated steam in the sulfur ("claus") unit.

In the Batman Refinery, on the other hand, the conversion of the F-101 crude oil oven and the use of waste gas derived from the stripper unit as fuel generated saving of 34,280 Gcal/year.

About TL6.6 million of total investment for the projects, produced an annual saving of TL22million.

R&D focus

Tüpraş placed further focus on process improvement, product development and energy efficiency in 2011 through the realization of 7 TÜBİTAK TEYDEB projects. In its first operational year, Tüpraş R&D center's investment budget, including TEYDEB endorsed projects as well as other R&D projects, reached TL15 million. By the end of 2010, in terms of R&D expenses, Tüpraş ranked 14th among those companies which engage in R&D activities in Turkey, stepping up by 86 places.

With a grant provided by the European Commission, the CitInES (design of a decision support tool for sustainable, reliable and cost-effective energy strategies in cities and industrial complexes) project was officially recognized under the Seventh Framework Program, a joint R&D program conducted with the EU. The funding certificate was signed by the European Commission.

The CitInES project consists of developing a mathematical model that analyzes financial and environmental risks of investments by evaluating the economic and environmental impact of investments and the optimization of energy strategies, taking into consideration the system requirements for energy production, distribution and storage.

OPET, THE **FASTEST GROWING** COMPANY IN THE PETROLEUM DISTRIBUTION SECTOR, HAS **LED THE SECTOR** IN **CUSTOMER SATISFACTION** SINCE 2006.

www.opet.com.tr

OPET

US$ 8,951 million

Total Revenues

Domestic Market Position
3rd in white products with a **17.9%** market share

2nd in black products with a **13.7%** market share

Distribution Network
1,271 stations (including Sunpet)

EBITDA
US$**320** million

Gross Profit Margin
4.8%

Operating Profit Margin
2.4%

Shareholder Structure

Tüpraş	**40.00%**
Other Koç	**10.00%**
Öztürk Group	**50.00%**

Strong presence parallel to enhanced market share

Opet was founded in 1992 and became part of Koç Holding in 2002, when Koç Group acquired 50% of its shares. Engaging in retail and wholesale activities in the fuel distribution sector, Opet produces and markets lubricants, sells jet fuel and engages in the international trade of petroleum products. Opet has focused on infrastructure investments since its establishment and aims to be the customer's first choice in Turkey's fuel distribution sector.

The Company continued to raise its market share in 2011, maintaining its 3rd place for the full year with a 17.9% share in white products (gasoline and diesel), and climbing to 2nd place late in the year. It was in 2nd place in black products (fuel-oil and heating fuel) with a 13.7% share. Despite limited growth in the white products market, Opet raised its white product sales by 12% in 2011. In tandem with the market's overall contraction, its sales of black products declined by 14%.

Opet increased the number of its stations from 1,224 in 2010 to 1,271 by the end of 2011. Of these stations, 878 operate under the Opet and 393 under the Sunpet brand.

New synergy with a merger in lubricates

At the end of 2011, the Company transferred its Lubricates Business Unit to Opet Fuchs Lubricates, 50% of which is owned by German-based Fuchs Petrolub AG, one of the world's largest lubricate manufacturers. To maximize the synergy of this collaboration, automotive and industrial lubricates will be manufactured at new facilities under construction at Aliağa, Izmir, and planned for completion in 2013.

Global player in jet fuel sales

Through a 50% partnership concluded with Turkish Airlines (THY) in 2009, Opet founded the THY OPET Jet Fuels Company and began operations in the sale of jet fuels. THY OPET meets the fuel needs of both national and global airlines, first and foremost being THY, doing business at all airports in Turkey.

Effective coverage in fuel storage capacity

Opet has a storage capacity of 1.1 million m^3. Together with Tüpraş, Opet owns approximately 70% of Turkey's total storage capacity for petroleum products and crude oil.

Opet continued to sign storage service agreements in 2011 at its Marmara Ereğlisi terminal with international companies engaged in trade and supply in the petroleum sector. As of the end of 2011, it had leased out 276,000 m^3 to international companies.

Unrivaled leader in customer satisfaction for six consecutive years

Based upon results of the Turkish Customer Satisfaction Index, an annual survey conducted by the Turkish Quality Association, Opet was declared market leader in 2011 for the 6th year running. Opet initially attained this position in 2006 and is well positioned to sustain it through the importance it places on customer satisfaction.

Social responsibility-centered management

Opet is a company that makes decisions that are compatible with ethical conduct and the heightened sense of responsibility it has towards its stakeholders. With this awareness, it is developing and implementing social responsibility projects. Having made social responsibility a part of its corporate culture since its founding, Opet has carried out many successful projects, such as "Respect for History", "Green Path", "Model Village", and "Clean Toilet".

2012 and beyond

Opet has made competitive advantages the basis of its goal and strategy in the new period. It aims at conducting distinctive and successful campaigns and projects, raising service quality and improving the infrastructure of customer relations management. In conclusion, Opet strives to increase market share and achieve profitable growth while maintaining customer satisfaction.

www.aygaz.com.tr

TURKEY'S **LEADING** AND EUROPE'S **5TH LARGEST LPG COMPANY**

AYGAZ

US$ 3,267 million

Total Revenues

Domestic Market Position
(including Mogaz)
LPG sector **leader** since its establishment in **1961**

Market Shares
40% in cylinder LPG
23% in autogas
28% in total LPG market share

Distribution Network
(including Mogaz)
3,800 sales points:
2,459 cylinder LPG dealers
1,341 autogas stations

International Position
Europe's **5**th largest LPG distribution company

Share of International Revenues
9%

EBITDA
US$**140** million

Gross Profit Margin
9%

Operating Profit Margin
3%

Shareholder Structure

Koç Holding	**51.2%**
LPG DC	**24.5%**
Free Floating	**24.3%**

Turkey's leading LPG company marks its 50th year
Koç Holding's first company in the energy sector, Aygaz has led the Turkish LPG sector since it was established in 1961. The Company's achievements have put it among Europe's top five LPG companies. In addition to autogas, cylinder gas and bulk LPG distribution, Aygaz also manufactures and sells LPG cylinders, tanks, valves and regulators, as well as equipment using LPG.

Turkey's first and only publicly-traded LPG company
Aygaz ranked Turkey's first and only publicly-traded LPG company.

Celebrating its 50th anniversary in 2011, Aygaz held a number of activities that underlined the contribution its social shareholders, particularly its dealers and employees, have made to the Company's achievements. As part of these efforts, the 22nd Grand Dealer Meeting was held in Antalya with the slogan "Energy for Turkey's Advancement for 50 years".

Expanding distribution network reinforced market position
In its endeavor to become the company closest to the consumer, Aygaz provides services in all Turkey's 81 provinces through its 2,459 cylinder gas dealers and 1,341 autogas stations. In 2011, Aygaz concluded an agreement with Totalgas for the purchase of dealerships, through which 382 new dealers, 179 of which are main dealers, were added to Aygaz's distribution network, further reinforcing the Company's strength in this area.

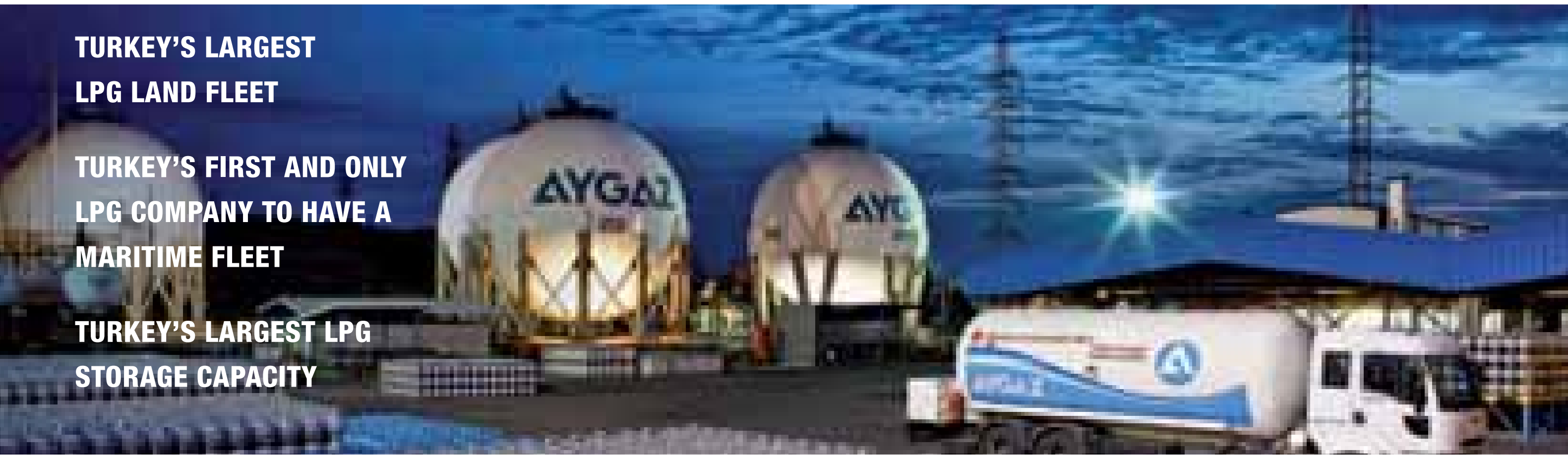
Aygaz maintained its leadership of the Turkish LPG market with 28% share, according to Energy Market Regulatory Board (EPDK) data. The Aygaz Group share of the cylinder LPG market rose to 40% with the completion of the Totalgaz dealerships transfer. The Company also maintained its preeminence in the autogas market, which experienced intense price competition, with a market share of 23% in 2011.

Aygaz Group sales of cylinder LPG in 2011, bulk gas and autogas totaled 1 million tons, according to EPDK statistics. The Company's total sales, including domestic wholesale sales, sales to other companies, exports and transit sales, reached 1.7 million tons. As of the end of 2011, Aygaz had revenues of US$3.3 billion, and generated US$303 million from exports and transit sales.

Superior supply network covering every corner of Turkey
Aygaz is Turkey's number one LPG importer and it operates the largest LPG tanker truck fleet in the country. Whether procured from domestic or foreign refineries, the Company transports its LPG to filling plants by pipeline, ship or tanker trucks. Aygaz's LPG is available to consumers everywhere in Turkey at the same quality through dealers as cylinder LPG, bulk LPG and autogas.

Together with 5 sea terminals, Aygaz has 11 filling plants, which it operates to international standards. It has Turkey's largest LPG storage capacity with 170,000 m^3. The LPG cylinders, tanks, valves and regulators manufactured at Aygaz's Gebze Plant are exported to 22 countries in Europe, the Middle East and Africa.

The most appropriate solutions for consumer needs
Throughout 2011, Aygaz maintained its drive to dominate the autogas market with product and service diversification and by offering appropriate options to meet consumer needs. Continuous R&D investment yielded an improved formula for Aygaz Euro LPG+, which Aygaz launched in 2009 for the first time in Turkey, thereby insuring its supremacy in the autogas market. The improved Aygaz Euro LPG+ formula has excellent pulling power and gives more miles on less fuel.



In another pioneering step, Aygaz established the Aygaz Converter's Club for all autogas conversion centers with Turkish Standards Institute's (TSE) Service Adequacy certification and their customers. With 675 members, the Club's most important contribution is to encourage the growth of the entire sector by incorporating all brands of conversion kits. Uniquely in the sector, the Club provides its conversion center members with the opportunity to meet to exchange ideas and discuss problems. Parapuans and surprise gifts are also given to member centers and their customers that participate in an incentive program that the Club has created.

Aygaz Ekpres for its technology

Since its inception, Aygaz has differentiated itself from its competitors and its cylinder LPG has become the consumers' product of choice. It aims at being a brand synonymous with service, which consumer researches show to be the most important factor in terms of meeting expectations. To this end, it launched the Aygaz Ekpres System, characterized as "an order system faster than a satellite", with an extensive campaign around the concept of "cylinder in space".

Pürsu

Pürsu branded bottled water began active sales in May 2011 by concluding two service agreements - one in Sapanca for the Marmara and Thrace regions, where water consumption is high, and one in Nazilli for the Aegean region and Antalya.

Internalized corporate governance practices

Aygaz places great importance on the internalization of the principles of corporate governance as a continuous and dynamic process. Accordingly, its corporate governance score, which takes into consideration improvements registered in the twelve months following receipt of its initial score, was upgraded from 8.46 to 8.50 on 30 June 2011.

An award-packed year

2011 was an award-packed year for Aygaz. The Company won 14 national and international awards for a range of activities, including sales, marketing, human resources and corporate social responsibility. Foremost of these was the Company Having Adopted the Principle of Customer Satisfaction award, given by the Ministry of Industry. Moreover, the Aygaz Group's Human Resources Team won the Stevie® Human Resources Team of the Year award at the International Stevie Awards, the only such worldwide award program and which drew 3,000 project entries from 40 countries. The Company won the Grand Prize in the Social Responsibility category at the Chartered Institute of Public Relations Excellence Awards for its social responsibility project entitled "What will the weather be like tomorrow?" and designed to raise public awareness of climate change. The project also won the Grand Honor Prize at the International Stevie Awards in the Environmental Responsibility category.

2012 and beyond

Aygaz strives to pioneer energy solutions, especially in the areas of LPG and natural gas, in Turkey and other potential markets. In the short and intermediate term, Aygaz aims at maintaining its leadership by expanding its market share in all segments of operation and to increase its profitability. In the long term, Aygaz seeks to broaden its energy pool by creating alternative projects to meet Turkey's energy needs.

AYGAZ DOĞAL GAZ

Aygaz Doğal Gaz is active in the natural gas market, selling and transporting liquefied natural gas (LNG) and compressed natural gas (CNG), and supplying natural gas obtained on the domestic market through pipelines to users having the status of independent consumers.

The Company is working to develop its domestic wholesale operations through imports; nevertheless, it was not able to import in 2011 due to a combination of high LNG prices worldwide, its use of Botaş's dominant position, and efforts made to control and subsidize the domestic wholesale market. Moreover, by procuring 220 million m^3 of natural gas from import companies and other wholesale companies, it met the natural gas needs of a total of 29 consumers.

In 2011, the Company achieved sales revenue growth of 105% over the previous year.

MOGAZ

Mogaz is Koç Holding's second company, alongside Aygaz, in the LPG sector. It distributes under the Mogaz and Lipetgaz brands in an LPG market comprised of 70 companies. With 218,000 tons of annual sales volume, it ranks 4th in cylinder LPG, 2nd in bulk gas and 7th in autogas in 2011, making it Turkey's 6th largest distributor.

Mogaz raised its total market share of the sector to 6% by maintaining its strong lead, which was attained through cylinder gas and autogas dealerships opened in 2011, the importance it places on direct sales, and a dominant position in the odorless LPG market.

AKPA

Akpa carries out the distribution of LPG and demijohn containers of water and the wholesale marketing of fuel oil and consumer durables. It has branches in the provinces of Istanbul, Bursa, Eskişehir, Antalya, Ankara, Izmir and Denizli.

MARITIME FLEET

Aygaz, which is the first and only energy company in Turkey that owns a maritime fleet, increased the number of its ships to five in 2011, with the addition of a new ship. The total capacity of the five ships is 29,000 m^3.

AES ENTEK AND ELTEK

AES Entek, Koç Group's power generation company, operates two natural gas combined cycle plants and one gas turbine-based cogeneration facility in Kocaeli, Bursa and Istanbul Koç University with a total capacity of 302 MW. As of the end of 2011, AES Entek had a 2.4% share of Turkey's private sector production, placing it 13th among private sector electricity producers on the basis of 1.54% installed capacity.

Eltek, founded as a subsidiary of AES Entek in 2003, sold approximately 625 million kwh of electricity in 2011 after a boom in bilateral agreements in the market.

The Company sold the bulk of the energy it generated in 2011 to PMUM, Turkey's Market Financial Settlement Center, through existing transmission lines (82%). Of the remainder, 11% was sold directly to connected customers; 6% as steam power from the Bursa and Kocaeli plants and 1% to Eltek.

AES Entek has a sustainable competitive advantage thanks to its base-load plants and implementation of flexible operational processes. Direct connection of customers via a transmission line from the Kocaeli plant together with steam sales have generated yet more market advantages for the Company. Entek's main strengths include Eltek's market entry during a period of low prices and its ability to purchase from alternative sources.

In 2011, Entek signed an agreement with AES, a US-based international energy company, to establish a 50-50 joint venture partnership. A Fortune 200 global power company, AES operates generation and distribution businesses in 27 countries on five continents with a total of 130 generation and 15 distribution operations. Through this new partnership, AES Entek aims to reach a 3,000 MW installed capacity in five years and become a leading player in the sector.

This joint venture is expected to be an important asset not only for the Company and but also for the Turkish economy.

In line with this objective, the Company considers different alternatives such as greenfield investments in power generation, purchasing and operating of energy generation plants and bidding for the assets of EÜAŞ, in privatization tenders of Turkey's state-owned Electricity Generation Company. AES Entek aims to acquire a broad range of coal, hydro and natural gas-based plants and make investments in renewable energy.

After forming the partnership with AES, Entek quickly put investment plans into action. The Company signed a 50-50 share purchase and partnership agreement with the OYAK Group in December 2011 to build a 625 MW-capacity power plant in Iskenderun that will run on imported coal.

Plans are also underway to build a 205 MW natural gas plant adjacent to Kırıkkale Tüpraş Refinery. The dual objectives of this new plant are to provide electricity and steam to the refinery and to sell the surplus energy on the electricity market.

AES's 62 MW small hydro facilities, purchased before the partnership with Entek, will become AES Entek assets in 2012.

To maintain its market share, AES Entek plans to invest in alternative sources, monitor investment opportunities and acquire new assets during 2012. Additionally, the Company plans to invest in a 50 MW wind power plant by the end of 2012.

Eltek also aims to increase competitiveness by signing purchase agreements with companies producing energy through alternative sources.

DEMİR EXPORT

Demir Export is one of Turkey's largest and most established mining companies. The Company extracts and sells coal, iron ore and copper and chrome concentrates from 11 mining operations across the country.

In 2011, Demir Export won the bidding for the largest production tender ever held by the state-owned Turkish Coal Enterprises (TKİ). The Company began preliminary studies for underground coal extraction at the Soma coalfield. Demir Export expects an annual extraction capacity of 2.5 million tons at the field, where it plans to employ the region's first fully mechanized method of extraction.

Demir Export drilled more than 30,000 meters in locations across Turkey to develop gold, copper, silver, zinc and coal exploration projects. The Company is particularly interested in gold and base metal projects and has taken steps to invest in these areas.

Demir Export had total sales of TL274 million and operating profit of TL68.8 million in 2011.

From the 1960's...

1966: Anadol, the first Turkish-made automobile

In 1966, Koç Group manufactured Anadol, the first Turkish-made passenger car at Otosan A.Ş.'s production plants. It was met with great enthusiasm, gaining a place in the hearts of Turks throughout the years it was produced, and for many years was one of the country's best-selling models.

KOÇ GROUP
IN AUTOMOTIVE SECTOR

To the 2000's...

One of every two vehicles produced in Turkey belongs to Koç Group

Today, Koç Group automotive companies manufacture 51% of total automotive production as well as generate 50% of total automotive exports in Turkey and are responsible for 31% of total automotive sales while exporting to 60 countries on five continents. The Group ranks among the world's automobile giants, and continues its path of stable growth through quality production and innovative vehicles which it develops as a result of increasing investment in R&D. In order to maintain lasting leadership in the automotive sector, the backbone of the country's economy, Koç Group is developing new strategies and raising production capacity.

KOÇ HOLDİNG **LEADS TURKEY'S AUTOMOTIVE SECTOR, ACCOUNTING FOR HALF OF ITS TOTAL PRODUCTION AND EXPORTS.**

ROBUST PERFORMANCE OF THE TURKISH AUTOMOTIVE SECTOR

Turkey **reached its highest sales** ever in the automotive market and became **4th in the world's tractor market in 2011.**

2011 global automotive sector developments

Developments in the world automotive market in 2011 paralleled those of 2010. The automotive market continued to grow in developing countries like China, Brazil, Russia and India, as did it in the US. The US market contracted after the 2008 crisis, with automotive sales in 2009 reaching their lowest level in 30 years. However, the market picked up in 2010 and continued to grow in 2011, with sales rising from 11.5 million in 2010 to 12.7 million vehicles in 2011.

The declining trend that began in 2008 in Europe, the Turkish automotive industry's largest export market, continued in 2011. Europe's passenger car sales declined by 1.4% to 13.5 million in 2011 compared to the previous year. Within Europe, the largest market in 2011, once again, was Germany, where 3.1 million cars were sold. However, while the German market grew by 8.8%, other important markets such as France contracted by 2.1%, and the UK and Italy each contracted by 10.9%. Although the European commercial vehicle market grew by 9.9% to 1.9 million, it remained below the 2008 pre-crisis level of 2.5 million.

Record sales for the Turkish automotive sector

Consumer confidence in the Turkish automotive market in 2011 was quite favorable, particularly in the first half of the year. This combined with growth in the economy and a low base year ensured the automotive market turned in a strong performance. Despite the slow-down in the market as of August 2011, automotive sales reached an all-time high for the full year in 2011.

According to Automotive Distributors Association figures, the automotive market started off the year at a faster than expected rate, growing by 76% in the first quarter and 37% in the second quarter. Nevertheless, growth began to slow in the second half of the year. In October, the government decided to raise the Special Consumption Tax (ÖTV) rate on passenger cars. While the tax on cars with an engine size of less than 1600 cc was not increased, that on vehicles having larger engines rose from 60% to 80% on engine capacities of 1600-2000 cc and from 84% to 130% on engines over 2000 cc. ÖTV was also increased from 10% to 15% on light commercial vehicles.

As a consequence, the passenger and light commercial markets as a whole declined by 2.7% in the third quarter and 11.75% in the fourth quarter of the year.

However, strong growth in the first half outweighed the decline in the second half so the year ended with growth of 13.61% to reach about 865,000 vehicles. The passenger car market climbed 16.43% to over 593,000, making Turkey the 6th largest passenger car market in Europe. The Turkish light commercial vehicle market rose 7.88% to 271,000 vehicles. Moreover, despite a slow start with low sales figures, heavy commercial vehicle sales skyrocketed by 114%, making the segment the highest growing in the year.

The Turkish automotive sector's total production increased by 9% to 1.2 million vehicles in 2011 and passenger car production grew by 6% to 640,000 units, according to the Automotive Manufacturers' Association.

Vehicle exports in 2011 totaled 790,000 units, of which 442,000 were passenger cars. This represents an increase of 5% in vehicles exported and 1% in passenger car exports against the previous year's figures. On the basis of Automotive Manufacturers' Association figures, the automotive sector ranked 1st in Turkey's exports with a value of US$18.5 billion in 2011.

The heavy commercial vehicle sector had a fast recovery after the 2009 global crisis and had production increases of over 30% in the minibus, small bus and bus segments in 2011. What's more, the stagnation in the heavy commercial vehicle segment due to compliance requirements with EU regulations and meeting Euro 4 emission standards as part of the EU Harmonization Program was overcome, in great part due by courtesy of purchases of buses by municipalities and private sector city bus operators, which led to the bus market expanding by 50%. In Europe, the principal Turkish export market, there was also an improvement in the bus market, but 2008 figures could not be reached in either the domestic market or in export markets.

With pent-up demand of two years, demand in the semi-trailer market, one of Otokar's principal operating areas, reached a 10-year high, with the market expanding by around 80%.

Demand fluctuations in the defense industry continued in 2011. Internal unrest in the Middle East and the Gulf states, resulted in a new growth in demand.

A record-breaking year in the Turkish tractor market

Strong demand from farmers mirrored that in 2010, when demand for agricultural machinery got off to a rapid start and allowed the market to grow by 162%, against global growth of 13%, and Turkey became the 6th largest tractor market. Turkey's tractor market expanded 67% in 2011 to make it the world's 4th largest tractor market.

The rise in market performance was a major factor in increasing demand. Prices of primary agricultural commodities were higher in 2011 than they were in 2010 and input costs remained at reasonable levels. Favorable weather conditions in Turkey led to above average yields in main product groups.

The interest rates applied in various segments of the sector invigorated demand. European Central Bank and Federal Reserve policies intended to stimulate the economy kept euro- and US dollar-based interest rates low for a great part of the year. Interest rates were also low in Turkey in the first half of the year with significant quarterly increases in GDP and continued support to revitalize the equipment sector. The subsidies applied to interest rates on Ziraat Bank's loans to the sector were increased in 2011. The incentives to Turkish farmers, both within the framework of the rural development program and through the subsidies on interest rates invigorated the market. So, 2011 was a very successful year for Turkey's agricultural equipment sector, where many records were broken.

Koç Holding Automotive Group

Koç Holding maintained its indisputable leadership in the automotive sector in 2011. The Holding's automotive companies conducted half of all automotive production and exports and took 30% of domestic sales in Turkey. Total production of these companies soared by 51% to 607,000 units. Similarly, total automotive exports jumped by 50% to around 393,000 units.

Ford Otosan declared its lead in the overall automotive market in 2011 for the 10th consecutive year and it scored records in many areas such as sales, production, dividend distribution, revenues and employment.

Tofaş had record sales in 2011, making Turkey the 3rd best-selling Fiat market after Brazil and Italy. It launched the Fiat Practico, its new pick-up model, in Turkey and production of the Combo for the Opel and Vauxhaull brands.

Otokar maintained its robust growth with increases in the production of military and commercial vehicles of 111% and 45%, respectively. The Company established Otokar Avrupa and initiated reorganization of its dealership network in order to increase its operations in Europe, which is a target market for its buses.

TürkTraktör had unprecedented levels of production and sales in 2011, thereby maintaining by a clear margin its dominance in the sector where it takes half the rapidly growing market. The Utility tractor project, announced in 2010, was finalized and mass production of the tractor line began. Modernization investments in computer-controlled assembly lines, intended to maintain flexibility in production, were also completed.

FORD OTOSAN EXPORTS TOTALED **US$3.5 BILLION** IN 2011, MAKING IT TURKEY'S LEADING AUTOMOTIVE **EXPORTER;** IT GENERATED **US$2.3 BILLION NET EXPORTS OVER THE PREVIOUS FIVE YEARS.**

www.fordotosan.com.tr

FORD OTOSAN

US$ 6,254 million

Total Revenues

Domestic Market Position
The best-selling automotive brand for **10** consecutive years

Leader of the total automotive market with a share of **15.6%**

Leader of the medium commercial vehicle market with a share of **35.8%**

2nd in the passenger car market with a share of **9.9%**

2nd in the light commercial vehicle market with a share of **22.4%**

2nd in the heavy commercial vehicle market with a share of **22.8%**

Distribution Network
205 dealers (Sales and after sales)

International Position
Manufacturer of Ford commercial vehicles, Ford passenger and commercial vehicle sales in Turkey

Commercial vehicle exports predominantly to European and North American countries

Among Ford Europe's 3 largest R&D centers

Share of International Revenues
56%

EBITDA
US$**524** million

Gross Profit Margin
11.5%

Operating Profit Margin
7.0%

Shareholder Structure

Koç Holding	**38.46%**
Other Koç	**2.58%**
Ford Motor Co.	**41.04%**
Free Float	**17.92%**

2011: Another record-breaking year for Ford Otosan
Otosan laid the foundations for the Turkish automotive industry in 1959 when it was established as a small assembly plant; it has later quickly developed into an international production hub.

Today, Ford Otosan, the leader of the Turkish automotive industry, manufactures Transit and Transit Connect commercial vehicles at its Kocaeli Plant and Cargo trucks at its Inönü Plant under a Koç Holding and Ford Motor Company partnership. Ford Otosan sold 141,633 vehicles in 2011, the highest volume to date in the Turkish automotive sector. This gave the Company a 15.6% market share, making Ford Otosan the leader of the Turkish automotive market as a whole for the 10th consecutive year. Ford branded vehicles are the top sellers in 63 provinces in Turkey. The Ford brand is the leader in the commercial vehicle market as well as all of the commercial and passenger car market excluding trucks. Ford Otosan maintained its traditional leadership with its Transit model, achieving a higher market share than the combined shares of the next three leading brands. While Transit Connect was the best-selling vehicle in its own segment, the Company continued to increase its market share in heavy commercial vehicles with the new products it sold in the Cargo truck, trailer and construction segments. This performance not only made Turkey the fourth largest European market for Ford-brand vehicles but it also allowed Turkey to surpass the UK to become Ford's European market with the highest total market and commercial vehicle shares.

Ford Otosan sold 213,649 vehicles in the export markets and 140,680 units in the domestic market in 2011, breaking yet another record with a total sales volume of 354,329 units.

Ford Otosan manufactured 295,850 vehicles in 2011, a 22% increase over the previous year and the highest production level in its history.

As a result of the increasing production, Ford Otosan's capacity utilization rate increased by 16 points over 2010, reaching 90% and the Company moved to three shifts.

Turkey's top automotive exporter
In 2011, Ford Otosan's exports grew by 20% to reach 212,000; export revenue reached €3.5 billion. While becoming Turkey's top-exporting automotive company, it continued to create high added value for the country. Ford Otosan-developed vehicles are exported to 70 countries on five continents. In 2011, the number of Transit Connects exported to the US grew by 59% to 37,000 vehicles, putting the number of Transit Connect vehicles exported at 1.5 million.

New vehicles and engines offered to consumers
Ford Otosan expanded its passenger car product range to meet consumer expectations. Throughout the year, it launched new vehicles and engines and became the second best-selling brand in this segment with a 9.9% market share.

The fuel-efficient Ford Transit Duratorq engine, which increases fuel economy up to 17%, was introduced in the commercial vehicles segment. Ford Otosan topped off 2011 as leader of the medium commercial vehicle segment and the second best-selling light and heavy commercial vehicles brand.

Turkish automotive sector's largest single product investment
Ford Otosan announced a US$630 million investment plan for the production of the new Transit series in 2010. It declared investments of €205 million fixed asset procurement for a new light commercial vehicle and US$75 million for Cargo trucks during 2011.

When these investments are completed, the existing annual production capacity of 330,000 at the Kocaeli and Inönü plants will increase to 415,000.

Ford Otosan has invested approximately TL377 million in 2011 on modernization and product development projects.

High and sustainable dividend payout

Ford Otosan has distinguished itself with strong balance sheet, cash-generation capacity and high dividend yields. In 2011, the Company distributed TL519 million; total dividends distributed since 2004 have exceeded TL3.2 billion. The Company will make new product investments of over US$1 billion between 2011 and 2014 and plans to sustain its high dividend payout policy during this period and to ensure high added value for its shareholders.

One of three major Ford R&D centers in Europe

Ford Otosan pioneered R&D in Turkey and produced Turkey's first automobile Anadol, designed by Turkish engineers in 1966 and manufactured Turkey's first diesel engine, the ERK, in 1982.

The Company is responsible for special engine development for the Turkish market, complementing Ford Europe's Main Product Development and Engine/Transmission Engineering Center in Dunton, England. Ford Otosan has two R&D locations in Kocaeli and Gebze. The R&D center at the TÜBİTAK Teknopark in Gebze provides integration with Ford Europe at the product development level. In addition to serving the Ford Motor Company, it provides R&D services to a number of important companies abroad.

Ford Otosan expanded its R&D staff in 2011. Employing 1,024 engineers, most of whom hold master's degrees and PhDs, it has the largest R&D staff in Turkey. It plans on growing even further in the years to come.

Many new technologies have been developed at the Gebze R&D center through the synergy created between industry, university and TÜBİTAK. The Company made 63 patent applications in 2011 and reached a total of 283 patents.

Ford Otosan had the highest R&D spending ratio in the Turkish automotive sector.

Increase in employment

Ford Otosan aims to provide continuously increasing added value to the Turkish economy. The employment it created grew by 14% to 9,581 individuals in 2011. While reaching the highest employment level in its history, the Company increased productivity by 5%.

Risk management

The fundamental goals of Ford Otosan's risk management are to anticipate and monitor potential risk in every area and to prepare risk and crisis management action plans. The Company keeps the Board of Directors, Audit Committee and senior management briefed on a regular basis about such risk.

Awards and achievements

Ford Otosan's and Turkish industry's first woman dent repair technician concluded a special training program, designed to increase the number of women working on production lines. This project received the Jury's Special Award at the 2011 Chairman's Leadership Awards for Diversity, organized for the 11th time by Ford Motor Company.

Ford Otosan was honored for the 5th time with the Şahabettin Bilgisu Environment Award, given to companies that have adopted environmentally friendly practices in production, products and services.

Sustainable environment vision

A pioneer in environmental practices, Ford Otosan is channeling its awareness of global climate change into action. At a time when Turkey has voluntarily ratified the Kyoto Protocol, Ford Otosan has initiated efforts to calculate and reduce its greenhouse gas emissions. Ford Otosan acquired its ISO 14064 safety certification on June 1, 2011 after inspections by Bureau Veritas, confirming that the Company has met the exacting standards.

2012 targets

Ford Otosan aims at maintaining its profitability and leadership in the Turkish automotive sector for the 11th consecutive year in 2012 through its strong product portfolio. As the Company enters a year of high expenditures related to new launches and projects, Ford Otosan's priority will be continued focus on cost reduction and efficiency increase.

Extensive investments in the new Transit, new light commercial vehicle and Cargo truck, projected to exceed US$1 billion by 2014, will continue in 2012 while the Company aims at following its existing dividend policy.

Social responsibility projects

Ford Otosan donated 3,319 units of blood to the Turkish Red Crescent in 2011 as part of Koç Group's "For My Country" project. Vehbi Koç Foundation Ford Otosan Cultural Center that was opened in early 2011 became a center of attraction for Ford Otosan employees and the people of Gölcük.

Seven hundred gift packages, left by Ford Otosan employees and caring consumers at the C-MAX Wish-mobile, were handed over to the Turkish chapter of Make-A-Wish Association.

A Ford Star for UNICEF's social responsibility project Stars of Istanbul was designed to reflect Ford's mission to be a producer of safe technologies for the future.

TOFAŞ, A JOINT VENTURE BETWEEN KOÇ HOLDİNG AND FIAT S.P.A., IS ONE OF FIAT'S THREE MANUFACTURING AND R&D CENTERS WORLDWIDE. IN THE PAST FIVE YEARS, TOFAŞ HAS ACHIEVED NET EXPORTS OF US$2.6 BILLION.

www.tofas.com.tr

TOFAŞ

US$ 4,393 million

Total Revenues

Domestic Market Position
Second in the total light vehicle market (PC and LCV) with a **15%** market share

A **9.9%** share of the passenger car

A **26.2%** share of the light commercial vehicle market

Distribution Network
115 sales points, of which **75** are main dealers

135 service centers

International Position
Production and export center for Doblo, MiniCargo and Linea models

One of Fiat's **three** largest R&D and production centers in the world

Produces for **five** global brands

Share of International Revenues
55%

EBITDA
US$**472** million

Gross Profit Margin
11.7%

Operating Profit Margin
6.7%

Shareholder Structure

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

Rising market shares
In 2011, Tofaş produced 307,788 vehicles, which represents 25.9% of the total manufacturing in the automotive sector. With exports of 180,698 vehicles, the Company's share of domestic automotive industry's exports was 22.8% and broke down as 62,144 Tofaş-made passenger cars and 118,554 light commercial vehicles hitting highways abroad. In 2011, Tofaş had combined sales, domestic and export of 325,309 vehicles.

The Fiat brand sold close to 129,000 vehicles - 57,760 passenger cars and 71,107 light commercial vehicles to the local market. Through these sales, Fiat's market share in the automobile segment rose to 9.7%, becoming one of the top three brands. The 111% increase in sales of the Linea model played a major role in Fiat expanding its sales and market share in the passenger car segment. With its market share rising to 26.2%, Fiat became the second bestselling brand in the light commercial vehicle segment.

Tofaş sales reached record high levels in 2011. Turkey became Fiat's third highest selling market globally after Brazil and Italy and second highest in Europe, putting Turkey ahead of such countries as France, the UK and Germany.

Total sales of Alfa Romeo and Lancia, imported brands sold by Tofaş, reached over 1,000 vehicles. Alfa Romeo Türkiye increased sales by 29% over 2010, driven to a great extent by the Alfa Giulietta model. Under Fer-Mas, 23 Ferraris and 24 Maseratis were sold in the luxury automobile sector.

New Fiat Practico launched in October
The Fiat Practico pickup truck has joined the Fiat Ducato Pickup family. Developed on the New Fiat Doblo platform, it is manufactured at the Tofaş plant in Bursa and is the recipient of many international awards, including the 2011 Commercial Vehicle of the Year award. The Fiat Practico was launched in Turkey at the Antalya Auto Show. Leader in the light commercial vehicle market, Fiat has made a strong entrance in the pickup truck segment with the Practico and New Ducato.

Tofaş began Combo production for Opel and Vauxhall in November
Under a joint venture between Fiat and Opel, Tofaş began Combo production for the Opel and Vauxhall brands in November, demonstrating its success in manufacturing the five brands simultaneously. An annual Combo production of 40,000 vehicles is planned as part of this project. Most of these vehicles are for export to Europe. According to the terms of the agreement, which is to run in excess of five years, more than 250,000 Combos will be manufactured.

Fiat 500 by Gucci launched in Turkey in November
The Fiat 500 by Gucci was launched at the Gucci store in Istinye Park, Istanbul. Hence, the 500 by Gucci, a product resulting from a joint effort between Gucci and Fiat, the most respected brands in Italy, was launched in the 150th anniversary year of the unification of Italy and the 90th anniversary of Gucci.

Investments in 2011
Tofaş made an investment of €116 million in 2011. A major part of this figure consisted of investment in the production of the Doblo platform-based Combo model, which was begun for the Opel/Vauxhall brand. Infrastructure modernization investments for the Tofaş plant continued uninterrupted in 2011 and reached €30 million.

Domestic demand: An increasingly strong engine of growth
Growth in the domestic market had a particularly favorable impact on Tofaş's financial results in 2011. Total revenue of TL7,337 million represented a 15% increase over the year before. Export revenue totaling US$2,374 was obtained, paralleling developments in European markets and performance in 2010.

HIGHEST AUTOMOTIVE MANUFACTURING CAPACITY IN TURKEY

MANUFACTURING FOR FIVE DIFFERENT BRANDS

DIVERSIFYING EXPORT MARKETS

Growth in revenue and the effective management of costs led to an 26% rise in operating profitability, with an operating profit of TL490 million being achieved. Hence, the operating profit margin was 6.7%.

With improvement in operating profits and financial income, pretax profit rose by 30% to TL508 million.

Tofaş gained the highest Corporate Governance Index score among automotive companies

Tofaş raised its corporate governance score to 8.58, thereby becoming the automotive company with the highest score on the ISE Corporate Governance Index.

Recognition of achievement

Tofaş received many awards in 2011:

- Istanbul Chamber of Industry's Sustainable Environmentally Friendly Product & Practice Award for its CNG-operable Fiat New Doblo/1.4 16v Turbo Euro 5 CNG Development project
- It reached the finals of the Environmental Management category of the EU Environment Awards Turkey Program
- It came in first with six registered patents in the 2011 Patent Awards held by the International Patent Cooperation Union and sponsored by the Bursa Governor's Office and the Bursa Association of Industrialists and Businessmen
- The Advertisement of the Year award at the ODD Sales & Advertising Awards for its "Gladiators: Fiat Punto Evo" advertisement
- It garnered two awards in the Automotive Category of the Effie Turkish Advertising Contest for its campaigns "A Fiat for Everyone" and "Extended Family"
- The Fiat brand came in first at the Altın Örümcek Awards in the Video Websites category for its 2011 Digital Calendar project.

2012 and beyond

Investments in the Doblo platform made under the production and sales agreement for the Opel/Vauxhall brands signed with Fiat in 2010 were completed in 2011; mass production began at the end of the year. Production of the Opel/Vauxhall is expected to reach full capacity in 2012, with the Doblo platform's annual capacity rising to 160,000 vehicles.

A letter of goodwill for North American sales of a vehicle manufactured on the Doblo platform was signed in 2011 and the next step is the conclusion of a final agreement. Following this agreement, investment in the adaptation of the Doblo platform to the North American market is due to start in 2012. With Doblo exports to North America to be made under the Ram brand, Tofaş will increase the number of brands it manufactures to six from the beginning of 2013.

Tofaş, a leading player in the Fiat World, gained new responsibilities in 2011 providing new opportunities as part of the global integration process between Fiat and Chrysler. This involves the addition of the Jeep brand to Tofaş, which is successfully performing with five brands in the Turkish market, as of 2012. Moreover, it is pushing forward with the Lancia brand as part of its brand strategy in Europe. While bringing the Alfa Romeo, Lancia and Jeep brands together under the Premium Brands umbrella, 2012 plans give priority to establishing new dealerships and the creation of synergy between brands.

Tofaş establishes its long-term targets and strategies under its vision of "being the leading automotive company in Turkey and being the regional R&D and production center preferred by Fiat". Its long-term targets are:

- To attain a level of quality that exceeds customer expectations as part of its efforts to fulfill customer satisfaction and achieve cost competitiveness
- To expand the World Class Manufacturing culture, which improves each year, within the Company and the value chain
- To stand out, with the support of the entire Tofaş family, as an environmentally friendly company in all of its areas of operation in line with the principle of sustainability
- To become self-sufficient and increase Turkey's technological strength by continually developing the Company's technological capabilities
- To achieve sustainable and profitable growth for shareholders by consolidating its competitive position domestically and its export clout.

KOÇ FIAT KREDİ

Koç Fiat Kredi provides financial solutions for the sales of Fiat Group brands by Tofaş. The Company extended loans in excess of TL1 billion for more than 52,000 vehicles in 2011. The Company's loan portfolio reached TL1.1 billion by year-end 2011, setting a new record.

In 2011, Koç Fiat Kredi issued securities with a total nominal value of TL150 million to finance the loans it extended.

The Company is an integrated financial services group, providing financial solution options and services to contracted brands via 140 sales points throughout Turkey.

TÜRKTRAKTÖR, **MARKET LEADER FOR FIVE CONSECUTIVE YEARS**

WITH A SHARE EXCEEDING 50% FOR THE PAST FOUR YEARS, PROVIDES DIRECT EMPLOYMENT TO NEARLY 2,500 PEOPLE.

www.turktraktor.com.tr

TÜRKTRAKTÖR

US$ 953 million

Total Revenues

Domestic Market Position
Leader with **51%** market share

Distribution Network
100 tractor dealers under the NH brand

90 spare parts dealers

23 Case IH 3S dealers

Global Operations Network
The **sole global** design center for New Holland TD and Case IH JX tractors

The **sole global** production center for Utility-series tractors

Exports to more than **90** countries

Share of International Revenues
22%

EBITDA
US$**171** million

Gross Profit Margin
24%

Operating Profit Margin
17%

Direct and effective communication with the farmer

Founded in 1954 to make tractors and agricultural equipment, TürkTraktör is the first automotive industry manufacturer in Turkey. The Company's direct dialogue with the farmer has made TürkTraktör one of the largest producers in Europe today.

TürkTraktör is putting its 57-plus years of experience at work to nurture and guide the development of Turkish agriculture. Products are designed and improved upon with full consideration of the expectations and needs of the farmer.

Market leader for five consecutive years

TürkTraktör, with a workforce of nearly 2,500 people and a market share of over 50% for the past four years, has been market leader for five consecutive years. Behind this success is experience spanning more than 57 years, top quality, high-performance products, the ability to analyze farmers' expectations and needs, and R&D.

Annual production of over 40,000 units

As sector leader, TürkTraktör took great advantage of the recovery in the market in 2011, a year in which its 600,000th tractor rolled off the production line. It succeeded in raising its annual production from 815 units in 1955 to 41,000 in 2011. Today, one in two tractors sold in Turkey is a TürkTraktör product. In addition to its long-standing experience and considerable production capacity, TürkTraktör has demonstrated that it provides sturdy and reliable products that meet market expectations and needs in the optimum way. At the same time, the Company has achieved unprecedented profitability ratios with 22% return on assets and 47% return on equity, well-above its peers in the sector.

Production priorities set by farmers' choice

TürkTraktör believes that using the right equipment to get the most effective results is extremely important. Therefore, one of its crucial priorities is agricultural equipment. High performance, superior fuel-efficiency and ease of use make the agricultural equipment in TürkTraktör's product portfolio among the farmers' most preferred products.

For years, one of the most important of TürkTraktör's operations has been the manufacture of engines. The Company has expanded engine production in recent years and it is now the first domestic manufacturer of engines that conform to mandatory European emission standards, which were introduced to Turkey at the beginning of 2011.

The legendary orange Fiat 480 tractor, first produced in the 1970s and became popular in Turkey and Europe, played a major role in the development of the modern tractor. The model was revived in 2011 with the production of just 480 units. The Utility tractor project, announced in 2010, was completed in 2011 and the tractor entered mass production. As a result of an excellent joint venture with CNH, the number of tractor platforms under production for world markets rose to two. This is a notable achievement for the Turkish automotive industry and TürkTraktör engineers.

TL74 millions of investment

TürkTraktör invested more than US$100 million at the end of the 1990s in its flexible production system which, while widely used in the automotive sector, was pioneering in tractor production. In 2011, TürkTraktör invested TL74 million in the modernization of computerized assembly lines and R&D. The Company plans to make new technology investments designed to meet customer needs to the fullest.

An effective actor in Turkey's agricultural development

Having taken measures following the global crisis, Turkey achieved a significant rate of growth, which was shared by the agricultural sector. Turkish farmers, pleased with the support they have received, demanded more modern, more powerful tractors. TürkTraktör believes that agriculture is central to national well-being and so one of its most important goals is to consolidate this state of affairs and ensure its sustainability. In addition to offering the Turkish farmer innovative technology, TürkTraktör aims, through its social responsibility projects and successful management approach, at remaining the name that leads and provides direction to agriculture in Turkey.

85% OF OTOKAR REVENUES COMES FROM PRODUCTS TO **WHICH IT OWNS THE PROPERTY RIGHTS.** TURKEY'S **LEADING** BUS AND TACTICAL ARMORED VEHICLE **DESIGNER AND MANUFACTURER,** OTOKAR **GREW BY A RECORD** 72% IN 2011.

OTOKAR

R&D-centered record-high growth
Otokar operates in the commercial vehicle and defense industry with products of its own design. It achieved successful growth in 2011 of 72% in revenues, reaching TL890 million.

Over the past two years, when the impact of the global crisis was at its height, Otokar expanded its product range by concentrating on R&D. This strategic decision paid off in 2011. 2011 witnessed a significant recovery in the commercial vehicle segment when Otokar focused on new product launches and sales activities, and it achieved strong growth under increasingly favorable conditions in the market. Otokar doubled its foreign sales by the end of 2011 to US$96.5 million, exporting its brand to more than 60 countries.

Sustainable leadership in the bus market
While Turkey's bus market expanded by 50% in 2011, Otokar performance was above the sector average. The Company increased sales by over 60% to 1,800 vehicles. As in 2010, the Company led the 25+ capacity passenger bus market with a 30% share in 2011.

Trailer sales doubled
Otokar doubled trailer sales and became the 2nd best-selling brand in Turkey's trailer segment which, fueled by postponed demand in the market, grew by 80%. The Company was 1st in sales in the perishable food and hazardous materials transport segments.

Otokar Avrupa (Otokar Europe) founded
Otokar established Otokar Avrupa and began reorganizing its distributorship system with the aim of expanding its operations in the European bus market. The Company has also joined the Turquality program, which supports activities of Turkish brands abroad.

Largest in the defense industry
Otokar is Turkey's largest private equity defense industry company. The Company maintained its leadership in land vehicles in 2011 and, with increased market demand, it secured new export agreements. With the first two foreign orders for ARMA, a 6x6 tactical wheeled vehicle of its own design, Otokar has strengthened its position in the international arena.

Electromagnetic Compatibility Test Center to open in 2012
With R&D investment of TL11 million in 2011, Otokar launched its Electromagnetic Compatibility Test Center project, which is to open in 2012. It has also begun leasing existing test facilities to the automotive industry.

Innovative products shaped by customer expectations
Otokar developed its ARMA 8x8 in 2011 and made it ready for mass production, in addition to creating new versions of its Cobra and existing ARMA products. The Company expanded its range of products with new vehicles in the commercial segment, such as the brand-new frigorific semi-trailers, light semi-trailers, and the Sultan bus, which is equipped for transporting disabled passengers.

First national tank presented
Otokar is the prime contractor in the Altay Project, Turkey's national battle tank project. In 2011, Otokar put a life-sized model of the tank on public display for the first time at an event attended by the President, minister and armed forces commanders.

European Coach Week award for KENT
KENT, Turkey's best-selling 12-meter municipal bus, has entered operations abroad in such countries as Hungary and Poland. It received the "Jury Special Award" at European Coach Week, the most important bus competition in Europe.

2012 and beyond
Otokar aims at maintaining the satisfaction of its customers, employees and partners by developing its own technology and preserving its domestic and national identity in its products.

The Company plans to increase its market share in the bus and trailer markets, which are expected to contract in 2012, and to concentrate on delivering defense industry orders received in 2011. While forging ahead on the second and third phases of the Altay National Tank Project, the Company also intends to continue commercial vehicle product development.

OTOKOÇ OTOMOTİV

Leading the Turkish automotive retailing and car-rental markets
Otokoç Otomotiv operates in automotive retailing with the Otokoç and Birmot brands at 32 locations and in car-rentals, under the Avis and Budget brands at 86 locations. The Company provides sales and after-sales services for Ford and Volvo under the Otokoç brand and for Fiat, Alfa Romeo and Lancia under the Birmot brand.

Otokoç Otomotiv accounted for 28% of Ford and for 27% of Tofaş and Volvo total Turkish retail sales in 2011. The Company's new vehicle sales increased for the year by 13% to over 75,000, with a total market share of 8.4%. Sales in the short-term car-rental market grew by 31% at Avis and 41% at Budget, strengthening the leading positions those companies hold in the sector. Additionally, long-term automobile leasing saw a 37% growth rate in 2011.

The Company started providing services at its Istinye facilities under Volvo brands in addition to Ford brands and opened a Birmot branch at the same location. It continued to expand its car-rental service, adding two Avis and five Budget offices to its existing network.

Otokoç Otomotiv made TL310 million for automobile sales investments in 2011 and increased its revenue by 31% to reach TL2.9 billion.

Number one in customer satisfaction
Avis Turkey won Avis's EMEA region Superior Success award. It was also designated the World's Leading Corporate Vehicle Leasing Company at the World Travel Awards and named Best Vehicle Leasing Company by Skal International. Repeating its success of the previous four years, Avis Turkey placed 1st in Europe for customer satisfaction. Budget Turkey won the Superior Success award for marketing practices and the Perfection award for customer satisfaction.

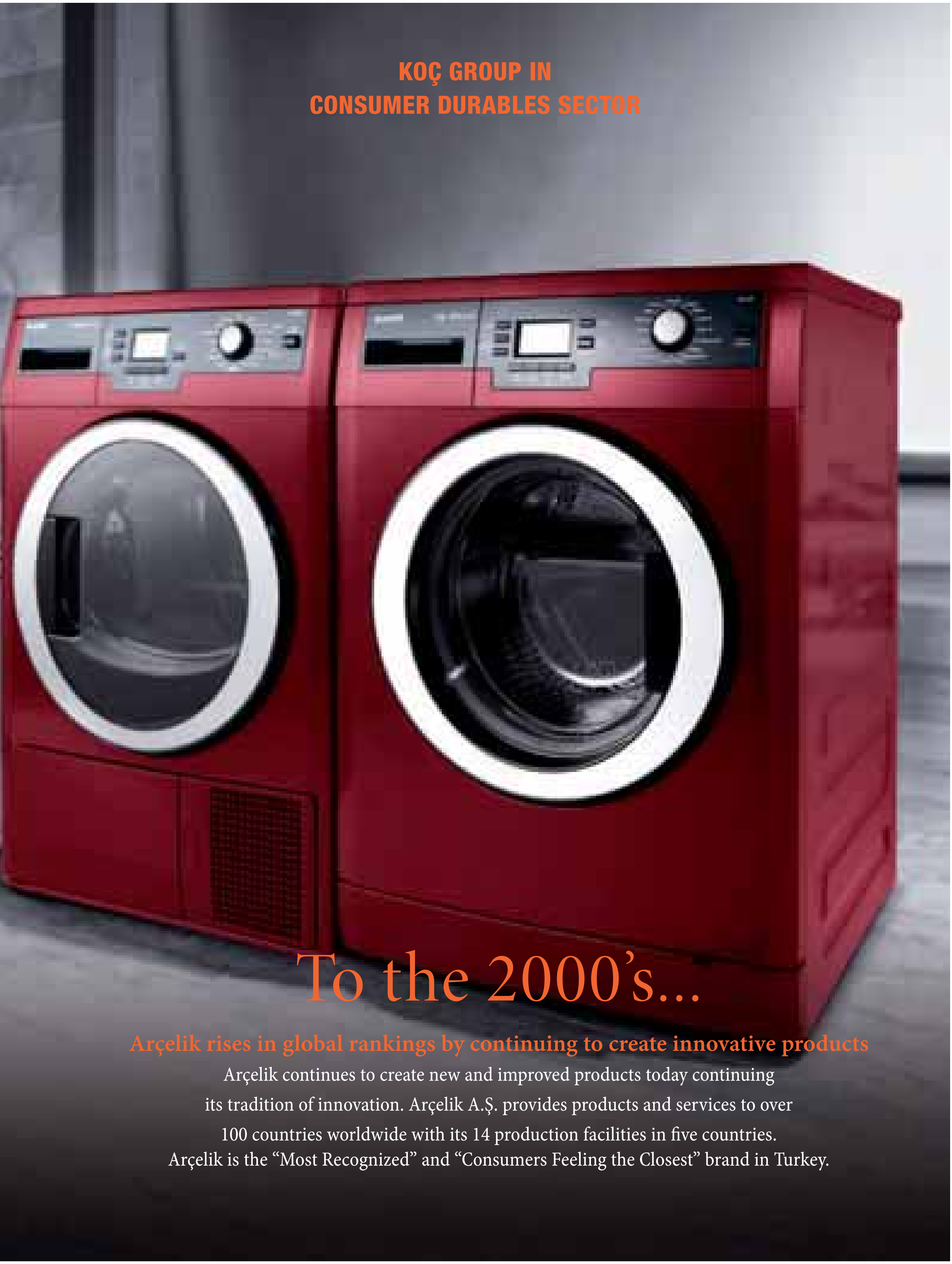
2012 and beyond
Otokoç Otomotiv plans to expand its service network by investing in locations with high potential, renewing existing facilities and, where appropriate, transforming single-brand locations into those offering multiple brands. The Company aims to maintain its market share of the brands it represents in the automotive retail sector. In the short-term car-rental services sector, the Company plans to double its size and maintain its lead under the Avis brand and to raise the Budget brand from third to second in the market. Otokoç Otomotiv also plans to triple its operations in long-term vehicle rental in the next five years.

To achieve these targets, the Company plans to invest TL344 million in 2012, primarily in vehicles.

From the 1950's...

1959: Arçelik, the first Turkish-made washing machine

Koç Group, thinking the unthinkable, manufactured Turkey's first washing machine in 1959. Made by Arçelik, it was received with great interest and appreciation by Turkish society.



KOÇ GROUP IN
CONSUMER DURABLES SECTOR

To the 2000's...

Arçelik rises in global rankings by continuing to create innovative products

Arçelik continues to create new and improved products today continuing its tradition of innovation. Arçelik A.Ş. provides products and services to over 100 countries worldwide with its 14 production facilities in five countries. Arçelik is the "Most Recognized" and "Consumers Feeling the Closest" brand in Turkey.

KOÇ GROUP COMPANIES IN THE CONSUMER DURABLE SECTOR MAINTAINED THEIR LEAD **IN ALL PRODUCT GROUPS IN 2011, ESPECIALLY IN HOUSEHOLD APPLIANCES, BUILT-INS, LCD TVS AND AIR-CONDITIONERS.**

DEVELOPING MARKETS, OF WHICH TURKEY IS A PART, DRIVE GROWTH.

Economic dynamism boosted the **Turkish household appliance market** in 2011, which **grew by 20% to 6.5 million units.** Commensurate with its strategy of expanding in developing markets, Arçelik A.Ş., acquired the **South Africa white goods market giant Defy Appliances Ltd.**

Important developments in the industry during 2011
The 2011 crisis which started in Greece and spread into the European Union caused the consumer confidence indexes that had increased in 2010, to drop once again, particularly as of the second half of the year.

In 2011, the world white goods market displayed some growth compared to the previous year while Western Europe, one of the key markets for Arçelik A.Ş., remained weak. Out of the five major markets that constitute approximately 80% of the entire Western European market in numbers, the Italian and the Spanish markets shrank, while the German, French and British markets grew. An increase of over 10% was observed in the Eastern European white goods market. The market has grown over 20% particularly in Russia; the other important markets within the region, Poland, Romania and Ukraine in particular, have also posted growth.

The uncertainties in the global economy along with the ongoing crisis in the European Union, have impacted the Turkish economy as well, particularly in the second half of 2011. The consumer trust index started taking a negative course.

Despite the adversities experienced, a relatively strong demand had a positive effect on the Turkish white goods market. Market size reached 6.5 million units for an increase of 20%.

Koç Holding Consumer Durables Group
In 2011, the Arçelik Group successfully increased its share in a number of markets in which it operates with various brands. While the Group maintained its leadership in Turkey and Romania, its main markets of production, it strengthened its position in the developing markets, particularly with the acquisition of Defy, the leading company in the South African white goods market. This company has a high ranking in terms of brand and/or group in other countries, as well.

Maintaining its rising performance in the international arena, the Company ranks third on a quantity basis in 27 countries in Western and Eastern Europe, including Turkey.

The Arçelik Group has seen the highest increase in market share in white goods across Western Europe. Having established itself as the market leader in the UK for refrigerators and deep freezers, in 2011, the Company rose to lead in the washing machine market as well with the Beko brand. In the French and Polish markets, Beko became the brand with the largest market share in an overall group of six main products.

Arçelik Group maintains its undisputed lead in the Romanian market with its Arctic brand.

In consumer electronics, the Grundig brand earned itself a market share in Germany and Northern Europe, with a 40% growth in its turnover.

ARÇELİK A.Ş. PROVIDES PRODUCTS AND SERVICES TO **OVER 100 COUNTRIES,** WITH ITS **14 PRODUCTION FACILITIES** IN **FIVE COUNTRIES, SALES & MARKETING ORGANIZATIONS** IN **20 COUNTRIES** AND **10 BRANDS.**

www.arcelikas.com.tr

ARÇELİK A.Ş.

US$ 5,052 million

Total Revenues

Domestic Market Position

Leader in white goods, LCD television and air conditioner markets

Distribution Network
Turkey's widest service network with **3,000** authorized dealers and **550** after-sales service points

Global Operations Network
21,960 employees

14 production plants in **5** countries

Sales and marketing organization in **20** countries

10 brands

Products and services in over **100** countries

International Position

3rd in Europe

The **leading brand** in the UK for refrigerators, deep freezers and washing machines

Leader in Romania and South Africa

The brand with the **highest increase in market share** in France and Poland in six main product groups

Share of International Revenues
53%

EBITDA
US$**517** million

Operating Profit Margin
7.7%

Partnership Structure

Koç Holding	**40.51%**
Other Koç	**16.69%**
Burla Group	**17.61%**
Public	**25.19%**

57 years of experience
Founded in 1955, Arçelik A.Ş. sells goods and services in more than 100 countries with 14 production plants in five countries; Turkey, Russia, Romania, China, and South Africa. It has a sales and marketing organizations operating in 20 countries and it owns 10 brands. Arçelik hosts the largest service network in Turkey, with approximately 3,000 dealerships and 550 after-sales service centers. During 2011, it enhanced its leadership in the white goods, built-in appliances, LCD TV and air conditioner products market.

Sustainability approach integrated with business goals
Acting with its "Sustainable Development" approach in line with its vision of "Respects the Globe, Respected Globally" Arçelik has embraced the principle of protection for and sustainability of the environment and natural resources in all of its activities.

Energy efficiency in production
Within the scope of its "Green Production Plant" concept, having earned itself a "golden certificate", a first in the world white goods market, Arçelik, with eight operations in Turkey and operations in China, has achieved success year after year. In 2011, the Company also gained a "platinum" level rank, again a worldwide first, for its refrigerator, washing machine, cooking appliances and compressor operations.

Arçelik's greenhouse gas emissions inventory has been audited and certified by an independent international organization in line with the ISO 14064-1 Standard.

Energy efficiency in products
Arçelik continues its product development efforts with a focus on efficient resource utilization in an effort to contribute toward solving issues such as global warming, declining natural resources and water shortages that threaten life on the planet.

The Company continues to offer products that have been designed and produced utilizing its proprietary technology and that have become pioneering products worldwide in terms of energy and water efficiency. Arçelik produced the first A+++ class No-Frost refrigerator in Turkey, also the world's lowest energy-consuming refrigerator in its class. With a transition from A class to A+++ class refrigerators, an energy saving of 60% is possible. Furthermore, the Company has produced the first and only dishwasher worldwide that can wash a large load of dishes with just six liters of water, in the A++ energy class. It has also produced a 45-cm dishwasher, a global first in terms of washing with nine liters of water, also in the A++ energy class. Dryers that consume 50% less energy compared to class A machines and steam generator supported dishwashers have been included in the product range.

Support for national and international environment projects
Arçelik regards climate change a significant risk with environmental, social and economic implications for the sustainability of the world. It continues to offer support for projects carried out in Turkey and in the international arena in this respect. Accordingly, Arçelik has taken part in the Corporate Leadership Network Turkish Platform founded to lead the implementation of national and international policies during the transition to a low carbon economy. It has assumed the position as a spokesmen for the relevant term. Having signed the 2°C Challenge Communiqué, describing the steps to be taken to limit climate change by two degrees, Arçelik represented Turkey in the United Nations Climate Change Summit held in Durban, South Africa.

Placing priority on energy efficiency in its products and all processes, including production, while undertaking a leading role in this area with steps to promote environmental awareness among all consumers, Arçelik provides full support for the Productive Cooperation for White Goods Energy Efficiency movement launched by the Ministry of Energy and Natural Resources in Turkey.

Important steps expanding Arçelik's global presence
In line with the Company's strategy for organic growth and its goal of expanding into new markets, a sales and marketing company has been founded in Australia. Furthermore, an office in Taiwan has been opened with the intent to develop procurement and R&D activities in the Far East.

In line with the strategy of growing in developing markets, a South African-based company, Defy, was acquired. This acquisition is intended to leverage the potential in sub-Saharan countries and to enter new markets on the African continent.

Awards and achievements
The Beko DSN6634FX dishwasher has become the "Test Champion" in categories of quality, environmental impact and user friendliness during tests carried out by Stiftung Warentest (StiWa), the most respectable independent Testing and Research Institute in Germany.

Arçelik received three awards each during the 11th Competition for "Industrial Energy Efficiency Projects" held by the Ministry of Energy and Natural Resources and the "Awards for Sustainable and Environmentally Friendly Products and Practices" held by the Istanbul Chamber of Commerce; it was deemed worthy of the "Jury Special Award" with its all-in-one television in the "Competition in Innovation and Creativity Award TESİD 2011".

Arctic SA became the first company in Romania to receive the "Continuity of the TPM Excellence Award" by the Japanese government agency Japan Institute of Plant Maintenance (JIPM).

Maintaining its main style for 41 years, already IF design awarded Audiorama spherical loudspeakers from Grundig have been granted a design classic title by Europe's and Germany's largest interior design magazine "Schöner Wohnen".

In the coolers and cookers categories, Beko received the "Product of the Year Award" by "Get Connected", one of the most well-known magazines in the UK for customers and sales channels.

Arçelik's international brand Beko was deemed worthy of the title "Russian Market Leader" within the scope of the "Awards for Contribution into the Development of Russian Economy", held under the patronage of the Russian State Regional Businessmen Organization and the Parliament of the Russian Federation.

Arçelik in the future
In light of its vision to take the Company into the future, the main business targets of Arçelik have been established. They include growing in a sustainable and profitable way, increasing market share in every field, offering innovative and creative solutions and to be a global organization in the real sense. The Company aims to carry out its efforts to actualize the strategies created to attain these goals.

ARÇELİK-LG KLİMA IS **THE LARGEST** MANUFACTURER OF AIR-CONDITIONERS IN THE **NEAR EAST AND EUROPE.**

ARÇELİK-LG KLİMA

Arçelik-LG began operations in 2000 with a production capacity of 300,000 units and 261 employees. In 2011, the Company enjoyed an annual production capacity of 2.5 million units by a workforce of 1,500. Furthermore, indirect employment is offered for nearly one thousand people through the aftermarket for component and parts supplies. Arçelik-LG is the largest air conditioner manufacturer in the Near East and Europe. Its innovative approach, strong technological infrastructure and extensive distribution and service network have made Arçelik-LG the domestic market leader with a 52% market share. It currently exports to more than 40 countries, mainly in Europe, the Middle East, Africa and the CIS. Having increased the number of units sold by 20% in 2011, in comparison to 2010, Arçelik-LG aims to increase its market share in the commercial air conditioner business, raising its sales of TL75 million in 2011 to TL125 million.

Demand for environmentally sensitive products are on the rise in the air conditioner market

Air conditioners with inverter compressors offer up to 50% energy savings compared to class A energy consumption air conditioners. Given the fact that there are nearly 10 million units in Turkey and assuming that these air conditioners run for at least four hours a day on average, the calculated energy savings approaches 7 million MW. With such an approach to energy awareness, air conditioners which are ideal products for heating become prominent as opposed to classic electric heaters. Accordingly, demand is increasing for air conditioners that offer low energy consumption and are environmentally sensitive as well. Arçelik-LG is striving to meet consumer expectations while developing environment friendly products that match its environmental awareness and sense of social responsibility.

The goal of producing A energy level room-type air conditioners is to expand products with high energy efficiency.

Following studies conducted by Arçelik-LG to develop energy-efficient products, A energy level room-type air conditioners with a capacity of 48,000 btu/h have been launched. The objective is to expand the use of these highly efficient room-type air conditioners widely used in stores, offices and similar sites in 2011.

The new prominent business of 2011: renewable energy

Arçelik-LG is the largest manufacturer of household and commercial air-conditioners in Turkey. As part of its 2011 growth strategy, the Company raised the efficiency of its technologically advanced products and increased its market strength through new lines of business. Maintaining a clear lead in the sector, Arçelik-LG targets air-conditioning and engineering systems, renewable energy and total solution services as new lines of business under its growth strategy.

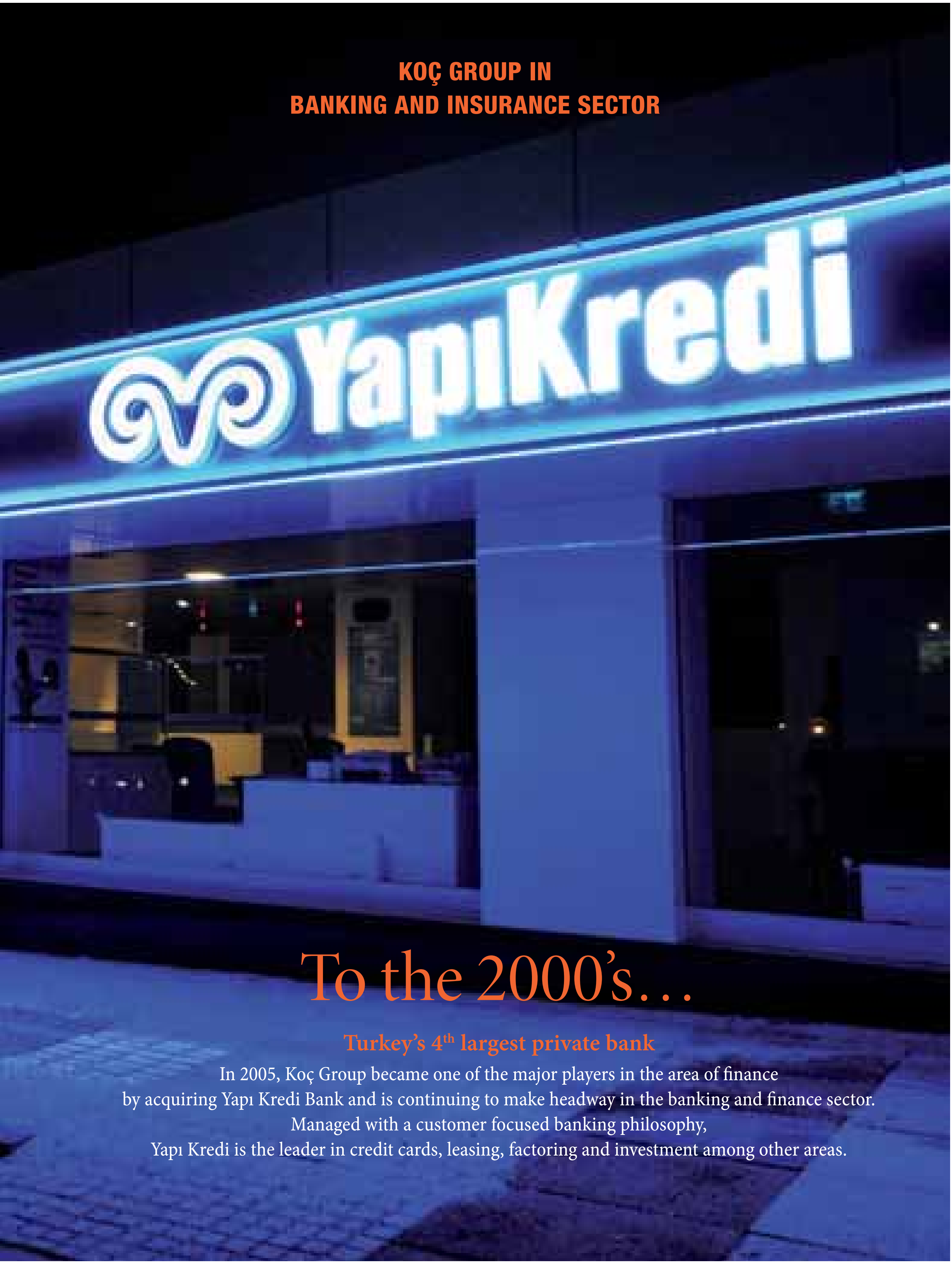
Three pillars of its growth strategy

In line with its vision to “become the first choice in air-conditioning”, Arçelik-LG, as the global force in its industry, implements a series of new strategies to ensure that growth is continuous. These strategies can be listed as maintaining supremacy in the domestic home air-conditioner market, growing in export markets and focusing on achieving a leading and pioneering position in air-conditioning and engineering systems, renewable energy and total solution services.

From the 1990's...

1995: Turkey's first consumer finance company

Koç Group, keeping in mind the unique consumption and payment habits of the population, founded Koçfinans, Turkey's first consumer finance company in 1995.
Since its establishment, the Company has extended US$3.4 billon to close to 3 million consumers, making a significant contribution to the development of the retail sector in Turkey.



KOÇ GROUP IN BANKING AND INSURANCE SECTOR

To the 2000's…

Turkey's 4th largest private bank

In 2005, Koç Group became one of the major players in the area of finance by acquiring Yapı Kredi Bank and is continuing to make headway in the banking and finance sector. Managed with a customer focused banking philosophy, Yapı Kredi is the leader in credit cards, leasing, factoring and investment among other areas.

YAPI KREDİ, TURKEY'S 4TH LARGEST PRIVATE BANK, IS A **PIONEER** IN SERVICES AND PRODUCTS THAT CREATE VALUE AND HAS AN **EXTENSIVE SERVICE NETWORK.**

SOUND CAPITAL AND LIQUIDITY STRUCTURE MAINTAINED IN THE SECTOR

The Turkish banking sector continued its **robust growth** in 2011 and achieved a **sound level of profitability.**

The banking sector in 2011*
The Turkish banking sector maintained its strong performance during 2011, despite adverse global economic conditions, new legal regulations and increased competition. Central Bank measures put a check on net interest margins and sector-wide returns in general; the sector's net profit declined by 10% over the year. The average return on equity in the sector was a sound 15%. Total loans slowed as a result of Central Bank measures in the second half of the year, but thanks to a 27% increase in TL-denominated loans, lending rose by 30% to TL651 billion in 2011. On the other hand, deposits rose 13% to TL691 billion. Accordingly, the loan-deposit ratio increased from 82% in 2010 to 94% in 2011.

In spite of the constriction of liquidity resulting from the debt crisis in international markets, Turkish banks maintained high levels of foreign borrowing at high roll-over ratios because of their sound, creditworthy structures. Consequently, the sector preserved a sound funding, liquidity and capital structure. Funding sources in the sector continued to diversify rapidly, supported by issuances of TL-denominated bonds.

An average capital adequacy ratio of 15% was achieved for deposit banks.

Koç Holding Banking and Insurance Group
Operating in this segment are Koç Financial Services, a 50-50 joint venture between Koç Holding and UniCredit Group Italia and Koçfinans, Turkey's first consumer finance company. Koç Financial Services is the parent company of Yapı Kredi, established in 1944 as Turkey's first private nationwide bank, its subsidiaries and of UniCredit Menkul Değerler A.Ş.

Yapı Kredi provides credit cards, consumer banking, retail banking (including SME banking), corporate and commercial banking, private banking and asset management services to 6.2 million customers.

**Banking sector data excludes participation banks.*

YAPI KREDİ HAD **RETURN ON AVERAGE EQUITY** OF **22%, ONE OF THE HIGHEST** AMONG ITS PEER GROUP, DUE TO ITS SOUND GROWTH, SUSTAINABLE SOURCES OF REVENUE AND DISCIPLINED EXPENDITURE MANAGEMENT.

www.yapikredi.com.tr

YAPI KREDİ

Domestic Market Position
4th among private banks in asset size

Leader in credit cards with **18.3%** market share in outstanding, **20.3%** market share in acquiring volume and **13.6%** market share in number of cardholders

Leader in leasing with an **19.6%** market share, in factoring with **17.7%** market share and in total transaction volume with **18%** market share

2nd in asset management with a **17.7%** market share

Network
5th branch network covers **90%** of Turkey with **964** branches at Group level and **907** at Bank level

5th largest ATM network (2,697 ATM)

Internet banking reaching **2.1** million customers (11% market share)

Pioneer in mobile banking (15.3% market share)

Awarded two call centers

6.2 million active customers

8.3 million credit cards*

Total Loans**
US$**38** billion

Capital Adequacy Ratio
14.9% (Group), **14.7%** (Bank)

Total Revenues
US$**3,609** million

Total Assets
US$**64** billion

Return on Average Equity
22% (**24%** Tangible RoAE)

Shareholder Structure

Koç Financial Services	**81.8%**
Free Float	**18.2%**

** Including virtual credit cards.*
*** "Total loans" refers to performing loans.*

Customer-focused banking and stable high profitability
Yapı Kredi forged ahead with its customer-focused banking approach in 2011. The Bank achieved excellent performance with a consolidated net profit of TL2.3 billion, despite challenging international conditions and increased local competition due to the imposition of new regulations. By giving top priority to the customer, the Bank maintained the sector's highest loan/asset ratio at 59%. Moreover, with an average return on equity of 22%, it attained one of the highest RoEs among its private-sector banking peers.

Above-sector loan growth in areas of focus
Yapı Kredi improved its loan distribution throughout the year by sustaining strong growth in areas with the potential for high growth and profit. Loans issued increased by 28%; contributing to this rise was a climb of 63% in Turkish lira-denominated personal loans and 50% in SME loans, as well as project financing loans denominated in foreign currencies (61% increase). Yapı Kredi differentiated itself in the energy sector through its focus on project financing loans, issuing US$5.8 billion to the sector in 2011 compared to US$3.6 billion in 2010.

Yapı Kredi also improved its asset quality due to its dynamic non-performing loans portfolio management, strong collection performance as well as NPL sales.

Diversity in funding sources and sound capital base
As of the end of 2011, Yapı Kredi's rate of growth in deposits of 20% was above the sector rate, enabling it to increase its market share to 9.2% as opposed to 8.6% in 2010.

In addition to deposits, which are the primary source of funding, a TL1.2 billion source was created through bond issues over the year. Moreover, despite global financial uncertainty, not only did Yapı Kredi achieve a 100% roll-over ratio, but because of improving conditions in terms of cost, it also obtained a US$2.7 billion syndication loan and new securitization worth US$510 million.

As of the end of 2011, Yapı Kredi's capital adequacy ratio at Group level was 14.9% and at Bank level was 14.7%, well above the legal limits.

Successful financial performance despite challenging conditions
Yapı Kredi forged ahead with its customer-focused banking approach and, despite constraints on net interest margins created by new regulations and rising competition, it obtained total revenues of TL6,648 million. Due to its volume growth and focused approach, concentrating on sustainable sources of income, the Bank achieved a 13% increase in fees and commissions. On the other hand, while it opened 39 new branches as part of its investments in growth, the Bank's increase of total operating expenses remained under the rate of inflation at 8%. In 2011, Yapı Kredi's fee and commission/total expenditures ratio of 68% was higher than any of its competitors.

Innovative approach supported by the synergy of Group companies
Yapı Kredi continues to provide its customers with solutions of ever-increasing quality at ever-increasing speed through new products and services. The Company maintained its competitive position in the sector in 2011 with its innovative products. Supported by the synergies obtained from Koç Holding companies, it introduced the

THE HIGHEST LOAN TO ASSET RATIO - A RESULT OF CUSTOMER-FOCUSED BANKING

Opet Worldcard. It also offered a special campus credit card to Koç University students as part of Play Card. The Bank has also provided 100,000 automobile loans since 2007 through an exclusive agreement with Ford Otosan.

"A bank that is easy to work with"
Yapı Kredi has sustained efforts to raise commercial productivity and to become "a bank that is easy to work with". The Bank has reinforced its position in the sector through the favorable momentum in performance it has achieved on account of this focus. Its weekly SME loan applications grew from 2,200 in 2009 to 14,000 in 2011. In the same period, the number of general purpose loans issued climbed from 26,000 per month to 58,000. Moreover, customer activation and acquisition efforts raised the number of SME customers from 478,000 in 2009 to 597,000 in 2011 and the number of commercial customers from 28,400 to 31,130. Diversification in alternative delivery channels increased the proportion of transactions through these channels as a proportion of overall banking transactions from 74% in 2009 to 78% in 2011. Finally, Yapı Kredi had the strongest improvement among its peers between 2009 and 2011 in loans per employee (31% rise), deposits (22%) and basic revenue (2%). In 2011, the Bank's rankings moved up into 2nd from 3rd in revenues per employee and 5th from 6th in deposits per employee.

Strong reputation crowned by awards
Among the prestigious awards Yapı Kredi received in 2011 for its successful performance are Bank of the Year (The Banker), Best Internet Banking (Altın Örümcek), Bank of the Year in Turkey (World Finance) and Best Innovative System & Service Application (Visa European Awards).

2012 targets
In 2012, Yapı Kredi aims at maintaining its customer-focused banking approach by growing in retail and SME banking as well as project finance. It plans to expand its branch network by 50-60 more branches. Meanwhile, the Bank will sustain its efforts at becoming a bank that is easy to work with by further strengthening customer relations, innovative expansion of its product and service portfolio, raising its cross-selling ratio even higher and increasing operational efficiency by acquiring new customers and simplifying procedures.

Yapı Kredi's subsidiaries*
To maximize the synergy between the Bank and its subsidiaries, Yapı Kredi has placed portfolio management, investment companies, private banking and assets management under a single organizational umbrella and coordination of financial leasing, factoring and foreign subsidiaries under corporate and commercial banking.

Yapı Kredi's financial services subsidiaries

Yapı Kredi Leasing
Established in 1987 and 98.85% owned by Yapı Kredi, Yapı Kredi Leasing provides rapid and effective financial leasing services. In 2011, Yapı Kredi Leasing offered new packages for various sectors designed to strengthen relations with SME customers. The Company is the sector leader with a 19.6% share in total leasing receivables. At the end of 2011, Yapı Kredi Leasing had a market capitalization of TL1,649 million and a return on equity of 19%.

Yapı Kredi Faktoring (Factoring)
Established in 1999 and 99.96% owned by Yapı Kredi, Yapı Kredi Faktoring has led the sector since 2001. For the past eight years, it has been listed as one of the leading companies on Factors Chain International's list of "Best Factoring Companies", climbing to 3rd place in 2011. The Company leads the market with a 17.7% share of total factoring receivables and it has a return on equity of 55%.

Yapı Kredi Yatırım (Investment)
Established in 1989 and 99.98% owned by Yapı Kredi, Yapı Kredi Yatırım offers capital market products, brokerage, corporate financing, derivatives and investment advisory services to Yapı Kredi customers. In 2011, the Company offered its customers new service channels (TradeBox and BorsaCepte) to facilitate mobile transactions and it now provides services closer to them through investment centers established at Yapı Kredi branches in 11 provinces. Yapı Kredi Yatırım is the market leader in total transaction value[1] with an 18% market share and it is 3rd in equity transactions with a 5.7% market share. The Company's return on equity is 44%.

**"ownership ratios" refers to direct and indirect shares of Yapı Kredi in the relevant subsidiary.*
(1) Repo, reverse-repo, government securities trading, stocks and futures

YAPI KREDİ LEASING LEADS THE FINANCIAL LEASING SECTOR WITH A 19.6% MARKET SHARE.

YAPI KREDİ FAKTORİNG LEADS IN FACTORING RECEIVABLES WITH A 17.7% MARKET SHARE.

YAPI KREDİ YATIRIM LEADS IN TOTAL TRANSACTIONS WITH AN 18% MARKET SHARE.

Yapı Kredi Portföy Yönetimi (Asset Management)
Established in 2002 and 99.97% owned by Yapı Kredi, Yapı Kredi Portföy Yönetimi offers a wide range of products tailored to its customers' risk preferences. Because of turbulent economic conditions in 2011, the Company raised its market share of capital-guaranteed funds, which are the customers' favorite, to 20.2% and climbed from 3rd to 2nd place in its market standing. The Company is 2nd in the total investment funds market, with a market share of 17.4%. Its return on equity is 115%.

Yapı Kredi B-Tipi Yatırım Ortaklığı (B-type Investment Trust)
Established in 1995, Yapı Kredi B-tipi Yatırım Ortaklığı is Turkey's 2nd largest investment trust. The Company is traded on the Istanbul Stock Exchange; it has a market capitalization of TL46 million.

Insurance subsidiaries

Yapı Kredi Sigorta (Insurance)
Established in 1943 and 93.94% owned directly and indirectly by Yapı Kredi, Yapı Kredi Sigorta benefits from Yapı Kredi's branch network in addition to its 1,130 agents. With a 6.7% market share, it is the 5th largest company in the sector. In 2011, benefiting from the synergies created by Yapı Kredi in bancassurance, Yapı Kredi Sigorta developed POS and Morale Support (cancer) insurance products and began selling vehicle and home insurance at Yapı Kredi Bank branches. The Company's return on equity is 21% and it has a market capitalization of TL984 million.

Yapı Kredi Emeklilik (Pension)
Founded in 1991 and wholly owned by Yapı Kredi Sigorta, Yapı Kredi Emeklilik provides individual pension and life insurance products through its nine branches, 144 agents and Yapı Kredi bank branches. The Company is 4th in the sector in terms of total pension contracts and fund volume, with 11.6% and 16.1% market shares, respectively. Moreover, the Company had a 6.4% market share of the life insurance market, climbing from 6th to 5th place. The Company's return on equity is 39%.

International subsidiaries

Yapı Kredi Bank Nederland
A wholly owned subsidiary of Yapı Kredi, Yapı Kredi Nederland provides correspondent, corporate and private banking services. Serving over 16,000 customers with correspondence banking, the Bank capitalizes on the synergies created by Yapı Kredi on structured commodity and foreign trade financing. In 2011, Yapı Kredi Bank Nederland started to offer its corporate customers Islamic banking products. The Bank has total assets of TL4.3 billion and a return on equity of 7%.

Yapı Kredi Bank Moscow
Established in 1988 and 99.84% owned by Yapı Kredi, Yapı Kredi Bank Moscow is the first Turkish bank to operate in Russia. The Bank's objective is to support Turkish corporate and commercial customers operating in Russia and to contribute to Turkish-Russian commercial ties. The Bank has total assets worth TL336 million and a return on equity of 10%.

Yapı Kredi Bank Azerbaijan
Yapı Kredi Bank Azerbaijan, 99.8% owned by Yapı Kredi, supports domestic and foreign customers who operate in Azerbaijan. In 2011, Yapı Kredi Bank Azerbaijan opened two new branches, giving it a total of nine branches. It strengthened its technological infrastructure and began work on bringing Yapı Kredi's credit card brand, World, to Azerbaijan. In addition, a similar institution to Yapı Kredi Banking Academy was set up in Baku. The Bank has total assets of TL447 million and a return on equity of 13%.

Other subsidiaries

Yapı Kredi's other subsidiaries include Yapı Kredi Kültür Sanat Yayıncılık (Culture, Arts & Publishing), Yapı Kredi Koray Real Estate Investment Trust and Banque de Commerce et de Placements.

KOÇFİNANS

Koçfinans is Turkey's first consumer finance company. Extending a total of TL1,160 million in loans in 2011, the Company holds 4.73% of active auto loans nationally, including those of banks and finance companies. Overall, Koçfinans's loan portfolio consists of TL1,118 million in auto (45,029 units) and TL42 million (9,146 units) in consumer durables and housing loans.

Koçfinans is the only finance company to provide loans in such diverse segments as auto, mortgage, heating-cooling, furniture, home improvement, motorcycle, insulation-construction and white goods. In 2011, the Company completed a TL165 million corporate bond issue, raising its total securities balance to TL543.8 million and providing 47% of its funding needs directly.

The Company also provides insurance brokerage services in conjunction with the loans it extends.

From the 1950's...

A pioneer that marked a new epoch in local production

Koç Group founded Turkey's first light bulb and first privately owned match company and established the country's first tourism and car rental company.
By this example, and through these ground breaking ventures,
Koç Group introduced the concept of local products and services to the population and lessened to a substantial degree Turkey's reliance on imports.

KOÇ GROUP OPERATIONS IN OTHER SECTORS

To the 2000's...

For every aspect of life ...

Today, Koç Group is a leader in the fields of tourism, home improvement retailing, information technology, tomato products and marina services, thus continuing to produce quality products and services for every aspect of life.

REACHING OUT TO THE CONSUMER **WITH NEW PRODUCTS,** TAT KONSERVE IS ONE OF **TURKEY'S LARGEST FOOD COMPANIES.**

www.tat.com.tr

TAT KONSERVE

US$ 454 million

Total Revenues

Domestic Market Position
Leader in the tomato paste, tomato products, premium pasta and ketchup markets

2nd in the mayonnaise, pasteurized milk and sausage markets

3rd in the delicatessen market

International Position
Exports to **35** countries

Share of International Revenues
9.6%

EBITDA
US$**21.6** million

Gross Profit Margin
18.0%

Operating Profit Margin
2.7%

Shareholder Structure

Koç Holding	**43.65%**
Other Koç	**9.69%**
Foreign Partner	**5.26%**
Free Float	**41.2%**

One of the largest food companies
Founded in 1967, Tat Konserve is one of the largest food companies in Turkey, having consolidated the Tat, Sek, Maret and Pastavilla brands under a single roof in 2003.

Turkey's geographical conditions and the potential of its animal husbandry sector provide significant advantages to the food sector with a large domestic consumer market. The rapid climb in consumer demand, for branded products in particular, has made branding a priority in the food sector.

While capacity utilization rate in the food industry averages 50%, it varies in the subsectors. Although the food sector makes up 28% of GDP, according to State Planning Office data, it constitutes 18-20% of the production value of total industrial production.

The food sector in Turkey employs roughly one million people and has a production capacity of 186.4 million tons of food and 13.2 billion liters of beverages.

At 195%, the ratio of exports to imports for the food industry is very high.

Preferred domestic brands by consumers
Tat placed 1st in the "canned goods-tomato paste-sauce" sector in the 2011 third-quarter results of the Turkish Customer Satisfaction Index (TMME), jointly compiled by the Turkish Quality Association (KalDer) and the international research institute KA Research.

Tat continued to lead in market share in tomato paste, tomato products, ketchup and premium pasta, as well as the pasteurized milk category in 2011. This paralleled its goal and strategy of reaching out to the consumer, maintaining highest level of customer satisfaction and retaining customer loyalty for the brand through new packaging designs and new products.

In 2011, Tat generated TL758.4 million in revenues down from TL786.9 million in 2010. The Company's gross profit was realized TL136.2 million down from TL143.8 million, while shareholders' equity continued to grow and reached TL236 million.

Harranova continued its operations in both agriculture and animal husbandry, thus maintaining its contribution to Tat's operations.

DÜZEY PAZARLAMA

Düzey Pazarlama, which was established in 1975, completed a successful year in 2011 with revenue up 25%.

The Company has expanded its distribution network since 2003 to include the distribution of not only Koç Group branded products-TAT, Maret, Sek and Pastavilla-but also General Electric light bulbs, Landlite energy-saving light bulbs, Ekin Bakliyat grains, Rest cleaning products, Prenses sugar, Şölen tea and Sony batteries. In addition, the Company has established sales operations with its own teams in large cities with high growth potential.

In 2011, Düzey expanded its distribution portfolio to include Nutella and Kinder brands, owned by the Ferraro Group, the 4th largest global chocolate and confectionary conglomerate with revenues of €7 billion. This partnership has enabled the Company to increase its distribution points from approximately 40,000 to 70,000 and to further develop its logistics and technical infrastructure.

Düzey has initiated steps to achieve its 2012 revenue target of TL1 billion and plans to maintain its sector-leading position with the help of its distributors and employees.

KOÇTAŞ, WITH **36 STORES** AND **191,000 M² SALES SPACE,** IS TURKEY'S **MARKET LEADER** IN HOME IMPROVEMENT.

KOÇTAŞ

Koçtaş is a market leader in the Turkish DIY sector, with 36 stores in 19 provinces and a total sales area of 191,000 m^2. With 22 of its stores located in shopping centers, the Company has a presence in the market, moving away from simply being a provider of building supplies to one that emphasizes "home renovation and improvement". It meets all customer needs from a single service point.

Expanding store chain in Anatolia
Koçtaş has been growing in Anatolia with its new shopping center projects, benefiting from the first mover advantage and reinforcing its leading position in the market. six new stores were opened in 2011 - one each in Adana, Bursa, Kayseri and Istanbul, and two in Ankara. Moreover, stores in Bornova/Izmir, where the first Koçtaş was opened in 1996, and the first stores in Ankara underwent a comprehensive renovation. Bornova store celebrated its 15th anniversary with the participation of all employees and the customers. Continuing to expand in 2011, Koçtaş's total sales area rose by 32,000 m^2 to 191,000 m^2 by 2011 year-end. Koçtaş's revenue climbed by 17% and total customer numbers increased by 11% to exceed 9.7 million.

100% brand awareness
Koçtaş's brand awareness reached 100% in 2011 as a result of broadening geographical reach and intensive advertising. Koçtaş markets an extensive range of products at affordable prices, reinforced by such messages as "Come to Koçtaş and pay less". Koçtaş won the "Best Jingle of the Year" award at the "Crystal Apple Awards" for its image campaign launched at the beginning of 2011. Through this image campaign, the jingle was liked and memorized by a great many people.

Next generation retailing concept
2011 was a critical year for Koçtaş since it put into practice its "Next Generation" retailing concept. Inspired by the Grand Bazaar, the new store concept was introduced to consumers in October at the Eryaman store, its 4th in Ankara. Through the "Next Generation" retailing concept, everything-including the way products are displayed, store location, the choice of products and customer rest areas-is completely revamped.

Pioneer in innovative practices
Koçtaş internet sales, which began in 2007, grew significantly in 2011. The Koçtaş corporate internet website had 7.4 million visitors in 2011 and approximately 25,000 sales transactions were handled online.

In 2011, the business communication between stores and central units was placed on a digital platform and more accurate order projections were attained by a high level of order processing automation in all stores. The aim of this is to increase efficiency in the way business is conducted and to reduce costs. In addition, all cash registers in stores have been replaced by ones that function on a high technology platform.

2012 and beyond
In addition to bringing global innovations to the Turkish market through its foreign partners, Koçtaş differentiates itself from its competitors in the marketing of such innovations because of its experience of Turkish consumer habits. Similarly, it aims at continuing the new store concept, implemented under the name "New Generation Koçtaş", to stores to be opened in 2012 and beyond.

Koçtaş plans to open five stores in 2012 and these are expected to contribute to revenue growth of 20%.

The theme of Koçtaş's 2020 vision is "Creating a Leader" and the Company has prepared tangible projects to move towards this concept from 2012. Accordingly, with an eye to the growing importance of social media sales channels, the Company plans to make its website a more effective sales channel by enriching its content through social media. Towards this end, its main projects are developing product management in stores of various formats, emphasizing special order products on an intra-store virtual platform, and making storage and logistics more effective and efficient.

As leader in home improvement retailing, Koçtaş's corporate goal is to enlarge Turkey's home improvement market and to retain its leadership of this growing market. The Company plans to reach this goal by offering consumers a variety of innovative options, by making home improvement affordable for every pocketbook and by expanding nationwide.

SETUR MARINAS, **SECTOR LEADER** WITH A 25% SHARE OF THE MARKET, HAD AN **OCCUPANCY** RATE OF **100%** IN 2011.

SETUR

Turkey's largest player in the tourism sector

Setur has been Turkey's leading travel agency since 1973. Its range of activities include airline ticketing, domestic and international tour operations, incoming services, conference and seminar organization, online travel services, cruise travel, study abroad and visa services.

Setur is the Turkish representative for BCD Travel, which provides corporate ticketing services from over 1,300 offices in 96 countries. It is also the licensed Turkish representative office for Abercrombie and Kent, the international brand leader in luxury travel and represents Orient Express, Uniglobal and Costa. Setur expanded its product range and created "Setur Selected" brands as an upgraded category and the "Setur Alternatives" as a lower segment. The Company also increased the number of its sales locations; in addition to its five agent and five visa centers, Setur provides services through 32 authorized agents and 200 online agents.

Setur has established a company, assigned staff and completed licensing procedures to conduct tourism operations in Erbil, Iraq.

Duty-free shops

The duty-free shop sector in Europe continued to suffer in 2011 due to the economic downturn. As a result, European operators turned to the Turkish and Asian markets for growth. Unfortunately, the deepening of the economic crisis in Europe, the month of Ramazan coming in mid-season and the upheaval in Syria negatively impacted Setur duty-free shops. Meahwhile, the Arab Spring in North Africa caused cruise traffic to divert to Turkish ports, positively impacting Setur shop sales. In 2011, Setur duty-free shops operated from 20 centers, including six airports, six land border gates and eight ports, with 662 personnel.

Setur continues to invest and expand two of its newest port shops opened for business in Çanakkale Kepez and Antalya. The Company also opened a "Last Minute" shop at Sabiha Gökçen Airport, Istanbul. The construction and renovation project to expand its incoming shop at Sabiha Gökçen is complete; the location opened for business in November 2011. A company to engage in duty-free shop operations in Erbil has been established and its staffing and licensing are now complete.

Awards

In 2011, Setur received awards for "Quality in Tourism" from Skal International Istanbul, the largest Skal Club in the world, in the "Outgoing Agency" and in the "Domestic Reservation and Distribution System" categories with its Bookinturkey brand. Additionally, "Setur Duty Free" won an award in the "Duty Free Management and Sales Company" category. Setur was also selected the "Most Admired Company" in the tourism sector in the "Turkey's Most Admired Companies" survey, conducted by Capital magazine.

SETUR MARINAS

Leader of the Turkish marina sector with a 25% market share

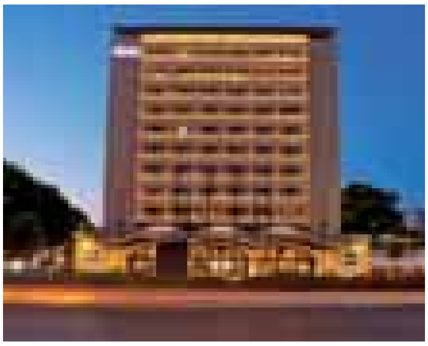
Setur Marinas provides world-class service at their Kalamış and Fenerbahçe, Yalova, Ayvalık, Çeşme, Kuşadası, Marmaris and Finike marinas to yachts cruising the Turkish coasts. The sector leader, with a 25% market share, Setur Marinas had a 100% occupancy rate in 2011.

2012 and beyond

Setur Marinas aims to become an international brand by acquiring at least one marina abroad while maintaining its leadership in Turkey. The Company has a strong financial structure and it closely monitors the sector for marinas to acquire in Turkey and abroad, while remaining in ongoing negotiations for new projects.

Established in 2011, the Company plans to launch the first phase of the Kuşadası Marina modernization, scheduled to open in April 2012, as a new shopping center.

THE DİVAN BRAND IS A LEADER IN EVERY AREA WHERE IT IS ACTIVE, THANKS TO ITS STRONG IMAGE AND HIGH LEVEL OF CUSTOMER SATISFACTION AND LOYALTY.



DİVAN GROUP

The Divan Group operates in the hotel management and food and beverage sectors. Since 1956, the Divan brand has been a leader in its sectors of operation. The Group's strong brand image, high level of customer satisfaction, customer loyalty and dependability are key competitive differentiators. In 2010, the Divan Group concluded a soft branding agreement with the Preferred Hotel Group. This agreement will raise brand awareness, accessibility and the competitiveness of Divan's hotels internationally.

The Divan Group took a number of pioneering steps in 2011. Thanks to an agreement with Turkish Airlines' Miles and Smiles credit card, miles can now be earned through purchases at restaurants and patisseries for the first time in Turkey. The "Divan Touch" loyalty program, which encompasses hotels, restaurants and patisseries, grew to over 3,000 members in one year.

Divan Hotels is the first hotel chain in Turkey to attain ISO 9001 Quality Certification. It is also the first and only Turkish hotel chain to join the Preferred Hotel Group and the Pacific Asia Travel Association (PATA).

The Divan Istanbul, the brand's flagship property, reopened in September 2011 with 191 guest rooms. The 105-room Divan Bursa, which offers business customers modern style and comfort, opened in the same month. Agreements for the 200-room Adana, 150-room Diyarbakır and the 120-room Gaziantep hotels were concluded in 2011; the three hotels are expected to open in the second half of 2014.

In response to demand for budget bed & breakfast hotels, the Group created a sub-brand, "Divan Express". With relatively low investment costs, "Divan Express" is expected to grow quickly, especially in Europe. The Group has begun negotiations with investors to open hotels in this category. The agreement for the first hotel project in this concept, a 140-room "Divan Express", is already signed and is expected to be opened by the end of 2014.

The "Divan Residence" brand was created to manage residences, which developed alongside hotel management with the growth in branded apartments. The first residence project to be launched under this brand is already signed. The project with 180-apartments will be located in Gunesli-Istanbul and is expected to be finalized by 2014.

Divan Patisseries were renovated in 2011 to incorporate a fresh contemporary design that will take the Divan brand into the future. In addition, Divan Patisseries were opened in Çukurhan (Ankara) and Mecidiyeköy (Istanbul). The Divan Elmadağ Patisserie was reopened in the Divan Istanbul Hotel. Divan is also exporting Turkish delight and chocolate; its products are sold under the Divan brand in such upmarket stores as Harrods and Lafayette.

Divan Bebek Brasserie received the Skalite award for "Best Restaurant" in 2011. Additionally, the Divan Bodrum Hotel was named "Best Hotel in Bodrum" by the Turkish magazine portal Gecce.com, which also recognized Divan Patisseries as the "Best Special Taste".

Divan Patisseries are redesigned with gourmet aesthetic to appeal more to the high-income segment, securing further market share.

2012 and beyond

In 2012, the Divan Group plans to expand its urban hotel management operations and open new hotels. Kuruçeşme Catering Venue facilities will be closed for renovation for the first three months of the year. The Kuruçeşme facility and the Divan Antalya Hotel will reopen for business in the second half of 2014 and 2015, respectively. The 227-room Divan Erbil expects to open its doors in the first quarter of 2012.

The Divan Group plans to increase its exports through distributorships in international markets, especially in the Middle East. The Group also plans to expand its sales networks and to launch Divan-brand Turkish delight and chocolate globally.

In addition to opening new shops, Divan Patisseries will sell its baked goods under the "In Bakery" brand at in-market bakeries. The first bakery of this kind will open in March 2012.

RAM DIŞ TİCARET, WHICH HAS MADE A GREAT CONTRIBUTION TO THE DEVELOPMENT OF TURKISH EXPORTS **RAISED ITS TRANSACTION VOLUME IN 2011.**

RAM DIŞ TİCARET

Significant contribution to the development of Turkey's exports
Founded in 1970, Ram Dış Ticaret has been making major contributions to the development of Turkish exports for more than 40 years. In 2011, Ram Dış Ticaret continued its success despite unfavorable political developments in its target market by not only increasing its sales volume but also raising its profitability. Emphasizing customer satisfaction, Ram Dış Ticaret expanded its volume of transactions. Customers, highly satisfied with the service quality and attentiveness, not only continued their existing business with the Company, but also transferred portions of their business from other countries and sources to Ram Dış Ticaret, thereby contributing to the expansion of business volume.

Ram Dış Ticaret conducts its operations in compliance with Koç Group's ethical rules and principles. In 2011, the Company passed inspections conducted by Trace International, the internationally recognized auditing body.

In the energy field, exports of Tüpraş products grew and the number of delivery points increased.

In the automotive sector, Ram Dış Ticaret conducted fleet vehicle and wholesale spare parts sales to the Turkic republics and Iraq and undertook promotional activities aimed at potential customers for Koç Group brands. In addition, technical teams from buyer countries were invited to Turkey to attend service and spare parts training programs to ensure proper after-sales maintenance of vehicles sold.

In the food sector, throughout 2011, the Company imported carcass meat from EU countries and sold it on the domestic market. Taking advantage of the reverse climate, fruit imports from South America made steady progress.

In the aviation sector, Boeing passenger aircraft sales and marketing consultation provided in Azerbaijan, Uzbekistan, Kazakhstan, Kirgizstan, Tajikistan and Turkmenistan were extended to Iraq in 2011.

In the iron and steel sector, Ram Dış Ticaret expanded its operations and increased domestic sales operations.

In 2012, Ram Dış Ticaret plans to import energy raw materials, in compliance with regulations, especially from neighboring countries, and it has initiated the relationships required for this to happen.

The requisite planning and effort to assume a leading role in Turkish food imports will be undertaken.

Research into the issue of international representations in Ram Dış Ticaret's main areas of business is being carried out and paper and chemicals operations are planned to be launched in 2012.

RMK MARİNE, ONE OF TURKEY'S LARGEST PRIVATE SHIPYARDS, IS THE COUNTRY'S **FIRST PRIVATE SHIPYARD** TO HAVE AN **INDUSTRIAL QUALITY & SAFETY INSPECTION CERTIFICATE.**

RMK MARİNE

Turkey's first private shipyard to attain Industrial Quality & Safety Inspection Certification
Founded in 1974 and named RMK Marine after joining Koç Holding in 1997, the Company provides ship and yacht construction, maintenance and repair services. RMK Marine is one of the largest shipyards in Turkey and it sets its sights on quality and high value-added projects. Its expertise and product diversity is internationally competitive in the construction of tankers, deep-sea service vessels, tugboats, military vessels and super yachts.

RMK Marine is Turkey's first private sector shipyard to offer design and solutions within its own organization through its highly developed design and electronic systems.

RMK Marine is one of only two Turkish shipyards, including military ones, to have "AQAP 2110 Industrial Quality & Safety Inspection Certification", under the Quality Management System. This certification makes RMK Marine Turkey's first private sector shipyard with certified design proficiency.

"Warships of every size can be built"
RMK Marine won the Ministry of Defense's Under-secretariat for Defense Industries tender for the construction of four Coast Guard search and rescue vessels-the largest military vessel project ever awarded to the private sector in Turkey. The first ship, "Dost", was launched in June 2010; the second ship, "Güven", was launched in December 2010; and a third vessel, "Umut", was launched in May 2011. All ships are to be delivered in 2012.

The Defense Industries Under-secretariat's Strategy Document described the shipyard as having the capacity to "build every size of ship", an assessment that opened the way to the Company being named as one of only two shipyards in Turkey that could work on the national warship "Milgem" program. The Defense Industries Under-secretariat has invited the Company to tender for projects under that program.

In 2011, RMK Marine became one of three companies to submit bids to the Defense Industries Under-secretariat's Amphibious Assault Ship (LPD/LHD) project.

The yacht sector's "Oscar"-winning brand
In what amounts to the international super yacht "Oscars", the RMK-built Nazenin V garnered the "2010 Judges Special Commendation" for its superior quality and craftsmanship in the "Best Sailboat in the 45-meter Class" category at the "World Super Yacht Awards". With this achievement, RMK Marine-which established itself in the shipbuilding sector through applying its capabilities and technical finesse to all its new builds at every stage of construction-has become one of the most important shipyards in the world.

The motor yacht BN-80, "Karia", was launched in December 2011 and is to be delivered in 2012.

Rising international recognition
RMK Marine is leading the way in Turkey with the continued construction of Oyster super yachts under a production agreement concluded with the world-renown British Oyster Company in 2007. The first yacht in the Oyster 100 series, "Sarafin", was launched in 2011. The second yacht in the Oyster 100 series and the first yacht in the Oyster 125 series will be delivered in 2012.

2012 and beyond
RMK Marine's goal is to become the Turkish ship and yacht sector leader and to consolidate its place among internationally renowned shipyards. The Company aims to build on its success in military ship tenders and as a leading supplier to the defense industry.

KOÇSİSTEM, WITH A **9.3% SHARE** OF THE SERVICE MARKET, **HOLDS 2ND PLACE.**

KOÇSİSTEM

Taking sector-inspiring competitive projects to the global arena
KoçSistem, a pioneer and leader in information technologies and communications sector, maintained its double-digit growth through its ability to create a difference and to produce competitive projects. The Company has maintained an annual growth rate of roughly 25% over the past five years.

Turkey's information technologies and communications sector expanded only by 9.2% in 2011, reaching US$ 9.5 billion in size. KoçSistem grew by 25%, overperforming the sector growth rate by high margin. İnterpromedya Bilişim 500 research declared KoçSistem one of the "Best Performing IT Companies in the Past Three Years". The results of IDC's 2011 "Turkey IT Services Market 2010" survey showed KoçSistem to have an 9.3% share of the Turkish service market, putting it in 2nd place.

KoçSistem is sustaining its presence in the global arena by making effective use of all opportunities. The Company develops its own software and solutions such as Pixage, a digital broadcasting product, and Sitelink, a remote monitoring product, for European markets, first and foremost the UK and Germany. KoçSistem also concentrates on data-centered solutions and services in Azerbaijan, Iraq, Syria and the Gulf countries.

Reinforcing its data-center experience through leadership in cloud informatics
KoçSistem has increased its data center capacity by 30% through its investments. The Company has achieved significant energy savings at its Istanbul Data Center by maximizing efficiency through a newly-installed state-of-the-art cooling system.

KoçSistem is utilizing its reputation and strong position in data center services to expand its provision of cloud services, in which it competes with international companies. KoçSistem is providing direction to Turkey's corporate cloud informatics market through 2011 investments totaling TL4 million.

Innovative solutions that anticipate the future
KoçSistem is conducting research and developing innovative projects with its 100-plus R&D team, which gained R&D Center certification in 2011.

Pixage, the first digital broadcasting product developed by KoçSistem, is used by over 1000 Arçelik and Beko dealerships. The Company has installed Pixage in 22 English Premier League club stadiums and it aims at raising this number to 30 in 2012. With the Pixage technology used in the Fenerbahçe International Sport Complex-Ülker Sports Arena and Galatasaray Türk Telekom Arena, KoçSistem has installed an integrated sports arena broadcast platform - the first in Turkey and one of the few in Europe.

KoçSistem, together with Arçelik, represents Turkey at "Finest" one of eight EU Commission Future Internet PPP program projects. The project aims at reorganizing the procurement chain and the transportation sector.

KoçSistem invests in human resources
AonHewitt's 2011 "Best Workplace Study" placed KoçSistem 4th. The Company increased its human resources by 40% in 2011 through creating job opportunities for 100 graduates.

KoçSistem has implemented "Orion", the sector's most important skills management project. It is designed to develop employees and raise their competitive advantage by enabling them identify appropriate career goals and to specialize in their fields.

39% growth in call center operations
Callus, KoçSistem's call center outsourcing company, increased its staff to 1,185 and seating capacity to 1,900 in 2011. Growing by 70% in seating and 39% in revenues, it is one of the five largest call center outsourcing services in Turkey in terms of capacity. In partnership with Vodofone, Callus opened a second call center in Samsun, thereby creating more jobs and contributing to local economies in Anatolia.

Sustainable social responsibility
KoçSistem reduced its carbon footprint through work under the Green Information Platform, thereby preventing approximately 3,250 tons of carbon dioxide entering the atmosphere.

BİLKOM INCREASED SALES BY OVER 150% IN 2011 SHARING ITS **"DIGITAL AND MOBILE LIFE"** EXPERIENCE WITH CONSUMERS AT OVER 750 SALES POINTS AROUND TURKEY.

BİLKOM

Bilkom has operated in the information technology sector for over 25 years, providing all the marketing, sales, channel development and after-sales support throughout Turkey for leading IT brands including Apple, Adobe and Graphisoft.

Bilkom's revenue exceeded TL215 million in 2011, up more than 150% from the prior year, well outperforming sector growth.

Bilkom markets and sells Apple products, primarily portable and desktop computers, as well as iPads and iPods. Under its mission to become the digital life coach, the Company aims to provide end users with the best customer service. Bilkom provides "digital and mobile life" experience at more than 20 concept stores in Istanbul, Ankara, Izmir, Bursa, Gaziantep, Adana, Bodrum and Antalya. In addition, Bilkom offers products to customers at more than 700 locations in chain technology stores across Turkey.

In 2011, approximately 20% of the Company's computer sales were in the education segment. In conjunction with its corporate partners, Bilkom conducted one of Europe's largest distance-learning projects using "Apple podcasting" technology. Through its iPad-based educational initiatives prepared for universities and K-12 schools, Bilkom is recognized as a pioneer in this fast emerging area.

Bilkom is the authorized Turkish distributor for Adobe, a leading global software company. The Company services the corporate market through more than 100 authorized business partners.

Bilkom places great importance on after-sales customer satisfaction, demonstrated by its top-notch post-sales service available at its authorized service centers nationwide. The Company continually expands its service network to ensure the availability of access points so the end user can readily receive technical service.

ZER MERKEZİ HİZMETLER

Since 2003, Zer Merkezi Hizmetler has provided marketing, services, supplies and logistics to Koç Group companies and foreign customers, adding value through the synergy and economies of scale created by centralized procurement purchasing and supporting the companies to focus on their core business.

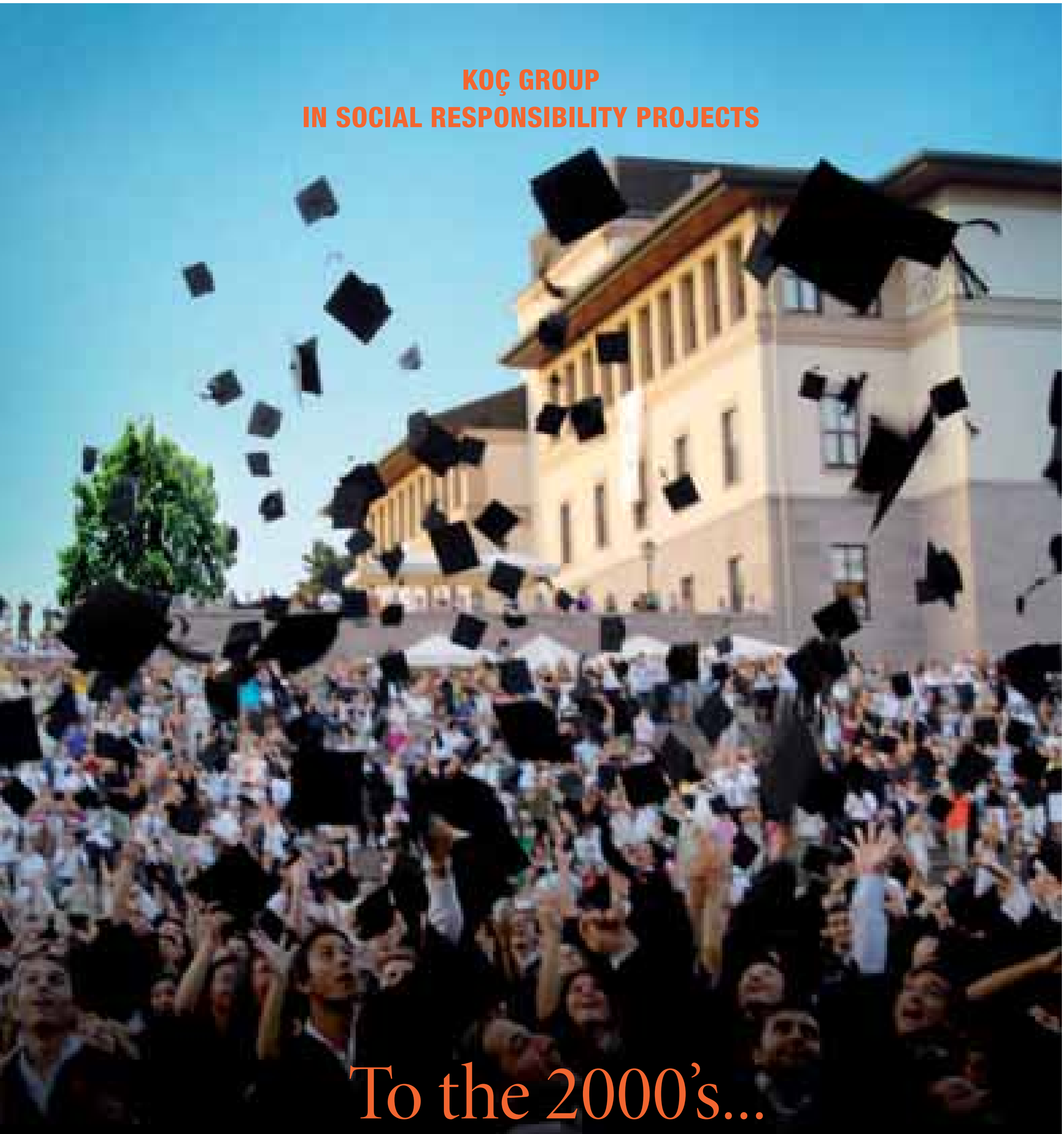
The Company operates by ensuring continuity of existing work, raising potential through maximizing use, being a center of excellence and increasing shareholder satisfaction.

Zer Merkezi Hizmetler received the Istanbul Chamber of Commerce's 2009 Traditional Award for Successful Taxpayers.

From the 1960's...

1969: Vehbi Koç Foundation, Turkey's first private foundation

On January 17, 1969, Vehbi Koç established Turkey's first private foundation, Vehbi Koç Foundation. He thought the unthinkable from a systematic and holistic point of view and created a framework for the sustainable management of philanthropic activities. This approach lay the ground on which Koç Group's sustainability work flourished.



To the 2000's...

Towards a better future together with society

Every year Vehbi Koç Foundation and its affiliated institutions initiate hundreds of different projects in the areas of education, healthcare and culture & art. These projects ensure that thousands of children and adults embrace life with more purpose and look to the future with greater hope. The Foundation's maxim, as expressed by Koç Group's founder Vehbi Koç, is "I live and prosper with my country." To this end, the Foundation does its utmost to bring a brighter future to Turkey.

KOÇ GROUP COMPANIES' CORPORATE RESPONSIBILITY ACTIVITIES GO HAND IN HAND WITH **SUSTAINABILITY** AND **A CORPORATE CITIZENSHIP PERSPECTIVE.** KOÇ HOLDİNG'S ANNUAL CORPORATE SOCIAL RESPONSIBILITY REPORT GIVES A DETAILED EXPLANATION OF THESE ACTIVITIES.

CORPORATE RESPONSIBILITY AT KOÇ

The goal of Koç Holding is to offer products and services at universal quality and standards to achieve sound development, satisfied customers and employees, and, thereby, to be a symbol of reliability, continuity and respect for all our stakeholders.

To attain this objective, Koç Holding has created business models based on responsibility and sustainability with the aim of maintaining uninterrupted development by monitoring achievements. Operational and performance results are reported to all stakeholders in an accountable and transparent manner. Corporate responsibility activities are undertaken within a framework of sustainability and corporate citizenship. The Sustainability Coordination Committee, created within Koç Holding, coordinates the activities of affiliated companies, evaluates performance and publicly discloses the results.

SUSTAINABILITY PERFORMANCE MANAGEMENT

Working life, environmentally-friendly practices and social development are the three main performance areas of Koç Holding's Sustainability Management. In the light of corporate commitments, policies and targets, performance in each area is managed and assessed by systems and processes that are developed by the specialized organizational units in accordance with the international norms.

The Koç Group Sustainability Performance Evaluation and Reporting System is used to evaluate the Group's sustainability performance. Through the system, which was first implemented in 2010, the periodic performance of the Holding and affiliated companies is assessed through hundreds of key performance indicators established in primary fields. The results obtained are periodically reported to Koç Holding stakeholders for their evaluation, in compliance with the GRI Application Level B reporting requirements and United Nations Global Compact Principles.

The Corporate Social Responsibility Reports, in which the social, environmental and economic dimensions of Koç Group's activities have been evaluated since 2006, are available at www.koc.com.tr.

GLOBAL COMPACT

The United Nations Global Compact (GC), signed in 2006 by our Chairman of the Board, Mustafa V. Koç, is an international framework that shows how social responsibility can be put into practice in corporate operations and how it can be improved upon.

Having supported the development of a management model within the scope of the GC, Koç Holding participated in the UN Global Compact Management Tool Training jointly held in 2011 by the UN Global Compact Office and Deloitte at the Global Business Partnership Forum of the Fourth United Nations Conference on Least Developed Countries. Koç Holding presented the Koç Holding Sustainability Management System as a model at this event.

KOÇ GROUP MONITORS THE ENVIRONMENTAL IMPACT OF ALL ITS **OPERATIONS** AND **PRODUCTION PROCESSES.**

WORK ENVIRONMENT AT KOÇ

Koç Group has a workforce of 80,987, including 40,333 blue-collar and 40,654 white-collar employees, making it Turkey's largest private sector employer. With the responsibility this position entails, Koç Group provides model working conditions for its employees, which it believes is its most important asset.

Koç Group aims to be Turkey's most preferred employer where the most successful professionals in their fields work and generate high added value for sustainable growth and its stakeholders are proud of being a part of its activities.

Koç Group respects human rights, which are fundamental to all its activities, and it works to prevent human rights violations in the workplace. Therefore, the human rights and labor standards laid out in the UN Global Compact are binding on all Group companies.

All Koç Group companies pledge to provide their employees with a working environment that, from recruitment to retirement, is fair, safe, egalitarian and supportive of personal and professional development.*

ENVIRONMENTAL PRACTICES AT KOÇ

Koç Group is committed to complying with national and international legal regulations and environmental standards in all of its activities. It aims to be a model company in terms of the importance it places on raising its employees' environmental awareness and of making continuous progress in its commitment to the environmental regulations and improving its performance in this area. By sharing its experiences, finding common solutions to local and global environmental problems, and remaining sensitive to expectations in environment, health and safety and to the needs of society, the Koç Group aims to be the leader group in Turkey. These principles are in harmony with the environmental principles of the UN Global Compact Koç Holding signed in 2006.

Koç Group's Environmental Policy and Environmental Vision and Mission are fundamental to how Group companies conduct their business activities. The Policy, Vision and Mission are managed through strong organization and sound processes that extend from the Holding level right down to the operational fields. The Koç Group's Environment Council was formed to share best practices, create common long-term plans and develop common projects.

The Auditing Group and the Environment Council jointly conduct an environmental audit once every two years to increase environmental awareness and to determine possible risks within Koç Group companies. The environmental data in the Group are monitored through indicators derived from the sustainability criteria.

To effectively monitor processes, employees are appointed as Environment Officers, who are charged with conducting annual internal environmental audits and taking change to ensure that the Group's activities comply with environmental regulations.

Environmental management at Koç Group companies consists of four main areas: Climate Change and Emission Management, Efficiency Management of Resource Use, Environmentally Friendly Product Development, and Environmental Protection and Improvement.

Koç Group companies combat against climate change within the framework of Koç Group Climate Change Strategy. Accordingly, the Koç Group companies strive to effectively measure and mitigate greenhouse gas emissions.

Koç Group Climate Change Strategy

Products

- Koç Group will emphasize environmental sensitivity on all of the products it manufactures, will be transparent regarding the impact of these products to the environment, and will contribute to the development of environmentally-friendly product technologies.
- Koç Group will carry out projects to develop innovative products and create technologies that are more sensitive to the environment and more compatible with a low-carbon economy in the areas it focuses on.

** Detailed information on Koç Holding's human resources practices are available on p.20 of the Annual Report.*

A CRUCIAL COMPONENT OF THE PRINCIPLE OF **"CREATING ADDED VALUE FOR THE CUSTOMER",** WHICH IS A FUNDAMENTAL AIM OF THE KOÇ GROUP, IS TO MANUFACTURE PRODUCTS WITH MINIMAL ENVIRONMENTAL IMPACT.

Operations and Production Processes:

- Koç Group will reduce GHG emissions and the negative impact on the environment in parallel with developments in the sector pursuing a continuous improvement approach by measuring the environmental impact of all of its operations and production processes. It will also be a national pioneer in this regard.
- It will analyze "The Best Available Technologies" and make its production processes compatible with these technologies within the framework of a specific plan.
- It will carry out projects to increase the use of renewable energy resources in its production processes.

Suppliers and Customers

- It will work to increase environmental awareness of suppliers, customers and society.
- All types of technical support will be provided to suppliers for environmentally friendly production and products.
- Koç Group aims to conduct environmentally sensitive purchasing systems.

Contribution to the Formulation of Environmental Policies

- It will work actively with CSOs and government institutions, sharing knowledge and supporting the formulation of national environmental and climate change policies.
- It will contribute to developments by actively participating to the international policy making platforms.

Innovation

- In order to develop creative and innovative methods that reduce climate change impact and are environmentally sensitive in terms of products, manufacturing technologies, operations and business models, Koç Group will work together with Koç University, other universities, relevant R&D organizations and centers, and it will contribute to increase the knowledge in our country regarding low-carbon economy technologies.
- It will work to develop new business models and new fields of business activity that are innovative, creative and compatible with a low-carbon economy.

One of the priorities of Koç Group companies is to minimize the environmental impact of production. In 2011, another crucial step in the development of environmental awareness was taken by providing Group employees and suppliers with training that exceeded 105,000 man/hours.*

In 2011, Koç Group companies spent TL203.5 million on environmental investments to maintain the Group's positive trend in environmental management performance. In addition, the Group companies continued conducting R&D on environmentally friendly products.

Respect to the environment is a priority in the Group companies' production processes. Most of the companies have the ISO 14001 Environmental Management System. In 2011, Tüpraş, Arçelik, Tofaş, Ford Otosan and Opet received the ISO 14064 certificate.

Essential priorities for Koç Group companies are more efficient use of energy, water and other natural resources, recycling and reuse. Through the efficiency projects carried out in 2011, the companies reduced their energy consumption by 3.37 GJ. Moreover, the companies succeeded in utilizing more than 20% of their water consumption from recycled resources.

An important aspect of the principle "providing products and services that create added value for the customer", which is one of the fundamental goals of Koç Holding, is minimizing the environmental impact of their production. Therefore, plenty of new environmental friendly products and services were offered to the customer in 2011:

√ TÜPRAŞ continues research in developing environmentally friendly oil and petroleum products. As part of this effort, the following projects are being carried out:
  - A project to reduce greenhouse gas emissions by using various microalgae grown in a carbon dioxide environment to produce biofuels;
  - A project to develop coating decreasing freezing point for use on asphalt surfaces to protect them from the harmful effects of salt used on them in snowy weather, as well as to minimize the use and waste of a natural resource;
  - A project to study the possibility of using new systems at the Tüpraş refineries to produce high quality low sulfur base oils that can be used in new generation engines that are more environmentally friendly than existing ones.

√ Arçelik, an innovator in the white goods and consumer electronics sector, manufactures the least energy consuming products in their class in the world. Arçelik represented Turkey at two sessions at the 2011 World Climate Conference, which was attended at the CEO level, and stressed its contribution to the prevention of climate change through its work on energy efficiency.

√ Tofaş manufactures and exports vehicles using natural gas systems. Tofaş, Ford Otosan and Otokar conduct research into electric and hybrid vehicles and prepare to join to producers with the most appropriate technology.

In parallel to the Corporate Social Responsibility Report, the data on environmental sustainability was obtained from the Group companies that represents 85.4% of Group employees and 91% of the Group's combined revenues.

THE KOÇ GROUP - A PIONEER IN THE TURKISH BUSINESS WORLD BECAUSE OF ITS **SENSITIVITY** TO SUPPORTING SOCIAL DEVELOPMENT - CONTRIBUTES TO **THE IMPROVEMENT OF LIFE EVERYWHERE IT OPERATES.**

- √ Türk Traktör developes environmentally friendly products through its narrow orchard tractors with engines that comply with strict emission standards.

In 2010, Koç Holding initiated a project vital to the importance it places in the environment, having each of its companies collect and sort wastes and ensure that they are recycled, and raising the awareness of employees on the issue. The objective of this project which Koç Holding initiated within its companies is to raise the awareness of society at large. The initiative contributes to the preservation of national resources and the environment through recycling and it is also effective in reducing carbon emissions. The project used e-learning based awareness-increase training for all employees and this was made available to all companies through KoçAkademi in 2011.

In addition to reducing environmental impacts, Koç Group companies are engaged in improving nature and biodiversity, and raising environmental consciousness in society. For example, planting trees is a time-honored tradition at Koç Holding. In the last five years, Group companies have planted more than 1.3 million trees, thereby creating hectares of new forest land.

Awards

Arçelik garnered 1st and 2nd place in the Istanbul Chamber of Industry Environment Awards in the Large-scale Enterprises Sustainable Environment Friendly Product category held in 2011.

In 2011, Ford Otosan received three awards in three categories within the Large-scale Enterprises category of Istanbul Chamber of Industry Environment Awards:

- 3rd prize in the Sustainable Environmentally Friendly Applications category for its “Oily Wastewater Treatment Improvement Project”,
- The Environmentally Friendly Product Adnan Şener special prize for the “Ecotorq Engine Project”,
- Corporate Social Responsibility special jury prize for the “Sharing Environmental Awareness Project”.

Tüpraş Izmit Refinery was presented with a certificate of appreciation at the 17th Şahabettin Bilgisu Environment Awards ceremony for its social responsibility awareness and commitment to protecting the environment in conjunction with local governments in the province of Kocaeli.

Tüpraş Izmir Refinery was awarded 1st prize for six components in the SEVAP-3 category of the Ministry of Energy and Natural Resources 12th Energy Efficiency in Industry Project Contest, held in 2011.

Tüpraş Batman Refinery won first prize with two components in the SEVAP-2 category with its “Renovation of the Plant-100 H.P. Dist. Unit F-101 Oven” project and “Plant-1.300 Strip Unit Waste Gas Use” project.

Opet took 3rd place in the “Social Responsibility” category of the 2010 Istanbul Chamber of Industry’s “Sustainable Environmentally Friendly Products and Practices Awards”, which has been held since 2004.

Tofaş received the special jury award at the 2011 Istanbul Chamber of Industry Environment Awards in the “Large-scale Enterprise Sustainable Environmentally Friendly Practice” category for its project entitled “Commercial Vehicle That Runs on Compressed Natural Gas: the New Fiat Doblo 1.4 16V Turbo Euro 5 CNG”.

SOCIAL DEVELOPMENT

Koç Holding is a pioneer in Turkish business for its support of social development. Its goal is to contribute to growing prosperity in the locations where it operates, to the expansion of social creativity, and to social development along the lines of stakeholder needs and expectations.

In addition to Koç Holding and Group companies, the Vehbi Koç Foundation and its affiliated institutions conduct social development activities. As reaching to an advanced level of institutionalization in terms of social development is crucial for Koç Group, it concentrates its efforts on education, health, environment and culture/art and conducts its work in these areas through its institutions, regular programs, project supports and periodic activities.

Vocational Education: A Crucial Matter for the Nation

Since 2006, Koç Holding’s activities in the field of education have focused on vocational education, in which it believes it can create the highest added value. The Vehbi Koç Foundation, 20 Koç Group companies and more than 350 Koç Group employees are voluntarily working on the “Vocational Education: A Crucial Matter for the Nation” (MLMM) Project, which was initiated under the “Vocational Training Development Cooperation Protocol” signed by the Ministry of Education and Koç Holding in 2006. The MLMM Project began with the commitment to provide internship-supported educational scholarships to 8,000 vocational high school students in order to promote vocational education. Over time, the project developed into a working model for

VOCATIONAL EDUCATION: A CRUCIAL MATTER FOR THE COUNTRY PROJECT, DEVELOPED FROM A STRATEGY OF SCHOOL-BUSINESS COOPERATION, CREATES A STRONG BRIDGE BETWEEN EDUCATION AND BUSINESS.

forging cooperative links between schools and businesses through the incorporation of the vocational high school coaching system, development modules and educational laboratories into the project.

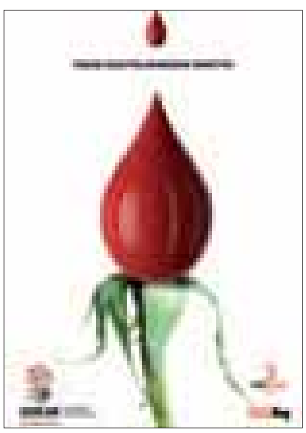
Together with its stakeholders, Koç Holding kicked off the second phase of the MLMM project in 2010. This new phase was designed to disseminate the experience and results obtained under the project throughout the country. Toward this end, Koç Group companies launched corporate projects designed to ensure sustainability of the main project at the corporate level and to serve as models for stakeholders within the sector. In 2011, Arçelik, TürkTraktör and Ford Otosan began to implement their corporate projects within the scope of the MLMM project. Moreover, as part of the work being conducted at the sector level, the social impact report of MLMM and a guide for school-business cooperation were published. The activities for the dissemination of project results in national level were initiated in partnership with the Education Reform Initiative (ERG) on December 20, 2010. The results of this partnership, which aims to encourage the formation of public-private-civil sector joint ventures, will be published in 2012.

For My Country

Koç Holding launched the "For My Country" Project in 2006 in order to encourage the spread of individual entrepreneurship in line with the notion of responsible citizenship. Being an umbrella project, it strives for the dissemination of the social responsibility understanding throughout Turkey. The Project strives to create a participatory attitude that encourages Koç Group companies, employees, dealers and suppliers to get involved in solving social problems. The For My Country project, which focuses on a particular social need every two years, worked with the Red Crescent in 2010 and 2011 to create awareness of the importance of blood donation and to increase the number of regular volunteer blood donors. As of December 31, 2011, the project raised the awareness of 89,451 people, resulting in the collection of 71,733 units of blood, bringing a ray of hope to the lives of 215,199 persons. These figures represent the highest level of blood donations achieved through the efforts of a single corporation. Blood donor acquisition campaigns were enriched by local efforts.

International Istanbul Biennial

The International Istanbul Biennial is a modern art event organized by the Istanbul Foundation for Culture and Arts, and it is directly related to the social issues. Koç Holding has assumed sponsorship of the International Istanbul Biennial for the ten-year period 2007-2016. This sponsorship aims to instill in young people and adults in Turkey an appreciation of modern art and to spark the curiosity of people who are not yet familiar with it, thereby raising general interest in modern art. Accordingly, admission to the 12th Istanbul Biennial, held between 17 September and 23 November 2011 with the theme "Anonymous", was free to university students. This made it possible for students to become familiar with modern art and the Biennial. There were also projects at the Biennial to draw children into its colorful world. Thus significant steps were taken in the development of museum and gallery culture among the younger generations and to raise interest in modern art.



Koç Fest

Koç Holding started Koç Fest in 2006 to bring music and entertainment to universities, create a special festival for students and open the way to starting a tradition. Koç Fest has gone to 28 cities and organized 60 festivals in six years. In 2009, Koç Holding, as a corporation that believes sports play a role in raising the quality of life, also became the main sponsor of the Turkish University Sports Games, which has been held by the Turkish University Sports Federation. Thus, the most prestigious sporting event among Turkish universities and the Turkey's highest participation sporting organization, assumed the name "Turkish Koç Fest University Games" and became an essential part of the festival. Through this initiative, Koç Fest became the largest youth festival in Turkey, bringing together sports, music and fun under one umbrella. Since 2009, Koç Fest has hosted 20,000 athletes in 40 disciplines every year. Some of the athletes and teams successful at annual sporting events regularly represent Turkey at international events with the support of Koç Holding. In 2011, Koç Fest invited seven universities and the big finale was held at Konya Selçuk University with approximately 4,000 students in attendance.

SINCE ITS ESTABLISHMENT, **THE VEHBİ KOÇ FOUNDATION** HAS **SET AN EXAMPLE** IN THE AREAS OF EDUCATION, HEALTH AND CULTURE THROUGH ITS **CENTERS OF EXCELLENCE** AND THE PROGRAMS IT HAS CREATED.

VEHBİ KOÇ FOUNDATION

EDUCATION
Koç Schools (High School 1988, Elamantary School 1998)
Koç University (1993)
Koç Elamantary Schools (1998-2008)
On the occasion of the 75th anniversary of the Turkish Republic, the Vehbi Koç Foundation built 13 elementary schools across Turkey. The project was further extended to 17 schools with the addition of four new schools between 2006 and 2008.
HEALTH
Semahat Arsel Nursing Education and Research Center (SANERC, 1992)
VKV American Hospital (1995)
Koç University School of Nursing (1999)
Koç University School of Medicine (2010)
CULTURE
Sadberk Hanım Museum (1980)
Vehbi Koç and Ankara Research Center (VEKAM, 1994)
Suna-İnan Kıraç Research Institute for Mediterranean Civilizations (AKMED, 1996)
Antalya Kaleiçi Museum (2000)
Koç University Research Center for Anatolian Civilizations (ANAMED, 2005)
ARTER (2010)

Since its establishment, the Vehbi Koç Foundation (VKF) has worked to set an example for the best in the fields of education, health and culture through its programs and centers of excellence.

In 2011, the Vehbi Koç Foundation continued to make a difference in society through the programs it runs from its headquarters as well as those conducted by its affiliated institutions. For more detailed information about Vehbi Koç Foundation's institutions, visit www.vkv.org.tr.

Education

The Vehbi Koç Foundation provided scholarships through its main headquarter and affiliated institutions to approximately 10,000 students in the 2011/2012 academic year, which makes a total of over 43,000 students since its foundation. In 2011, the VKF has increased its quota for scholarships in its Endowment Fund in order to reach more successful and needy students. As a result of this initiative, the number of universities receiving scholarships from the VKF has increased to 10.

Through its "Anatolia is Reading" Project, initiated in 2011, the Foundation aims at providing book donations to primary and secondary school libraries in Anatolia, beginning with the provinces with the lowest income levels. This project will donate sets of 20 books chosen from among the 100 Basic Works list prepared by the Ministry of Education, with assistance from Yapı Kredi Arts and Publishing, to the schools in greatest need. In 2011, 29 secondary and 200 primary schools in Hakkari received book sets as part of this project.

The "Model School" Project, initiated by the VKF in conjunction with the Istanbul Governors' Office of Education, selected a school in Beykoz to serve as a model for other benefactors. Once off the ground, the project will include a nursery school with a capacity of maximum 270 students and a primary school with a capacity of maximum 720 students. The Project will provide the schools with modern facilities and means so that they become environmentally friendly, self-sufficient units with their own sources of electricity and water, and they set an example for student-parent-teacher-administration relations.

Another project conducted by the VKF in 2011 was the "Hand-in-Hand for Development" program. This program brings the administrators and teachers at VKF Koç Private Primary School and High School, and the 17 primary schools established through the support of the Foundation together for a motivational and developmental program. Workshops on Differentiated Education and an inter-institution sharing of content were carried out. Meetings were held between school administrators and Vehbi Koç Foundation representatives to determine the needs of the 17 schools and how they could be improved.

EVERY YEAR **NURSING STUDENTS** RECEIVE **SCHOLARSHIPS** FROM THE VEHBİ KOÇ FOUNDATION **NURSING SUPPORT FUND.**

Culture

The Vehbi Koç Foundation crowned its activities in culture and art with a major initiative in 2011. The Foundation made donations to the New York Metropolitan Museum of Art, the fifth most visited museum in the world. Two galleries visited by millions of people from all over the world exhibiting unique artifacts from the 600-year history of Ottoman art were reopened for visitors on 24 October 2011 after renovation and expansion. These Ottoman Art Galleries were given the name of the Koç Family, which they will retain for the next 75 years.

Every year, the Vehbi Koç Foundation gives the Vehbi Koç Award in one of the fields of education, health, culture and art for the purpose of encouraging people or institutions who contribute to improving people's quality of life. For the first time, in 2011 the Vehbi Koç Award was given to both an individual and an institution. The individual recipient was Prof. Filiz Ali, who is considered to be the most active and prominent composer of music, musicologist and music critic in Turkey. The institution upon which the award was bestowed was the Ayvalık International Music Academy (AIMA), which Prof. Ali founded. AIMA not only opens up horizons to young musicians, but it is also a ground-breaking project at home and abroad.

Prof. Filiz Ali is influential in the Turkish music community as a music critic, art director and composer, and, in a sense, provides the community with momentum. She is agreed to be a point of reference in the world of music. Prof. Filiz Ali received this award as much for her own achievements in the music field as for the direction she has provided in training young musicians in Turkey and helping talented musicians to pursue careers internationally.

The Foundation also conducted an educational program designed especially for art teachers at private and public schools teaching in Istanbul. The Program took place within the framework of the 12th International Istanbul Biennale, organized by the Istanbul Foundation for Culture and Art. The objective of this program was to raise the art teachers' interest in modern art, contribute to their perspective of it, and provide them with a new way to approach students.

Health

Every year, the Vehbi Koç Foundation Nursing Fund provides scholarships to students of nursing. In addition, it supports professional development projects conducted by nurses.

The Koç University School of Nursing was founded in 1999 and it provides professional applied nursing education. It continues to admit students to train as modern, exemplary and self-confident nurses.

SANERC, Turkey's only post-graduate nursing education and research center, enables graduate nurses to upgrade their skills and knowledge to meet the demands of changing technology and information. It provides seminars and training programs, as well as professional advice.

CORPORATE GOVERNANCE ALIGNMENT REPORT

BOARD OF DIRECTOR'S REPORT

AUDITOR'S REPORT

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

CORPORATE GOVERNANCE ALIGNMENT REPORT

Compliance with the Principles of Corporate Governance

Acting upon the belief that good corporate governance is fundamental to the sustainability of companies, at a time before corporate governance principles had been drawn up in Turkey, Koç Holding A.Ş. ("Koç Holding") took the steps needed, voluntarily and proactively, to reach the highest standards of corporate governance. Koç Holding has always made (i) transparency, (ii) fairness, (iii) responsibility and (iv) accountability its four inviolable principles.

Koç Holding's management structure, processes and policies have been established in compliance with the prevailing regulations, ensuring clarity and transparency in the areas of decision making and responsibility. Koç Holding is one of the first Turkish companies to appoint independent members to its Board of Directors ("BoD"). Koç Holding is also one of the few companies in Turkey to link the remuneration of its senior management to sustainable financial and operational performance. Koç Holding, in accordance with laws and regulations, provides the requisite information to all investors and analysts simultaneously in a timely, reliable, consistent and orderly manner. 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 established in Turkey and as a group that is genuinely committed to institutionalization, Koç Holding has adopted the "Corporate Governance Principles" made public in July 2003 and revised in May 2005. These universal principles have been widely implemented by Koç Holding. We are working on the principles that have not yet been implemented and we plan to apply them immediately on the completion of the administrative and technical infrastructure.

Details of the compliance report regarding Koç Holding's position vis-à-vis the Corporate Governance Principles that have been implemented and those that are pending implementation can be found in the following sections.

Corporate Governance Principles Pending Implementation

Koç Holding believes in the importance of full compliance with the corporate governance principles. However, due to challenges encountered in the implementation of some principles, the ongoing discussions in Turkey and in the international platform regarding compliance with certain principles, and failure of the current market and corporate structure to meet such principles in a proper fashion, full compliance has not yet been achieved. 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 which are yet pending implementation.

Activities in the Reporting Period for Compliance with Corporate Governance Principles

In 2011, the Corporate Governance Committee continued to work energetically and many activities have been conducted to improve compliance with the Principles by both the Holding company and publicly-traded Group companies. Most importantly, efforts are being made to comply with regulations derived from the new Turkish Commercial Code and the principles of the Capital Markets Board.

Our Company website and annual report have been reviewed and revised for full compliance with the principles. The General Assembly Procedure delivered to Group companies was expanded with the following topics: Information will be provided about candidate members of the BoD, agenda and information memorandum will be announced minimum three weeks in advance of the general assembly meeting, information will be provided on preferred shares, directors will be present at the meeting, media and stakeholders will be invited to the meeting, open ballots will be used by way of raising hands during the voting procedure and shareholders will be advised of this procedure in advance, proxy forms will be provided. Our endeavors continued on the use of standard wording and templates on general assembly announcements and information memorandums by all Group companies.

We will continue our endeavors to ensure full compliance with the Principles in light of the developments in legislation and general practice.

SECTION I - SHAREHOLDERS

1. Shareholders

1.1 Facilitation of the use of shareholder rights

Investor Relations Department (IR) is responsible for liaising in the relations between Koç Holding and the shareholders in coordination with other relevant departments.

IR is responsible for providing information, excluding trade secrets, to existing and potential shareholders on the Company's operations, its financial position and strategy and managing the bilateral communication between the shareholders and the Company management. The information is provided in an orderly manner that will not give way to inequality of information, by consulting the relevant departments and coordinating with the Group companies when required.

Within this scope, the responsibilities of IR are as follows:

- To coordinate with the Corporate Communications Department vis-à-vis the management of the Company's financial communication strategy,
- To promote the Company vis-à-vis individual and institutional investors in Turkey and abroad,
- To promote the Company to existing and potential shareholders and brokerage houses; to reply to analyst requests for information on Koç Holding,
- To issue press releases following the announcement of financial results and arrange teleconferences, web-casts and press meetings when required,
- To answer investor inquiries and requests,
- To inform existing and potential investors proactively and regularly on micro and macro developments by participating in conferences, roadshows and investor meetings,
- To maintain an accurate and updated customer database,
- 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 bilateral communication between the shareholders and the executive management and the BoD,
- 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 films, etc. in order to provide shareholders accurate and complete information on Koç Group.

Directorate of Accounting ensures that investor records are kept in an orderly, secure and updated manner, based on the records of the Central Registry System. Legal Department ensures that general assembly meetings are held in compliance with the legislation, Company's Articles of Association and other internal corporate principles. In coordination with the support of the Finance Group and Legal Department, IR prepares the documents to be used by the shareholders in general assembly meetings. These documents are published on the Company website 3 weeks before the meeting date. The Legal Department ensures that voting results are recorded in the general assembly meeting minutes. IR ensures that the minutes containing the voting results are published on the website for the convenience of the shareholders. Finance Group is responsible for financial reporting and disclosing material information to the public. IR and Corporate Communications departments perform the other functions related to informing the public within the scope of the Company's Disclosure Policy.

IR prepares an activity report, at least annually, to the Corporate Governance Committee, CEO and CFO. This report may also be submitted to the BoD. In addition, at the beginning of every year, an investment relations strategic plan is submitted to the CFO.

Investor Relations Contacts

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IR attended 18 road shows and conferences in Turkey and abroad and held more than 500 one-on-one meetings with existing and potential investors and 12 analysts in 2011. In addition, the days when financial results were announced, which was three times for the quarterly results, IR held a webcast to discuss the financial results with the investment community. Questions from participants received through teleconferencing were answered by senior management. The voice records and transcripts of the webcasts, as well as the relevant investor presentations were published on the Company website for the convenience of those investors who were unable to participate in the broadcast on the date and hour indicated for further replay or downloading. The website, investor presentations and other investor tools were updated regularly and at most on a quarterly basis, with the aim of informing the public and shareholders. Material disclosures were posted on the website in Turkish and English at the same time as their announcement at the Public Disclosure Platform. Koç Holding acted in complete prudence in carrying out these activities to ensure full compliance with the regulations. There were no complaints filed with our Company regarding the exercise of shareholders' rights in 2010. To the best of our knowledge, there were also no administrative or legal proceedings regarding this subject.

Any information or announcements that might affect the use of shareholder rights were updated and published on the Company's Internet site for the benefit of shareholders.

1.2 Right to Obtain and Evaluate Information

Koç Holding does not discriminate among shareholders vis-à-vis their right to obtain and evaluate information. All information, except those involving trade secrets are shared with the shareholders. Senior management provides firsthand information to shareholders at meetings, conferences and webcasts on the strategy and operations. Throughout the year, material information is disclosed to shareholders. These announcements, past and current, are posted in English and Turkish on our website and distributed via email to those investors who have provided their contact information. Our website (www.koc.com.tr) provides comprehensive historical information and statistics that may be of interest to shareholders in Turkish and English under the Investor Relations section.

Enquiries directed to IR, 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.

Our Articles of Association does not govern the right to demand a private auditor as an individual right and until now, no shareholder has submitted a request. The Company's activities are audited by an Independent Auditor and Legal Auditors assigned at the general assembly.

1.3 General Assembly Meeting Participation Rights

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 (TCC), Capital Market Legislation and the Corporate Governance Principles, and are organized to provide adequate information to and wide participation by the shareholders.

One Ordinary General Assembly Meeting of Koç Holding was held in 2011 - on 7 April 2011 with 79.9% attendance.

Our 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.

Invitations to the General Assembly Meetings are issued by the BoD in compliance with the TCC, Capital Markets Code and Koç Holding's Articles of Association. The public is informed immediately of the BoD's decision to hold the General Assembly Meeting through the Public Disclosure Platform. General Assembly Announcements are made in a way that complies with legal regulations as well as made on our website at www.koc.tr no later than 21 days prior to the General Assembly in order to reach the highest number of shareholders possible.

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 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 3 weeks prior to the meeting so as to facilitate easy access to the shareholders. In addition, a detailed explanation for each agenda item in the agenda announcements is made and, together with other information regarding the principles of general assemblies, is provided to investors.

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.

There are no deadlines by which nominative shareholders have to register to be able to attend the General Assembly. It is sufficient for investors to get recorded on the General Assembly Blockage List at the Central Registry Agency two business days prior to the general assembly meeting.

General Assembly meetings are held at company headquarters. Under conditions stipulated in the Articles of Association, upon the request of shareholders, meetings may be held in another place in the city.

The location of the General Assembly Meeting is selected to facilitate easy access to all shareholders.

The section headings on the General Assembly agenda are to be clear and not open to interpretation, and every proposal shall be indicated under a separate heading for assessment. Shareholders have not made any representations pertaining to the agenda. Consent for Board Members to carry out transactions or to compete in such a way as to give rise to a conflict of interest with the Company shall be dealt with in a separate item.

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. During our Ordinary General Assembly Meetings, the questions raised by our shareholders, guests and media representatives are answered by the Chairman of the BoD and our Executive Management.

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.

Regarding division and merger of shares which change the capital and management structure of the Company, decisions are taken in the General Assembly Meeting. A majority quorum is required for BoD's decisions regarding participation in new companies or disposal of existing subsidiaries which are regarded as important transactions in our Articles of Association. Consent for transactions agreed to be important within the scope of the principles of corporate governance must be given by majority vote by independent members of the Board of Directors; if this is not obtained, amendments to the articles of association that are to be voted on by the General Assembly shall be submitted for approval by our subsidiaries at the Ordinary General Assembly.

Information concerning donations made and aid granted during the period shall be provided under a separate agenda heading.

1.4 Voting Rights

Restrictions on the use of preferred shares at our Company are avoided; the right to all shareholders to vote equitably, easily and appropriate is provided.

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 BoD. 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.

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

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

1.5 Minority Rights

Koç Holding gives utmost care to the exercise of minority rights in compliance with the Turkish Commercial Code and Capital Market Board regulations. There were no criticisms or complaints filed with our Company in this regard in 2011.

1.6 Dividend Share Right

Koç Holding's Dividend Policy is determined at the General Assembly Meeting within the framework of the provisions of the Capital Market Legislation and our Articles of Association. There are no privileges in dividend distribution between A and B type shareholders.

The Dividend Policy and the annual dividend proposal containing the details stipulated in the Capital Markets Board Corporate Governance Principles are provided in the annual report and presented to the shareholders during the General Assembly Meeting. Furthermore, detailed information on the dividend history and capital increases are posted on our Company website.

Dividend Distribution Policy

In determining the distribution of profit, the long-term strategy of our Group, the capital requirements of our Company, our affiliates and subsidiaries, our investment and financing policies, profitability and cash position are taken into consideration. In principle, 20% of the "distributable profit for the period", calculated within the framework of the Capital Markets Legislation and other relevant legislation, based on the net profit for the period as shown on the financial statements prepared as per the Capital Markets Legislation and subjected to independent audit, is distributed in the form of cash or stock. If the distributable profit calculated according to these principles is less than 5% of the issued capital, there will be no distribution of dividend. As per the decision taken at the General Assembly Meeting, dividends can be paid out entirely in the form of cash or stock, or partly in cash and partly as stock. If in the form of cash, the dividend distribution is completed until the end of the fifth month following the end of the respective fiscal period, at the latest. If in the form of stock, the distribution is completed until the end of sixth month, at the latest. In accordance with the Dividend Policy, dividends are allocated equally to all existing shares as of the respective fiscal period.

Pursuant to Article 32 of our Articles of Association, no more than 2% of the amount remaining from the pre-tax earnings after the allocation of the first series of legal reserve fund, financial obligations, and first level dividend to shareholders withheld as per the Capital Markets Legislation, is allocated to Koç Holding Pension and Assistance Foundation. Additionally, without prejudice to the first level dividend established under the Capital Markets Legislation, 3% of the amount remaining after the deduction of first series of legal reserve fund, financial obligations and 5% of the paid-in capital from the pre-tax earnings, is allocated to holders of dividend-right certificates. However the amount that will be paid to holders of dividend-right certificates cannot exceed 1/10 of the amount remaining from the net profit after the deduction the first series of legal reserve fund and first level dividend to shareholders established under the Capital Markets Legislation.

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 TCC, Capital Market Regulations and the Company's Articles of Association. Currently, dividend distributed in cash and the dividend distributed as stock is paid out to shareholders, within the five months and the six months following the end of the relevant fiscal period, respectively.

1.7 Transfer of Shares

There are no provisions in the Articles of Association that complicate the transfer of B type shares traded on the stock exchange. As stated in the Articles of Association Article 13, Koç Holding BoD has the right to abstain from transferring A type shares held by the controlling shareholder.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

2.1 Public Disclosure Principles and Means

Disclosure Policy

Koç Holding Disclosure Policy encompasses what information, apart from that specified in regulations, shall be publicly disclosed; in what way, frequency and means this information is to be disclosed to the public; how frequently the board of directors or executives meet with the press; and what method shall be followed to answer questions asked the Company. It is voted on by the Board of Directors and submitted to our subsidiaries for their information at the General Assembly as well. Our Company's Disclosure Policy is announced to the public on our Internet website.

The Board of Directors is responsible for preparing, overseeing and updating the Disclosure Policy. The Disclosure Policy, which is approved by the Board of Directors, is presented to the shareholders at the General Assembly Meeting and shared with the public on our website.

In principle, the announcements and disclosures on behalf of Koç Holding A.Ş. using the tools and methods defined in our Disclosure Policy, can be made by the Members of the Board of Directors, CEO or CFO.

Finance Group is authorized and responsible for carrying out Koç Holding A.Ş.'s material disclosures obligation, in coordination with the Legal Department. Material disclosures are sent to the ISE after being signed by the CEO and CFO in principle. The disclosures are published in the website in Turkish and English. The number of material disclosures made by Koç Holding in 2011 was 22. 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 ISE within the framework of CMB legislation. Koç Holding A.Ş. has not received any disclosure requests from the CMB and ISE during the year. Since all disclosures have been made within the legal timeframes, no sanctions were applied.

Information to be publicly disclosed is posted in a timely, accurate, complete, comprehensible, interpretable and at low cost manner for public use on the "Public Disclosure Platform" (www.kap.gov.tr) and our Company's website (www.koc.com.tr) so that it can assist persons and companies that are to benefit from the disclosure in making decisions.

Ultimate Controlling Shareholder(s)

Koç Holding's shareholder structure is published in the website, our annual report and related documents. Koç Family members are the "ultimate controlling shareholders".

Disclosure of People with Access to Insider Information and Protection of 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. For this reason in 2009 Koç Holding A.Ş. prepared a list of "People with Access to Insider Information". Every employee who is on this list has been asked to sign a declaration acknowledging their responsibility to protect and prevent misuse of insider information. Employees who are not on this list were also informed of the rules by a general letter in order to prevent a potential abuse. The list is updated as and when there are changes and the newly added people are asked to acknowledge their responsibility.

People with administrative duties at Koç Holding A.Ş. are defined as members of the management and audit bodies, people with regular access to insider information pertaining to Koç Holding A.Ş. and people who are authorized to take management decisions that will impact the future development and commercial targets of Koç Holding A.Ş. People who have regular access to insider information and are authorized to take management decisions are Members of the Board of Directors, auditors, Presidents, Directors and the General Secretary.

2.2 Internet Website

Koç Holding's website (www.koc.com.tr) provides current and historical 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. Information on the CMB Corporate Governance Principles is available on our company website.

Some of the topics on the website are as follows:

- Detailed information on the Company
- Strategic targets and principles
- Information about members of the BoD and Executive Management
- Company organization and shareholder structure
- Articles of Association
- Commercial registry information
- Foreign partnerships
- Summary information about business segments and companies
- Frequently Asked Questions
- Periodic financial statements, financial information, key performance indicators and analyst reports
- Annual reports
- Press releases
- CMB Material Disclosures
- Stock information and charts regarding share price performance
- Calculator for investors
- Investor presentations and bulletins
- Economic reports and historical data on economic indicators
- 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 activities
- Glossary
- Calendar

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.

2.3 Annual Report

The Koç Holding annual report is prepared in detail and according to regulations to ensure that complete and accurate information about the Company's operations reaches the public.

SECTION III- STAKEHOLDERS

3.1. Disclosure to Stakeholders

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 subsidiaries and 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.

By holding our General Assembly Meetings open to all stakeholders, providing detailed information on our website, publishing comprehensive annual reports, issuing press releases and implementing other practices that promote transparency as per our Disclosure Policy, we aim to inform not only our shareholders but also all stakeholders.

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 ("Bizden Haberler"), which is also followed by the public, is issued by the Corporate Communications department to increase communication with the employees.

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 their ideas can be gotten first hand. In addition, our companies also hold regular meetings with their dealership network to ensure a close relationship.

Through the hotline on company intranet sites, shareholders can report practices that violate regulations and ethically inappropriate transactions to the Auditing Group Chairman to be communicated to the Auditing Committee.

3.2 Support of Stakeholders' Participation in 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 periodically conducted 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.

3.3 Company Human Resources Policy
"Our Most Important Asset is our People", the statement of our Founder, Vehbi Koç, best summarizes the basic approach of Koç Group to human resources.

Within the framework of the Human Resources Policy, we are committed to:
- attracting the most competent young and experienced professionals who can carry our Group to the future;
- rewarding achievement through fair and competitive compensation policies and high performance standards,
- making investments for continual employee development,
- improving loyalty of employees to the Company by creating equal opportunities in promotions and rewards,
- creating a working environment that is always peaceful.

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. Work to be done is systematically assessed and the amount that needs to be done is determined. Grades are assigned accordingly, thus enabling appropriate preferences to be made in career management and in wage management.
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. Vested benefits are added to the wage policy. Within the framework of equal opportunities achieved as mentioned above, employees with the highest potential are identified and assigned to higher positions swiftly taking into account the performance and competency evaluation results. Moreover, the executive leadership potential of employees is fairly appraised through the Evaluation Center and employees with executive potential are determined via objective criteria. The evaluation results are gone over at annual Human Resources Planning Meetings, which are attended by companies, and an exchange of ideas concerning all employees is conducted. In addition, contingency plans are reviewed at these meetings.

All employees are able to access the Human Resources Systems that have been prepared for the purpose of implementing these policies over the electronic platform Koç@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.

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.

Koç Academy that is part of the Integrated Performance Management and Development Planning process plays an important part in putting Human Resources policies into practice and offers a platform where our employees can plan their individual development, find the chance to improve and follow their own development.

In respect of development of a common culture, over the past ten years, 4,676 of our managers have attended the Group's Leadership Development Program, which aims to improve the competency of our managers who can carry our Group into the future.

Koç Group employees have priority when filling vacant positions that are available at the Group companies. KoçKariyerim is a portal that is used to announce all vacant jobs within the Group and provides our employees to actively participate in shaping their career path.

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 Resources Departments to ensure the sustainability of a peaceful business environment.

Additionally, health and safety issues of Koç Group companies are managed by the Occupational Health and Safety Committee across the affiliates and the Group for the purpose of improving occupational health and safety continually, identifying and eliminating risks in line with the targets set.

Employees show great interest to programs implemented within the framework of policies developed by Koç Group taking into account the importance it attaches to its employees for the purpose of measuring employee satisfaction and loyalty regularly and planning necessary improvement activities accordingly. Examples include KoçAilem program and **Koç Holding Pension and Assistance Foundation** applications which have been created to provide benefits both during and after the working life.

3.4 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 26 brands in 20 sectors belonging to 11 Koç Group companies as well as 103 brands belonging to the competition. The results of the survey conducted with approximately 40,000 customers in 47 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 8th time this year by an independent research company among 5,600 dealers in 81 provinces Turkey-wide. As is the case with Customer Satisfaction, areas of improvement towards dealer satisfaction are included in the management performance scorecards.

Information about customers and suppliers is kept confidential as a trade secret.

3.5 Ethical Principles and Corporate Social Responsibility
The principles Koç Holding follows in exercising social responsibility as well as corporate governance and ethics were taken one step further by the signing of the UN Global Compact.

Koç Holding aims at being a symbol of trust, continuity and respect for Turkey and its customers, shareholders, dealers and subsidiaries by working with its employees to achieve sound growth and to provide goods and services at universal quality and standards as it strives to achieve customer satisfaction. Our values guide us on the path of attaining these goals and are shared via our website with the public. They are also effectively disseminated to all of our employees; moreover, in order guarantee their being passed down to future generations, "Principles of Ethical Behavior and Praxis" were drawn up in writing and announced on 11 October 2010 to all Koç Holding employees.

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 continuing to mark its leadership in the fields of culture, art, education and healthcare, setting lasting examples in the institutionalization of these services. 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 live and prosper with my country." 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 healthcare. In addition to projects in Turkey, Koç Group actively contributes to the promotion of Turkey in the international arena by sponsoring various exhibitions. The Vehbi Koç Foundation is now the sponsor of the Gallery for Ottoman Art in the Metropolitan Museum of Art, one of the world's most prominent museums. The two galleries within the Islamic Art section have been renovated and opened in 2010, bearing the name of the Koç Family. Koç Holding has become sponsor to the Istanbul Biennial for 10 years between 2007 and 2016, an important step to support contemporary art in Turkey. In 2009, where the Vehbi Koç Foundation celebrated its 40th year, Koç Family was honored with one of the most esteemed international awards of its kind, the Andrew Carnegie Medal of Philanthropy, and in 2011, with the BNP Paribas Philanthropy Award and the Commander of the Order of the British Empire (CBE), for their philanthropic contributions.

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 society with their projects in a common understanding and shared principles.

Since 2006, Koç Holding activities in education have focused on vocational education, which it believes can create the highest added value. Work initiated through the "Vocational Training Development Cooperation Protocol", signed by the Ministry of Education and Koç Holding in 2006 and which became known by the slogan "Vocational Education: A Crucial Matter for the Nation", is being conducted by Vehbi Koç Foundation, Koç Group companies and more than 350 Koç Group employee volunteers. The "Vocational Education: A Crucial Matter for the Nation" Project began with the commitment to provide internship-supported educational scholarships to 8,000 vocational high school students in order to promote vocational education. Over time, the project developed into a working model based on forging cooperative links between school and business and incorporating the vocational high school coaching system, development modules and educational laboratories. "For my Country" is a Koç Holding social responsibility project that was initiated in 2006 to encourage the spread of individual entrepreneurship as part of the notion of responsible citizenship. It is a corporate undertaken with extensions throughout Turkey. The Project strives to create a participatory attitude that encourages Koç Holding companies, employees, dealers and suppliers to get involved in solving social problems. The "For my Country" Project, which focuses on a particular social need every two years, worked with the Red Crescent in 2010 and 2011 to create awareness of the importance of giving blood and to increase the number of regular volunteer blood donors. As of 30 December 2011, 89,451 people voluntarily gave blood at these blood drives, resulting in the collection of 71,733 units of blood and bringing a ray of hope to the lives of 215,199 persons. These figures represent the highest level of blood donations achieved through the efforts of a single corporation. Blood donor acquisition campaigns were enriched by local efforts.

Koç Holding and Koç Group companies view the activities and investments relating to corporate citizenship 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 social responsibility integrated with sustainable management. Working life, environmentally practices and social development are the three main performance areas of Koç Holding Sustainable Management. Performance in every area is monitored and directed by professional organizations, in light of corporate commitments, policies and targets, using systems and processes created on the basis of international norms. Koç Holding Sustainable Performance Assessment and Reporting System is used in the evaluation of performance. Through the system, which became operational in 2010, the periodic performances of the Holding and affiliated companies are assessed on the basis of hundreds of key performance criteria created for specific areas of operation. The results obtained are periodically reported, in compliance with GRI Standard B-level reporting requirements and the parameters of the UN Global Company, to shareholders for their consideration. Koç Group Corporate Citizenship Reports reflecting this approach are posted on the website of Koç Holding since 2006.

SECTION IV - BOARD OF DIRECTORS

4.1 Function of the Board of Directors

Koç Holding BoD manages and represents the Company by taking its long-term interests into consideration. It does this by engaging in rational and cautious risk management that maintains the balance between the Company's risk, growth and profits at the most appropriate levels through the strategic decisions that it makes. Our BoD defines Koç Holding's strategic goals, identifies the human and financial resources needed and oversees the performance of management.

The BoD meets as frequency as needed to effectively carry out its duties. Moreover, four times a year, Koç Holding holds strategic meetings where, in addition to evaluating financial performance vis-à-vis the budget, developments in strategy are monitored and recommendations. During the year-end performance appraisal process, achievements vis-à-vis targets regarding the realization of company strategies are also measured as part of the overall performance and reward process.

The BoD oversees company operations and assesses them in terms of their compliance to regulations, the articles of association, internal regulations and policies formed. Taking Koç Holding's long-term interests, it makes sure that the Holding properly functions.

4.2 Operating Principles for the Board of Directors

Koç Holding BoD activities are carried out transparently, accountably, fairly and responsibly. The authority and duties of the Board of Directors members are specified in the Articles of Association and conducted accordingly. Their powers are identified in detail in the Holding's authorized signatures list. The duties of the Koç Holding Chairman of the Board and those of the CEO are fulfilled by separate individuals.

Risk Management and Reporting is the responsibility of the Head Finance Office in coordination with other Head Offices. Periodically, meetings are held to go over reports and risks in detail. The main risks that Koç Holding is exposed to are monitored under four main categories, namely financial risks (exchange rate, liquidity, capital, credit, counterparty, and interest rate risk), strategic risks, operational risks and legal risks. The BoD is periodically informed about these risks. Detailed information on risk management can be found in the relevant section of the annual report.

The BoD plays a leading role in maintaining effective communication between the BoD and shareholders, solving disagreements and reaching solutions. Accordingly, it closely monitors the activities of the Corporate Governance Committee and the Shareholder Relations Unit.

4.3 Board of Directors Structure

Koç Holding has pioneered the practice of having Board of Directors members who are not involved directly in the operations of the Company and it chooses them from among internationally successful professionals. Apart from the CEO, Osman Turgay Durak, none of the other members of the BoD is involved in management or otherwise engaged in running the day-to-day operations of the Company. Five of the 14 members of the current BoD meet the criteria qualifying them as independent, except for the criterion of "residing in Turkey".

Board of Directors Members and their Qualifications

Rahmi M. Koç
Honorary Chairman
Mustafa V. Koç
Chairman
Temel Atay
Vice-Chairman
Ömer M. Koç
Vice-Chairman
Semahat Arsel
Member
Dr. Bülent Bulgurlu
Member
İnan Kıraç
Member
Ali Y. Koç
Member
Osman Turgay Durak
Member - CEO
Prof. John H. McArthur
Member
Sanford I. Weill
Member
Prof. Dr. Heinrich von Pierer
Member
Peter D. Sutherland
Member
Kwok King Victor Fung
Member

4.4 The form in which Board of Directors Meetings are Held

Matters which have been made subject to the decision of the BoD in the Company's Articles of Association are determined through notification of executive management and BoD 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 BoD notifies Company Executive 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 BoD meeting are collected at the General Secretariat, which consolidates and places them on the agenda.

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

The BoD meets as many times as business dictates. At meetings held in 2011, the Board made a total of 27 decisions including four assessments of strategic issues.

Every member has one vote at BoD meetings; differences of opinion and grounds for opposing votes and specific questions raised by members of the BoD 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.

The Articles of Association of the Company stipulate that Board of Directors decisions be made according to general provisions concerning meetings and decisions; however, a majority quorum is required for any decision regarding participation in a new company or the disposal of shares of an existing subsidiary. In these kinds of decisions, the following quorums must be met: 7 on 9-member boards, 8 on 10-member boards, 9 on 11, 12 and 13-member boards, 10 on 14-member boards, and 11 on 15-member boards.

According to Articles 334 and 335 of the TCC, approval of the General Assembly should be sought in order for the Chairman and the members of the BoD, 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 BoD in this regard.

4.5 Number, Structure and Autonomy of the Committees formed in the Board of Directors

Board Committees are formed at our Company with the aim of ensuring that the BoD is able to fulfill its duties and responsibilities more effectively, and these committees work under certain procedures. Decisions taken by the committees following independently-performed studies are presented to the BoD as a proposal, and the final decision is made by the BoD. These committees work under the following principles:

Management Committee

The Management Committee supports the BoD in fulfilling its duties and responsibilities in carrying activities required by business life. The decisions taken by the Committee are evaluated and approved by the BoD 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 BoD 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 BoD, 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 BoD 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.

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 BoD 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.

Audit Committee is not only responsible for conducting internal and external auditing, but also for seeing to it that recording and reporting procedures comply with laws, rules and regulations pertaining to them and that they conform to the principles of the CMB and IFRS. This Committee is comprised of the Chairman of the Committee and non-executive members.

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 BoD.

Currently, the Committee consists of two members including the Chairman of the Committee and meets at least two times a year and more frequently when the need arises.

The duties given in the Corporate Governance Principles to the Candidate Nominating Committee, the Early Risk Detection Committee and the Salary Committee are fulfilled by the current Corporate Governance Committee.

4.6 Financial Benefits Granted to the Board of Directors

The benefits granted to the members of the BoD are determined at the General Assembly Meeting, which is open to the press and announced to the public by means of Meeting minutes and in the footnotes to our financial statements.

No stock options or company performance-based payment plans are used in the determination of fees to be paid to independent members of the BoD.

Koç Holding does not get involved in transactions that might lead to conflict of interest such as extending loans to members of the BoD or executives, or providing collateral on their behalf.

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

Welcome to the 48th General Assembly Meeting of Koç Holding.

We hereby present for your evaluation the Koç Holding Annual Report for 2011. The first section of the report provides general information about Koç Holding, its goals, strategies and operations in 2011, while the subsequent pages detail developments in our core business segments. The second part of the report contains audited financial statements and accompanying notes as of 31 December 2011 and other disclosures required by the Capital Markets Board (CMB).

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

Dear Shareholders,

I would now like to share our main assessments of the fiscal year ending 31 December 2011 on behalf of Koç Holding Board of Directors.

Overview of 2011
2011 was a difficult year for the world economy. The optimism prevailing in markets at the beginning of the year gave way to pessimism as sovereign debt and banking sector-related difficulties resumed in Europe. European leaders dragged their feet and were indecisive when it came to finding solutions, which led to an undermining of confidence in the economy and lessened the appetite for risk throughout the world, particularly in Europe. In addition to difficulties in Europe, disappointing growth performance in the US led to a significant slowing of economic activity in developed countries. Moreover, both the growing perception of risk in markets and the poor economic performance of developed countries had a negative impact on developing countries. This had a combined dampening effect on world economic growth, leaving it at levels lower than those of previous years.

Turkey's own financial markets were particularly hard hit, especially in the second half of 2011, by the unfavorable conditions in global markets. Financial asset prices significantly deteriorated, especially after August, and the value of the Turkish lira vis-à-vis a basket of currencies dropped to an all time low. While one of the factors behind such a poor performance of financial markets was the problems outlined above, the other was the difficulty of the Central Bank's monetary policy, which it began implementing at the end of 2010, to be fully understood. In addition to keeping inflation under control, another of the Central Bank's priorities in 2011 was maintaining financial stability. Accordingly, it indicated that its main objective in the first half of the year was curbing the rapid credit expansion and slowing domestic demand, and keeping the associated current account deficit, which had reached record levels, under control. With the deepening of the crisis in Europe, the Central Bank's main objective beginning in August was protecting the economy from potential threats from Europe. The lowering of interest rates by the Central Bank, however, only served to further shake confidence in the TL in a market that was already extremely anxious, and the value of the TL fell precipitously. Beginning in October, exchange rates leaped back up, taxes on certain goods and prices on many public goods increased and weather conditions deteriorated, all of which led to a rise in food prices. Inflation once again reached double digit figures, resulting in the Central Bank returning to its priority of keeping inflation under control and it began implementing a tight monetary policy in November.

Turkish economy performed remarkably well despite pessimism in financial markets and fluctuations in the money and foreign currency markets. Given the 9.6% growth rate in the first three quarters of the year, largely due to a rise in domestic demand, overall growth in 2011 reached 8.5%.

Koç Holding was well-equipped to weather the turbulence because of its focused and balanced portfolio structure, strong cash position, diligent risk management approach and measures aimed at increasing efficiency. It increased its revenues and profitability and further strengthened its financial position in 2011.

Our consolidated revenues increased by 41% to TL75.7 billion. Our domestic and international revenues made a balanced contribution to this increase. Our operating income increased by 34% to TL5.5 billion. Net income attributable to equity holders of the parent was up by 22% to TL2.1 billion.

Developments in Koç Holding and Koç Group in 2011
Our Company has a strong domestic and international position, standing as one of the top 250 companies in the world, according to 2010 year-end figures.

Koç Holding's combined revenues are equal to 9% of Turkey's GDP. We generate 11% of Turkey's total exports, while our listed subsidiaries make up 15% of the total Istanbul Stock Exchange market capitalization.

Our main activities of 2011 were as follows:

Our energy companies completed the year with high revenue increases.
- √ Tüpraş continued its optimum production policy to maintain operational flexibility and stock minimization and increased total sales volume by 6.7%. A US$2.1 billion credit agreement to finance the Residuum Upgrade Project was signed on 13 October 2011.
- √ Aygaz, celebrating its 50th anniversary, maintained its leadership of the Turkish LPG market. It took over Total Gaz's cylinder LPG dealers thereby increasing its market share.

- √ Opet succeeded in increasing its sales volume by 12% compared to that of 2010 despite limited growth in white products (gasoline and diesel) demand. Opet Fuchs Mineral Oil Company, which is a 50-50 joint venture between Opet and Fuchs Petrolub AG, one of the world's largest producers of mineral oils, expanded its area of operations.
- √ THY-Opet operations have been extended to all airports in Turkey. The fuel needs of THY, as well as other national and global airlines began to be met.
- √ AES Entek formed a 50-50 joint venture with Oyak Group to establish a 625 MW imported coal plant in Iskenderun. Moreover, the Company has completed most of the preparations necessary for the construction of a natural gas plant in Kırıkkale and a wind energy plant in Çanakkale.

In 2011, the Turkish automotive market grew by 15%, reaching an all-time record volume of 911,000 units. Our companies continued to be the leaders of this sector.

- √ Total production of the Group's automotive companies was 607,000 units, representing 51% of all domestic production.
- √ Total exports grew by 6% to 393,000 units, representing 50% of Turkey's automotive exports.
- √ Koç Group companies accounted for 30% of domestic sales, with Ford Otosan and Tofaş taking their places at the top.
- √ Ford Otosan announced a €205 million investment for a new product in the light commercial vehicle segment and an investment of US$75 million in the Cargo truck.
- √ Tofaş assumed production of the Combo model for the Opel and Vauxhall brands in 2011. In addition, it launched the pick-up model Fiat Pratico, based on the New Fiat Doblo platform.
- √ Otokar increased its sales of commercial and military vehicles. The Company, taking the lead in the Altay national battle tank project, presented a full-size mock-up of the tank to the public. Otokar Avrupa was founded to increase effectiveness in the European bus market.

Arçelik continued its strong leadership in the domestic market while also strengthening its market share and brand positioning in international markets, where it operates under various brands.

- √ The Turkish white goods market grew by 19% and the LCD TV market by 50%, with Arçelik maintaining its leading position in both markets.
- √ In line with its strategy of growing in developing markets, Arçelik acquired Defy Company, the white goods market leader in the Southern African Customs Union, which consists of five countries, including South Africa.
- √ Arçelik-LG Klima continued to top the Turkish air-conditioner market with a 52% share.

Yapı Kredi Bank, maintaining its customer-centered banking approach, performed successfully in 2011.

- √ The Bank improved its loan portfolio through strong growth in areas having high potential for growth and returns.
- √ It achieved deposit growth higher than sector average, rising to fifth place with a market share of 9.3%.
- √ It continued to hold the highest ratio of net fees and commissions to total income among its competitors with a ratio of 68%.
- √ The TL bond issuances made throughout the year created a TL1.2 billion source. Despite global financial uncertainty, a syndicated loan totaling US$2.7 billion was procured.

Koçtaş opened six more stores, bringing its total number of stores to 36. It launched a new store format, New Generation Koçtaş.

Tat put new packaging designs and new products on the market. While maintaining its market leadership in tomato paste, tomato products, ketchup and premium pasta, Tat made important progress toward being number one in the pasteurized milk category.

TürkTraktör retained its over 50% market share in the Turkish tractor market, which exhibited 67% growth and reached a record volume. The Company was proud to have produced its 600,000th tractor in 2011.

KOÇ HOLDİNG CONSOLIDATED FINANCIAL RESULTS

(Million TL)	2011	2010	Change %
Revenues (net)	75,741	53,812	41
Operating profit	5,490	4,102	34
Profit before tax	4,707	3,886	21
Profit for the year	3,850	3,138	23
Profit for the year-attributed to equity holders of the parent	2,124	1,734	22
Earnings per share (Kr)	Kr 0.880	Kr 0.718	23
Earnings before interest, taxes and amortization - EBITDA	6,525	5,066	29
Operating profit / Revenues (%)	7.2	7.6	-0.4[1]
Total assets	98,621	81,143	22
Total liabilities	75,350	60,165	25
Total equity	23,271	20,978	11
Shareholders' equity	13,897	12,574	11
Capital expenditures	2,233	1,246	79
Depreciation and amortization	1,035	964	7
Revenues / Total assets	0.77	0.66	0.11[1]
Operating profit / Total assets (%)	5.6	5.1	0.5[1]
Return on equity (%)	18.0	16.0	2.0[1]
Current ratio	0.80	0.85	-0.05[1]
Total liabilities / Total Equity	3.2	2.9	0.3[1]

[1)] The changes in ratios are given as percentage point differences.

Financial and Operational Results
Koç Group continued to achieve successful results in all its business areas.

Koç Holding's 2011 combined revenues increased by 40% to TL110,023 million. After TL22,228 million is deducted for proportional consolidation of joint ventures, according to International Financial Reporting Standards, and a further TL12,054 million is deducted in lieu of consolidation eliminations and adjustments, the net consolidated revenue of Koç Holding amounted to TL75,741 million.

Koç Holding's operating profit increased by 34% over that of 2010 to TL5,490 million.

Profit before tax rose by 21% to TL4,707 million.

It achieved a consolidated net profit in 2011 of TL3,850 million, of which TL2,124 million was attributable to equity holders of the parent.

Koç Holding's total assets increased by 22% to TL98.6 billion by year's end. As a result of profits earned and capital movements, total shareholder equity increased by 11% to reach TL13.9 billion in 2011.

Capital expenditures (excluding advances made) for the year reached TL2.2 billion on a consolidated basis and TL2.9 billion on a combined Group basis. The highest capital expenditures were made in the energy sector for projects related to energy efficiency, operational efficiency and increasing profitability, environmental investments, as well as for fuel station investments. Energy is immediately followed by automotive with new model and rental car fleet investments. Consumer durables came in third with investments in new models and technologies that are environmentally sensitive.

The Group companies generated combined international sales of US$17.9 billion. This represents a 34% rise compared to that of 2010. Energy and automotive segments accounted for the highest increase.

Employment and Labor Relations
Koç Holding's employees, including its subsidiaries and joint ventures, numbered 80,987 at the end of 2011. On a sector basis, the highest number of employees was in the automotive and consumer durables sectors, each accounting for 28% of the total number of Group employees, followed by finance with 22%.

Collective labor agreements in five of our companies (Tat, Yapı Kredi Bank, Ditaş, Aygaz (Shipping) and Tüpraş) expired in 2011. The agreements, covering approximately 14,000 unionized workers, were renewed amicably, thereby conserving labor peace.

Dividend Proposal
According to the financial statements for the fiscal year 1 January 2011 to 31 December 2011, prepared by Koç Holding in accordance with International Financial Reporting Standards and audited by Güney Bağımsız Denetim ve Serbest Muhasebesi Mali Müşavirlik Anonım Şirketi (a member of Ernst & Young Global Limited), after a deduction of 5% as legal reserve fund (a sum equal to TL26,694,466.83) in line with Article 466 of the Turkish Commercial Code, a distributable profit of TL2,097,774,533.17 was generated according to the Capital Markets Board's regulations. After the addition of TL172,349.00 granted to tax-exempt foundations and associations, a first level dividend base of TL2,097,946,882.17 was reached. After deducting the 5% for legal reserve from the net profit for the year, based on the financial statements prepared according to legal records, distributable profit comes to TL507,194,869.73.

In line with Capital Markets Board regulations and the provisions of the Company's Articles of Association, it has been decided to allocate the distributable profit as follows:

TL 419,589,376.43	As first level dividend to shareholders,
TL 7,500,000.00	To Koç Holding Pension and Assistance Fund, in accordance with article 32/c of our Articles of Association,
TL 59,310,524.50	To holders of usufruct right certificates, in accordance with article 32/d of our Articles of Association,
TL 7,167,673.57	As second dividend to shareholders.

We submit the following proposal for the General Assembly's approval:

First dividend cash payment of TL306,000,000.00 and a second dividend cash payment of TL113,589,376.43 plus a bonus of TL7,167,673.57. A payment of TL59,310,524.50 from the current year's tax exempt statutory income to holders of usufruct right certificates. TL52,259,200.00 to be paid from current year's tax exempt statutory income and TL313,051,324.49 from current year's taxable statutory income, making a grand total of TL365,310,524.50 in cash. TL7,500,000.00 to be paid to Koç Holding Pension and Assistance Foundation to be expended from the current year's taxable statutory income (gross=net) and a payment to be made to the holders of usufruct right certificates of TL120,757,050.00, which remains from the current year's statutory income after the payments and Koç Holding Pension and Assistance Foundation and the allocation of extraordinary legal reserves. These are to be paid on 20 April 2012.

Dear Shareholders,
On behalf of our Board of Directors, I thank you our valued shareholders, customers, dealers, suppliers, industry and business partners, and unions for your continued trust and support, and I thank our employees, for their dedication and outstanding contribution.

In 2012, Koç Group will continue to operate towards its objective of profitable and sustainable growth and maintain maximum focus on risk management. We will accelerate our investments that will create further employment opportunities and increase our efficiency. Within this context, we have budgeted for capital expenditure of TL4.9 billion on a consolidated basis and TL6.5 billion on a combined Group basis.

Sincerely,

Mustafa V. Koç
Chairman of the Board of Directors

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

The findings of our audit covering the 2011 accounting year are presented below:

1. As required by the Turkish Commercial Code (TTK) and relevant regulations,

a) The Company's compulsory books were properly kept
b) Its records were substantiated by supporting documents and
c) Decisions made by the Board of Directors were appropriately entered into its registry books

2. In my opinion, the consolidated financial statements that were prepared in accordance with Decree No. 29, Series XI of the Capital Markets Board's Communiqué Regarding Standards in the Capital Markets on 31 December 2011 have been prepared properly.

In conclusion, I hereby submit for approval the annual report and financial tables, and the proposal of the Board of Directors for distribution of dividends, presented to the Shareholders' Meeting, and deem it appropriate that the Board of Directors be absolved with regard to its activities in 2011.

Istanbul, 20 March 2012

Respectfully yours,

Auditor
Kutsan Çelebican

(Convenience Translation into English of Independent Auditors' Report Originally Issued in Turkish)

Independent auditors' report

To the Board of Directors of Koç Holding Anonim Şirketi:

We have audited the accompanying financial statements of Koç Holding Anonim Şirketi ("the Company"), its subsidiaries and joint ventures (collectively referred to as the "Group") which comprise the consolidated balance sheet as at December 31, 2011, and the consolidated income statement, consolidated comprehensive income statement, consolidated statement of changes in equity and 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

The Company Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with financial reporting standards issued by the Capital Markets Board of Turkey (CMB). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error and/or fraud; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards issued by CMB. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Koç Holding Anonim Şirketi as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with financial reporting standards issued by CMB.

Other matters

As explained detailed in Note 2.4.1 to the consolidated financial statements, the consolidated financial statements include the accounts of the Company, its subsidiaries, its joint ventures and its associates. Koç family members allow Koç Holding to exercise the voting power in respect of their shares held in the Group companies. In the accompanying consolidated financial statements, the shares held by Koç family members are treated as minority interest.

As explained in Note 2.1.3 to the consolidated financial statements, EUR and USD amounts shown in the accompanying consolidated financial statements have been translated from Turkish Lira ("TL") , 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 December 31, 2011 for the consolidated balance sheet, and the official EUR and USD average CBRT bid rates of the year 2011 for the consolidated income statement, consolidated comprehensive income statement and consolidated cash flow statement, and they do not form part of these consolidated financial statements.

Additional paragraph for convenience translation into English :

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A Member Firm of Ernst & Young Global Limited

Ethem Kutucular, SMMM
Partner

March 9, 2012
Istanbul, Turkey

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

Koç Holding A.Ş.

Consolidated Balance Sheets
At 31 December 2011 and 2010
(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

	Notes	2011 (*) EUR'000	2011 (*) USD'000	*Audited* 2011 TL'000	*Audited* 2010 TL'000
ASSETS					
Current Assets:					
Cash and cash equivalents	6	2.781.015	3.597.990	6.796.244	9.937.525
Balances with central banks	7	1.851.320	2.395.180	4.524.256	2.666.100
Financial assets	8	500.724	647.821	1.223.670	1.957.543
Derivative financial instruments	10	86.246	111.582	210.768	334.260
Trade receivables	11	3.790.282	4.903.749	9.262.692	5.098.243
Receivables from finance sector operations	12	7.479.627	9.676.909	18.278.713	15.298.856
Inventories	13	2.778.489	3.594.723	6.790.072	4.193.098
Other current assets	23	947.494	1.225.838	2.315.485	1.812.804
Assets held for sale	24	2.521	3.261	6.160	356.755
Total current assets		**20.217.718**	**26.157.053**	**49.408.060**	**41.655.184**
Non-current assets:					
Financial assets	8	3.938.297	5.095.245	9.624.409	8.323.212
Investments accounted for using the equity method	9	41.654	53.891	101.795	47.087
Derivative financial instruments	10	68.577	88.723	167.588	33.721
Trade receivables	11	48.991	63.383	119.724	91.259
Receivables from finance sector operations	12	8.198.987	10.607.595	20.036.686	14.379.808
Investment properties	14	37.137	48.046	90.755	79.820
Property, plant and equipment	15	4.720.783	6.107.602	11.536.650	10.445.852
Intangible assets	16	710.703	919.485	1.736.815	1.384.158
Goodwill	17	1.539.262	1.991.449	3.761.648	3.526.351
Deferred tax assets	20	167.450	216.641	409.214	351.226
Other non-current assets	23	666.070	861.741	1.627.743	824.839
Total non-current assets		**20.137.911**	**26.053.801**	**49.213.027**	**39.487.333**
Total assets		**40.355.629**	**52.210.854**	**98.621.087**	**81.142.517**
LIABILITIES					
Current liabilities:					
Payables of finance sector operations	18	13.871.112	17.946.013	33.898.224	26.789.839
Financial liabilities	19	4.869.750	6.300.331	11.900.696	8.845.844
Derivative financial instruments	10	93.143	120.506	227.624	104.680
Trade payables	11	3.759.175	4.863.504	9.186.672	7.549.368
Other payables	21	790.888	1.023.226	1.932.771	1.545.288
Current income tax liabilities	20	86.304	111.657	210.909	209.867
Provisions for employee benefits	22	35.685	46.169	87.208	76.296
Other current liabilities	23	1.874.887	2.425.668	4.581.850	4.034.661
Liabilities held for sale	24	2.258	2.921	5.517	124.184
Total current liabilities		**25.383.202**	**32.839.995**	**62.031.471**	**49.280.027**
Non-current liabilities:					
Payables of finance sector operations	18	391.519	506.536	956.795	534.770
Financial liabilities	19	3.995.122	5.168.764	9.763.278	8.032.450
Derivative financial instruments	10	133.262	172.410	325.666	332.599
Provisions for employee benefits	22	323.963	419.133	791.701	788.857
Deferred tax liabilities	20	335.178	433.643	819.108	665.161
Other non-current liabilities	23	270.989	350.598	662.244	530.739
Total non-current liabilities		**5.450.033**	**7.051.084**	**13.318.792**	**10.884.576**
Total liabilities		**30.833.235**	**39.891.079**	**75.350.263**	**60.164.603**
Equity:					
Paid-in share capital	25	988.273	1.278.597	2.415.141	2.415.141
Adjustment to share capital	25	395.813	512.091	967.288	967.288
Total share capital		1.384.086	1.790.688	3.382.429	3.382.429
Share premium		3.800	4.916	9.286	9.286
Revaluation funds	25	(100.383)	(129.873)	(245.317)	19.803
Currency translation differences		58.337	75.474	142.563	47.210
Restricted reserves	25	945.101	1.222.742	2.309.638	2.291.920
Prior years' income		2.526.263	3.268.400	6.173.681	5.089.065
Profit for the period		869.330	1.124.712	2.124.469	1.734.479
Equity holders of the parent		5.686.534	7.357.059	13.896.749	12.574.192
Non-controlling interest		3.835.860	4.962.716	9.374.075	8.403.722
Total equity		**9.522.394**	**12.319.775**	**23.270.824**	**20.977.914**
Total liabilities and equity		**40.355.629**	**52.210.854**	**98.621.087**	**81.142.517**
Commitments and contingent liabilities	32				

(*) Euro ("EUR") and US Dollar ("USD") amounts presented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2011, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

These consolidated financial statements as of and for the year ended 31 December 2011 have been approved for issue by the Board of Directors ("BOD") on 9 March 2012 and signed on behalf of the BOD by the CFO (Chief Financial Officer), Ahmet F. Ashaboğlu and by Accounting Director, Emine Alangoya. These consolidated financial statements will be finalised following their approval in the General Assembly.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

Koç Holding A.Ş.

Consolidated Statements of Income
For The Years Ended 31 December 2011 and 2010
(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

	Notes	2011 (*) EUR'000	2011 (*) USD'000	*Audited* 2011 TL'000	*Audited* 2010 TL'000
Revenue	26	30.040.967	41.776.731	69.767.141	48.822.282
Interest, fee, commission and similar income	5	2.572.218	3.577.078	5.973.720	4.990.154
Total revenue	**5**	**32.613.185**	**45.353.809**	**75.740.861**	**53.812.436**
Cost of sales (-)	27	(26.535.969)	(36.902.476)	(61.627.135)	(42.468.261)
Interest, fee, commission and similar expenses (-)		(1.271.890)	(1.768.765)	(2.953.838)	(2.152.528)
Total costs	**5**	**(27.807.859)**	**(38.671.241)**	**(64.580.973)**	**(44.620.789)**
Gross profit non-finance		3.504.998	4.874.255	8.140.006	6.354.021
Gross profit finance	5	1.300.328	1.808.313	3.019.882	2.837.626
Gross profit	**5**	**4.805.326**	**6.682.568**	**11.159.888**	**9.191.647**
Marketing, selling and distribution expenses (-)	27	(1.161.982)	(1.615.921)	(2.698.588)	(2.198.669)
General administrative expenses (-)	27	(1.283.648)	(1.785.117)	(2.981.145)	(2.604.373)
Research and development expenses (-)	27	(60.955)	(84.768)	(141.562)	(123.864)
Other income	28	257.974	358.754	599.119	463.978
Other expense (-)	28	(192.806)	(268.128)	(447.773)	(627.008)
Operating profit	**5**	**2.363.909**	**3.287.388**	**5.489.939**	**4.101.711**
Share of profit/(loss) of investments accounted for using the equity method	9	3.105	4.317	7.210	3.163
Financial income	29	1.034.938	1.439.246	2.403.540	1.919.901
Financial expense (-)	29	(1.374.966)	(1.912.108)	(3.193.221)	(2.138.824)
Profit before tax	**5**	**2.026.986**	**2.818.843**	**4.707.468**	**3.885.951**
Tax expense		**(369.064)**	**(513.242)**	**(857.115)**	**(747.551)**
-Current income tax expense (-)	20	(342.879)	(476.828)	(796.303)	(747.629)
-Deferred tax income/(expense)	20	(26.185)	(36.414)	(60.812)	78
Profit for the period		**1.657.922**	**2.305.601**	**3.850.353**	**3.138.400**
Attributable to:					
Non-controlling interest		743.147	1.033.463	1.725.884	1.403.921
Equity holders of the parent		**914.775**	**1.272.138**	**2.124.469**	**1.734.479**
Earnings per share (Kr)	**35**			**0,880**	**0,718**

(*) EUR and USD amounts presented above have been translated from TL for convenience purposes only, at the EUR and USD average CBRT bid rates for the year ended 31 December 2011, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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

Koç Holding A.Ş.

Consolidated Statements of Comprehensive Income
For The Years Ended 31 December 2011 and 2010
(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

	2011 (*) EUR'000	2011 (*) USD'000	*Audited* 2011 TL'000	*Audited* 2010 TL'000
Profit for the period	**1.657.922**	**2.305.601**	**3.850.353**	**3.138.400**
Other comprehensive income:				
Financial assets fair value reserve				
Fair value gains/losses on financial assets	(80.009)	(111.266)	(185.814)	77.925
Reclassification to the statement of income	(181)	(252)	(421)	(280)
Tax effect	11.140	15.492	25.871	(13.368)
	(69.050)	**(96.026)**	**(160.364)**	**64.277**
Hedging reserve				
Cumulative gains/losses on hedging	(186.720)	(259.663)	(433.638)	(88.523)
Reclassification to carrying amount of hedged item (Note 3)	9.027	12.554	20.965	-
Reclassification to the statement of income	48.023	66.784	111.529	60.774
Tax effect	25.535	35.511	59.303	(1.176)
	(104.135)	**(144.814)**	**(241.841)**	**(28.925)**
Non-current assets revaluation fund				
Tax effect	182	253	423	363
	182	**253**	**423**	**363**
Currency translation differences	**105.529**	**146.757**	**245.087**	**(19.415)**
Other comprehensive income (after tax)	**(67.474)**	**(93.830)**	**(156.695)**	**16.300**
Total comprehensive income	**1.590.448**	**2.211.771**	**3.693.658**	**3.154.700**
Attributable to:				
Non-controlling interest	748.487	1.040.890	1.738.287	1.390.154
Equity holders of the parent	**841.961**	**1.170.881**	**1.955.371**	**1.764.546**

(*) EUR and USD amounts presented above have been translated from TL for convenience purposes only, at the EUR and USD average CBRT bid rates for the year ended 31 December 2011, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

Koç Holding A.Ş.

Consolidated Statements of Changes in Equity
For The Years Ended 31 December 2011 and 2010
(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

	Capital			Revaluation funds					Retained earnings				
	Paid-in share capital	Adjustment to share capital	Share premium	Financial assets fair value reserve	Hedging reserve	Non-current assets revaluation fund	Currency translation differences	Restricted reserves	Profit for the period	Prior years' income	Equity holders of the parent	Non-controlling interest	Total equity
Balances at 1 January 2010	**2.415.141**	**967.288**	**9.286**	**52.509**	**(85.152)**	**18.460**	**51.707**	**2.269.812**	**1.429.210**	**4.041.695**	**11.169.956**	**7.612.090**	**18.782.046**
Transfers	-	-	-	-	-	-	-	22.108	(1.429.210)	1.407.102	-	-	-
Capital increases	-	-	-	-	-	-	-	-	-	-	-	10.153	10.153
Dividends paid	-	-	-	-	-	-	-	-	-	(359.714)	(359.714)	(602.343)	(962.057)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	(596)	(596)	(5.010)	(5.606)
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-	-	-	(1.322)	(1.322)
Total comprehensive income	-	-	-	57.117	(18.333)	(4.798)	(4.497)	-	1.734.479	578	1.764.546	1.390.154	3.154.700
Balances at 31 December 2010	**2.415.141**	**967.288**	**9.286**	**109.626**	**(103.485)**	**13.662**	**47.210**	**2.291.920**	**1.734.479**	**5.089.065**	**12.574.192**	**8.403.722**	**20.977.914**
Balances at 1 January 2011	**2.415.141**	**967.288**	**9.286**	**109.626**	**(103.485)**	**13.662**	**47.210**	**2.291.920**	**1.734.479**	**5.089.065**	**12.574.192**	**8.403.722**	**20.977.914**
Transfers	-	-	-	-	-	-	-	17.718	(1.734.479)	1.716.761	-	-	-
Capital increases	-	-	-	-	-	-	-	-	-	-	-	11.882	11.882
Dividends paid (Note 25)	-	-	-	-	-	-	-	-	-	(604.380)	(604.380)	(746.292)	(1.350.672)
Effect of business combinations	-	-	-	-	-	-	-	-	-	-	-	10.832	10.832
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	(28.434)	(28.434)	(44.356)	(72.790)
Total comprehensive income	-	-	-	(113.870)	(165.403)	14.153	95.353	-	2.124.469	669	1.955.371	1.738.287	3.693.658
Balances at 31 December 2011	**2.415.141**	**967.288**	**9.286**	**(4.244)**	**(268.888)**	**27.815**	**142.563**	**2.309.638**	**2.124.469**	**6.173.681**	**13.896.749**	**9.374.075**	**23.270.824**

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

Koç Holding A.Ş.

Consolidated Statements of Cash Flow
For The Years Ended 31 December 2011 and 2010
(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

	Notes	2011 (*) EUR'000	2011 (*) USD'000	*Audited* 2011 TL'000	*Audited* 2010 TL'000
Operating activities:					
Profit before tax		2.026.986	2.818.843	4.707.468	3.885.951
Adjustments to reconcile net cash generated:					
Depreciation and amortisation	5	445.682	619.791	1.035.051	964.490
Changes in provisions	36	297.307	413.453	690.466	968.914
Net interest income	36	(738.783)	(1.027.395)	(1.715.750)	(1.696.338)
Finance sector interest received		1.723.942	2.397.415	4.003.683	3.292.487
Finance sector interest paid		(965.509)	(1.342.694)	(2.242.299)	(1.659.491)
Exchange losses on borrowings		495.502	689.074	1.150.754	331.857
Exchange gains on cash and cash equivalents		(204.613)	(284.547)	(475.193)	(133.001)
Gain on sale of subsidiaries (net)	28	(65.003)	(90.398)	(150.964)	-
Gain on sale of property, plant and equipment and scraps (net)	28	(44.347)	(61.671)	(102.991)	(85.885)
		2.971.164	**4.131.871**	**6.900.225**	**5.868.984**
Net changes in operating assets and liabilities	36	(4.210.853)	(5.855.860)	(9.779.286)	(3.091.056)
Income taxes paid		(342.431)	(476.204)	(795.261)	(681.821)
Cash flows from operating activities		**(1.582.120)**	**(2.200.193)**	**(3.674.322)**	**2.096.107**
Investing activities:					
Purchases of property, plant and equipment and intangible assets	5	(961.306)	(1.336.848)	(2.232.536)	(1.245.646)
Sale of property, plant and equipment and intangible assets		172.612	240.044	400.874	284.765
Cash outflow due to acquisition of subsidiary (net)	3	(216.328)	(300.838)	(502.400)	-
Cash inflow due to sale of subsidiaries (net)		101.635	141.340	236.037	-
Increase in financial assets		(9.804)	(13.634)	(22.769)	(14.091)
Non-finance sector interest received		160.016	222.528	371.621	531.160
Transactions with non-controlling interests (net)		(31.343)	(43.587)	(72.790)	(5.606)
Cash flows from investing activities		**(784.518)**	**(1.090.995)**	**(1.821.963)**	**(449.418)**
Financing activities:					
Share capital increases		5.116	7.115	11.882	10.153
Dividend payments		(581.585)	(808.786)	(1.350.672)	(962.057)
Increase in short-term borrowings (net)		1.034.663	1.438.863	2.402.902	263.338
Increase in long-term borrowings (net)		429.580	597.399	997.656	1.414.764
Non-finance sector interest paid		(167.909)	(233.504)	(389.950)	(587.545)
Cash flows from financing activities		**719.865**	**1.001.087**	**1.671.818**	**138.653**
Effects of foreign exchange rate changes on cash and cash equivalents		204.613	284.547	475.193	133.001
Net increase/(decrease) in cash and cash equivalents		(1.442.160)	(2.005.554)	(3.349.274)	1.918.343
Cash and cash equivalents at the beginning of the period		4.180.440	5.813.566	9.708.655	7.790.312
Cash and cash equivalents at the end of the period	36	**2.738.280**	**3.808.012**	**6.359.381**	**9.708.655**

(*) EUR and USD amounts presented above have been translated from TL for convenience purposes only, at the EUR and USD average CBRT bid rates for the year ended 31 December 2011, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

Koç Holding A.Ş.

Notes To The Consolidated Financial Statements
For The Year Ended 31 December 2011 (Continued)
(Amounts expressed in thousands of Turkish Lira ["TL"] 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. Koç Holding's business activities include acquisition, disposal and exchanging of shares of domestic and foreign corporations and limited liability companies which are established or will be established for all types of commercial, industrial, agricultural and financial activities, buy, sell and exchange securities without brokerage and portfolio management purposes and to increase, decrease or cease its participation to these companies.

As of 31 December 2011, the number of personnel employed by Koç Holding, Subsidiaries and Joint Ventures (collectively referred as the "Group") is 80.987 (31 December 2010: 73.063).

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

Koç Holding is registered to 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 2011, 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	26,02
Vehbi Koç Vakfı	7,15
Koç Holding Emekli ve Yardım Sandığı Vakfı	1,99
Other	22,35
	100,00

Koç Holding is organised mainly in Turkey under five core business segments:

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

(1) The finance segment includes three main groups; banking, insurance and consumer finance. 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.

The subsidiaries ("Subsidiaries"), the joint ventures ("Joint Ventures") and the associates ("Associates") included in the consolidation scope of Koç Holding, 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
Anadoluhisarı Tankercilik A.Ş ("Anadoluhisarı Tankercilik")	Turkey	Shipping
Aygaz A.Ş. ("Aygaz")	Turkey	LPG
Aygaz Doğal Gaz İletim A.Ş. ("Aygaz İletim")	Turkey	LNG
Aygaz Doğal Gaz Toptan Satış A.Ş. ("Aygaz Toptan Satış")	Turkey	LNG
Beykoz Tankercilik A.Ş. ("Beykoz Tankercilik")	Turkey	Petroleum Shipping
Damla Denizcilik A.Ş. ("Damla Denizcilik")	Turkey	Petroleum Shipping
Demir Export A.Ş. ("Demir Export")	Turkey	Mining
Deniz İşletmeciliği ve Tic. A.Ş. ("Ditaş")	Turkey	Petroleum Shipping
Enerji Yatırımları A.Ş. ("Enerji Yatırımları")	Turkey	Investment
Kadıköy Tankercilik A.Ş. ("Kadıköy Tankercilik")	Turkey	Petroleum Shipping
Kandilli Tankercilik A.Ş. ("Kandilli Tankercilik")	Turkey	Shipping
Kuleli Tankercilik A.Ş. ("Kuleli Tankercilik")	Turkey	Shipping
Kuzguncuk Tankercilik A.Ş. ("Kuzguncuk Tankercilik")	Turkey	Shipping
Mogaz Petrol Gazları A.Ş. ("Mogaz")	Turkey	LPG
Sarıyer Tankercilik A.Ş. ("Sarıyer Tankercilik") (1)	Turkey	Shipping
Türkiye Petrol Rafinerileri A.Ş. ("Tüpraş")	Turkey	Production and Trading of Petroleum Products
Üsküdar Tankercilik A.Ş. ("Üsküdar Tankercilik")	Turkey	Petroleum Shipping

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
AES Entek Elektrik Üretimi A.Ş. ("AES Entek") (2) (3)	AES Mont Blanc Holdings B.V.	Turkey	Power Generation
Eltek Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş. ("Eltek") (2)	AES Mont Blanc Holdings B.V.	Turkey	Trading
Opet Gıda ve İhtiyaç Mad. Tur. San. İç ve Dış Ticaret A.Ş. ("Opet Gıda") (4)	Öztürk Family	Turkey	Food Distribution
Opet International Limited ("Opet International")	Öztürk Family	The UK	Petroleum Products Trading
Opet Petrolcülük A.Ş. ("Opet")	Öztürk Family	Turkey	Petroleum Products Trading
Opet Trade B.V. ("Opet Trade BV")	Öztürk Family	The Netherlands	Petroleum Products Trading
Opet Trade (Singapore) Pte. Ltd. ("Opet Singapore")	Öztürk Family	Singapore	Petroleum Products Trading
THY Opet Havacılık Yakıtları A.Ş. ("THY Opet")	Türk Hava Yolları	Turkey	Petroleum Products Trading

(1) Established in 2011.
(2) Accounted for as a Joint Venture in the consolidated financial statements, starting from 28 February 2011 (Note 3).
(3) Legal title of the subsidiary has been revised as AES Entek Elektrik Üretimi A.Ş. from Entek Elektrik Üretimi A.Ş. ("Entek") following the completion of the share transfer.
(4) In the process of liquidation.

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

Automotive Sector

Subsidiaries	Country of incorporation	Nature of business
Otokar Otobüs Karoseri Sanayi A.Ş. ("Otokar")	Turkey	Production
Otokoç Otomotiv Tic. ve San. A.Ş. ("Otokoç")	Turkey	Trading
Otokoç Sigorta Aracılık Hizmetleri A.Ş. ("Otokoç Sigorta")	Turkey	Insurance
Tasfiye Halinde Otoyol Sanayi A.Ş. ("Otoyol") (4)	Turkey	Trading

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Fer Mas Oto Ticaret A.Ş. ("Fer-Mas")	Fiat Auto S.p.A.	Turkey	Trading
Ford Otomotiv Sanayi A.Ş. ("Ford Otosan")	Ford Motor Co.	Turkey	Production
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 Osterreich Gmbh	Turkey	Production

Consumer Durables Sector

Subsidiaries	Country of incorporation	Nature of business
Archin Limited ("Archin") (1)	Hong Kong, China	Trading
Arçelik A.Ş. ("Arçelik")	Turkey	Production/Sales
ArcticPro SRL ("ArcticPro") (1)	Romania	Service
Ardutch B.V. ("Ardutch")	The Netherlands	Holding
Ardutch B.V. Taiwan ("Ardutch Taiwan") (2)	Taiwan	Procurement
Beko A and NZ Pty Ltd. ("Beko Australia") (2)	Australia	Trading
Beko Cesko ("Beko Cesko") (1)	Czech Republic	Trading
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Trading
Beko Electronics Espãna S.L. ("Beko Espana")	Spain	Trading
Beko France S.A.S. ("Beko France")	France	Trading
Beko Italy SRL ("Beko Italy")	Italy	Trading
Beko Llc ("Beko Russia")	Russia	Production/Sales
Beko Magyarorszag K.F.T. ("Beko Magyarorszag") (1)	Hungary	Trading
Beko Plc. ("Beko UK")	The UK	Trading
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Trading
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Trading
Beko S.A. ("Beko Polska")	Poland	Trading
Beko S.A. Czech Republic ("Beko Czech")	Czech Republic	Trading
Beko S.A. Hungary ("Beko Hungary") (1)	Hungary	Trading
Blomberg Vertriebsgesellschaft GmbH ("Blomberg Vertrieb") (1)	Germany	Trading
Blomberg Werke GmbH ("Blomberg Werke") (1)	Germany	Production
Carron SA (Proprietary) Limited ("Defy Carron") (1) (3)	Republic of South Africa	Trading
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales
Defy Appliances (Proprietary) Limited ("Defy") (3)	Republic of South Africa	Production/Sales
Defy Namibia (Proprietary) Limited ("Defy Namibia") (3)	Namibia	Trading
Defy Trust Two (Proprietary) Limited ("Defy Trust Two") (3)	Republic of South Africa	Investment
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Trading
Grundig Ceska Republika S.r.o ("Grundig Czech Republic") (1)	Czech Republic	Trading
Grundig Intermedia Ges.m.b.H ("Grundig Austria") (1)	Austria	Trading
Grundig Intermedia GmbH ("Grundig Intermedia")	Germany	Trading
Grundig Italiana S.p.A. ("Grundig Italy") (1)	Italy	Trading
Grundig Magyarország Kft. ("Grundig Hungary") (1)	Hungary	Trading
Grundig Multimedia B.V. ("Grundig Multimedia")	The Netherlands	Holding
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Trading
Grundig Nordic No AS ("Grundig Norway")	Norway	Trading
Grundig Polska Sp. z o.o. ("Grundig Polska") (1)	Poland	Trading
Grundig Portuguesa Lda ("Grundig Portugal") (1)	Portugal	Trading
Grundig Slovakia s.r.o. ("Grundig Slovakia") (1)	Slovakia	Trading
Kindoc Park (Proprietary) Limited ("Defy Kindoc") (3)	Republic of South Africa	Investment
Ocean Appliances Limited. ("Defy Ocean") (1) (3)	Republic of South Africa	Trading
Raupach Wollert GmbH ("Raupach")	Germany	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales

Bekodutch B.V. ("Bekodutch") merged with Ardutch as of 31 March 2011.
Beko Elektronik Llc ("Beko Elektronik Russia") merged with Beko Russia at 24 January 2011.
Grundig Nordic Fin OY ("Grundig Finland") was liquidated in 2011.
Grundig Schweiz AG ("Grundig Switzerland") was liquidated in 2011.
Grundig Nordic Danmark A/S ("Grundig Denmark") was liquidated in 2011.

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

(1) Ceased its operations as of the balance sheet date.
(2) Established in 2011.
(3) Acquired in 2011 (Note 3).

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

Koç Holding A.Ş.

Notes To The Consolidated Financial Statements
For The Year Ended 31 December 2011 (Continued)
(Amounts expressed in thousands of Turkish Lira ["TL"] 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

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	Consumer 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")	UniCredit S.p.A.	Turkey	Brokerage
Yapı Kredi Azerbaijan C.J.S.C. ("Yapı Kredi Azerbaycan")	UniCredit S.p.A.	Azerbaijan	Banking
Yapı Kredi B Tipi Yatırım Ortaklığı A.Ş. ("Yapı Kredi Yatırım")	UniCredit S.p.A.	Turkey	Investment Trust
Yapı Kredi Bank Nederland N.V. ("Yapı Kredi Nederland")	UniCredit S.p.A.	The Netherlands	Banking
Yapı Kredi Bank Moscow ("Yapı Kredi Moscow")	UniCredit S.p.A.	Russia	Banking
Yapı Kredi Diversified Payment Rights Special PurposeFinance Company ("Yapı Kredi SPC") (*)	UniCredit S.p.A.	Cayman Islands	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 Holding B.V. ("Yapı Kredi Holding")	UniCredit S.p.A.	The Netherlands	Financial Consulting
Yapı Kredi Invest LLC. ("Yapı Kredi Invest")	UniCredit S.p.A.	Azerbaijan	Brokerage
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.("Yapı Kredi Koray")	Koray Group Companies	Turkey	Real Estate
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 ve Kredi Bankası A.Ş. ("Yapı Kredi Bankası")	UniCredit S.p.A.	Turkey	Banking

(*) Although Yapı Kredi Bankası has no shareholding interest, the special purpose company established for securitisation transactions is included in the scope of consolidation.

Associates	Country of incorporation	Nature of business
Banque de Commerce et de Placements S.A. ("Banque de Commerce")	Switzerland	Banking

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
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") (1)	Turkey	Information Technology
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ("Koç Sistem")	Turkey	Technology
Koç Yapı Malzemeleri Ticaret A.Ş. ("Koç Yapı Malzeme")	Turkey	Trading
Marmaris Altınyunus Turistik Tesisleri A.Ş. ("Mares")	Turkey	Tourism
Palmira Turizm Ticaret A.Ş. ("Palmira")	Turkey	Tourism
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret") (2)	Turkey	Foreign Trade
RMK Marine Gemi Yapım Sanayi ve Deniz Taş. İşl. A.Ş. ("RMK Marine")	Turkey	Ship Construction
Setur Servis Turistik A.Ş. ("Setur")	Turkey	Tourism
Setur Yalova Marina İşletmeciliği A.Ş. ("Yalova Marina")	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")	Torunlar GYO A.Ş.	Turkey	Tourism

(1) Upon the completion of the sales transaction on 30 November 2011, Koçnet has been excluded from the scope of consolidation.
(2) Reclassified from "Other" segment to "Consumer Durables" segment in 2011.

For the purpose of segment presentation in these consolidated financial statements, Koç Holding's stand-alone financial statements have been included in the "Other" segment (Note 5).

NOTE 2-BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 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"). 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 between the ones issued by the International Accounting Standards Board ("IASB") are announced by the Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, the 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 the 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.

The consolidated financial statements are prepared within the framework of Communiqué XI, No:29 and the related promulgations to this Communiqué as issued by the CMB, in accordance with the financial reporting standards accepted by the CMB ("CMB Financial Reporting Standards") which are based on the IAS/IFRS. The consolidated financial statements and the related notes are presented in accordance with the formats recommended by the CMB including the compulsory disclosures.

Koç Holding and its Subsidiaries and Joint Ventures registered in Turkey maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in TL in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts ("UCA"), 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 the Supervision Agency ("BRSA") for banks. Foreign Subsidiaries, Joint Ventures and Associates 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 have been prepared under the historical cost conversion except for financial assets and liabilities which are presented at fair values and revaluations related to differences between the carrying value and fair value of the non-current assets recognised during business combinations.

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 the changes in the presentation in the current period consolidated financial statements. The reclassifications performed in the financial statements as of 31 December 2010 at the Group level are as follows:

a) "Balances with central banks" amounting to TL2.666.100 thousand which was classified under "Cash and cash equivalents" in the consolidated balance sheet as of 31 December 2010 has been presented as a separate line item in the consolidated balance sheet.

b) "Investments accounted for using the equity method" amounting to TL47.087 thousand which was classified under non-current "Financial Assets" in the consolidated balance sheet as of 31 December 2010 has been presented as a separate line item in the consolidated balance sheet. Income from the related investments amounting to TL3.163 thousand which was classified under "Other income" in the consolidated statement of income for the year ended 31 December 2010 has been reclassified to "Share of profit/(loss) of investments accounted for using the equity method".

c) Real estate amounting to TL35.593 thousand relating to construction agreements, in which Koç Holding is a party, was classified under "investment properties" as of 31 December 2010. The real estate has been reclassified to "long term advances given".

d) Provision for unused vacation amounting to TL79.296 thousand which was classified under "Other current liabilities" in the consolidated balance sheet as of 31 December 2010, has been reclassified to "Provisions for employee benefits".

e) Financial statement information of Ram which was classified under the "Consumer Durables" segment in segment reporting footnote in 31 December 2010, has been reclassified to the "Other" segment (Note 5).

f) "Other balances with the central banks" amounting to TL432.627 thousand, which are in nature reserve requirements, were classified under "cash and cash equivalents at the end of the period" in consolidated statement of cash flow as of 31 December 2010. These balances have been reclassified to "Reserve deposits at the central banks".

2.1.3 EUR and USD amounts presented in the financial statements

EUR and USD amounts shown in the consolidated balance sheet prepared in accordance with the CMB Financial Reporting Standards have been translated from TL, as a matter of arithmetic computation only, at the official EUR and USD bid rates announced by the CBRT on 31 December 2011 of TL 2,4438 = EUR1 and TL 1,8889 = USD1, respectively and EUR and USD amounts shown in the consolidated income, comprehensive income and cash flow statements have been translated from TL, 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 the year ended 31 December 2011 of TL 2,3224 = EUR1 and TL 1,6700 = USD1, respectively, and do not form part of these consolidated financial statements.

2.2 Amendments in International Financial Reporting Standards

The accounting policies adopted in the preparation of the financial statements for the year ended and as of 31 December 2011 are consistent with the financial statements dated 31 December 2010 except for the new and amended IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations summarised below.

Standards, amendments and interpretations effective as of 1 January 2011:

- IFRIC 14 "IAS 19"-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction-Prepayments of a Minimum Funding Requirement (Amended),
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments,
- IAS 32 Financial Instruments: Presentation-Classification on Rights Issues (Amended),
- IAS 24 Related Party Disclosures (Amended),
- Improvements to IFRS's (May 2010).

The aforementioned amendments, improvements and interpretations had no significant effect on the accounting policies, financial position and performance of the Group.

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

Standards, amendments and interpretations issued but not yet effective:

- IAS 1 Presentation of Financial Statements (Amended)-Presentation of Comprehensive Income Statement Elements,
- IAS 12 Income Taxes-Recovery of Underlying Assets (Amended),
- IAS 19 Employee Benefits (Amended),
- IAS 27 Separate Financial Statements (Amended),
- IAS 28 Investments in Associates and Joint Ventures (Amended),
- IAS 32 Financial Instruments: Presentation-Offsetting Financial Assets and Financial liabilities (Amended),
- IFRS 7 Financial Instruments-Disclosures as part of its comprehensive review of off balance sheet activities (Amended),
- IFRS 7 Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities (Amended),
- IFRS 9 Financial Instruments-Classification and measurement,
- IFRS 10 Consolidated Financial Statements,
- IFRS 11 Joint Arrangements,
- IFRS 12 Disclosure of Interests in Other Entities,
- IFRS 13 Fair Value Measurement,
- IFRIC 20 Stripping Cost in the Production Phase of a Surface Mine.

Among the aforementioned changes and interpretations, "IFRS 11 Joint Arrangements" standard is expected to have the most significant impact on the financial statements of the Group. This standard deals with the accounting for joint ventures and joint operations. According to the new standard, proportionate consolidation is not permitted for joint ventures; only equity method can be applied. This standard has not yet been endorsed by the European Union.

The aforementioned amendments and interpretations have not been early adopted by the Group. The Group is in the process of assessing the impacts of the amendments on the consolidated financial statements.

2.3 Restatement and Errors in the Accounting Policies and Estimates

Any change in accounting policies resulting from the first time adoption of a new TAS/TFRS is made either retrospectively or prospectively in accordance with the transition requirements of TAS/TFRS. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. The accounting policies used in the preparation of these consolidated financial statements for the year ended 31 December 2011 are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2010, except for the reclassifications explained in Note 2.1.2.

If changes in accounting estimates are related to only one period, they are recognised in the period when the changes are applied; if changes in estimates are related to future periods, they are recognised both in the period where the change is applied and in future periods prospectively. The estimates used in the preparation of these consolidated financial statements are consistent with those used in the preparation of consolidated financial statements for the year ended 31 December 2010, except for the change explained below.

Yapı Kredi Bankası, a Joint Venture of the Group, calculates collective provision for loans with intrinsic elements such as loss confirmation periods, probability of default and loss given defaults along with expert views. Taking into consideration the historical loss experience, Yapı Kredi Bankası has reassessed the parameters for different segments. As a result of such reassessment, TL53.230 thousand of income is recorded in "Other expense" in the consolidated statement of income for the year ended 31 December 2011.

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, its Joint Ventures and its Associates on the basis set out in sections (b) to (g) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements 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 the shares in the companies as a result of the 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 the shares held by them; or (b) although not having the power to exercise more than 50% of the ownership interest, through the power to exercise control over the financial and operating policies.

   The balance sheets and income statements of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Koç Holding and its Subsidiaries is eliminated against the related equity. Intercompany transactions and balances between Koç Holding and its Subsidiaries are eliminated during the consolidation. The nominal amount of the shares held by Koç Holding in its Subsidiaries and the associated dividends 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.

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

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

Subsidiaries included in the scope of the consolidation and their effective interests (%):

	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
Subsidiaries	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Akpa	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Anadoluhisarı Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Archin	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Arctic	39,18	39,18	96,71	96,71	-	-	96,71	96,71
Arctic Pro	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Arçelik	40,51	40,51	40,51	40,51	11,42	11,42	51,93	51,93
Ardutch	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Ardutch Taiwan (1)	40,51	-	100,00	-	-	-	100,00	-
Aygaz	40,68	40,68	40,68	40,68	10,53	10,53	51,21	51,21
Aygaz İletim	40,30	40,30	100,00	100,00	-	-	100,00	100,00
Aygaz Toptan Satış	40,30	40,30	100,00	100,00	-	-	100,00	100,00
Ayvalık Marina (2)	48,41	49,34	95,57	95,57	4,43	4,43	100,00	100,00
Bekodutch (3)	-	40,51	-	100,00	-	-	-	100,00
Beko Australia (1)	40,51	-	100,00	-	-	-	100,00	-
Beko Cesko	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko China	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Czech	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Deutschland	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Elektronik Llc (3)	-	40,51	-	100,00	-	-	-	100,00
Beko Espana	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko France	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Hungary	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Italy	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Magyarorszag	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Plc	20,26	20,26	50,00	50,00	50,00	50,00	100,00	100,00
Beko Polska	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Russia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Shangai	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Slovakia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beykoz Tankercilik	34,13	34,13	80,00	80,00	-	-	80,00	80,00
Bilkom	82,29	82,29	99,94	99,94	0,06	0,06	100,00	100,00
Blomberg Vertrieb	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Blomberg Werke	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Damla Denizcilik	34,13	34,13	80,00	80,00	-	-	80,00	80,00
Demir Export	2,34	2,34	2,34	2,34	97,46	97,46	99,80	99,80
Defy (4)	40,51	-	100,00	-	-	-	100,00	-
Defy Namibia (4)	40,51	-	100,00	-	-	-	100,00	-
Defy Carron (4)	40,51	-	100,00	-	-	-	100,00	-
Defy Kindoc (4)	40,51	-	100,00	-	-	-	100,00	-
Defy Ocean (4)	40,51	-	100,00	-	-	-	100,00	-
Defy Trust Two (4)	40,51	-	100,00	-	-	-	100,00	-
Ditaş	34,13	34,13	80,00	80,00	-	-	80,00	80,00
Düzey	31,65	31,65	32,28	32,28	61,28	61,11	93,56	93,39
Elektra Bregenz	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Enerji Yatırımları	83,66	83,66	96,50	96,50	-	-	96,50	96,50
Grundig Austria	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Czech Republic	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Denmark (5)	-	40,51	-	100,00	-	-	-	100,00

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

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

	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
Subsidiaries	2011	2010	2011	2010	2011	2010	2011	2010
Grundig Finland (5)	-	40,51	-	100,00	-	-	-	100,00
Grundig Intermadia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Hungary	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Italy	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Multimedia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Norway	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Polska	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Portugal	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Slovakia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Sweden	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Switzerland (5)	-	40,51	-	100,00	-	-	-	100,00
Harranova Besi	41,95	41,95	74,62	74,62	15,38	15,38	90,00	90,00
Kadıköy Tankercilik	34,13	34,13	80,00	80,00	-	-	80,00	80,00
Kandilli Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Koçnet (6)	-	100,00	-	100,00	-	-	-	100,00
Koç Finans	64,71	64,71	94,50	94,50	5,50	5,50	100,00	100,00
Koç Sistem	41,11	41,11	41,11	41,11	53,17	53,17	94,28	94,28
Koç Yapı Malzeme	43,18	43,18	43,18	43,18	47,62	47,62	90,81	90,81
Kuleli Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
KuzguncukTankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Mares	36,81	36,81	36,81	36,81	33,46	33,46	70,27	70,27
Mogaz	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Otokar (7)	44,90	44,90	44,92	44,92	2,70	2,70	47,62	47,62
Otokoç	96,42	96,42	96,57	96,57	3,43	3,43	100,00	100,00
Otokoç Sigorta	48,22	48,22	50,02	50,02	49,98	49,98	100,00	100,00
Otoyol	53,95	53,95	53,95	53,95	10,18	10,18	64,13	64,13
Palmira (2)	9,63	9,85	20,78	20,78	79,22	79,22	100,00	100,00
Ram Dış Ticaret	57,70	57,70	83,44	83,44	14,66	14,66	98,10	98,10
Raupach	40,51	40,51	100,00	100,00	-	-	100,00	100,00
RMK Marine (2)	53,81	53,82	66,84	66,84	33,16	33,12	100,00	99,96
Sarıyer Tankercilik (1)	34,13	-	80,00	-	-	-	80,00	-
Setur	46,32	47,38	81,07	81,07	18,87	18,87	99,94	99,94
Tat Konserve	43,82	43,82	44,07	44,07	7,12	7,12	51,19	51,19
Tat Tohumculuk (7)	16,15	16,15	33,00	33,00	3,00	3,00	36,00	36,00
Tek-Art Marina (2)	50,48	50,51	51,94	51,94	47,46	47,46	99,40	99,40
Tüpraş	42,67	42,67	51,00	51,00	-	-	51,00	51,00
Üsküdar Tankercilik	34,13	34,13	80,00	80,00	-	-	80,00	80,00
Yalova Marina (2)	46,64	47,63	100,00	100,00	-	-	100,00	100,00
Zer Ticaret	39,00	39,00	39,00	39,00	60,05	60,05	99,05	99,05

(1) Established in 2011.
(2) Due to the sale of Setur shares owned by Koçnet to Zer Ticaret. The effects of related rate changes are accounted for under "Transaction with non-controlling interests" in equity.
(3) Bekodutch was merged with Ardutch on 31 March 2011 and Beko Electronik Llc. was merged with Beko Russia on 24 January 2011.
(4) Acquired in 2011 (Note 3).
(5) Liquidated in 2011.
(6) Upon the completion of the sales transaction on 30 November 2011, Koçnet has been excluded from the scope of consolidation.
(7) Although the total ownership interest of Koç Holding in these Subsidiaries is less than 50%, Koç Holding has the power to exercise control over the financial and operating policies of these companies.

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

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

c) Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Koç Holding and one or more other parties. Koç Holding exercises such joint control through the power to exercise the 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 the shares held by them. The Group's interest in Joint Ventures is accounted for by way of proportionate consolidation. Under proportionate consolidation, the Joint Ventures' assets, liabilities, equity, income and expenses are consolidated by the total ownership interest of the Group. Intercompany transactions and balances with Joint Ventures are eliminated during the consolidation.

Voting rights of the Joint Ventures and their effective interests (%):

	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
Joint Ventures	2011	2010	2011	2010	2011	2010	2011	2010
AES Entek [1]	34,90	35,03	49,62	86,09	-	13,14	49,62	99,24
Arçelik LG Klima	23,23	23,23	50,00	50,00	-	-	50,00	50,00
Eltek [1]	34,90	35,03	49,62	100,00	-	-	49,62	100,00
Fer-Mas	37,37	37,37	37,86	37,86	-	-	37,86	37,86
Fiat Finans	37,59	37,59	37,86	37,86	-	-	37,86	37,86
Ford Otosan	38,46	38,46	38,46	38,46	2,58	2,58	41,04	41,04
Koç Finansal Hizmetler	40,21	40,21	44,12	44,12	5,88	5,88	50,00	50,00
Koçtaş Yapı Market	42,64	42,64	49,92	49,92	0,08	0,08	50,00	50,00
Netsel [2]	27,76	27,78	55,00	55,00	-	-	55,00	55,00
Opet	17,59	17,59	41,33	41,33	8,67	8,67	50,00	50,00
Opet Gıda	17,59	17,59	50,00	50,00	-	-	50,00	50,00
Opet International	17,59	17,59	50,00	50,00	-	-	50,00	50,00
Opet Trade BV	17,59	17,59	50,00	50,00	-	-	50,00	50,00
Opet Trade Singapore	17,59	17,59	50,00	50,00	-	-	50,00	50,00
Platform	37,21	37,21	37,86	37,86	-	-	37,86	37,86
Stiching Custody	32,89	32,89	50,00	50,00	-	-	50,00	50,00
THY Opet	8,79	8,79	50,00	50,00	-	-	50,00	50,00
Tofaş	37,59	37,59	37,59	37,59	0,27	0,27	37,86	37,86
Türk Traktör	37,50	37,50	37,50	37,50	-	-	37,50	37,50
UniCredit Menkul	40,21	40,21	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Azerbaycan	32,89	32,89	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Bankası	32,89	32,89	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Emeklilik	30,90	30,90	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Faktoring	32,88	32,88	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Fin.Kiralama	32,80	32,80	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Holding	32,89	32,89	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Invest	32,89	32,89	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Koray	10,01	10,01	30,45	30,45	-	-	30,45	30,45
Yapı Kredi Menkul	32,88	32,88	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Moscow	32,89	32,89	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Nederland	32,89	32,89	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Portföy	32,87	32,87	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Sigorta	30,90	30,90	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Yatırım	18,44	18,44	50,00	50,00	-	-	50,00	50,00

(1) Accounted for as a Joint Venture in the consolidated financial statements, starting from 28 February 2011 (Note 3).
(2) Due to the sale of Setur shares owned by Koçnet to Zer Ticaret. The effects of related rate changes are accounted for under "Transaction with non-controlling interests" in equity.

d) Associates are accounted for using the equity method. Associates are companies in which the Group has voting power between 20% and 50% or the Group has power to participate in the financial and operating policy decisions but not control them. Unrealised gains or losses arising from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

Voting rights of the Associates and their effective interests (%):

	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
Associates	2011	2010	2011	2010	2011	2010	2011	2010
Banque de Commerce	10,09	10,09	30,67	30,67	-	-	30,67	30,67

e) Available-for-sale financial assets 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 accumulated impairment loss.

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

f) Non-controlling shares in the net assets and operating results of Subsidiaries are separately classified in the consolidated balance sheets and income statements as "non-controlling 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 non-controlling interest and are not included in the Group's net assets and profits attributable to the shareholders of Koç Holding.

g) 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 the Group in the Joint Ventures.

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

2.4.2 Segment reporting

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. As the sectors merged under "Other" do not meet the required minimum quantitative thresholds to be a reportable segment, these sectors have been merged for the purpose of segment reporting.

For an operating segment to be identified as a reportable segment, its reported revenue, including both sales to external customers and intersegment sales or transfers, should be 10 percent or more of the combined revenue, internal and external, of all internal and external operating segments; the absolute amount of its reported profit or loss should be 10 percent or more of the combined profit or loss or its total assets should be 10 percent or more of the combined assets of all operating segments. Operating segments that do not meet any of the quantitative thresholds may be considered as reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

In the segment reporting, intra segment transactions are eliminated at the segment level, whereas the elimination of inter segment transactions are presented as "Inter-segment elimination" at the consolidated level.

2.4.3 Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of the Subsidiaries, Joint Ventures and Associates 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 TL, which is Koç Holding's functional and presentation currency.

Foreign currency 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 currencies 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 interest, fee, commission and similar income by the Group companies operating in the finance sector and as financial income/expense by the Group companies operating in non-finance sectors.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated to functional currency using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Financial statements of foreign subsidiaries, joint ventures and associates

The assets and liabilities, presented in the financial statements of the foreign Subsidiaries, Joint Ventures and Associates prepared in accordance with the Group's accounting policies, are translated into TL at the exchange rate at the date of the balance sheet whereas income and expenses are translated at the average exchange rates for the respective periods. Exchange differences resulting from using the exchange rates at the balance sheet date and the average exchange rates are recognised in the "currency translation differences" under the equity.

2.4.4 Discontinued operations and non-current assets (or disposal groups) held for sale

Discontinued operation is a major line of business or geographical area of operations that is part of a single co-ordinated plan to be disposed of or is held-for-sale.

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 by the disposal of the assets constituting the discontinued operation is disclosed. Also, the net cash flows of the discontinued operations associated with the operating, investment and financing activities are specified in the related note.

Group of non-current assets 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.

Non-current assets or asset groups that meet the criteria of asset held for sale are measured at the lower of its carrying amount and fair value less cost to sell. These assets are not depreciated.

2.4.5 Related parties

For the purpose of these consolidated financial statements, shareholders, Koç Holding A.Ş. key management personnel and BOD members, their close family members and the legal entities 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

The appropriate classification of financial assets is determined at the time of the purchase and re-evaluated by management on a regular basis.

"Financial assets at fair value through profit or loss" are either acquired for generating a profit from short-term price fluctuations 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 and subsequently measured at fair value. All related gains and losses are accounted in the income statement.

Non-derivative financial assets with fixed maturities, where management has both the intent and the ability to hold to the maturity excluding the financial assets classified as loans and advances to customers are classified as *"held-to-maturity financial assets"*. Held-to-maturity financial assets are carried at amortised cost using the effective yield method.

"Available-for-sale financial assets" are non-derivatives that are not designated in financial assets at fair value through profit or loss, held-to-maturity financial assets or loans and receivables. 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 financial assets are subsequently measured at fair value. Available-for-sale financial assets 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.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are accounted in equity net of tax under "financial assets fair value reserve". 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 transferred to the consolidated income statement. If the difference between the cost and the fair value of the available-for-sale securities is permanent, gains and losses are transferred to the consolidated income statement.

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

Interest and dividends associated to the available-for-sale financial assets are accounted under corresponding interest income and dividend income accounts.

"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. Those with maturities more than 12 months 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".

2.4.7 Repurchase and resale transactions

Securities sold subject to linked repurchase agreements ("repo") are classified in the consolidated financial statements as financial assets with the counter party liabilities included in 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 cash and cash equivalents 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 in banks with maturities of 3 months or less, government bonds/treasury bills classified as available for sale financial assets with maturities of 3 months or less and other short-term liquid investments.

2.4.9 Trade receivables

Trade receivables that are created 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 recognised if there is objective evidence for the inability 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 partial/full collection, the release of the provision is credited to other income.

2.4.10 Loans and advances to customers

Financial assets generated as a result of lending money or providing a loan are classified as loans and advances to customers and are carried at amortised cost, less any impairment.

All loans and advances are recognised in the consolidated financial statements when cash is transferred to customers.

A credit risk provision for loan impairment is recognised 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 the expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the associated loan.

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. The amount of provision is estimated based upon the Group's credit risk policy, the structure of the existing loan portfolio, 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 carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a loan or receivable is uncollectible, it is written off against the allowance account for loans or receivables on the balance sheet. Subsequent recoveries of amounts previously impaired are credited against the allowance account on the balance sheet and accounted for as an income in the related provision account in the income statement.

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 period of credit sales and purchases within the materiality principle, and classified 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 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 for rental yields or for capital appreciation or both rather than held in the production or supply of goods or services or for administrative purposes or 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.

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

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

2.4.14 Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided for property, plant and equipment on a straight-line basis over their estimated useful lives. 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	5-50 years
Land improvements	3-50 years
Machinery and equipment	3-50 years
Furniture and fixtures	2-50 years
Motor vehicles	4-30 years
Leasehold improvements	1-10 years

Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset.

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's 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 its fair value less cost to sell.

Repairs and maintenance are charged to the income statements during the 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 asset.

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 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.

The amortisation periods for intangible assets, which approximate the economic useful lives of such assets, are as follows:

Rights	3-15 years
Brands	10 years
Development costs	2-10 years
Other intangible assets	5-14 years

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 included in the property, plant and equipment 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. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset. An impairment loss is recognised when a decrease in the carrying amount of the leased property is identified. Interest expenses and foreign exchange losses related to the finance lease liabilities are accounted in the consolidated statement of income. Lease payments are deducted from finance lease liabilities.

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

Assets held under a finance lease are presented in the consolidated balance sheet as a receivable at an amount equal to the present value of lease payments. Interest income is determined over the term of the lease using the net investment period, which reflects a constant periodic rate of return and the deferred financial income on the transaction date is recognised as unearned finance income.

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 evaluated as the bringing together of separate entities or businesses into one reporting entity.

Business combinations realised before 1 January 2010 have been accounted for by using the purchase method in the scope of IFRS 3 "Business combinations" prior to the amendment. Under this method, the cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree and in addition, any costs directly attributable to the business combination. If a business combination contract includes clauses that enable adjustments in the cost of business combination depending on events after the acquisition date; in case the adjustment is measurable and more probable than not, than cost of business combination at acquisition date is adjusted.

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

Any excess of the cost of acquisition over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill in the consolidated financial statements.

Goodwill recognised in business combinations is tested for impairment annually (as of 31 December) or more frequently if events or changes in circumstances indicate impairment, instead of amortisation. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Any excess of the Group's share 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.

In business combinations involving entities under common control, assets and liabilities subject to a business combination are recognised at their carrying amounts in the consolidated financial statements. In addition, statements of income are consolidated from the beginning of the financial year in which the business combination takes place. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. As a result of these transactions, no goodwill is recognised. The difference arising in the elimination of the carrying value of the investment held and share capital of the acquired company is directly accounted under "effect of transactions under common control" in retained earnings.

Fair value changes of contingent consideration that arise from business combinations realised before 1 January 2010 are adjusted against goodwill.

The Group applied revised IFRS 3 "Business Combinations", which is effective for the periods beginning 1 January 2010 for the business combinations realised in 2011.

The revised IFRS 3 introduces a number of changes in accounting of business combinations having an impact on the amount of goodwill recognised in the consolidated financial statements, the reported results in the period of the acquisition, and the results that will be reported in the future. According to these changes, the costs related to the acquisition are accounted for as expense and subsequent changes in the fair value of contingent consideration are recognised in the profit or loss (rather than by adjusting goodwill).

Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For share purchases from non-controlling 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 non-controlling interests are also recorded in equity. In case of the share sales to non-controlling interests, differences between any proceeds received and the relevant share of non-controllings 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.

The tax effects of the transactions that are accounted directly in the equity are also reflected to the equity.

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 deposits

Financial liabilities and deposits are measured initially at fair value. Any transaction costs directly attributable to the undertaking of a financial liability are added on the fair value of the financial liability. These financial liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities subject to hedging are accounted within the framework of hedge accounting.

2.4.20 Trade payables

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.4.21 Provisions for employee benefits

a) Provision for employment termination benefits

The provision for employment termination benefits, as required by Turkish Labour Law represents the present value of the future probable obligation of the Group arising from the retirement of its employees based on the actuarial projections.

b) Pension rights

The 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 numbered 506. The technical financial statements of the Fund are audited in accordance with Article 38 of the Insurance Supervision Law and with "Regulation regarding the Actuaries" by a registered independent actuary.

Paragraph one of temporary article 23 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 of 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 ceased at 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. The New Law requires that the employee funds of the bank are transferred to the SSI in three years periods starting from the issuance date of the related article and this period can be extended for maximum two years with the decision of the Council of Ministers. The transfer period is extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated 9 April 2011.

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

Under the New Law, a committee is decided to be formed, 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. The Constitutional Court announced that cancellation request was rejected with the decision taken in the meeting dated 30 March 2011 and the decision with reasoning was published in the Official Gazette No. 28156 on 28 December 2011. Yapı Kredi Bankası accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

c) Defined benefit plans

The Group has to pay contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. These contributions are recognised as an employee benefit expense when they are accrued.

d) Short term employee benefits

Liabilities arising from unused vacations of the employees are classified under short term employee benefits. These liabilities are accrued in the period when the unused vacations are qualified and are not discounted.

2.4.22 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.

2.4.23 Provisions, contingent assets and 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.

2.4.24 Revenue recognition

Revenues 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 discounts. 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.

Contract revenue and costs related to the projects are recognised when the amount of revenue can be reliably measured and the increase in the revenue due to change in the scope of the contract related with the project is probable. Contract revenue is measured at the fair value of the consideration received or receivable. Projects are fixed price contracts and revenue is recognised in accordance with the percentage of completion method. The portion of the total contract revenue corresponding to the completion rate is recognised as contract revenue in the relevant period.

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.

Banking service income is registered as income in the period during which it is collected, other fee and commission income and expenses are recognised on an accrual basis.

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

Insurance

Premium income represents the net remaining amount of premiums on policies written during the year after ceded premiums to reinsurers and reserves for unearned premiums and the cancellation.

2.4.25 Offsetting

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

2.4.26 Dividends

Dividend income is recognised by the Group at the date the right to collect the dividend is realised. Dividend payables are recognised as liability in the consolidated financial statements in the period they are declared as a part of profit distribution.

2.4.27 Research and development costs

Research costs are recognised and expensed in the income statement 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 cannot be 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).

2.4.28 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.

2.4.29 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.

2.4.30 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 its intended 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 in the income statement.

2.4.31 Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and currency / interest rate 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 and are therefore treated as derivatives held for trading in the consolidated financial statements. The fair value changes for these derivatives are recognised in the consolidated income statement.

The hedging transactions of the Group that qualify for hedge accounting are accounted for as follows:

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of hedged asset or liability attributable to the hedged risk is recorded as part of the carrying value of the hedged asset or liability during the effective hedging relationship. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to the income statement over the period to maturity.

Cash flow hedge

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "hedging reserves". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement.

On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement.

2.4.32 Earnings per share

Earnings per share disclosed in the consolidated income statement 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.

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

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

2.4.33 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.

2.4.34 Statement of 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 (tangible and intangible assets and financial assets).

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 Assumptions

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 the 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.

2.6 Convenience Translation into English of the Consolidated Financial Statements

The accounting principles described in Note 2.1 to 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.

NOTE 3-BUSINESS COMBINATIONS

The business combinations of the Group realised in 2011 are as follows (2010: None):

a) On 30 November 2011 Arçelik, a Subsidiary of the Group, acquired 100% of the shares of Defy which owns 100% of the shares of Defy Namibia, Defy Trust Two, Defy Kindoc, Defy Ocean, Defy Carron (together referred to as "Defy Group"). Defy Group is located in South Africa and its main activities are production of refrigerators, freezers, dryers, ovens, cooking appliances and selling and marketing of all kinds of durable home appliances.

Arçelik aims to achieve a substantial market share in Sub-Saharan Africa that will contribute to Arçelik's goal of growing in emerging markets by the acquisition. The consideration for the acquisition includes the synergy that will be created, revenue increase and future benefits to be obtained as a result of growth in market and labor force. These benefits were not recorded separately from goodwill as they do not meet the criteria of identifiable asset. Since the acquisition also resulted in the transfer of control, goodwill has been recognised.

The details of the goodwill calculation, total acquisition consideration and the net assets acquired are as follows:

Total consideration	525.613
Net assets acquired	(346.218)
Goodwill (Note 17)	**179.395**
Consideration in cash	351.854
Consideration paid against the payables to former shareholders of Defy Group	150.096
Contingent consideration	2.698
Total consideration transferred	504.648
The effect of cash flow hedges-effective portion	20.965
Total consideration	**525.613**

The fair values of identifiable assets and liabilities arising from the acquisition are as follows:

Cash and cash equivalents	20.515
Derivative financial instruments	974
Trade receivables	131.493
Inventories	88.179
Property, plant and equipment	51.716
Intangible assets	230.046
Deferred tax assets	96
Other assets	971
Trade payables and other payables	(71.074)
Tax provision and other provisions	(19.517)
Deferred tax liabilities	(67.916)
Provision for employment termination benefits	(433)
Other liabilities	(18.832)
Net assets acquired	**346.218**

The details of cash outflow due to acquisition are as follows:

Total consideration	522.915
Cash and cash equivalents-acquired	(20.515)
Cash outflow due to acquisition (net)	**502.400**

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 3-BUSINESS COMBINATIONS (Continued)

The contribution of Defy Group to revenue is TL62.641 thousand in the consolidated statement of income following the date of acquisition. In the same period, excluding the effects of profitability due to inter company sales, the contribution of Defy Group to consolidated net profit after non-controlling interest amounts to TL231 thousand.

Had the financial statements of Defy Group been consolidated from 1 January 2011, Defy Group's contribution to consolidated revenue would have amounted to TL610.243 thousand.

As of 31 December 2011, the total amount of acquisition costs included in general and administrative expenses is TL6.498 thousand.

b) According to the resolution of the Board of Directors of Aygaz, a subsidiary of the Group, held on 30 November 2010, it was agrerd to sell 49,62% of Aygaz shares in AES Entek (with a nominal value of TL49.079 thousand) to AES Mont Blanc Holdings B.V. for a consideration of USD136.455.000 to be paid in cash at the date when the share transfer transaction is completed.

The assets and liabilities of the Subsidiary intended for sale have been classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" in the consolidated financial statements as of 31 December 2010 (Note 24). Following the permissions of the Competition Board and the Energy Market Regulation Authority ("EMRA"), the transfer of AES Entek shares was completed on 28 February 2011 and the total share transfer price of USD136.455.000 was paid in cash. As stated in the public announcement of Aygaz dated 1 December 2010, the consideration was adjusted according to the financial statements of AES Entek dated 28 February 2011 and the sale price was revised to USD149.581.000 after the finalization of the process.

Since, the sale transaction is considered as a "loss of control" under IAS 27 "Consolidated and Separate Financial Statements", the gain on sale of 49,62% of AES Entek shares amounting to TL112.159 thousand has been accounted for under "other income" in the consolidated financial statements as of 31 December 2011.
In addition, the Group's remaining 36,47% investment in AES Entek, at the date when control was lost, is accounted for at its fair value which is calculated according to the sales price. The difference amounting to TL82.470 thousand has also been accounted for under "other income" as part of the sales transaction.

Following the completion of the share transfer, AES Entek is considered as a "joint venture" by the 49,62% voting right of Koç Holding and consolidated in the Group's financial statements by using proportionate consolidation method as of 31 December 2011. The fair value of 36,47% Entek investment of the Group, is recognised as the cost value of the investment in the joint venture used in initial recognition. In accordance with IFRS 3 "Business Combinations", the difference between the cost value of the investment in joint venture and 36,47% of the net asset value of the joint venture is accounted for as goodwill in the consolidated financial statements as of 31 December 2011 (Note 17).

The details of the goodwill calculation and the net assets acquired are as follows:

Acquisition cost (*)	174.824
Net assets acquired	(127.747)
Goodwill (Note 17)	**47.077**

(*) Represents the fair value of the investment in joint venture.

The fair values of the identifiable assets and liabilities (49,62%), arising from the acquisition, are as follows:

Cash and cash equivalents	25.241
Trade receivables	16.942
Property, plant and equipment	169.673
Intangible assets	1.911
Other assets	5.892
Financial liabilities	(10.456)
Trade payables	(15.802)
Deferred tax liabilities	(17.107)
Other liabilities	(2.485)
Net assets controlled (49,62%)	**173.809**
Non-controlling interest	(46.062)
Net assets acquired (36,47%)	**127.747**

Inter group share transfer and transactions with non-controlling interests:

According to the resolution of the Board of Directors meeting of Koç Holding held on 2 August 2011, it was agreed to acquire 24,81% of share capital (with a total nominal value of TL24.540 thousand) of AES Entek, the Joint Venture of the Group, held by Temel Ticaret A.Ş. (8,24%), Aygaz A.Ş. (8,39%), Mogaz Petrol Gazları A.Ş. (3,27%) and Koç Family members (4,90%) for a total consideration of USD74.784.069.

Following the fulfilment of procedures required by the energy market legislation and other related regulations, the share purchase transactions were completed on 7 October 2011. As a result of the related share purchase transaction, total voting right of Koç Holding in AES Entek remained as 49,62%, whereas the effective ownership interest is increased to 34,90% from 14,84%. Related share purchase transaction was treated as transactions between equity holders of the Group and accordingly, the difference between the consideration paid and the carrying value of the net assets of the joint venture held by non-controlling interests is accounted for as "transactions with non-controlling interests" in equity.

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 4-JOINT VENTURES

The amounts of assets, liabilities and profit/loss of the Joint Ventures, which are proportionately consolidated in the consolidated financial statements, before consolidation adjustments (multiplied by related ownership interest) are as follows:

	2011	2010
Current assets	31.790.297	25.524.609
Non-current assets	33.386.134	25.976.382
Total assets	**65.176.431**	**51.500.991**
Current liabilities	49.056.453	38.361.369
Non-current liabilities	6.893.040	5.294.997
Equity	9.226.938	7.844.625
Total liabilities and equity	**65.176.431**	**51.500.991**

	2011	2010
Revenue	22.196.365	16.639.651
Operating profit (net)	2.325.206	2.075.050
Profit for the period (net)	1.661.899	1.456.420

NOTE 5-SEGMENT REPORTING

Segment information, prepared under the managerial approach, is presented below:

	2011	2010
a) Revenue		
Energy	47.541.485	31.411.542
Automotive	10.233.258	7.766.786
Consumer durables	8.433.900	6.834.305
Finance	5.973.720	4.990.154
Other	3.558.498	2.809.649
	75.740.861	**53.812.436**
b) Operating profit		
Energy	2.413.864	1.284.814
Automotive	773.698	563.968
Consumer durables	665.306	641.381
Finance	1.517.780	1.429.611
Other	22.109	150.114
	5.392.757	**4.069.888**
Inter segment eliminations	97.182	31.823
	5.489.939	**4.101.711**
c) Depreciation and amortisation		
Energy	393.678	384.202
Automotive	225.813	213.220
Consumer durables	222.673	197.358
Finance	108.391	95.126
Other	84.496	74.584
	1.035.051	**964.490**
d) Profit before tax		
Energy	1.618.976	1.072.776
Automotive	780.732	558.276
Consumer durables	621.341	654.502
Finance	1.524.990	1.432.774
Other	161.429	167.623
	4.707.468	**3.885.951**
e) Capital expenditures		
Energy	946.052	390.007
Automotive	602.759	357.418
Consumer durables	367.253	257.100
Finance	126.096	120.597
Other	190.376	120.524
	2.232.536	**1.245.646**

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 5-SEGMENT REPORTING (Continued)

f) Assets and liabilities	2011	2010
Total assets		
Energy	21.739.483	19.788.267
Automotive	5.496.977	4.450.887
Consumer durables	8.359.661	6.323.536
Finance	59.449.650	46.829.941
Other	3.569.156	3.393.131
Segment assets	**98.614.927**	**80.785.762**
Assets held for sale (Note 24)	6.160	356.755
	98.621.087	**81.142.517**
Total liabilities		
Energy	13.216.092	12.878.157
Automotive	3.871.067	2.855.181
Consumer durables	5.172.083	3.729.686
Finance	51.211.406	39.241.418
Other	1.874.098	1.335.977
Segment liabilities	**75.344.746**	**60.040.419**
Liabilities held for sale (Note 24)	5.517	124.184
	75.350.263	**60.164.603**

g) Segment analysis

1 January-31 December 2011	Energy	Automotive	Consumer durables	Finance	Other	Inter segment elimination	Total
External revenue	47.541.485	10.233.258	8.433.900	5.973.720	3.558.498	-	75.740.861
Inter segment revenue	239.312	170.373	153.585	26.454	593.505	(1.183.229)	-
Total revenue	**47.780.797**	**10.403.631**	**8.587.485**	**6.000.174**	**4.152.003**	**(1.183.229)**	**75.740.861**
Total costs	**(44.473.092)**	**(9.028.735)**	**(5.992.900)**	**(3.077.474)**	**(3.255.768)**	**1.246.996**	**(64.580.973)**
Gross profit	**3.307.705**	**1.374.896**	**2.594.585**	**2.922.700**	**896.235**	**63.767**	**11.159.888**
Operating expenses							
Marketing, selling and distribution	(513.747)	(373.712)	(1.503.024)	(55.343)	(252.762)	-	(2.698.588)
General administrative	(672.864)	(170.606)	(349.240)	(1.263.151)	(570.963)	45.679	(2.981.145)
Research and development	(13.588)	(60.092)	(67.873)	-	(9)	-	(141.562)
Other income/expenses (net)(*)	306.358	3.212	(9.142)	(86.426)	(50.392)	(12.264)	151.346
Operating profit	**2.413.864**	**773.698**	**665.306**	**1.517.780**	**22.109**	**97.182**	**5.489.939**
Income from associates	-	-	-	7.210	-	-	7.210
Financial income/expense	(794.888)	7.034	(43.965)	-	139.320	(97.182)	(789.681)
Profit before tax	**1.618.976**	**780.732**	**621.341**	**1.524.990**	**161.429**	**-**	**4.707.468**

(*) Gain on sale of Entek shares of Aygaz, a Subsidiary of the Group, amounting to TL194.629 thousand and Tüpraş's scrap items (platinum) sales incomes, amounting to TL39.482 thousand have been accounted for under "Other income" in Energy Segment (Note 28).

Penalties of TL28.609 thousand issued by the Competition Authority to Ford Otosan and Tofaş, Joint Ventures of the Group, have been accounted for under "Other expenses" in Automotive Segment (Note 28).

Expenses incurred by Arçelik in 2011 amounting to TL30.459 thousand, which arose from the voluntary recall of certain refrigerator models, a limited number of which had been sold between 2000 and 2006 in England and Ireland with expired warranties, have been accounted for under "Other expenses" in Consumer Durables Segment (Note 28).

The loss on the sale of Koçnet shares held by Koç Holding amounting to TL43.665 thousand has been accounted for under "Other expenses" in Other Segment (Note 28).

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

Koç Holding A.Ş.

Notes To The Consolidated Financial Statements
For The Year Ended 31 December 2011 (Continued)
(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 5-SEGMENT REPORTING (Continued)

g) Segment analysis (Continued)

1 January-31 December 2010	Energy	Automotive	Consumer durables	Finance	Other	Inter segment elimination	Total
External revenue	31.411.542	7.766.786	6.834.305	4.990.154	2.809.649	-	53.812.436
Inter segment revenue	178.216	90.681	200.426	46.641	464.750	(980.714)	-
Total revenue	**31.589.758**	**7.857.467**	**7.034.731**	**5.036.795**	**3.274.399**	**(980.714)**	**53.812.436**
Total costs	**(29.133.575)**	**(6.831.302)**	**(4.925.586)**	**(2.230.993)**	**(2.482.068)**	**982.735**	**(44.620.789)**
Gross profit	**2.456.183**	**1.026.165**	**2.109.145**	**2.805.802**	**792.331**	**2.021**	**9.191.647**
Operating expenses							
Marketing, selling and distribution	(463.635)	(273.463)	(1.192.457)	(53.370)	(215.744)	-	(2.198.669)
General administrative	(592.071)	(158.856)	(286.538)	(1.166.385)	(440.275)	39.752	(2.604.373)
Research and development	(13.264)	(47.104)	(63.431)	-	(65)	-	(123.864)
Other income/expenses(net)(*)	(102.399)	17.226	74.662	(156.436)	13.867	(9.950)	(163.030)
Operating profit	**1.284.814**	**563.968**	**641.381**	**1.429.611**	**150.114**	**31.823**	**4.101.711**
Income from associates	-	-	-	3.163	-	-	3.163
Financial income/expenses (net)	(212.038)	(5.692)	13.121	-	17.509	(31.823)	(218.923)
Profit before tax	**1.072.776**	**558.276**	**654.502**	**1.432.774**	**167.623**	**-**	**3.885.951**

(*) Tax penalty provision expense amounting to TL181.235 thousand of Tüpraş, a Subsidiary of the Group, which was calculated in accordance with "Law on Amendments of Restructuring of Several Types of Receivables and Social Security and General Health Insurance Law and Other Several Law and Executive Orders" has been accounted for under "Other expenses" in Energy Segment.

Gain on sale of factory buildings and annexes of Arçelik, a Subsidiary of the Group, located in Topkapı, Istanbul, to Koç University amounting to TL40.055 thousand has been accounted for under "Other income" in Consumer Durables Segment.

h) Finance sector operating results

	2011	2010
Net profit finance		
Interest income	1.774.479	1.734.690
Fee and commission income	1.063.511	963.138
Income from insurance business	78.683	58.083
Other operating income	103.209	81.714
	3.019.882	**2.837.625**
Inter segment eliminations	(97.182)	(31.823)
	2.922.700	**2.805.802**
Operating expenses		
Sales, marketing and distribution expenses	(55.343)	(53.370)
General administrative expenses	(1.263.151)	(1.166.385)
Provision for loan impairment (Note 28)	(173.914)	(217.460)
Other operating income/expenses (net)	87.488	61.024
	(1.404.920)	**(1.376.191)**
Operating profit	**1.517.780**	**1.429.611**

Details of the income from insurance business for the years ended 31December 2011 and 2010 are as follows:

	2011	2010
Earned premiums (net of reinsurance)	409.567	329.182
Claims incurred (net of reinsurance)	(308.951)	(271.301)
Commissions, net	(4.706)	(3.138)
Other income/(expense), net	(17.227)	3.340
	78.683	**58.083**

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 6-CASH AND CASH EQUIVALENTS

	2011			2010		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Cash in hand	511.550	3.654	515.204	349.702	2.245	351.947
Cheques received	86	39.750	39.836	179	31.370	31.549
Banks						
-Demand deposits	266.389	196.751	463.140	153.380	495.135	648.515
-Time deposits	913.635	3.545.820	4.459.455	610.959	7.706.212	8.317.171
-Reverse repo receivables	1.060.863	-	1.060.863	485.485	-	485.485
Bonds and bills	134.798	-	134.798	38.754	-	38.754
Money market placements	25.917	-	25.917	1.552	-	1.552
Other	4.960	92.071	97.031	1.230	61.322	62.552
	2.918.198	3.878.046	6.796.244	1.641.241	8.296.284	9.937.525

As of 31 December 2011, total blocked deposits amount to TL477.484 thousand (2010: TL359.309 thousand). TL397.725 thousand of the related amount consists of the revenue shares collected by Tüpraş, a Subsidiary of the Group, as indicated in the Petroleum Market License Regulation (2010: TL326.633 thousand) (Note 23.d).

Group companies operating in the non-finance sector have deposit balances, amounting to TL1.821.470 thousand (2010: TL2.334.796 thousand) held at Yapı Kredi Bankası, a Joint Venture of the Group, which are eliminated during the preparation of consolidated financial statements.

NOTE 7-BALANCES WITH CENTRAL BANKS

	2011	2010
Central banks		
-Reserve deposits	4.489.247	2.627.616
-Other balances	35.009	38.484
	4.524.256	2.666.100

As of 31 December 2011, TL4.356.392 thousand of reserve deposits is held in CBRT (2010: TL2.608.380 thousand).

In accordance with the "Communiqué Regarding the Reserve Requirements" numbered 2005/1, banks operating in Turkey must place reserves in the CBRT for their TL and foreign currency liabilities as of 31 December 2011 according to the ratios stated below.

a) TL liabilities:

-Demand, notice deposits and private current accounts 11%,
-Up to1 month and 3 months time deposit accounts (1 month and 3 months included) 11%,
-Up to 6 months time deposit accounts (6 months included) 8%,
-Up to 1 year time deposit accounts 6%,
-1 year and over 1 year time deposit accounts and accumulating deposit accounts 5%,
-Up to 1 year liabilities excluding deposit (1 year included) 11%,
-Up to 3 year liabilities excluding deposit (3 year included) 8%,
-Over 3 year liabilities excluding deposit 5%,

b) Foreign currency liabilities:

-Demand, notice FC deposits and private current accounts and up to 1 month, up to 3 months, up to 6 months, and up to 1 year time FC deposits 11%,
-1 year time and more than 1 year time FC deposits 9%,
-Up to 1 year FC liabilities excluding deposit (1 year included) 11%,
-Up to 3 years FC liabilities excluding deposit (3 years included) 9%,
-Over 3 years FC liabilities excluding deposit 6%.

In 2010, the aforementioned ratios for TL and foreign currency liabilities are 6% and 11%, respectively.

These funds cannot be used to finance the daily operations of the banks.

NOTE 8-FINANCIAL ASSETS

	2011			2010		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Financial assets at fair value through profit or loss	159.863	-	159.863	204.928	-	204.928
Available-for-sale financial assets	575.456	3.404.686	3.980.142	90.959	2.945.045	3.036.004
Held-to-maturity financial assets	488.351	6.219.723	6.708.074	1.661.656	5.378.167	7.039.823
	1.223.670	9.624.409	10.848.079	1.957.543	8.323.212	10.280.755

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

Koç Holding A.Ş.

Notes To The Consolidated Financial Statements
For The Year Ended 31 December 2011 (Continued)
(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 8-FINANCIAL ASSETS (Continued)

a) Financial assets at fair value through profit or loss

	2011			2010		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Debt securities:						
Government bonds	100.094	-	100.094	100.750	-	100.750
Eurobond	13.450	18.757	32.207	30.049	16.633	46.682
Treasury bills	-	-	-	19.477	-	19.477
Investment funds	20.519	-	20.519	28.975	-	28.975
Other	7.043	-	7.043	6.635	-	6.635
	141.106	18.757	159.863	185.886	16.633	202.519
Equity securities:						
Listed	-	-	-	2.409	-	2.409
	141.106	**18.757**	**159.863**	**188.295**	**16.633**	**204.928**

b) Available-for-sale financial assets

	2011			2010		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Debt securities:						
Government bonds	2.572.305	-	2.572.305	1.805.765	-	1.805.765
Eurobond	541.562	-	541.562	395.871	-	395.871
Treasury bills	5.957	-	5.957	1.924	-	1.924
Private sector bonds	698.593	-	698.593	658.885	-	658.885
Investment funds	43.710	-	43.710	26.483	-	26.483
Other	-	-	-	2.009	-	2.009
	3.862.127	-	3.862.127	2.890.937	-	2.890.937
Equity securities:						
Listed	-	37.803	37.803	120	63.592	63.712
Unlisted	11.934	68.278	80.212	11.125	70.230	81.355
	3.874.061	**106.081**	**3.980.142**	**2.902.182**	**133.822**	**3.036.004**

The list of equity securities and the shareholding rates are as follows:

	2011	(%)	2010	(%)
Listed:				
Altınyunus Çeşme Turistik Tesisler A.Ş.	37.803	30,00	63.592	30,00
Other	-	-	120	-
	37.803		**63.712**	
Unlisted:				
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	16.421	88,00	12.366	88,00
Beldesan Otomotiv Yan San. ve Tic. A.Ş	13.066	91,82	13.066	91,82
Akdeniz Akaryakıt Dep. ve Nakliyat A.Ş.	6.385	16,67	8.350	16,67
Takas ve Saklama Bankası A.Ş.	6.190	2,43	6.190	2,43
Koç Bilgi ve Savunma Teknolojileri A.Ş.	5.180	92,23	5.180	92,23
Promena Elektronik Ticaret A.Ş.	5.000	50,00	5.000	50,00
Körfez Hava Ulaştırma A.Ş.	4.000	100,00	4.000	100,00
Ultra Kablolu Televizyon ve Telekom. San. ve Tic. A.Ş	1.857	50,00	1.857	50,00
Bozkurt Tarım ve Gıda San. ve Tic. A.Ş	911	83,89	911	83,89
Other	21.202	-	24.435	-
	80.212		**81.355**	

Available-for-sale equity securities that do not have quoted fair values or for which fair values cannot be reliably measured through alternative methods, are measured at cost less any impairment.

Subsidiaries, joint ventures and associates, in which the Group, together with Koç Family members, have attributable interests of 20% or more but are not material for the consolidated financial statements or the Group does not have a significant influence, are not included in the scope of consolidation and classified as available-for-sale financial assets. These financial assets are measured at fair value or carried at cost less any impairment when fair values cannot be reliably measured.

Total assets, revenues and net profit of the unconsolidated subsidiaries and joint ventures are below 1% of the total consolidated assets, revenues and net profit of the Group.

Provision for impairment of unlisted financial assets (equity securities) amounts to TL104.065 thousand as of 31 December 2011 (2010: TL77.270 thousand).

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 8-FINANCIAL ASSETS (Continued)

c) Held-to-maturity financial assets

	2011			2010		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Debt securities:						
Eurobond	4.530.909	-	4.530.909	3.701.223	-	3.701.223
Government bonds	1.824.982	-	1.824.982	2.709.860	-	2.709.860
Treasury bills	238	-	238	760	-	760
Other	-	12.943	12.943	76.389	-	76.389
	6.356.129	12.943	6.369.072	6.488.232	-	6.488.232
Time deposits	317.250	21.752	339.002	533.465	18.126	551.591
	6.673.379	34.695	6.708.074	7.021.697	18.126	7.039.823

NOTE 9-INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2011		2010	
		(%)		(%)
Banque de Commerce et de Placements S.A.	91.970	15,34	35.954	15,34
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. (*)	9.825	15,22	11.133	15,22
	101.795		47.087	

(*) Yapı Kredi Koray, a Joint Venture of the Group, has been included in the scope of the consolidation using the equity method, due to its immaterial effect on the financial statement line items individually.

The movements of investments accounted for using the equity method for the years ended 31 December 2011 and 2010 are as follows:

	2011	2010
As of 1 January	47.087	41.811
Share of income/loss	7.210	3.163
Dividends received	(1.245)	(1.035)
Currency translation differences (*)	48.743	3.148
As of 31 December	101.795	47.087

(*) Includes the effect of updating equity accounting by an amount of TL41.823 thousand based on 2011 year-end financial statements of Banque de Commerce et de Placements S.A. prepared in accordance with International Financial Reporting Standards.

Share of income/loss of investments accounted for using the equity method:

	2011	2010
Banque de Commerce et de Placements S.A.	8.517	4.372
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	(1.307)	(1.209)
	7.210	3.163

Aggregated summary figures of the financial statements of investments accounted for using the equity method:

	2011	2010
Total assets	4.604.634	2.654.655
Total liabilities	3.923.926	2.434.997
Total revenues	208.456	176.918

NOTE 10-DERIVATIVE FINANCIAL INSTRUMENTS

Certain derivative transactions, even though providing effective economic hedges under the Group risk management position, do not qualify for hedge accounting under the specific rules in IAS 39, and are therefore accounted for as derivatives held for trading in the consolidated financial statements.

Derivative transactions, that meet specified hedge accounting requirements, are accounted for as derivatives held for hedging.

Within this context, the breakdown of the Group's derivative financial instruments is as follows:

	2011		2010	
	Asset	Liability	Asset	Liability
Derivatives held for trading	151.488	269.278	348.183	181.995
Derivatives held for hedging	226.868	284.012	19.798	255.284
	378.356	553.290	367.981	437.279

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 10-DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Finance:

	2011			2010		
		Fair values			Fair values	
	Contract amount (*)	Asset	Liability	Contract amount (*)	Asset	Liability
Derivatives held for trading:						
Currency swaps	9.545.990	6.764	47.272	11.568.113	151.418	97.240
Option agreements	5.372.624	29.774	29.929	5.210.238	42.301	42.415
Currency forwards	5.298.801	55.259	51.272	2.581.641	12.128	16.831
Interest rate swaps	2.312.478	40.825	136.329	3.346.226	135.006	22.765
Credit derivatives	823.223	3.749	4.125	450.065	5.990	335
	23.353.116	**136.371**	**268.927**	**23.156.283**	**346.843**	**179.586**
Derivatives held for hedging:						
Interest rate swaps	16.218.599	3.795	241.941	4.263.510	1.871	69.876
Cross-currency interest rate swaps	3.103.427	184.873	9.480	2.158.619	17.231	156.958
Currency swaps	594.882	16.474	-	107.615	343	-
Currency forwards	19.128	341	-	4.327	15	-
	19.936.036	**205.483**	**251.421**	**6.534.071**	**19.460**	**226.834**

(*) Refers to the aggregate of buy and sell legs of the related derivative financial instruments. Contract amounts of intra-group derivative financial instruments have been eliminated for consolidation purposes.

a. Fair value hedge:

Effective from 1 March 2009, Yapı Kredi Bankası, a Joint Venture of the Group, started to hedge the possible fair value effects of changes in market interest rates on part of its fixed interest TL mortgage and car loan portfolios as well as the fair value effects of changes in foreign exchange rates on part of its foreign currency denominated funds borrowed using cross-currency interest rate swaps.

Net carrying value of the hedging instruments (cross-currency interest rate swaps) at 31 December 2011 is an asset amounting to TL175.393 thousand (2010: TL139.727 thousand liability). Net carrying value of the related derivatives includes the effect of exchange rate changes and net linear interest accruals on derivatives.

As of 31 December 2011, the fair value difference of the hedged item against changes in market interest rates (fixed interest TL mortgage and car loans) is TL53.602 thousand (2010: TL112.215 thousand). The mark to market difference amounting to TL58.613 thousand (2010: TL42.146 thousand) is accounted for as an expense in the operating results of Finance Segment. The ineffective portion of the related hedging relationship is TL2.213 thousand.

Foreign exchange gains/losses on hedged item (foreign currency denominated funds) and the hedging instrument (cross-currency interest rate swaps) are also reflected in the operating results of Finance Segment.

b. Cash flow hedges:

In order to hedge its cash flow risk arising from floating rate liabilities, Yapı Kredi Bankası, a Joint Venture of the Group, started to apply cash flow hedge accounting effective from 1 January 2010. Hedging instruments are USD, EUR and TL interest rate swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL customer deposits, repos and borrowings.

Net interest expense after tax on the cash flow hedge, which is reclassified to the statement of income of 2011, amounted to TL74.398 thousand (2010: TL26.025 thousand interest expense). Net interest expense after tax accounted for under "Cumulative gain/losses on hedging" in the statement of other comprehensive income of 2011 is TL178.143 thousand (2010: TL67.670 thousand interest expense). The net expense of the ineffective portion of the related hedging relationship is TL538 thousand (2010: TL2.104 thousand).

Koç Tüketici Finansmanı, a Subsidiary of the Group, funds its long term fixed interest rate TL loan portfolio with long term foreign currency funds obtained from international markets. The Company hedges its exchange rate risk arising on the principal repayments of foreign currency denominated borrowings at maturity by using currency swaps and currency forwards.

Net foreign exchange gain after tax on the cash flow hedge, which is reclassified to the statement of income of 2011, amounted to TL10.766 thousand (2010: TL627 thousand foreign exchange gain). Net foreign exchange gain after tax accounted for under "Cumulative gains/losses on hedging" in the statement of other comprehensive income of 2011 is TL13.252 thousand (2010: TL288 thousand foreign exchange gain).

c. Net investment hedges in foreign operations:

Yapı Kredi Bankası, a Joint Venture of the Group, hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. EUR denominated borrowing of Yapı Kredi Bankası is designated as a hedge of the net investment in Yapı Kredi Bankası's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at 31 December 2011 is EUR119 million (2010: EUR102 million). Foreign exchange loss after tax amounting to TL35.583 thousand (2010: TL7.794 thousand foreign exchange gain) on translation of the borrowing to TL is accounted for under "Cumulative gains/losses on hedging" in 2011 statement of comprehensive income.

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 10-DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Non-Finance:

	2011			2010		
		Fair values			Fair values	
	Contract amount (*)	Asset	Liability	Contract amount (*)	Asset	Liability
Derivatives held for trading:						
Currency forwards	958.706	11.617	148	458.586	1.309	651
Currency swaps	255.788	1.807	61	219.276	31	596
Commodity futures	92.721	1.693	142	72.532	-	1.162
	1.307.215	15.117	351	750.394	1.340	2.409
Derivatives held for hedging:						
Interest rate swaps	1.425.283	-	32.591	1.296.784	-	28.450
Receivables from operating leases	220.520	21.385	-	157.257	-	-
Commodity futures	-	-	-	1.414	338	-
	1.645.803	21.385	32.591	1.455.455	338	28.450

(*) Refers to the aggregate of buy and sell legs of the related derivative financial instruments. Contract amounts of intra-group derivative financial instruments have been eliminated for consolidation purposes.

a. Fair value hedge:

Otokoç, a Subsidiary of the Group, hedges its foreign exchange risk on commitments to provide operational leasing services resulting from off balance sheet foreign currency denominated operating lease receivables (hedged item) with foreign currency denominated loans (hedging instrument). Fair value changes resulting from the exchange risk of the hedged item has been accounted for under "derivatives held for hedging" as an asset or liability on the balance sheet and in foreign exchange gain/ losses in the statement of income.

b. Cash flow hedges:

In order to hedge the cash flow risk resulting from the floating rate loan obtained for the acquisition of 51% of the shares of Tüpraş; EYAŞ, a Subsidiary of the Group, has entered into an interest rate swap agreement amounting to USD356.040 thousand. Net interest expense after tax on the cash flow hedge, which is reclassified to the statement of income of 2011, amounted to TL10.165 thousand (2010: TL26.351 thousand interest expense). Net interest expense after tax accounted for under "Cumulative gains/losses on hedging" in the statement of other comprehensive income of 2011 is TL14.132 thousand (2010: TL22.881 thousand interest expense).

Tofaş, a Joint Venture of the Group, hedges its currency risk resulting from realised and forecast sales of light commercial vehicles (hedged item) by obtaining foreign currency denominated loans (hedging instrument). Net foreign exchange losses after tax within the cash flow hedge, which is reclassified to the statement of income of 2011, amounted to TL17.674 thousand (2010: TL2.232 thousand foreign exchange losses). Net foreign exchange losses after tax accounted for under "Cumulative gains/ losses on hedging" in the statement of other comprehensive income of 2011 is TL70.929 thousand (2010: TL8.863 thousand foreign exchange losses).

c. Net investment hedges in a foreign operation:

Arçelik, a Subsidiary of the Group, designated some portion of its EUR denominated bank loans as a hedging instrument in order to hedge the foreign currency risk arising from the translation of net assets of part of its subsidiaries operating in Europe from EUR to Turkish Lira. As of 31 December 2011, EUR150 million of bank borrowings was designated as a net investment hedging instrument (31 December 2010: EUR87,5 million). Net foreign exchange losses after tax accounted for under "cumulative gains/ losses on hedging" in the statement of other comprehensive income of 2011 is TL47.364 thousand (2010: TL9.737 thousand foreign exchange losses).

NOTE 11-TRADE RECEIVABLES AND PAYABLES

Trade receivables	2011	2010
Trade receivables	7.247.319	3.906.024
Notes and cheques receivables	2.021.176	1.484.389
Less: Provision for doubtful receivables	(203.295)	(214.900)
Less: Unearned finance income	(51.145)	(69.034)
	9.014.055	5.106.479
Due from related parties (Note 30)	368.361	83.023
	9.382.416	5.189.502
Short-term trade receivables	9.262.692	5.098.243
Long-term trade receivables	119.724	91.259
	9.382.416	5.189.502

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

Koç Holding A.Ş.

Notes To The Consolidated Financial Statements
For The Year Ended 31 December 2011 (Continued)
(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 11-TRADE RECEIVABLES AND PAYABLES (Continued)

Movement in the provision for doubtful receivables is as follows:

	2011	2010
Beginning of the period-1 January	**214.900**	**191.094**
Increases during the period	43.692	47.198
Collections	(10.635)	(13.316)
Acquisitions	241	-
Sale of subsidiary [1]	(6.112)	-
Changes in the scope of consolidation [2]	-	(1.782)
Write-offs [3]	(46.328)	(8.504)
Currency translation differences	7.537	210
End of the period-31 December	**203.295**	**214.900**

(1) Due to the sale of Koçnet shares in 2011.
(2) Beldesan, Beldeyama, Bozkurt and Ultra Kablo were excluded from the scope of consolidation in 2010.
(3) Doubtful receivables, for which no possibility of collection is foreseen and no further cash inflow is expected, are written off from the records along with their related provisions.

Trade payables	**2011**	**2010**
Trade payables	8.960.402	7.308.840
Notes payables	212	1.447
Less: Unearned finance expense	(18.548)	(8.644)
	8.942.066	7.301.643
Due to related parties (Note 30)	244.606	247.725
	9.186.672	**7.549.368**

NOTE 12-RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	2011			2010		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Loans and advances to customers	18.172.872	20.015.698	38.188.570	15.205.731	14.375.629	29.581.360
Receivables from insurance business	105.841	20.988	126.829	93.125	4.179	97.304
	18.278.713	**20.036.686**	**38.315.399**	**15.298.856**	**14.379.808**	**29.678.664**

Loans and advances to customers:

2011	Corporate and commercial loans	Consumer loans	Credit card receivables	Financial leasing receivables	Factoring receivables	Total
Performing loans	21.898.044	8.248.089	5.073.918	1.268.355	892.849	37.381.255
Watch listed loans	360.311	262.295	123.176	65.749	-	811.531
Loans under legal follow-up	684.352	201.295	184.009	132.060	11.418	1.213.134
Gross	**22.942.707**	**8.711.679**	**5.381.103**	**1.466.164**	**904.267**	**39.405.920**
Less: Provision for impairment	(750.492)	(173.970)	(197.730)	(82.155)	(13.003)	(1.217.350)
Net	**22.192.215**	**8.537.709**	**5.183.373**	**1.384.009**	**891.264**	**38.188.570**

2010	Corporate and commercial loans	Consumer loans	Credit card receivables	Financial leasing receivables	Factoring receivables	Total
Performing loans	17.011.630	5.856.980	4.122.234	835.777	906.615	28.733.236
Watch listed loans	463.885	222.916	152.508	96.901	-	936.210
Loans under legal follow-up	486.947	280.603	235.740	156.890	9.022	1.169.202
Gross	**17.962.462**	**6.360.499**	**4.510.482**	**1.089.568**	**915.637**	**30.838.648**
Less: Provision for impairment	(659.741)	(219.570)	(264.335)	(101.699)	(11.943)	(1.257.288)
Net	**17.302.721**	**6.140.929**	**4.246.147**	**987.869**	**903.694**	**29.581.360**

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 12-RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

Movement of provision for impairment is as follows:

	2011	2010
Beginning of the period-1 January	**1.257.288**	**1.600.059**
Increase in provisions for loan impairment	467.735	665.246
Recoveries of amounts previously provisioned	(330.524)	(450.724)
Changes in estimates (Note 2.3)	(53.230)	-
Write-offs during the period as uncollectible (*)	(128.553)	(557.835)
Currency translation differences	4.634	542
End of the period-31 December	**1.217.350**	**1.257.288**

(*) Includes the releases from the provision due to the sale of non-performing loan portfolio.

Net investment in finance leases is as follows:

	2011	2010
Gross investment in finance leases	1.520.536	1.006.697
Less: Unearned finance income	(252.181)	(170.920)
	1.268.355	**835.777**

Leasing receivables consist of rentals over the terms of leases. The rentals according to their maturities are as follows:

	2011	2010
Less than a year	515.091	409.111
1-5 years	1.005.445	597.586
Less: Unearned finance income	(252.181)	(170.920)
	1.268.355	**835.777**

NOTE 13-INVENTORIES

	2011	2010
Raw materials and supplies	1.814.850	1.382.850
Finished goods	1.929.578	1.104.966
Goods in transit	1.265.365	600.229
Merchandise	973.853	674.694
Work in progress	829.713	449.192
Other inventories	50.063	61.777
Less: Provision for impairment	(73.350)	(80.610)
	6.790.072	**4.193.098**

Details of goods in transit are as follows:

	2011	2010
Raw materials and supplies	1.087.464	369.369
Work in progress	111.366	287
Merchandise	66.175	230.491
Other inventories	360	82
	1.265.365	**600.229**

Movement of provision for impairment on inventories is as follows:

	2011	2010
Beginning of the period-1 January	**80.610**	**105.796**
Increase during the period	5.754	9.000
Reversal of provisions due to sales of inventories	(13.822)	(29.786)
Write-offs	(1.565)	(2.393)
Acquisitions	802	-
Currency translation differences	1.571	(2.007)
End of the period-31 December	**73.350**	**80.610**

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 14-INVESTMENT PROPERTIES

	2011	2010
As of 1 January		
Cost	126.844	136.237
Accumulated depreciation	(47.024)	(51.486)
Net book value	**79.820**	**84.751**
Net book value at the beginning of the period	**79.820**	**84.751**
Additions	8.453	-
Disposals	(539)	(3.326)
Transfers (*)	3.529	-
Currency translation differences	1.105	(327)
Current period depreciation	(1.613)	(1.278)
Net book value at the end of the period	**90.755**	**79.820**
As of 31 December		
Cost	171.482	126.844
Accumulated depreciation	(80.727)	(47.024)
Net book value	**90.755**	**79.820**

(*) Transferred from property, plant and equipment.

The fair values of investment properties has been determined as TL131.771 thousand as of 31 December 2011, according to the related valuations performed (2010: TL112.157 thousand).

NOTE 15-PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Constructions in progress	Leasehold improvements	Total
As of 1 January 2011								
Cost	2.825.880	2.320.465	10.565.591	1.006.080	1.201.933	380.633	425.354	18.725.936
Accumulated depreciation	(300.518)	(1.069.344)	(5.542.519)	(349.862)	(795.554)	-	(222.287)	(8.280.084)
Net book value	**2.525.362**	**1.251.121**	**5.023.072**	**656.218**	**406.379**	**380.633**	**203.067**	**10.445.852**
Net book value at the beginning of the period	**2.525.362**	**1.251.121**	**5.023.072**	**656.218**	**406.379**	**380.633**	**203.067**	**10.445.852**
Acquisitions (Note 3)	13.630	27.729	172.348	44	4.652	2.490	496	221.389
Additions	31.609	7.821	132.128	393.041	150.453	1.200.018	44.244	1.959.314
Disposals	(94.912)	(178)	(45.568)	(85.584)	(44.836)	(22.421)	-	(293.499)
Transfers (1)	90.304	128.477	450.612	15.776	78.233	(816.189)	26.763	(26.024)
Sale of subsidiary (2)	-	(36)	(22.859)	-	(171)	-	(960)	(24.026)
Currency translation differences	646	23.056	21.857	1.133	1.244	759	1.316	50.011
Reversal of impairment	35.102	15.887	-	-	-	-	-	50.989
Current period depreciation	(69.825)	(62.663)	(498.887)	(63.260)	(113.316)	-	(39.405)	(847.356)
Net book value at the end of the period	**2.531.916**	**1.391.214**	**5.232.703**	**917.368**	**482.638**	**745.290**	**235.521**	**11.536.650**
31 December 2011								
Cost	2.888.695	2.706.242	11.065.911	1.369.205	1.414.289	745.290	471.780	20.661.412
Accumulated depreciation	(356.779)	(1.315.028)	(5.833.208)	(451.837)	(931.651)	-	(236.259)	(9.124.762)
Net book value	**2.531.916**	**1.391.214**	**5.232.703**	**917.368**	**482.638**	**745.290**	**235.521**	**11.536.650**

(1) Includes transfers amounting to TL3.529 thousand to investment properties, TL20.219 thousand to intangible assets and TL2.276 thousand to other assets.
(2) Due to the sale of Koçnet shares.

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 15-PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Constructions in progress	Leasehold improvements	Total
As of 1 January 2010								
Cost	2.753.981	2.375.064	10.776.745	934.765	1.100.254	329.044	383.634	18.653.487
Accumulated depreciation	(245.260)	(1.103.408)	(5.433.275)	(318.328)	(731.039)	-	(192.638)	(8.023.948)
Net book value	2.508.721	1.271.656	5.343.470	616.437	369.215	329.044	190.996	10.629.539
Net book value at the beginning of the period	2.508.721	1.271.656	5.343.470	616.437	369.215	329.044	190.996	10.629.539
Additions	12.520	18.393	101.864	185.055	106.300	557.283	37.286	1.018.701
Disposals	(10.886)	(43.744)	(30.971)	(95.496)	(2.788)	(13.037)	(575)	(197.497)
Transfers (1)	76.800	39.632	100.482	7.672	26.433	(501.259)	10.672	(239.568)
Changes in the scope of consolidation (2)	(570)	(2.673)	487	2.354	199	8.737	331	8.865
Currency translation differences	(201)	57	(100)	(412)	(134)	(135)	47	(878)
Reversal of impairment	-	25.849	-	-	623	-	-	26.472
Current period depreciation	(61.022)	(58.049)	(492.160)	(59.392)	(93.469)	-	(35.690)	(799.782)
Net book value at the end of the period	2.525.362	1.251.121	5.023.072	656.218	406.379	380.633	203.067	10.445.852
31 December 2010								
Cost	2.825.880	2.320.465	10.565.591	1.006.080	1.201.933	380.633	425.354	18.725.936
Accumulated depreciation	(300.518)	(1.069.344)	(5.542.519)	(349.862)	(795.554)	-	(222.287)	(8.280.084)
Net book value	2.525.362	1.251.121	5.023.072	656.218	406.379	380.633	203.067	10.445.852

(1) Includes transfers amounting to TL220.344 thousand to assets held for sale and TL19.224 to intangible assets.
(2) Due to the inclusion of Eltek and THY Opet in the scope of consolidation and the exclusion of Beldesan, Beldeyama and Bozkurt from the scope of consolidation.

NOTE 16-INTANGIBLE ASSETS

	Rights	Brand	Development costs	Other	Total
As of 1 January 2011					
Cost	792.433	267.167	1.012.580	123.350	2.195.530
Accumulated amortisation	(302.914)	(42.831)	(405.379)	(60.248)	(811.372)
Net book value	489.519	224.336	607.201	63.102	1.384.158
Acquisitions (Note 3)	1.726	230.046	-	185	231.957
Additions	75.000	-	140.225	49.544	264.769
Disposals	(2.422)	-	(1.418)	(5)	(3.845)
Transfers (1)	12.528	-	28.342	(20.651)	20.219
Sale of subsidiary (2)	(13.230)	-	-	-	(13.230)
Currency translation differences	1.457	51.761	-	2.965	56.183
Current period amortisation	(56.336)	(8.166)	(118.233)	(20.661)	(203.396)
Net book value at the end of the period	508.242	497.977	656.117	74.479	1.736.815
31 December 2011					
Cost	851.530	548.952	1.179.695	142.524	2.722.701
Accumulated amortisation	(343.288)	(50.975)	(523.578)	(68.045)	(985.886)
Net book value	508.242	497.977	656.117	74.479	1.736.815

(1) Includes transfers from property, plant and equipment.
(2) Due to the sale of Koçnet shares.

Total research and development expenditures incurred in 2011 excluding amortisation amounts to TL230.707 thousand (2010: TL243.491 thousand).

The net book value of intangible assets with indefinite useful lives amounts to TL467.710 thousand and consists of brands (2010: TL184.275 thousand). The useful lives of the related brands are assessed as indefinite, since there is no foreseeable limit to the period over which they are expected to generate net cash inflows for the Group.

Brand impairment test

As of 31 December 2011, the brands of Arçelik, a Subsidiary of the Group, with indefinite useful lives have been tested for impairment using the royalty relief method. Sales forecasts, considered in the determination of the brand value, are based on the financial plans approved by the management covering a three to five year period. Beyond the three to five year period, sales forecasts are extrapolated with a 2,5% expected growth rate. The royalty income is estimated using these sales forecasts and royalty rates of 2% to 3%. Estimated royalty income with the aforementioned method has been discounted using 9% to 11% discount rates.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

Koç Holding A.Ş.

Notes To The Consolidated Financial Statements
For The Year Ended 31 December 2011 (Continued)
(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 16-INTANGIBLE ASSETS (Continued)

	Rights	Brand	Development costs	Other	Total
As of 1 January 2010					
Cost	821.079	278.816	798.341	86.784	1.985.020
Accumulated amortisation	(326.727)	(34.655)	(251.225)	(52.520)	(665.127)
Net book value	**494.352**	**244.161**	**547.116**	**34.264**	**1.319.893**
Additions	43.536	-	160.414	22.995	226.945
Disposals	(6.447)	-	(86)	(15)	(6.548)
Transfers (1)	8.072	(1.221)	(3.279)	16.318	19.890
Changes in the scope of consolidation (2)	(401)	-	-	150	(251)
Currency translation differences	309	(10.427)	-	(124)	(10.242)
Current period amortisation	(49.902)	(8.177)	(96.964)	(11.871)	(166.914)
Reversal of impairment	-	-	-	1.385	1.385
Net book value at the end of the period	**489.519**	**224.336**	**607.201**	**63.102**	**1.384.158**
31 December 2010					
Cost	792.433	267.167	1.012.580	123.350	2.195.530
Accumulated amortisation	(302.914)	(42.831)	(405.379)	(60.248)	(811.372)
Net book value	**489.519**	**224.336**	**607.201**	**63.102**	**1.384.158**

(1) Includes transfers from property, plant and equipment of TL19.224 thousand, from other non-current assets of TL1.015 thousand and transfers to assets held for sale of TL349 thousand.
(2) Due to the inclusion of Eltek and THY Opet in the scope of the consolidation and exclusion of Beldesan, Beldeyama and Bozkurt from the scope of consolidation.

NOTE 17-GOODWILL

	2011	2010
Net book value at the beginning of the period-1 January	**3.526.351**	**3.517.860**
Acquisitions (Note 3)	226.472	-
Change in contingent liabilities (*)	(1.596)	8.704
Disposals	(757)	-
Currency translation differences	11.178	(213)
Net book value at the end of the period-31 December	**3.761.648**	**3.526.351**

(*) Contingent liabilities that were booked as of the acquisition date have been settled by taking into account the actual results.
The resulting decreases/increases are adjusted reciprocally in goodwill in accordance with IFRS 3, effective for the business combinations carried out before 1 January 2010.

The allocation of the goodwill is as follows:

	2011	2010
Tüpraş	2.736.463	2.736.463
Yapı Kredi Bankası	642.957	643.714
Defy Group (Note 3)	179.395	-
Opet	138.984	138.984
AES Entek (Note 3)	47.077	-
Other	16.772	7.190
	3.761.648	**3.526.351**

The recoverable amount of a cash generating unit is determined using the value in use or fair value less costs to sell calculations. These calculations use cash flow projections based on financial budgets approved by the management. The cash flow projections beyond the budgeted period are extrapolated using the estimated growth rates and discounted with the ratios stated below.

The budget period and key assumptions used in the calculations of recoverable amount are as follows:

Cash-generating unit	Method used	Period	Ratio 1	Ratio 2	Ratio 3
Tüpraş	Fair value, USD	14 years	4,4-9,3%	2%	10,8-15,3%
Yapı Kredi Bankası	Value in use, TL	5 years	2,5-3,0%	3%	12,9-15,9%
Opet	Fair value, USD	10 years	4,2-5,1%	2%	9,1%

Ratio 1: Budgeted gross profit / budgeted net interest margin
Ratio 2: Growth rate used to extrapolate cash flows beyond the budget period
Ratio 3: Discount rate applied to the cash flow projections (*)

(*) For Tüpraş and Yapı Kredi Bankası free cash flows to equityholders are used and discounted by the cost of equity. For Opet free cash flows to firm are used and discounted by the weighted average cost of capital (WACC).

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 18-PAYABLES OF FINANCE SECTOR OPERATIONS

	2011			2010		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Deposits	33.572.493	695.755	34.268.248	26.530.200	291.923	26.822.123
Insurance technical reserves	270.842	261.040	531.882	228.711	236.457	465.168
Other payables of insurance business	54.889	-	54.889	30.928	6.390	37.318
	33.898.224	956.795	34.855.019	26.789.839	534.770	27.324.609

Deposits:

	2011			2010		
	Demand	Time	Total	Demand	Time	Total
TL deposits						
Saving deposits	970.210	9.684.107	10.654.317	906.379	7.921.605	8.827.984
Commercial deposits	1.577.547	4.396.340	5.973.887	1.357.091	4.225.557	5.582.648
Deposits from banks	66.014	146.300	212.314	79.344	189.766	269.110
Funds deposited under repurchase agreements	-	451.878	451.878	-	33.920	33.920
	2.613.771	14.678.625	17.292.396	2.342.814	12.370.848	14.713.662
Foreign currency deposits						
Saving deposits	1.293.615	5.071.281	6.364.896	983.601	3.770.979	4.754.580
Commercial deposits	1.546.056	5.985.114	7.531.170	1.368.793	3.786.460	5.155.253
Deposits from banks	23.356	549.424	572.780	17.169	634.630	651.799
Funds deposited under repurchase agreements	-	2.507.006	2.507.006	-	1.546.829	1.546.829
	2.863.027	14.112.825	16.975.852	2.369.563	9.738.898	12.108.461
			34.268.248			26.822.123

Insurance technical reserves:

	2011	2010
Mathematical reserve	161.339	139.292
Reserve for unearned premiums	179.042	140.256
Profit share reserve	121.829	125.236
Outstanding claim reserve	56.897	47.096
Insurance IBNR reserve	12.775	13.288
	531.882	465.168

Insurance liabilities and reinsurance shares

	2011	2010
Gross insurance liabilities		
Life mathematical reserves	283.169	264.529
Reserve for unearned premiums	241.361	168.388
Claims provision	127.565	97.710
	652.095	530.627
Reinsurance shares		
Reserve for unearned premiums	(62.319)	(28.133)
Claims provision	(57.894)	(37.326)
	(120.213)	(65.459)
Net insurance technical reserves		
Life mathematical reserves	283.169	264.529
Reserve for unearned premiums	179.042	140.255
Claims provision	69.671	60.384
	531.882	465.168

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 19-FINANCIAL LIABILITIES

	2011			2010		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Short-term financial liabilities:						
Bank borrowings	6.727.112	3.971.759	10.698.871	4.367.499	3.995.468	8.362.967
Debt securities in issue	1.197.198	-	1.197.198	355.220	-	355.220
Financial leasing payables	-	3.898	3.898	-	3.257	3.257
Factoring payables	-	729	729	-	124.400	124.400
	7.924.310	3.976.386	11.900.696	4.722.719	4.123.125	8.845.844
Long-term financial liabilities:						
Bank borrowings	3.174.071	5.515.965	8.690.036	2.524.416	4.578.764	7.103.180
Debt securities in issue	1.066.232	-	1.066.232	927.674	-	927.674
Financial leasing payables	-	7.010	7.010	-	1.596	1.596
	4.240.303	5.522.975	9.763.278	3.452.090	4.580.360	8.032.450
	12.164.613	9.499.361	21.663.974	8.174.809	8.703.485	16.878.294

Group companies operating in the non-finance sector have financial liabilities, amounting to TL390.902 thousand (2010: TL511.463 thousand) extended by Yapı Kredi Bankası, a Joint Venture of the Group, which are eliminated during the preparation of consolidated financial statements.

Finance:

a) Major financial liabilities obtained in 2011:

The details of the bonds/bills issued in 2011 by Yapı Kredi Bankası, a Joint Venture of the Group, are as follows:

-Bonds of TL75.000 thousand (nominal) with an interest rate of 9,08% with 368 days maturity and coupon payment within period of 92 days.
-Domestic bills of TL500.000 thousand (nominal) with an interest rate of 10,62% and maturity of 168 days.

These bonds and bills can be re-purchased and re-sold according to the relevant legislation and net outstanding balances are reflected on the balance sheet.

Yapı Kredi Bankası obtained securitisation borrowing in August and September 2011, from Standard Chartered Bank, Wells Fargo, West LB and SMBC amounting to USD112.500.000 and EUR103.000.000, using Yapı Kredi Diversified Payment Rights Finance Company ("Special Purpose Entity"). The borrowing has floating interest rates based on Euribor/Libor and the maturity is between 2016 and 2023.

In April 2011, Yapı Kredi Bankası obtained a syndication loan from international banks from 19 countries, 47 banks, consisting of 2 credit tranches with 1 year maturity; one tranche amounting to USD150.500.000 with total cost of Libor+1,10% and the other tranche amounting to EUR397.500.000 with total cost of Euribor+1,10%, in total the syndication credit is approximately USD725.000.000.

b) Major financial liabilities obtained before 2011:

In 2006 and 2007, Yapı Kredi Bankası obtained three subordinated loans amounting to EUR525.000.000, with 10 years maturity and a repayment option at the end of 5 years. The loan amounts are EUR250.000.000, EUR175.000.000 and EUR100.000.000 and were obtained from Merrill Lynch Capital Corporation, Goldman Sachs International Bank and Citibank, respectively. The interest rates for the loans are Euribor+2%, Euribor+2,25% and Euribor+1,85% respectively, for the first 5 year of the loans.

Yapı Kredi Bankası has securitisation borrowing deal from Standard Chartered Bank and Unicredit Markets and Investment Banking amounting to USD203.000.000 and EUR104.000.000. The borrowing has floating interest rates based on Euribor/Libor, maturity is between 2014 and 2015 and the repayments commenced in 2010.

On 11 October 2010, Yapı Kredi Bankası, signed a loan agreement with UniCredit Luxembourg amounting to USD375.000.000 with a 5 year maturity and an interest rate of 5,19%.

Non-Finance:

a) Major financial liabilities obtained in 2011:

Tüpraş, a Subsidiary of the Group, signed three different loan agreements regarding the financing of the Fuel Oil Conversion Project in 2011 and commenced to utilize the related loans. The two tranches of the financing package; USD1.111,8 million insured by the Spanish export credit Agency (CESCE) and USD624,3 million insured by the Italian export credit agency (SACE) are non-recourse loans for 4 years and with a maximum 12 years maturity date. The third tranche, USD359 million, is also a non-recourse loan for 4 years with a maximum 7 years maturity date. As of 31 December 2011, the amount of loan utilized within the scope of the total loan package for insurance payments and capital expenditures is USD367,5 million.

b) Major financial liabilities obtained before 2011:

Details of the loans obtained in 2006 in order to finance the acquisition cost of Tüpraş shares and to re-structure the Group's existing loans are presented below:

-a loan of USD950.000.000 from a consortium, comprising of JP Morgan Europe Limited and JP Morgan Chase Bank N.A. with a maturity of 7 years and bearing an interest rate of Libor+1,9%;

-a loan of USD1.800.000.000 from a consortium comprising 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. with a maturity of 10 years and bearing an interest rate of Libor+2,3% until 2013 and an interest rate of Libor+2,8% thereafter.

Following the principal repayments of the loans detailed above, the outstanding balance of the related loans decreased to USD993.126.687 as of 31 December 2011.

Koç Holding obtained a loan of USD425.000.000, comprising two tranches of USD120.000.000 and EUR211.500.000 from a consortium comprising 21 financial institutions. Following the principal repayments of USD28.000.000 and EUR115.500.000, the total amount of the related loans has decreased to USD216.200.000 as of 31 December 2011. Interest rates for the remaining portions of USD and EUR loans were re-determined as Libor+2,25% and Euribor+1,75%, respectively.

In 2010, Arçelik, a Subsidiary of the Group, has obtained loans of approximately TL1.000.000 thousand in different currencies with maturities of 2 to 3 years in order to finance its due loans. The interest rates of the loans with 2 years maturity are determined as Euribor+1,70% and Tribor+0,70% for EUR and TL parts, respectively. The interest rates of the loans with 3 years maturity are determined as Euribor+1,80%, Libor+1,90% and Tribor+0,75% for EUR, GBP and TL parts, respectively.

The details of collaterals, mortgages and pledges given related to the loans of the Group are disclosed in Note 32.

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 19-FINANCIAL LIABILITIES (Continued)

The redemption schedule of long-term bank borrowings is as follows:

	2011	2010
1-2 years	3.221.698	2.725.090
2-3 years	1.794.711	1.668.451
3-4 years	1.963.052	752.984
4-5 years	1.597.367	1.337.057
5years and over	1.186.450	1.548.868
	9.763.278	**8.032.450**

NOTE 20-TAX ASSETS AND LIABILITIES

	2011	2010
Current income tax liabilities		
Domestic	761.107	728.569
Foreign	23.715	19.060
Less: Prepaid income tax	(573.913)	(537.762)
Current income tax liabilities (net)	**210.909**	**209.867**
Deferred tax liabilities		
Domestic	691.763	617.845
Foreign	127.345	47.316
	819.108	**665.161**
Deferred tax assets		
Domestic	(363.107)	(331.512)
Foreign	(46.107)	(19.714)
	(409.214)	**(351.226)**
Deferred tax liabilities (net)	**409.894**	**313.935**

Turkish tax legislation does not permit a parent company, its subsidiaries, joint ventures and associates to file a consolidated tax return. Therefore, tax liabilities, as reflected in 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, income not subject to tax and allowances.

Income tax expenses in the consolidated income statements are summarised as follows:

	2011	2010
Current period tax expense	796.303	747.629
Deferred tax expense / (income) (net)	60.812	(78)
	857.115	**747.551**
Profit before tax	**4.707.468**	**3.885.951**
Domestic tax rate	20%	20%
Tax calculated at domestic tax rate	941.494	777.190
Income not subject to tax	(231.442)	(118.790)
Non-deductible expenses	79.347	43.737
Carry forward tax losses (net effect)	55.480	38.194
Tax rate differences	8.356	7.691
Other	3.880	(471)
Tax expense	**857.115**	**747.551**

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 20-TAX ASSETS AND LIABILITIES (Continued)

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 the Turkish tax legislations. 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 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)	
	2011	2010	2011	2010
Property, plant and equipment and intangible assets	4.950.912	4.320.177	(1.012.501)	(893.515)
Investment incentives	(1.418.979)	(1.180.519)	122.437	90.876
Impairment provision for loans	(511.448)	(490.801)	101.677	97.892
Provision for employment termination benefits	(396.312)	(359.113)	79.605	71.861
Provision for the Pension Fund	(387.643)	(419.018)	77.529	83.804
Carryforward tax losses	(244.073)	(174.038)	55.332	34.809
Warranty and assembly provisions	(261.161)	(204.473)	52.119	40.574
Inventories	(122.614)	(103.488)	24.574	20.705
Impairment of financial assets	(88.908)	(61.703)	17.781	12.341
Provision for unused vacation	(85.997)	(71.554)	17.105	14.242
Derivative financial instruments	(70.616)	72.906	13.673	(14.326)
Expense accruals (net)	(57.427)	(63.145)	11.485	12.629
Provision for lawsuits	(41.261)	(181.023)	8.253	36.204
Unearned finance income / (expense) (net)	26.510	(17.587)	(5.320)	3.490
Provision for credit card bonus	(16.953)	(19.849)	3.391	3.970
Research and development incentives	(15.770)	(72.371)	3.154	14.474
Deferred income	(13.133)	(33.122)	2.627	6.625
Other (net)	(56.885)	(200.634)	17.185	49.410
Deferred tax assets / (liabilities) (net)			**(409.894)**	**(313.935)**

Net deferred tax assets and liabilities recognised in the Subsidiaries' and Joint Ventures' financial statements prepared in accordance with CMB Financial Reporting Standards, 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, present the net deferred tax position.

The redemption schedule of carry forward tax losses which are not considered in deferred tax calculation is as follows:

	2011	2010
Up to 1 year	42.719	123.887
Up to 2 years	640.775	40.666
Up to 3 years	161.161	641.113
Up to 4 years	215.134	175.158
5 years and above	655.827	523.468
	1.715.616	**1.504.292**

The Group's investment incentives that can be utilised in the following periods but not considered in the deferred tax calculation amounts to TL272.380 thousand (subject to withholding) (2010: TL292.573 thousand) and TL1.074 thousand (not subject to withholding) (2010: TL922 thousand).

Movements in deferred tax assets / (liabilities) are as follows:

	2011	2010
Beginning of the period-1 January	(313.935)	(310.319)
Charge to the income statement:	(60.812)	78
Charge to equity:		
-Financial assets fair value reserve	25.871	(13.368)
-Hedging reserve	47.462	(1.176)
-Non-current asset revaluation fund	423	363
Acquisitions (Note 3)	(84.927)	-
Sale of subsidiary (1)	(10.075)	-
Changes in the scope of consolidation (2)	-	674
Transfers (3)	-	10.494
Currency translation differences	(13.901)	(681)
End of the period-31 December	**(409.894)**	**(313.935)**

(1) Due to the sales of Koçnet shares in 2011.
(2) Due to the exclusion of Beldesan, Beldeyama, Bozkurt and Ultra Kablo from the scope of consolidation.
(3) Transferred to assets held for sale.

NOTE 21-OTHER PAYABLES

	2011	2010
Taxes and duties payable	1.865.049	1.505.104
Social security premiums payable	67.621	40.076
Other	101	108
	1.932.771	**1.545.288**

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 22-PROVISIONS FOR EMPLOYEE BENEFITS

Short-term employee benefits	2011	2010
Provision for unused vacation	87.208	76.296

Long-term employee benefits	2011	2010
Provision for employment termination benefits	404.058	369.839
Provision for the Pension Fund	387.643	419.018
	791.701	788.857

Provision for employment termination benefits:

-Domestic	398.344	365.375
-Foreign	5.714	4.464
	404.058	369.839

Under 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 2011, the amount payable consists of one month's salary limited to a maximum of TL2.731,85 (2010: TL2.517,01) 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 TL2.805,04 effective from 1 January 2012 (1 January 2011: TL2.623,23) 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 have been used in the calculation of the total liability. Related rates have been presented by considering the weighted average of actuarial assumptions of the Subsidiaries and Joint Ventures within the scope of consolidation.

	2011	2010
Net discount rate (%)	4,65	4,66
Turnover rate to estimate the probability of retirement (%)	97,5	97,5

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

	2011	2010
Beginning of the period-1 January	369.839	331.634
Interest expense	15.671	16.680
Actuarial losses	19.896	14.363
Increase during the period	68.374	57.147
Payments during the period	(70.236)	(48.763)
Currency translation differences	843	(182)
Acquisitions	747	-
Sale of subsidiary (1)	(1.076)	-
Changes in the scope of consolidation (2)	-	(431)
Transfers (3)	-	(609)
End of the period-31 December	404.058	369.839

(1) Due to the sales of Koçnet shares in 2011.
(2) Due to the exclusion of Beldesan, Beldeyama, Bozkurt and Ultra Kablo from the scope of consolidation; inclusion of Eltek and THY Opet to the scope of consolidation in 2010.
(3) Transferred to assets held for sales.

Provision for the Pension Fund:

Yapı Kredi Bankası, a Joint Venture of the Group, accounted for a provision amounting to TL387.643 thousand (Note 2.4.21) for the technical deficit based on the report prepared by a registered actuary in accordance with the technical interest rate of 9,8% determined by the New Law and CSO 1980 mortality table (2010: TL419.018 thousand).

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 22-PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

The amounts recognised in the income statement:

	2011	2010
Provision income for the Pension Fund (Note 28)	31.375	13.012

Provision for the Pension Fund is determined as follows:

	2011	2010
Transferrable pension benefits	625.288	591.766
Transferrable post-employment benefits	21.266	48.017
Present value of funded obligations	646.554	639.783
Fair value of plan assets	(258.911)	(220.765)
	387.643	**419.018**

Movements in the provision for the Pension Fund are as follows:

	Pension benefit plans		Post-employment medical benefits	
	2011	2010	2011	2010
1 January	**591.766**	**538.982**	**48.017**	**80.585**
Service cost	35.696	32.055	24.140	21.704
Interest cost	57.993	52.820	4.706	7.897
Contributions by plan participants	30.288	27.198	16.093	14.470
Actuarial losses/(gains)	(22.179)	959	(68.406)	(61.389)
Benefits paid	(68.276)	(60.248)	(3.284)	(15.250)
31 December	**625.288**	**591.766**	**21.266**	**48.017**

Movements in the fair value of the Pension Fund assets are as follows:

	2011	2010
Beginning of the period-1 January	**220.765**	**187.537**
Return on plan assets	40.438	34.223
Employer contributions	35.697	32.055
Employee contributions	30.289	27.198
Benefits paid	(68.278)	(60.248)
End of the period-31 December	**258.911**	**220.765**

The fair value of pension assets are comprised as follows:

	2011		2010	
	Amount	(%)	Amount	(%)
Government bonds and treasury bills	97.728	38	77.451	35
Property, plant and equipment	58.028	22	58.197	26
Bank placements	83.858	32	66.716	30
Short term receivables	9.684	4	9.747	5
Other	9.613	4	8.654	4
	258.911	**100**	**220.765**	**100**

The principal actuarial assumptions used are as follows:

	2011	2010
Discount rate (%)	9,80	9,80

Mortality rate:

Based on statistical data, the average life expectancy for men and women retiring at the ages of 65 and 64, respectively, is 14 years for men and 18 years for women.

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 23-OTHER ASSETS AND LIABILITIES

a) Other current assets	2011	2010
VAT receivables	506.772	376.382
Taxes and funds deductible	322.968	151.328
Advances given	307.668	291.577
Precious metals	301.694	124.886
Deposits and guarantees given	295.230	270.654
Prepaid expenses	245.481	208.508
Assets obtained as loan collaterals	62.380	50.512
Payments for credit card settlements	52.178	33.916
Biological assets	31.354	42.850
Interbank cheque clearing account	3.408	4.149
Other	186.352	258.042
	2.315.485	1.812.804

b) Other non-current assets	2011	2010
Advances given	726.746	143.374
Prepaid expenses	481.288	331.296
Spare parts and other materials	339.490	329.518
Other	80.219	20.651
	1.627.743	824.839

c) Short-term provisions and other current liabilities

	2011	2010
Provisions:		
Cost accruals of construction contracts	240.836	146.382
Provision for warranty and assembly	239.407	218.057
Provision for lawsuits (*)	128.101	285.380
Provision for losses related with loan commitments (Note 32.b)	107.944	100.855
Provision for Energy Market Regulation Authority participation share	18.495	14.682
Provision for credit card campaigns	16.953	19.849
Provision for the advertising publication agreement	8.547	13.611
Provision for the non-core assets option agreement	-	15.273
Other	128.879	124.026
	889.162	938.115
Other current liabilities:		
Credit card payables	1.675.103	1.458.820
Advances received	329.752	288.606
Blocked accounts	291.903	270.689
Payables to personnel and premium accruals	274.840	215.035
Deferred income	107.770	56.095
Interbank cheque clearing account	104.327	140.396
Accruals for sales and other marketing expenses	136.128	74.285
Import deposits and transfer orders	62.898	61.404
Transitory accounts	55.934	65.428
Collaterals obtained for derivative transactions	33.721	80.251
Deposits and guarantees received	33.611	30.793
Accruals for license expenses	21.621	22.656
Export commitment accruals	18.626	19.743
Other	546.454	312.345
	3.692.688	3.096.546
	4.581.850	4.034.661

(*) The amount includes the provision accounted for in 2010 for the tax/penalty notice issued to Tüpraş, a Subsidiary of the Group, on 9 November 2010. The related provision amounts to TL181 million and was calculated in accordance with Law No 6111 (Law on Amendments of Restructuring of Several Types of Receivables and Social Security and General Health Insurance Law and Other Several Law and Executive Orders" published in the Official Gazette, numbered 25857 and dated 25 February 2011). The tax penalty amounting to TL175 million, which was calculated by the related public administration, was paid by Tüpraş on 30 June 2011.

d) Long-term provisions and other non-current liabilities

	2011	2010
Provisions:		
Warranty provision	112.935	57.212
Other non-current liabilities:		
Revenue share (*)	400.086	328.716
Deposits and guarantees received	70.981	57.446
Government grants	31.781	48.668
Other	46.461	38.697
	662.244	530.739

(*) In accordance with the Petroleum Market License Regulation and Liquefied Petroleum Gas ("LPG") Market Regulation, revenue shares collected by Tüpraş, but not recognised in the statement of comprehensive income, have been recorded as revenue share within "Other long-term liabilities" and blocked in banks as demand deposits with special interest rates within "Cash and cash equivalents" according to the decision of National Petroleum Reserves Commission.

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 23-OTHER ASSETS AND LIABILITIES (Continued)

The movements of provisions for warranty and assembly, cost accruals of construction contracts and provision for lawsuits are as follows for the year ended 31 December 2011:

	Provisions for warranty and assembly	Cost accruals of construction contracts	Provision for lawsuits
As of 1 January 2011	**275.269**	**146.382**	**285.380**
Additions	476.615	62.165	41.882
Disposals / Payments (*)	(422.395)	-	(199.344)
Acquisitions	8.175	-	-
Currency valuation	-	32.289	-
Currency translation differences	14.678	-	183
As of 31 December 2011	**352.342**	**240.836**	**128.101**

(*) The movement of provision for lawsuits includes the payment of Tüpraş, a Subsidiary of the Group, on 30 June 2011 regarding the tax penalty amounting to TL175 million (Note 23.c).

NOTE 24-ASSETS HELD FOR SALE

a) Assets and liabilities held for sale

Due to the liquidation of Otoyol Sanayi, a Subsidiary of the Group, assets and liabilities of the related subsidiary have been classified in the consolidated financial statements as of 31 December 2011 and 2010 as held for sale in accordance with IFRS 5.

According to the resolution of the Board of Directors of Aygaz, a Subsidiary of the Group, on 30 November 2010, it was agreed to sell Aygaz's 49,62% share (with a nominal value of TL49.079 thousand) in Entek to AES Mont Blanc Holdings B.V. for a consideration of USD136.455 thousand, to be paid in cash at the share transfer completion date. In the consolidated financial statements dated 31 December 2010, the assets and liabilities of the mentioned subsidiary have been classified as held for sale in accordance with IFRS 5. Following the completion of the share transfer, Entek has been accounted for as a joint venture in the consolidated financial statements by proportionate consolidation in 2011 (Note 3).

A summary of information regarding assets and liabilities held for sale is as follows:

Assets held for sale	2011	2010
Cash and cash equivalents	5.612	91.955
Trade receivables	93	30.687
Property, plant and equipment	44	221.331
Intangible assets	-	349
Other assets	411	12.433
	6.160	**356.755**

Liabilities held for sale	2011	2010
Financial liabilities	**-**	**64.295**
Trade payables	183	34.879
Provision for employment termination benefits	92	686
Deferred tax liability	-	12.587
Other liabilities	5.242	11.737
	5.517	**124.184**

b) Income statement related to the assets and liabilities held for sale

	2011	2010
Revenue (net)	-	400.986
Cost of sales (-)	-	(389.031)
Gross profit	**-**	**11.955**
General administrative expenses (-)	(922)	(14.155)
Other income/expense (net)	(759)	2.835
Operating profit	**(1.681)**	**635**
Financial income/expense (net)	1.041	3.427
Profit before tax	**(640)**	**4.062**
Taxes on income (net)	-	44
Profit for the period	**(640)**	**4.106**

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 25-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 1 Kr. Koç Holding's registered and issued share capital is as follows:

	2011
Limit on registered share capital (historical)	3.000.000
Issued share capital in nominal value	2.415.141

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 structure of Koç Holding is as follows:

	2011		2010	
	Share %	Amount	Share %	Amount
Temel Ticaret ve Yatırım A.Ş.	42,39	1.023.794	42,39	1.023.794
Koç Family Members	26,02	628.196	26,02	628.196
Rahmi M. Koç ve Mahdumları Maden, İnşaat, Turizm, Ulaştırma, Yatırım ve Ticaret A.Ş.	0,10	2.532	0,10	2.532
Total Koç Family members and companies owned by Koç Family members	**68,51**	**1.654.522**	**68,51**	**1.654.522**
Vehbi Koç Vakfı	7,15	172.767	7,15	172.767
Koç Holding Emekli ve Yardım Sandığı Vakfı	1,99	48.049	1,99	48.049
Other	22,35	539.803	22,35	539.803
Paid-in share capital	**100,00**	**2.415.141**	**100,00**	**2.415.141**
Adjustment to share capital (*)		967.288		967.288
Total share capital		**3.382.429**		**3.382.429**

(*) 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 analysis of shares by group is as follows:

Group	Unit of shares	TL'000	Nature of shares
A	64.645.087.838	646.451	Registered
B	176.869.012.162	1.768.690	Registered
	241.514.100.000	**2.415.141**	

In the Articles of Association ("the Articles") Koç Holding sets 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 resolutions to change the Articles).

Revaluation Funds

Increases/decreases of carrying amounts as a result of revaluations recognised directly in the equity are as follows:

	2011	2010
Financial assets fair value reserve	(4.244)	109.626
Hedging reserve:		
-Cash flow hedges	(205.197)	(82.388)
-Net investment hedges	(63.691)	(21.097)
Non-current assets revaluation fund	27.815	13.662
Total revaluation fund	**(245.317)**	**19.803**

The movements in the revaluation funds are presented in the statement of comprehensive income and statement of changes in equity.

Restricted Reserves

The details of the restricted reserves are as follows:

	2011	2010
Legal reserves	170.535	152.817
Special reserves	2.139.103	2.139.103
	2.309.638	**2.291.920**

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 was transferred to "Special Reserves".

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 25-EQUITY (Continued)

Dividend Distribution

Listed companies are subject to dividend requirements regulated by the CMB as follows:

In accordance with the CMB Decision dated 27 January 2010, concerning allocation basis of profit, starting in 2010, and minimum profit distribution obligation will not be applied for listed companies. According to the Board's decision and Communiqué Serial: IV No:27 issued by CMB regarding allocation basis of profit of listed companies, the distribution of the relevant amount may be realised as cash, as bonus shares, partly as cash and bonus shares or the relevant amount can be retained within the company.

In addition, according to aforementioned Board Decision, it is stipulated that companies which have the obligation to prepare consolidated financial statements, calculate the net distributable profit amount by taking into account the net profits for the period in the consolidated financial statements that will be prepared and announced to the public in accordance with the Communiqué XI No: 29, "Principles of Financial Reporting in Capital Markets" issued by CMB providing the profits can be met by the sources in their statutory records.

In accordance with Article 32 of the Company's Articles of Association, a contribution of a maximum 2% (according to the decision of the General Assembly) of the amount remaining after the first legal reserves set aside over income before tax, financial obligations and initial dividends, is paid to Koç Holding Emekli ve Yardım Sandığı Vakfı. In addition, save for the first dividend determined according to the Capital Markets Law, 3% of the amount remaining after the first legal reserves, financial obligations and 5% of the paid-in capital are deducted from the income before tax, is allocated to share certificate owners. However, the share to be paid to the owners of the dividend shares may not be more than 1/10 of the amount remaining after the first legal reserves and first dividend calculated according to CMB regulations are deducted from the net profit.

The total amount of net income after the deduction of accumulated losses at statutory records and inflation adjustment difference that can be subject to dividend distribution is TL1.438.415 thousand.

It was resolved at Koç Holding's Ordinary General Assembly Meeting held on 7 April 2011 to distribute TL1.734.479 thousand from the consolidated net profit of 2010 in the amount of TL550.000 thousand as first and second level dividends to shareholders (dividend per share TL0,2277), TL6.500 thousand to Koç Holding Emekli ve Yardım Sandığı Vakfı, and TL47.880 thousand to the holders of dividend right certificates as cash dividends (gross=net). Related cash dividend payments were completed as of 18 April 2011.

NOTE 26-REVENUE

	2011	2010
Domestic revenue	53.527.198	38.113.939
Foreign revenue	18.579.328	12.797.849
Gross revenue	**72.106.526**	**50.911.788**
Less: Discounts	(2.339.385)	(2.089.506)
Revenue	**69.767.141**	**48.822.282**
Sales of goods	68.751.345	47.917.608
Sales of services	1.015.796	904.674
Revenue	**69.767.141**	**48.822.282**

Finance sector operating revenue is disclosed in Note 5.

NOTE 27-EXPENSES BY NATURE

Expense by nature includes cost of goods sold, marketing, selling and distribution expenses, general administrative expenses and research and development expenses.

	2011	2010
Raw materials and supplies	47.704.633	31.031.025
Changes in work in progress, finished goods	(1.205.133)	(188.867)
Cost of merchandise sold	11.278.927	8.370.323
Personnel expenses	3.333.312	2.852.173
Depreciation and amortisation charges	1.035.051	964.490
Transportation, distribution and storage expenses	857.355	634.819
Energy and utility expenses	815.095	635.304
Warranty and assembly costs	487.595	399.331
Advertisement and promotion expenses	476.609	417.095
Rent expenses	429.804	339.767
Maintenance and repair expenses	309.046	226.172
Outsourcing expenses	230.940	212.460
Taxes, duties and charges	176.954	171.291
Litigation and consultancy expenses	126.378	90.769
Information systems and communication expenses	118.848	100.746
Insurance expenses	97.050	83.312
Travel expenses	93.393	71.858
Royalty and license expenses	68.692	48.594
Grants and donations	49.333	40.563
Sales, incentives and premium expenses	46.223	69.339
Other	918.325	824.603
	67.448.430	**47.395.167**

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 27-EXPENSES BY NATURE (Continued)

The functional breakdown of amortisation, depreciation and personnel expenses is as follows:

	2011	2010
Depreciation and amortisation charges		
Cost of sales	691.361	688.921
Marketing, selling and distribution expenses	61.015	50.945
General administrative expenses	231.595	183.837
Research and development expenses	51.080	40.787
	1.035.051	964.490

Total depreciation charges capitalised in 2011 is TL17.314 thousand (2010:TL3.484 thousand).

	2011	2010
Personnel expenses		
Cost of sales	1.209.553	1.044.895
Marketing, selling and distribution expenses	450.616	382.866
General administrative expenses	1.621.786	1.375.664
Research and development expenses	51.357	48.748
	3.333.312	2.852.173

NOTE 28-OTHER INCOME/EXPENSES

	2011	2010
Other income		
Gain on sale of subsidiary	194.629	-
Gain on sale of property, plant and equipment and scraps	112.169	113.952
Reversal of provisions	49.043	60.953
Income from incentives	37.383	55.025
Rent income	14.746	28.779
Gain on sale of non-performing loans	6.513	36.760
Other	184.636	168.509
	599.119	463.978
Other expenses		
Provision for loan impairment	(173.914)	(217.460)
Other provision expenses	(138.704)	(307.061)
Provisions expenses for the Pension Fund (Note 22)	31.375	13.012
Loss on sale of subsidiary	(43.665)	-
Product recall expenses	(30.459)	-
Competition authority penalty (Automotive segment)	(28.609)	(6.156)
Loss on sale of property, plant and equipment	(9.178)	(28.067)
Other	(54.619)	(81.276)
	(447.773)	(627.008)

NOTE 29-FINANCIAL INCOME/EXPENSES

	2011	2010
Financial income		
Foreign exchange gains	1.674.624	1.128.295
Interest income	353.228	537.719
Credit finance income	302.846	204.429
Gains on derivative financial instruments	68.307	39.663
Other financial income	4.535	9.795
	2.403.540	1.919.901
Financial expenses		
Foreign exchange losses	(2.580.837)	(1.393.550)
Interest expenses	(411.957)	(576.071)
Credit finance charges	(140.244)	(115.566)
Losses on derivative financial instruments	(34.765)	(23.340)
Other financial expenses	(25.418)	(30.297)
	(3.193.221)	(2.138.824)

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

Koç Holding A.Ş.

Notes To The Consolidated Financial Statements
For The Year Ended 31 December 2011 (Continued)
(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 30-RELATED PARTY DISCLOSURES

a) Related party balances

	2011			2010		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Cash and cash equivalents	1.366.004	-	1.366.004	2.143.670	-	2.143.670
Trade receivables	351.733	16.628	368.361	58.537	24.486	83.023
Trade payables	205.802	38.804	244.606	220.168	27.557	247.725
Loans and advances to customers	44.726	17.495	62.221	21.508	19.405	40.913
Deposits	120.302	1.082.548	1.202.850	69.555	864.878	934.433
Financial liabilities	358.675	-	358.675	463.783	-	463.783

b) Related party transactions

	2011			2010		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Sales of goods and services	3.393.399	43.753	3.437.152	1.482.320	32.920	1.515.240
Purchases of goods and services	1.701.543	210.305	1.911.848	1.418.648	127.792	1.546.440
Gain on sale of property, plant and equipment (net)	-	6.322	6.322	-	40.055	40.055
Interest income	101.361	-	101.361	71.097	-	71.097
Interest expense (-)	18.242	-	18.242	42.752	-	42.752

Presents post elimination balances and transactions with the "Joint Ventures" of the Group, which are accounted through proportionate consolidation.

As of 31 December 2011, cash and cash equivalents, loans and advances to customers, deposits and financial liabilities balances include post elimination balances of the Group with Yapı Kredi Bankası. TL255.232 thousand of trade receivables is composed of post elimination balances due to the petroleum products sales of Tüpraş to Opet and THY Opet. TL173.615 thousand of trade payables is composed of post elimination balances due to vehicle purchases of Otokoç from Ford Otosan and Tofaş.

TL3.002.929 thousand of sales of goods and services is composed of post elimination balances arising on sales of Tüpraş's petroleum products to Opet and THY Opet for the year ended 31 December 2011. TL1.332.471 thousand of purchases of goods and services is composed of post elimination balances due to Otokoç's vehicle purchases from Ford Otosan and Tofaş.

c) Key management compensation

The key management of Koç Holding is identified as the the members of the Board of Directors (including the President) and Group Presidents. Total compensation provided to key management personnel by Koç Holding in 2011 amounted to TL17.116 thousand (2010: TL20.162 thousand). The amount is comprised of short-term employee benefits.

NOTE 31-GOVERNMENT GRANTS

The Group is entitled to the following incentives and rights:

a) 100% exemption from customs duty on machinery and equipment imported,
b) Exemption from VAT on investment goods supplied from home and abroad,
c) Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
d) Inward processing permission certificates,
e) Cash refund from Tübitak-Teydeb for research and development expenditures,
f) Exemption from taxes, duties and charges,
g) Discounted corporate tax incentive,
h) Insurance premium employer share incentive,
i) Investment incentive allowance (Note 20),
j) Brand supporting government grants given by the Undersecretariat of Foreign Trade (Turquality),
k) Incentive of environmental costs support by law 9715,
l) Patent incentives.

NOTE 32-COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) GUARANTEES

Finance:

The debt securities subject to repurchase agreements:

As of 31 December 2011, debt securities subject to re-purchase agreements total TL3.586.563 thousand (31 December 2010: TL1.945.199 thousand).

Debt securities pledged as collateral:

As of 31 December 2011, debt securities, amounting to TL1.686.325 thousand (2010: TL1.283.170 thousand) included in the financial assets are pledged;

-to the CBRT and Undersecretariat of Treasury due to legal requirements,
-to Istanbul Stock Exchange and Settlement Custody Bank Incorporation due to stock exchange and money market operations and,
-to various banks, due to loan agreements as guarantees.

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 32-COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Non-Finance:

The summary of guarantees received and given regarding the non-finance sector companies is as follows;

Guarantees given:

	2011	2010
Letters of credit	2.665.571	1.949.590
Letters of guarantee	2.131.902	1.531.396
Guarantee notes	408.384	649.664
Equity shares (*)	202.714	219.414
Other	65.698	56.179
	5.474.269	4.406.243

(*) The Group's equity shares in Arçelik and Tüpraş with a nominal value of TL75.000 thousand and TL127.714 thousand, respectively, (2010: TL91.700 thousand Arçelik-TL127.714 thousand Tüpraş) are pledged as collateral (without prejudice to voting and dividend rights associated with these shares) against the loans obtained in 2006 to finance the cost of the Tüpraş acquisition and to refinance the Group's existing loans (Note 19).

Guarantees received:

	2011	2010
Letter of guarantee	3.297.857	1.626.063
Mortgages	1.884.363	1.627.273
Direct crediting limit	674.203	434.313
Bill of guarantees	320.159	305.138
Guarantee notes	261.516	205.809
Other commitments	202.725	121.294
	6.640.823	4.319.890

Collaterals/pledges/mortgages ("CPM") of the Group, except finance sector, as of 31 December 2011 and 2010 are as follows (Total amounts in the table below also contains TL denominated CPM balances. Foreign currency CPMs are presented by their TL equivalents):

	2011	2010
A. Total amount of CPM's given in the name of its own legal personality	5.014.955	3.561.056
-TL	1.591.906	591.270
-USD	2.769.219	2.369.569
-EUR	603.276	529.120
-Other	50.554	71.097
B. Total amount of CPM's given on behalf of the fully consolidated companies (*)	263.990	589.432
-TL	36.339	128.218
-USD	70.834	144.628
-EUR	156.817	316.586
C. Total amount of CPM's given on behalf of third parties for ordinary course of business (*)	195.234	255.755
-USD	117.112	108.220
-EUR	78.202	147.535
D. Total amount of other CPM's given	-	-
i) Total amount of CPM's given on behalf of the majority shareholder	-	-
ii) Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-
	5.474.269	4.406.243

(*) As of 31 December 2011, TL408.384 thousand of the total balance is related with bills of guarantees provided for the loan obtained from a consortium including 21 financial institutions to meet various financing needs of Koç Group companies (Subsidiaries and Joint Ventures) within the main operations of the parent company Koç Holding (Note 19).

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 32-COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

b) COMMITMENTS

Finance:

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 2011, the Group has custody accounts amounting to TL15.662.739 thousand (2010: TL13.259.444 thousand).

Credit related commitments:

	2011	2010
Letters of guarantee		
-TL	4.971.996	3.890.362
-Foreign currency	4.435.575	3.583.683
Letter of credits	2.503.492	1.999.937
Acceptance credits	79.458	82.899
Other	1.195.949	289.719
	13.186.470	9.846.600
Less: Provisions (Note 23.c)	(107.944)	(100.855)
	13.078.526	**9.745.745**

Non-finance:

Energy

i) Several financial and non-financial covenants exist with respect to the loans obtained in 2006 in order to finance the acquisition cost of Tüpraş and to re-finance the Group's existing loans. In the event that these covenants are not fulfilled, the aforementioned creditors have the right to recall the outstanding loans (Note 19).

ii) National petroleum stock is provided under the obligation of refinery; fuel and LPG distribution licensees to keep a minimum of twenty 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 risks arising from 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 ninety 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.

Automotive

i) In the scope of the borrowing agreements, Ford Otosan, a Joint Venture of the Group, is required to deposit its proceeds on exports up to an amount EUR61.560.000, EUR36.525.600, EUR12.312.000, EUR8.208.000 and EUR24.624.000 through deposit accounts at Garanti Bankası A.Ş., Akbank T.A.Ş., İş Bankası A.Ş., T.C Ziraat Bankası A.Ş. and Vakıflar Bankası T.A.O, respectively for the year 2011. Additionally, Ford Otosan committed to realize exports of EUR6.074.000 within the context of the loan received from Türkiye İhracat Kredi Bankası A.Ş. (Eximbank). As of 31 December 2011 the Company has fulfilled these commitments.

ii) As of 31 December 2011, Tofaş, a Voint Venture of the Group, carried out an export sales amounting to USD436.904.400 within the scope of an export incentive certificate, requiring an export commitment of USD718.961.400 to be fulfilled by 3 May 2012 (By 2010, Group carried out an export transaction amounting to USD458.106.000 within the scope of an export incentive certificate, requiring an export commitment of USD546.319.800 to be fulfilled by 27 October 2011.)

Consumer durable

i) Arçelik, a Subsidiary of the Group, has export commitments of USD1.244.265.732 (2010: USD480.534.762) within the context of the export incentive certificates of the subsidiary as of 31 December 2011.

NOTE 33-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 strategy focuses on the unpredictability of financial markets and targets 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 large number of entities comprising the customer bases and the penetration to different business segments.

Credit risk management procedures

Finance:

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 the 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 for each Treasury and Fund Management employee authorised for market transactions are followed 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.

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 33-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Corporate and commercial credit customers are followed up by the related system of the Bank by their corresponding credit ratings. Furthermore, by the use of the credit rating systems developed for customers with different characteristics, counterparty default risk is calculated.

Non-Finance:

The Group's non-finance sector companies are exposed to credit risk arising from their trade receivables, financial assets, derivative instruments and bank deposits.

Major portion of 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 follow-up of credit risk of trade receivables 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 selected for transactions.

Credit risk details

The maximum exposure of the Group's financial assets to credit risk is as follows:

31 December 2011	Trade receivables	Loans and advances to customers	Cash and cash equivalents	Financial assets	Derivative financial instruments
Maximum exposure to credit risk as of reporting date (A+B+C+D+E)	**9.382.416**	**38.188.570**	**6.281.040**	**10.730.064**	**378.356**
A. Net book value of neither past due nor impaired financial assets (*)	8.046.407	36.061.293	6.281.040	10.722.739	378.356
B. Net book value of restructured financial assets	55.446	175.104	-	-	-
C. Net book value of past due but not impaired financial assets	1.218.537	1.956.389	-	-	-
D. Net book value of impaired assets	62.026	370.393	-	7.325	-
-Past due	62.026	370.393	-	-	-
-Gross amount	256.893	1.213.134	-	-	-
-Impairment	(194.867)	(842.741)	-	-	-
-Secured with guarantees	*62.026*	*235.497*	-	-	-
-Not past due	-	-	-	7.325	-
-Gross amount	8.428	-	-	31.610	-
-Impairment	(8.428)	-	-	(24.285)	-
-Secured with guarantees	-	-	-	-	-
E. Collective provision for impairment (-)	-	(374.609)	-	-	-

31 December 2010	Trade receivables	Loans and advances to customers	Cash and cash equivalents	Financial assets	Derivative financial instruments
Maximum exposure to credit risk as of reporting date (A+B+C+D+E)	**5.189.502**	**29.581.360**	**9.585.578**	**10.133.279**	**367.981**
A. Net book value of neither past duenor impaired financial assets (*)	4.843.928	28.082.502	9.585.578	10.133.279	367.981
B. Net book value of restructured financial assets	31.134	40.215	-	-	-
C. Net book value of past due but not impaired financial assets	260.333	1.546.729	-	-	-
D. Net book value of impaired assets	54.107	249.156	-	-	-
-Past due	54.107	249.156	-	-	-
-Gross amount	260.829	1.169.202	-	-	-
-Impairment	(206.722)	(920.046)	-	-	-
-Secured with guarantees	*51.783*	*213.306*	-	-	-
-Not past due	-	-	-	-	-
-Gross amount	8.178	-	-	-	-
-Impairment	(8.178)	-	-	-	-
-Secured with guarantees	-	-	-	-	-
E. Collective provision for impairment (-)	-	(337.242)	-	-	-

(*) Includes receivables from related parties.

As of 31 December 2011 the Finance Segment is exposed to credit risk arising from credit related commitments in the amount of TL13.186.470 thousand (2010: TL9.846.600 thousand) (Note 32). By taking the related risk into consideration, the maximum credit risk amount, to which the Group is exposed, is TL78.146.916 thousand (2010: TL64.704.300 thousand).

Trade receivables

a) Details of neither past due nor impaired or restructured trade receivables' credit quality:

	2011	2010
New customers (less than 3 months)	539.803	240.626
Public institutions and corporations	148.976	56.138
Other customers with no payment defaults	7.177.636	4.198.053
Customers with prior collection delays	179.992	349.111
	8.046.407	4.843.928

As of 31 December 2011, trade receivables that are not due and not impaired amounting to TL4.488.933 thousand are secured with guarantees (2010: TL2.723.398 thousand).

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 33-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

b) Analysis of past due trade receivables:

Not impaired	2011	2010
Past due up to 1 month	356.861	115.104
Past due 1-3 months	806.081	87.586
Past due 3-12 months	35.093	36.604
Past due over 1 year	20.502	21.039
	1.218.537	**260.333**

As of 31 December 2011, past due but not impaired trade receivables amounting to TL176.564 thousand are secured by guarantee (2010: TL199.497 thousand).

TL920.025 thousand of overdue receivables that are past due but not impaired are related to Tüpraş, a subsidiary of the Group. The Group management does not estimate a collection risk for these receivables as the significant portion of these receivables is due from government entities to which sales are made regularly.

Impaired	2011	2010
Past due up to 3 months	27.927	61.515
Past due 3-6 months	13.663	4.313
Past due over 6 months	215.303	195.001
Less: Impairment	(194.867)	(206.722)
	62.026	**54.107**

As of 31 December 2011, impaired receivables amounting to TL62.137 thousand are secured by guarantees. (2010: TL51.783 thousand).

Loans and advances to customers

a) As of 31 December 2011, the details of neither past due nor impaired or restructured corporate and commercial loans' credit quality are as follows:

	Rating Class	Concentration Level
Above average	1-4	35,9%
Average	5+-6	51,0%
Below average	7+-9	13,1%

b) Details of past due but not impaired loans and advances:

31 December 2011	Corporate and commercial loans	Consumer loans	Credit card receivables	Financial leasing receivables	Total
Past due up to 1 month	1.141.360	3.737	269.068	3.599	1.417.764
Past due 1-2 months	222.328	80.755	87.217	3.705	394.005
Past due 2-3 months	74.945	30.420	35.958	3.297	144.620
	1.438.633	**114.912**	**392.243**	**10.601**	**1.956.389**

31 December 2010	Corporate and commercial loans	Consumer loans	Credit card receivables	Financial leasing receivables	Total
Past due up to 1 month	226.961	220.974	272.028	2.517	722.480
Past due 1-2 months	20.014	82.446	85.128	2.413	190.001
Past due 2-3 months	486.732	78.232	67.381	1.903	634.248
	733.707	**381.652**	**424.537**	**6.833**	**1.546.729**

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 33-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Sectoral breakdown of loans and advances to customers:

	2011	%	2010	%
Production	8.369.849	22	6.319.692	21
Consumer loans	8.537.709	22	6.140.929	21
Credit card receivables	5.183.373	14	4.246.147	14
Food and retail	1.647.941	4	1.303.614	4
Public sector	735.686	2	646.116	2
Financial institutions	514.901	1	720.279	2
Real estate	209.224	1	176.526	1
Other sectors	12.989.887	34	10.028.057	35
	38.188.570	100	29.581.360	100

Cash and cash equivalents

As of 31 December 2011 and 2010, total cash and cash equivalents are neither past due nor 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 2011, Yapı Kredi Bankası, a Joint Venture of the Group, has booked provision regarding the impairment for foreign securities amounting to TL24.285 thousand. As of 31 December 2010, total debt securities classified under financial assets are neither past due nor impaired.

The rating of debt securities is as follows:

Moody's Credit Rating	2011	2010
Aaa	46.630	35.155
Aa1	22.533	-
Aa2	16.579	13.733
Aa3	216.013	228.650
A1	72.067	-
A2	293.173	152.493
A3	-	81.605
Baa1	17.232	45.655
Baa2	114.966	94.937
Baa3	39.019	16.865
Ba1	10.324	16.046
Ba2 (*)	9.434.786	8.732.533
Ba3	7.572	20.927
Ca	7.325	-
Unrated	92.844	143.089
	10.391.063	9.581.688

(*) Securities consist of Republic of Turkey government bonds and treasury bills.

B) Market Risk

a) Foreign Exchange Risk

The difference between the foreign currency denominated and foreign currency indexed assets and liabilities of the Group 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. Other Subsidiaries and Joint Ventures of the Group keep the currency risk exposure within the limits approved by Koç Holding, the parent company, and 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 and determine new limits, when necessary. Derivative contracts such as swaps, options and forwards are also used as instruments for currency risk management for hedging purposes, when needed.

Assets and liabilities denominated in foreign currency held by the Group before consolidation adjustments are as follows:

	2011	2010
Assets	31.890.331	26.065.224
Liabilities	(40.639.404)	(30.550.152)
Net balance sheet position	(8.749.073)	(4.484.928)
Off-balance sheet derivative instruments net position	3.121.175	64.686
Net foreign currency position	(5.627.898)	(4.420.242)

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 2011, Tüpraş has raw materials and petroleum products amounting to TL3.409.851 thousand (2010: TL1.797.120 thousand).

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 33-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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 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 TL492.825 thousand when assessing foreign exchange risk (2010: TL374.148 thousand).

As of 31 December 2011 and 2010, if EUR and USD had appreciated/depreciated by 10% against TL with all other variables held constant, profit before tax would have been TL513.507 thousand (2010: TL404.609 thousand) lower/higher, mainly as a result of foreign exchange losses/gains on the translation of the foreign exchange position as presented in detail in the table below. The net effect of the related foreign exchange losses/gains on the net profit (equity holders) is approximately TL188.000 thousand.

The impact of 10% exchange increase in income statement (pre-tax profit):

	USD	EUR	Other	Total
31 December 2011				
Foreign currency net position (*)	(557.861)	24.389	19.965	(513.507)
31 December 2010				
Foreign currency net position (*)	(427.638)	12.098	10.931	(404.609)

(*) Related balances do not include the foreign exchange impacts of hedged items.

The impact of 10% exchange increase in comprehensive income statement (pre-tax profit):

	USD	EUR	Other	Total
31 December 2011				
Hedged items (*)	(8.141)	(137.284)	-	(145.425)
31 December 2010				
Hedged items (*)	(5.705)	(76.245)	-	(81.950)

(*) Related balances include foreign exchange impacts that are within the scope of cash flow hedge and hedge of net investments in foreign operations.

	31 December 2011			
	USD (*)	EUR (*)	Other (TL Equivalent)	Total (TL Equivalent)
Assets:				
Cash and cash equivalents	1.334.708	1.261.435	366.886	5.970.711
Financial assets	2.646.330	171.290	120.843	5.538.094
Trade receivables	235.768	782.592	617.167	2.975.009
Receivables from finance sector operations	5.265.862	2.266.451	486.765	15.972.205
Inventories	47.554	60.426	363	237.856
Deferred tax assets	-	190	778	1.242
Other assets	325.157	110.908	309.990	1.195.214
Total assets	**9.855.379**	**4.653.292**	**1.902.792**	**31.890.331**
Liabilities:				
Payables from finance sector operations	6.397.178	2.036.522	1.003.391	18.063.872
Financial liabilities	4.065.090	3.601.268	369.084	16.848.410
Trade payables	1.619.833	426.173	45.781	4.146.964
Current income tax liabilities	-	-	257	257
Provisions for employee benefits	-	857	-	2.094
Other liabilities	556.312	211.072	11.173	1.577.807
Total liabilities	**12.638.413**	**6.275.892**	**1.429.686**	**40.639.404**
Net balance sheet position	**(2.783.034)**	**(1.622.600)**	**473.106**	**(8.749.073)**
Derivative financial assets	6.715.246	2.766.193	267.735	19.712.184
Derivative financial liabilities	(6.885.578)	(1.245.459)	(541.189)	(16.591.009)
Off-balance sheet derivative instruments net position	**(170.332)**	**1.520.734**	**(273.454)**	**3.121.175**
Net foreign currency position	**(2.953.366)**	**(101.866)**	**199.652**	**(5.627.898)**
Net foreign currency position of monetary items	(3.000.920)	(162.292)	199.289	(5.865.754)
Fair value of derivative instruments held for hedging	(111.494)	(1.473)	-	(214.200)

(*) Presented in original currencies.

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 33-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2010			
	USD (*)	EUR (*)	Other (TL Equivalent)	Total (TL Equivalent)
Assets:				
Cash and cash equivalents	2.428.461	1.069.257	86.852	6.032.268
Financial assets	2.667.331	228.397	64.397	4.656.098
Trade receivables	329.775	748.607	287.517	2.331.320
Receivables from finance sector operations	4.871.965	2.072.704	341.400	12.120.636
Inventories	42.844	49.106	394	167.255
Deferred tax assets	-	-	795	795
Other assets	212.148	144.476	132.827	756.852
Total assets	**10.552.524**	**4.312.547**	**914.182**	**26.065.224**
Liabilities:				
Payables from finance sector operations	5.455.340	2.085.078	500.145	13.206.634
Financial liabilities	3.788.783	2.849.838	148.868	11.845.930
Trade payables	2.248.241	417.655	11.408	4.343.005
Current income tax liabilities	-	44	-	90
Provisions for employee benefits	-	668	-	1.369
Deferred tax liabilities	-	520	-	1.066
Other liabilities	430.064	231.217	13.393	1.152.058
Total liabilities	**11.922.428**	**5.585.020**	**673.814**	**30.550.152**
Net balance sheet position	**(1.369.904)**	**(1.272.473)**	**240.368**	**(4.484.928)**
Derivative financial assets	4.058.543	2.007.652	280.360	10.668.750
Derivative financial liabilities	(5.454.734)	(858.729)	(411.422)	(10.604.064)
Off-balance sheet derivative instruments net position	**(1.396.191)**	**1.148.923**	**(131.062)**	**64.686**
Net foreign currency position	**(2.766.095)**	**(123.550)**	**109.306**	**(4.420.242)**
Net foreign currency position of monetary items	(2.808.939)	(172.656)	108.912	(4.587.497)
Fair value of derivative instruments held for hedging purposes	(49.833)	-	-	(77.042)

(*) Presented in original currencies.

Import and export details (TL Equivalent)

Export	**2011**	**2010**
USD	8.929.752	5.547.292
EUR	6.715.770	5.285.552
Other	930.288	631.507
	16.575.810	**11.464.351**
Import		
USD	35.718.777	21.432.670
EUR	5.050.652	3.767.205
Other	57.461	50.408
	40.826.890	**25.250.283**

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 the residual repricing terms of interest-bearing assets and liabilities 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 to the Board of Directors in the context of Asset and Liability Management function. By using sensitivity and scenario analyses, the possible loss effects on the equity are 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:

	2011			2010		
	USD	EUR	TL	USD	EUR	TL
Assets						
Cash and cash equivalents	5,00	2,52	11,11	2,98	1,95	8,62
Financial assets						
-At fair value through profit or loss	8,00	5,75	8,32	5,95	7,05	8,11
-Available-for-sale financial assets	6,80	5,83	9,84	6,98	5,94	7,85
-Held-to-maturity financial assets	6,70	4,70	9,92	6,76	5,33	10,05
Loans and advances to customers	5,04	5,87	13,72	4,63	5,14	12,74
Liabilities						
Financial liabilities	2,49	3,05	9,35	2,61	2,59	8,40
Deposits	4,13	3,88	10,72	2,56	2,33	8,68

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

Koç Holding A.Ş.

Notes To The Consolidated Financial Statements
For The Year Ended 31 December 2011 (Continued)
(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 33-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Group's financial assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates are as follows:

31 December 2011	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	5.685.012	-	-	-	1.111.232	6.796.244
Balances with Central Banks	-	-	-	-	4.524.256	4.524.256
Financial assets						
-At fair value through profit or loss	13.365	84.457	32.650	8.902	20.489	159.863
-Available-for-sale financial assets	417.801	1.191.801	894.347	1.358.180	118.013	3.980.142
-Held-to-maturity financial assets	1.048.324	958.170	1.360.692	3.340.888	-	6.708.074
Loans and advances to customers	9.087.166	8.744.442	12.003.384	7.099.472	1.254.106	38.188.570
	16.251.668	10.978.870	14.291.073	11.807.442	7.028.096	60.357.149
Liabilities						
Deposits	26.440.975	1.992.989	299.746	57.747	5.476.791	34.268.248
Financial liabilities	9.372.573	7.056.582	4.367.173	846.919	20.727	21.663.974
	35.813.548	9.049.571	4.666.919	904.666	5.497.518	55.932.222

31 December 2010	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	8.957.795	-	-	-	979.730	9.937.525
Balances with Central Banks	1.155.052	-	-	-	1.511.048	2.666.100
Financial assets						
-At fair value through profit or loss	61.785	44.524	6.107	62.721	29.791	204.928
-Available-for-sale financial assets	381.975	396.674	1.117.417	994.950	144.988	3.036.004
-Held-to-maturity financial assets	2.097.173	748.928	1.299.372	2.894.350	-	7.039.823
Loans and advances to customers	8.983.607	7.502.688	8.697.047	3.883.283	514.735	29.581.360
	21.637.387	8.692.814	11.119.943	7.835.304	3.180.292	52.465.740
Liabilities						
Deposits	20.928.958	811.063	302.629	67.096	4.712.377	26.822.123
Financial liabilities	8.463.991	4.459.534	3.474.559	394.015	86.195	16.878.294
	29.392.949	5.270.597	3.777.188	461.111	4.798.572	43.700.417

The interest rate position is as follows:

	2011	2010
Fixed interest rate financial instruments		
Financial assets		
Cash and cash equivalents	5.065.591	9.540.507
Financial assets at fair value through profit or loss	116.903	146.947
Available for sale financial assets	3.177.530	2.190.735
Loans and advances to customers	28.458.863	22.430.580
	36.818.887	34.308.769
Financial liabilities		
Deposits	28.202.380	22.107.250
Financial liabilities	5.219.609	7.127.144
	33.421.989	29.234.394
Floating interest rate financial instruments		
Financial assets		
Cash and cash equivalents	619.421	572.340
Financial assets at fair value through profit or loss	22.471	28.190
Available for sale financial assets	684.599	700.281
Loans and advances to customers	8.475.601	6.636.045
	9.802.092	7.936.856
Financial liabilities		
Deposits	589.077	2.496
Financial liabilities	16.423.638	9.664.955
	17.012.715	9.667.451

As of 31 December 2011, if the annual interest rate on TL basis were 100 base points higher/lower, and all other variables remained constant, due to the changes in the carrying values of financial assets; profit before tax would be TL1.969 thousand (2010: TL3.675 thousand) and due to its direct effect on equity, equity would be TL82.168 thousand (2010: TL68.981 thousand) lower/higher.

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 33-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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 level of cash and cash equivalent assets does not fall below a predetermined portion of the short term liabilities.

Undiscounted contractual cash flows of the financial liabilities of the Group as of 31 December 2011 and 2010 are as follows:

31 December 2011	Book value	Total contractual cash outflow	Up to 3 months	3 months-1 year	1-5 years	5 years and over
Financial liabilities:						
Financial liabilities	21.663.974	22.841.653	4.223.502	8.549.301	8.861.912	1.206.938
Deposits	34.268.248	35.065.345	34.311.946	-	680.884	72.515
Trade payables	9.186.672	9.199.509	9.018.586	180.923	-	-
Derivative financial instruments:						
Cash inflow	-	25.478.732	7.669.981	3.660.338	13.385.214	763.199
Cash outflow	-	(25.991.221)	(7.662.152)	(3.630.924)	(13.869.059)	(829.086)

31 December 2010	Book value	Total contractual cash outflow	Up to 3 months	3 months-1 year	1-5 years	5 years and over
Financial liabilities:						
Financial liabilities	16.878.294	17.757.897	7.413.323	1.685.442	7.192.853	1.466.279
Deposits	26.822.123	27.144.843	26.618.189	-	440.958	85.696
Trade payables	7.549.368	7.554.839	7.020.713	534.126	-	-
Derivative financial instruments:						
Cash inflow	-	18.697.536	9.004.541	3.285.533	6.027.321	380.141
Cash outflow	-	(19.530.928)	(8.769.688)	(3.485.369)	(6.761.588)	(514.283)

The redemption schedule of Finance Sector's credit related commitments according to their original maturities are as follows:

31 December 2011	Indefinite	Up to 1 year	1-5 years	5 years and over	Total
Letters of guarantee	4.582.561	1.591.824	2.734.079	499.107	9.407.571
Letters credit	1.363.537	901.128	238.827	-	2.503.492
Acceptance credits	79.458	-	-	-	79.458
Other	456.961	323.873	407.644	7.471	1.195.949
	6.482.517	**2.816.825**	**3.380.550**	**506.578**	**13.186.470**

31 December 2010	Indefinite	Up to 1 year	1-5 years	5 years and over	Total
Letters of guarantee	3.908.745	1.355.601	1.810.373	399.326	7.474.045
Letters credit	967.174	854.046	178.717	-	1.999.937
Acceptance credits	82.899	-	-	-	82.899
Other	71.370	72.227	136.322	9.800	289.719
	5.030.188	**2.281.874**	**2.125.412**	**409.126**	**9.846.600**

Capital Risk Management

The Group's main objectives for capital management are to keep 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 decide on the amount of dividends paid to shareholders, issue of new shares or sell assets to decrease net financial debt.

The Group monitors capital on the basis of the net financial debt/total equity ratio. Net financial debt is calculated as total financial liabilities less cash and cash equivalents (excluding blocked deposits).

Net financial debt/total equity ratio as of 31 December 2011 and 2010 is as follows:

	2011	2010
Total financial liabilities	21.663.974	16.878.294
Cash and cash equivalents	(6.318.760)	(9.578.216)
Net financial debt	15.345.214	7.300.078
Equity	23.270.824	20.977.914
Net financial debt/total equity ratio	**%66**	**35%**

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 34-FINANCIAL INSTRUMENTS-FAIR VALUE DISCLOSURES

Fair value of financial instruments

Estimated fair values of financial instruments have been determined by the Group by using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data. Accordingly, 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 values of financial instruments:

Financial assets

Carrying values of significant portion of cash and cash equivalents are assumed to reflect their fair values due to their short-term nature.

Carrying values of trade receivables are assumed to approximate their fair values.

Fair values of held to maturity financial assets are determined based on market price, or in the case where the price cannot be determined, on market prices quoted for the securities of the same nature in terms of interest, maturity and other similar conditions.

Estimated fair values 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 values approximate the fair values.

Financial liabilities

Fair values of short term borrowings and trade payables are assumed to approximate their carrying values due to their short-term nature. Estimated fair values of long-term financial liabilities are determined by calculating the discounted cash flows, using the current market interest rates for borrowings with fixed interest rates.

Estimated fair values of demand deposits indicate the amount to be paid at the withdrawal; and therefore equal to their book values. Estimated fair values of deposits with fixed interest rates are determined by calculating the discounted cash flows, using the market interest rates applied to similar deposits 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 2011 and 2010 are presented in the following table:

	2011		2010	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Cash and cash equivalents	6.796.244	6.877.276	9.937.525	9.947.433
Held-to-maturity financial assets	6.708.074	6.840.434	7.039.823	7.423.094
Loans and advances to customers	38.188.570	39.224.870	29.581.360	30.311.697
Liabilities				
Deposits	34.268.248	34.430.757	26.822.123	26.711.547
Financial liabilities	21.663.974	21.640.877	16.878.294	16.896.244

Fair Value Estimation

The classification of the Group's financial assets and liabilities at fair value is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
Level 3: Inputs for the asset or liability that is not based on observable market data

The Group's assets and liabilities measured at fair value as of 31 December 2011 and 2010 are as follows:

31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	152.821	7.042	-	159.863
Available-for-sale financial assets				
-Debt securities	3.041.557	820.570	-	3.862.127
-Equity securities	37.803	-	-	37.803
Derivative financial instruments	-	378.356	-	378.356
Total assets	**3.232.181**	**1.205.968**	**-**	**4.438.149**
Derivative financial instruments	-	553.290	-	553.290
Total liabilities	**-**	**553.290**	**-**	**553.290**

31 December 2010	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	204.928	-	-	204.928
Available-for-sale financial assets				
-Debt securities	2.254.171	636.766	-	2.890.937
-Equity securities	63.592	-	-	63.592
Derivative financial instruments	-	367.981	-	367.981
Total assets	**2.522.691**	**1.004.747**	**-**	**3.527.438**
Derivative financial instruments	-	437.279	-	437.279
Total liabilities	**-**	**437.279**	**-**	**437.279**

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 35-EARNINGS PER SHARE

	2011	2010
Earnings per share:		
Profit for the period	3.850.353	3.138.400
Profit attributable to non-controlling interest	(1.725.884)	(1.403.921)
Profit attributable to equity holders of the parent	2.124.469	1.734.479
Weighted average number of shares with nominal value Kr 1 each	241.514.100.000	241.514.100.000
Earnings per share (Kr)	0,880	0,718

NOTE 36-SUPPLEMENTARY CASH FLOW INFORMATION

As of 31 December 2011 and 2010, supplementary information for the details included in the consolidated cash flow statements:

	2011	2010
Changes in provisions:		
Provision for lawsuits	41.882	173.444
Provision for warranty and assembly	54.220	13.752
Cost accruals for construction contracts	62.165	62.687
Insurance technical reserves	66.714	31.765
Provision for loans and doubtful receivables	511.427	712.444
Provision for employment termination benefits and Pension Fund	2.844	25.193
Provision for impairment on inventories	(7.260)	(25.186)
Provision for impairment on property, plant and equipment	(50.989)	(27.857)
Other provisions	9.463	2.672
	690.466	968.914
Add back net interest income:		
Interest income from non-finance sector (Note 29)	(353.228)	(537.719)
Interest income from finance sector (Note 5)	(4.123.943)	(3.418.065)
Interest expense from non-finance sector (Note 29)	411.957	576.071
Interest expense from finance sector (Note 5)	2.349.464	1.683.375
	(1.715.750)	(1.696.338)
Net changes in the operating assets and liabilities:		
Finance:		
Reserve deposits with central banks	(1.861.631)	(859.210)
Receivables from finance sector operations	(8.984.211)	(8.540.915)
Payables from finance sector operations	7.356.531	5.856.706
Financial assets	(736.818)	(2.102.038)
Associates	(54.708)	(6.527)
	(4.280.837)	(5.651.984)
Non-Finance:		
Inventories	(2.502.091)	(806.912)
Trade receivables	(4.119.275)	(434.519)
Other assets	(1.434.777)	(651.448)
Trade payables	1.552.114	3.500.521
Other liabilities	1.005.580	953.286
	(5.498.449)	2.560.928
	(9.779.286)	(3.091.056)
Cash and cash equivalents:		
Cash and cash equivalents (Note 6)	6.796.244	9.937.525
Other balances with Central Banks (Note 7)	35.009	38.484
Cash and cash equivalents held for sale (Note 24)	5.612	91.955
Less: Blocked deposits (Note 6)	(477.484)	(359.309)
	6.359.381	9.708.655

NOTE 37-EVENTS AFTER THE BALANCE SHEET DATE

i) On 8 February 2012, Yapı Kredi Bankası, a Joint Venture of the Group, finalised a bond issuance of USD250 million with 5 years maturity and a fixed semi-annual coupon rate of 6,75% managed by J.P. Morgan Securities Ltd., Standard Chartered Bank and UniCredit Bank AG.

ii) According to the resolution of the Board of Directors dated 22 February 2012, Yapı Kredi Bankası signed a subordinated loan agreement with UniCredit Bank Austria AG amounting to USD292,5 million, with 10 years maturity and a repayment option by the borrower at the end of five years, at an interest rate of 3 months Libor+8,30%.