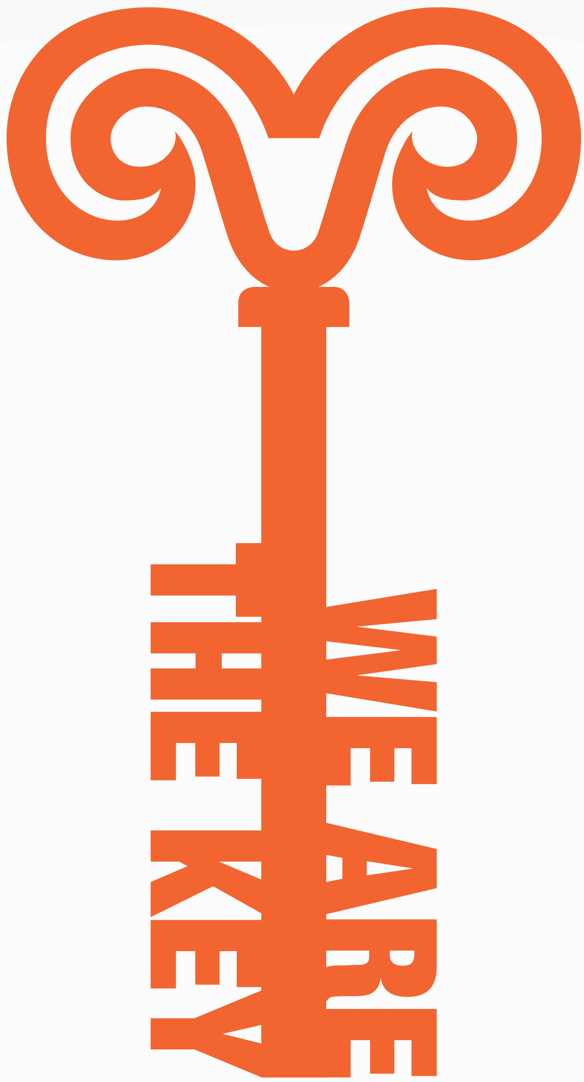


KOÇ HOLDİNG ANNUAL REPORT 2012

OUR STRATEGY

Be active in those sectors where we can create a differential competitive advantage

Make the most out of our brand strengths and technological competence

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

Minimize sector and geographic risks though a diversified portfolio structure

EXECUTION POWER

We combine our strong management philosophy and international partnerships with our superior competitive advantages to pursue long-term strategies.

SUSTAINABLE GROWTH

With the highest R&D expenditures in Turkey, we combine innovation with an extensive product range and enhance our competitiveness by offering customers the outstanding service quality.

LEADERSHIP

We are leaders in sectors with high growth potential and low penetration levels with the strong brands we have created.

RISK MANAGEMENT

Our robust balance sheet and balanced portfolio structure minimize sectoral and geographical risks. We are focused on efficiency and sustainable profitability.

SECTORS	COMPANIES / INTERNATIONAL PARTNERSHIPS	MARKET POSITION
ENERGY		
Refinery	Tüpraş(1)	Sole & Leader
Fuel Distribution	Opet	2nd - 19%
LPG Distribution	Aygaz(1), Mogaz	Leader - 29%
Power Generation	AES Entek / AES Corporation	
Natural Gas	Aygaz Doğal Gaz	
Other	Akpa, Demir Export	
AUTOMOTIVE		
Automotive	Ford Otosan(1) / Ford Motor Co. Tofaş(1) / Fiat Auto S.p.A.	Leader - 27%
Passenger Cars		*Leader - 17%*
Commercial Vehicles		*Leader - 49%*
Farm Tractors	TürkTraktör(1) / Case New Holland	Leader - 50%
Defense Industry	Otokar(1)	Leader
CONSUMER DURABLES		
White Goods & Consumer Electronics	Arçelik(1)	Leader
Air Conditioner	Arçelik LG Klima / LG Electronics	Leader
FINANCE		
Banking	Yapı Kredi Bankası(1) / UniCredit	4th(2), Leader(3) - 19%
Leasing	Yapı Kredi Leasing(1)	Leader - 17%
Insurance	Yapı Kredi Sigorta(1)	Leader(4) - 23%
B-Type Investment Trust	Yapı Kredi Yatırım Ortaklığı(1)	2nd
Real Estate Invesment Trust	Yapı Kredi Koray(1)	
Pension Funds	Yapı Kredi Emeklilik	3rd - 17%
Factoring	Yapı Kredi Faktoring	Leader - 15%
Brokerage	Yapı Kredi Yatırım	2nd - 7%
Asset Management	Yapı Kredi Portföy Yönetimi	2nd - 18%
Consumer Finance	KoçFinans	
OTHER LINES OF BUSINESS		
Food Production	Tat Konserve(1) / Kagome Sumitomo, Kaneka Seeds	Leader(5)
Food Product Distribution	Düzey	
DIY Retailing	Koçtaş / B&Q	Leader
Tourism	Setur, Divan, Mares(1)	
Marina Operations	Setur Marinaları	Leader - 25%
IT	Koç Sistem, Bilkom	
Ship & Yacht Construction	RMK Marine	

■ Share in Consolidated Revenues
■ Share in Operating Profit

Share in Consolidated Revenues		Share in Operating Profit
63%	ENERGY	29%
12%	AUTOMOTIVE	18%
12%	CONSUMER DURABLES	18%
9%	FINANCE	34%
5%	OTHER	1%

(1) Publicly traded companies (2) Private sector asset size (3) Credit Card balances (4) Health Insurance (5) Tomato paste, tomato products premium pasta and ketchup

MAIN COMPETITIVE ADVANTAGES: WE ARE THE KEY!

We lead in sectors with high growth potential and low penetration levels

We control the largest distribution network and the most extensive customer database in Turkey

Our powerful brands command strong recognition

We provide the highest quality service before, during and after sales

We stand as a symbol of trust and achievement

We have leading positions in global markets and strong international partnerships

Mert Örge
Otokoç Otomotiv

KOÇ GROUP

Koç Holding: Turkey's leading investment holding company

Koç Holding is Turkey's leading investment holding company and the Koç Group is Turkey's largest industrial and services group in terms of revenues, exports, share in the Istanbul Stock Exchange market capitalization and employment generation.

Leader and global player

The Koç Group focuses on sustainable and profitable growth with consistent leadership positions in Turkey as well as in the region and an important player in the worldwide.

Creating value for its stakeholders for 87 years

Becoming ever stronger over the past 87 years despite economic volatility in Turkey, Koç Holding's central objective is to create value for its stakeholders.

CONTENTS

Most of the photographs in our Annual Report were taken by Koç Group employees within the scope of the "We are the key" themed photo contest.

Thanks to all our employees who contributed to our Annual Report.

AGENDA OF THE ORDINARY GENERAL ASSEMBLY

1. Opening and election of the Chairmanship Committee,
2. The reading of the 2012 Activity Annual Report and Board of Directors Report prepared by the Board of Directors,
3. The reading of the Statutory Auditor's Report and the summary of the Independent audit report,
4. The reading, discussion and approval of the 2012 financial statements,
5. Approval of the changes at the Board membership made during the year under article 363 of the Turkish Commercial Code,
6. Release of the members of the Board of Directors and the Statutory Auditors from liability with regard to the 2012 activities and accounts of the Company,
7. Presentation of Profit Distribution Policy of the Company to General Assembly in accordance with Capital Markets Board legislation,
8. Approval, approval with modifications, or disapproval of the Board of Directors' proposal on distribution of year 2012 profits and distribution date,
9. As per the proposal of the Board of Directors' regarding the Amendment of the Articles of Associations in order for the compliance with the Turkish Commercial Code and in view of the Company's requirements and subject to the required approvals from the Capital Markets Board and Ministry of Customs and Commerce: approval, approval with amendment or rejection of the amendments and/or deletion of the proposed changes mentioned below: Amending all the articles outside of Article 1-Establishment and to cancel: Article 22-General Assembly, Article 24-Notification to the Ministry and Commissioner, Article 25-Voting Right, Article 26-Representation by Proxy, Article 27-Presiding Committee of the General Assembly, Article 28-Voting Procedure, Article 29-Amendment of the Articles of Association, Article 30-Annual Reports, Article 31-Annual Accounts, Article 32-Distribution of Profit, Article 33-Amount and Supply of the Reserve Fund, Article 34-Termination and Dissolution, Article 35-Announcements, Article 36-General and Legal Provisions, Article 37-Compliance with Corporate Governance Principles,
10. Determination of the number of Board members and their term of office, and election of members in accordance with the number determined and determination of independent Board members,
11. Presentation to the General Assembly relating to the "Remuneration Policy" determined for the Members of Board of Directors and senior executives in accordance with the Corporate Governance Rules,
12. Determination of monthly gross fees to be paid to the members of the Board of Directors,
13. Approval of the appointment of the independent audit firm, elected by the Board of Directors, in accordance with the Turkish Commercial Code and Capital Markets Board regulations,
14. Approval, approval with amendment or rejection of the Board of Directors' proposal on the "The General Assembly Internal Directive" relating to the working rules and principles for the General Assembly.
15. Presentation to the General Assembly "Information Policy" in accordance with the Capital Markets Board legislation,
16. Presentation to the General Assembly guarantees, pledges, mortgages and suretyships given in favor of third parties by our Company,
17. Presentation to the General Assembly, regarding the donations and contributions made by the Company to foundations and associations for social charity purposes in 2012, in accordance with the Capital Markets Board regulations and determination of an upper limit for donations to be made in 2013,
18. Under articles 395 and 396 of the Turkish Commercial Code and the regulations of the Capital Markets Board, authorizing; shareholders with management control, members of the Board of Directors who are also a shareholder, senior executives and their spouses and relatives related by blood or affinity up to the second degree, to enter into transactions with the Company or its subsidiaries; and also informing the shareholders regarding the transactions made to this extent in 2012 pursuant to the Corporate Governance Principles,
19. Wishes and opinions.

Our goal is to achieve a rate of growth that exceeds that of the country's economy.

Dear Shareholders,

It is with great pleasure that I welcome you to the General Assembly.

Persistent political and economic fluctuations in the international arena have characterized the past year. However, continuing stability in Turkey has had a favorable impact on the business world. I would like to share with you an assessment of Koç Group's performance over the past year and our expectations for the coming year for your approval.

We celebrate our Group's 87th year, a period that virtually parallels the history of our republic. Throughout our existence, we have served our country and our people while holding fast to our principles. Last year's results contributed favorably to our long years of accumulated experience. Our time-honored ambition, which we have frequently reiterated, is to attain growth rates that exceed those of our country.

Economic growth in 2012 will unfortunately fell short of the 4% projected at the beginning of the year, coming in at 2.2%. Despite this, our Group's revenues grew by 13% and our net profit increased by 9%. Our total revenues corresponded about 9% – a significant share – of the national economy, our exports generated 10% of national exports, and our publicly-traded Group companies comprised 16% of the total value of the Istanbul Stock Exchange. All of these indicators are remarkable. Proud as we are of these results, we also pursue our activities with an awareness of the responsibilities brought about by our role in our country's economy.

The ups and downs of the global economy left Turkey virtually unscathed in 2012. This is attributable to collaboration with the real sector and reletively stable government policies.

The realistic, knowledgeable and disciplined stance of our government and of official bodies that shape economic policies have enabled many economic indicators to attain levels that previously we could only envy. The decision to maintain stability through a growth rate that is lower than in previous years but more sustainable was a difficult one but it has been implemented successfully.

Another gratifying development was the flexible, disciplined and realistic cooperation demonstrated by the corporate sector, whether they be banks or industrials, commercial and service companies, vis-à-vis economic policies and goals. Our Group companies' move in this direction has enabled us to achieve a rate of growth that exceeds that of the country's economy.

The competitive conditions at home as well as abroad are becoming increasingly challenging. So, satisfying customers in a range of ways – by offering diverse, high-quality products and providing flawless service before and after sales – has become vital.

Competition and advancing technology requires that our companies operate ever more dynamically. They must be proactive on various fronts, particularly innovation, productivity, risk management, flexibility and economies of scale.

As our Holding's policies demonstrate, we believe that development eludes those who remain within existing molds and limits, and thus we are always on the lookout for inorganic growth opportunities.

As our Holding's policies demonstrate, we believe that development eludes those who remain within existing molds and limits, and thus we are always on the lookout for inorganic growth opportunities. Looking back over the past 10 years, such colossal companies as Tüpraş, Opet and Yapı Kredi Bank, which have joined our Group through acquisition, have grown and developed even more with us. We see with great satisfaction the major contributions they make to Turkey's economy and the confirmation that we have taken the right steps.

We embark on the new business year with cautious optimism. While the instability of the last year has eased somewhat, we could witness various new developments in the international economic arena. Currency wars and protectionism in international markets are now on the agenda. Intractable political events in the Middle East and talk of additional economic relief operations for certain European countries are mentioned as potential triggers for new fluctuations.

Proactive monitoring and timely measures on the part of government economic policymakers and the real sector are imperative. The continuation of the past term's successfully implemented policies sustains our hope that potential risks, while assuming different forms, can be avoided.

Koç Group will make every effort to maximize productivity and profitability in the coming year while working through its companies in existing areas of business. At the same time, it is actively committed to a policy of seizing new investment opportunities as they arise. We will strive to strengthen our competitive prowess in our sectors of operation by upgrading our technologies and emphasizing innovative, environmentally-friendly and highly energy-efficient products. We will endeavor to diversify our export markets to minimize the effects of regional economic fluctuations as we successfully did last year.

Koç Group not only engages in business pursuits; our social projects make raising the quality of life in our country and of our people a top priority. We organize and conduct many projects that improve the working conditions of our employees, make our products in eco-friendly ways, and meet certain social needs.

While our individual companies carry out these types of social projects, we also work with the Vehbi Koç Foundation directly in the areas of education, health and culture through our schools, universities, hospitals and museums. Our aim is to provide these services to the highest quality standards and to enable our young people and society as a whole to attain modern cultural and educational levels.

At this meeting, with which we enthusiastically open our 88th year of business, I would like to extend my sincere thanks to our shareholders, customers, distributors, subcontractors, suppliers, unions, managers and employees for resolutely standing by us and providing their support, and hope that next year I will be standing in front of you with another set of successful results.

Rahmi M. Koç
Honorary Chairman

The cornerstone of Koç Holding's vision is to play a key role in enabling our companies and our country to make progress.

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

The aftershocks of the 2008 global crisis continue to reverberate around the world. Important economic, political and social changes and restructurings have taken place in both developed and developing countries, and in the regions neighboring Turkey. Companies that interpret these changes as a transition to a new economic order, and not merely as spurts of temporary volatility, and that build their strategies accordingly will reap what the future has to offer. This transition is full of uncertainties but it enables Koç Holding to look forward with even greater anticipation.

A powerful organization that converts uncertainty into opportunity

The cornerstone of Koç Holding's vision is to play a key role in enabling our companies and our country to make progress. Since its founding, Koç Holding has had etched into its DNA the qualities and the organization required to pioneer change. Establishing effective early warning systems, focusing on the long term, quickly adapting strategies to new opportunities, maintaining a threat-resistant financial structure, installing the appropriate risk management mechanisms, and rewarding the creation of sustainable value rather than short-term gains in performance management are what will make Koç Holding the pacesetter in the future.

Turkey's comparatively sound position assumes even greater significance when we consider the deep challenges facing the global economy. At this conjuncture, our companies with foreign partnerships are taking advantage of their strength in Turkey to attract new projects. Our other companies remain vigilant of potential collaboration and acquisition opportunities within their sectors in the global arena.

A strong balance sheet structure and effective risk management are vital components in our ability to turn new developments into opportunities. The Group is resilient to risk, both at the Holding and subsidiary level, since we do not maintain speculative foreign exchange positions and keep a tight check on indebtedness and liquidity levels. When making investment decisions, we use sophisticated methods such as risk-adjusted cost of equity capital to raise value for the shareholders.

The overdue rise in Turkey's credit rating and growing capital inflows contributed to longer-term financing options at appropriate cost for our companies. Our companies' thrust to diversify financing sources and issue bonds under favorable terms and conditions is a prime example of turning this development into an opportunity.

Investments focused on market diversification and technology plus a balanced portfolio structure that neutralizes risks

While the forthcoming period may offer opportunities, risks are always around the corner. Turkey's geography, uniting two continents, is full of incredible opportunities. However, political risks are also high in the region and the balance between Turkey's deeply troubled neighbors can abruptly change. These risks discipline us to maintain a strong financial position and to remain alert to potential problems and volatility.

Koç Holding promises to be the key to creating "firsts" based on "continuous entrepreneurship".

The possibility that conditions in Europe, our leading export market, will worsen highlights the importance of our diversification strategies vis-à-vis foreign markets. We are steadily increasing our international revenues and diversity as we make market share gains in our existing markets and entering new markets through exports or direct operations. Technology is advancing extremely rapidly so the best way to achieve sustainability is to invest in R&D, innovation and technology. Our companies' investments in these areas and the rewards they receive are strengthening our competitiveness and sustainability for the future.

Koç Holding has a strategic holding structure that, by concentrating on long-term investments and sustainable growth, adds value to the companies in its portfolio. Our greatest strength with respect to opportunities for growth and risk management, lies in our balanced yet diverse portfolio structure encompassing various sectors. Our portfolio is also balanced between rapidly growing businesses and more mature, higher dividend-paying companies, and our strategy is to maintain this structure.

The key to invest in Turkey's outstanding potential

As Koç Holding, we demonstrated the value we create for our shareholders through our share's relatively strong performance, institutional investors' steadily growing long-term investments, and our low discount rates.

In 2012, Koç Holding's market value jumped 81.9%, surpassing the ISE 100 index by 19.8 points in US$ basis. Koç Holding raised the average volume of free float shares held by foreign investors to 79.4%.

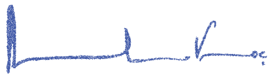
While Turkish holding companies were traded at a mean 45% discount compared to the value of net assets, Koç Holding was traded at only 6% discount. Beginning 2013, our shares were traded at a premium. These are the most important indicators of the value we create through our long-term strategies and management quality, and the trust that our shareholders have in us.

The key to economic and social development

With its robust structure, Koç Holding promises to be the key to creating "firsts" based on "continuous entrepreneurship" during this period of many changes in our country, in the neighboring regions and in the world.

As we always emphasize, Koç Holding is the key not only to economic development but also social development. The Vehbi Koç Foundation and the major social responsibility projects it undertakes continue to create sustainable value for our investors and our society.

As in past years, I extend my thanks and appreciation to our shareholders, customers, dealers, business partners, unions, managers and employees, all of whom have carried us forward in our continuous search for excellence.



Mustafa V. Koç
Chairman of the Board

BOARD OF DIRECTORS' REPORT

Esteemed Shareholders,

Welcome to Koç Holding's 49th General Assembly Meeting.

We hereby present for your evaluation Koç Holding's 2012 Annual Report. The first section of the report provides general information about Koç Holding, and its goals, strategies and operations, while subsequent pages detail developments in our core business segments. The second part of the report contains externally audited consolidated financial statements and accompanying notes, as of 31 December 2012, and other disclosures required by the Capital Markets Board (CMB).

The financial results presented in this report have been prepared on a consolidated basis in compliance with International Financial Reporting Standards and CMB Decree, Series: 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, on behalf of Koç Holding's Board of Directors, our main assessments of the fiscal year ending 31 December 2012.

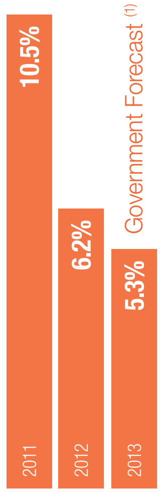
Economic Developments
Overview of 2012 and Expectations for 2013

The global economy fared quite poorly in 2012, as it had for the preceding four years. Compounding the ongoing concerns of developed countries was the emergence of growth difficulties in developing ones, which led to even more inferior global economic growth than observed in 2011. The crisis in Europe and the risk of Euro Zone disintegration kept markets busy until the end of the summer; and toward the end of the year, the "fiscal cliff" debate in the US took prominence. Developed countries' continued weakness began to be felt even more deeply in developing ones through the channels of foreign trade and finance. Attempts were made to support growth by means of monetary and fiscal policies. In the meantime, markets closely monitored elections and leadership changeovers, especially those in the US, China and France. Global financial markets improved their performance, particularly in the last quarter of the year once the European Central Bank chairman said in late July that all necessary measures to save the Euro would be taken. This was followed by the US Federal Reserve's announcement of a new quantitative easing program, and by the additional monetary expansion coming from Japan towards the end of the year.

6.5%

2013 INFLATION (CPI) FORECAST

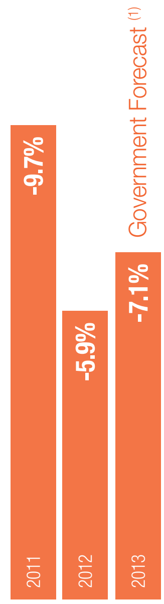
KOÇ HOLDİNG



-7%

2013 CURRENT ACCOUNT BALANCE/GDP FORECAST

KOÇ HOLDİNG



In Turkey, during the first three quarters of 2012, Central Bank and government policies that geared at rebalancing domestic and foreign demand by slowing down economic activity resulted in a weakening of domestic investment and consumption demand. The most important contribution to growth at this time came from net exports. By means of the rapid decline in the foreign trade deficit throughout 2012, the current account deficit, which had reached 9.7% of national income at the end of 2011, fell to just 5.9% as of the end of 2012. In September, the Central Bank, believing that rebalancing had been largely achieved, and amid increasing unease over the slowing of domestic demand, loosened its TL liquidity policy, precipitating a decline in interest rates. The decline in the current account deficit, combined with Turkey's success in achieving controlled economic deceleration led Fitch to raise Turkey's credit rating to "investment grade" at the beginning of November. These developments, combined with a growing risk appetite in global markets, led to substantial foreign portfolio investment in Turkey. As a result, bond interest rates dropped to historic levels, while the ISE-100 index reached record highs.

With the Central Bank's loosening of TL liquidity and the fall in interest rates came signs of domestic demand recovery in the final quarter of 2012. Indeed, the end of the year also saw rises in consumer and investment confidence indicators. Nevertheless, because of the poor performance in 2012, growth stood at 2.2%. We expect the Turkish economy to grow by 4.5% in 2013 as domestic demand increases under the continued effects of a decline in interest rates and a rise in consumer confidence.

Turkey's Main Economic Indicators

			2013 FORECAST	
	2011	2012	GOVERNMENT	KOÇ HOLDİNG
GDP (US$ billion)	777	791	858	865
GDP Growth (%)	8.8	2.2	4.0	4.5
Inflation (CPI, %)	10.5	6.2	5.3(1)	6.5
Budget Balance / GDP (%)	-1.4	-2.0	-2.2	--
Exports (US$ billion)	135	153	158	165
Imports (US$ billion)	241	237	253	260
Current Account Balance / GDP (%)	-9.7	-5.9	-7.1	-7.0

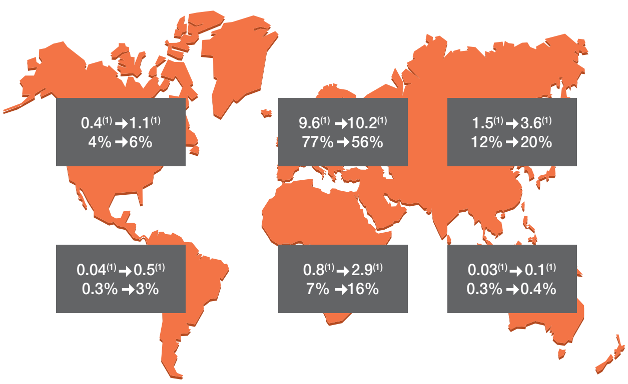
(1) *Turkish Central Bank forecast*

Koç Holding and Koç Group Overview of 2012 and Expectations for 2013

Our Company has a strong domestic and international position, and is among the world's leading enterprises. According to 2011 year-end figures, it was ranked 222nd in a listing of the world's largest 500 companies.

Koç Group's combined revenues are equal to 9% of Turkey's GDP. We generate 10% of Turkey's total exports, while our listed subsidiaries make up 16% of the Istanbul Stock Exchange's market capitalization. In line with our strategy of international market diversification, we have continued to further penetrate into new markets, while also increasing our share of those in which we are currently present. As a result, our international revenues have grown steadily, rising by an annual average of 8.2% over the past five years.

2007 → 2012
Regional Distribution of Overseas Revenues



COMBINED INTERNATIONAL REVENUES

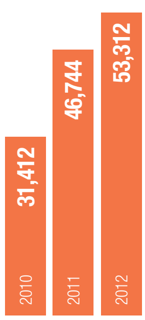
8.2% CAGR 2007: 12.4(1) 2012: 18.4(1)

(1) *US$ billion*

Our main activities of 2012 were as follows:
Our energy companies performed well in 2012, having achieved 30% average revenue growth over the past two years.

30% CAGR

ENERGY COMPANIES REVENUE (TL MILLION)



- √ In 2012, Tüpraş managed to increase production and sales volumes by 4.6% and 6.5%, respectively, through operational flexibility, optimized production and sales policies. The Residuum Upgrade Project was 54% complete by the end of 2012. Total spending has reached US$ 1.3 billion, of which US$ 1.1 billion came from the obtained financing package.
- √ Aygaz, the leader in the Turkish LPG market, merged with its wholly-owned subsidiary Mogaz, thereby raising efficiency.
- √ Opet celebrated the 20th anniversary of its founding and its 10th year as part of the Koç Group. Despite limited growth in the white product market, it raised its sales volume by 7%, thereby increasing its market share to 18.5%.
- √ AES Entek took an important step in diversifying its portfolio by taking over the Damlapınar, Kepezkaya and Kumköy hydroelectric power plants, with a combined capacity of 62MW. Meanwhile, the Company's projects regarding a 625MW coal-fired power plant in partnership with Oyak, and a 220MW natural gas power plant to supply the Tüpraş refinery in Kırıkkale are continuing as planned.

Our automotive companies raised their profitability, despite adverse conditions in the domestic and export markets. Accordingly, their operating profit margins rose from 7.3% in 2010 to 7.9% at the end of 2012. While the Turkish automotive market shrank by 10% in 2012, our companies maintained their leadership positions in the sector.

7.9%

AUTOMOTIVE COMPANIES' OPERATING PROFIT MARGIN

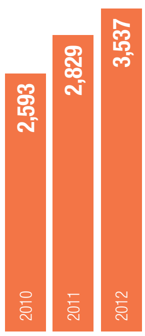
- √ Total production of the Group's automotive companies was 531,000 units, representing 50% of Turkey's overall automotive production.
- √ Total exports reached 346,000 units, representing 47% of Turkey's automotive exports.
- √ Koç Group companies accounted for 27% of domestic sales, with Ford Otosan and Tofaş retaining the top two spots.

√ In 2012, Ford Otosan started to produce new commercial vehicle models – the Transit Custom and the Turneo Custom– and the new Cargo truck. As part of its US$ 1 billion investment program, Ford Otosan laid the foundations of its Yeniköy Plant, which will be the Company's third manufacturing facility.
√ Tofaş proudly produced the four millionth vehicle at its Bursa Plant. In April, production of the new-look Fiat Linea began while the Jeep brand was added to the portfolio.
√ Otokar completed the first prototypes of the Altay, the national main battle tank, and began locomotion and firing tests. Despite stagnation in the domestic bus market, the Company raised its sales by 21%.
√ With a 50% market share, TürkTraktör maintained its clear leadership of the Turkish farm tractor market. The Company manufactured a record-breaking 36,000 engines in 2012; this year, its 250,000th engine rolled off the conveyor belt.

Despite the crisis in Europe, our consumer durables companies have succeeded in raising international revenues by an average of 17% over the past two years. Arçelik maintained its strong leadership of the Turkish market, while also raising its share in many international markets with its strong brand portfolio.

17% CAGR

CONSUMER DURABLES COMPANIES INTERNATIONAL SALES (US$ MILLION)



√ The Turkish white goods market amounted to 6.5 million units, thus preserving its 2011 level.
√ Arçelik retained its market leadership in Turkey, Romania and South Africa, while also increasing its market share in many other markets.
√ The Beko brand, preserving its long-standing leadership of the UK refrigerator and freezer market, also took the lead in the total white goods market.

√ Sales and marketing companies in Ukraine and Egypt were established in line with the organic growth strategy and goal of expanding into new markets.
√ With contribution of its new energy-efficient inverter models, Arçelik-LG Klima continued to lead the Turkish air-conditioning market with a 51% market share.

Focusing particularly on areas of high growth potential and profitability, Yapı Kredi has expanded its TL loans by an average of 25% over the past two years.

25% CAGR

YAPI KREDİ BANK TL LOANS (TL MILLION)

√ Yapı Kredi continued its strong emphasis on value generating selective growth in line with its "Smart Growth" strategy. The Bank's loans to assets ratio, an indicator of customer oriented banking, was realized at 59%.
√ The Bank recorded growth significantly above the sector's annual growth of 17% in local currency deposits, with its TL-based deposit growth strategy and one-to-one deposit pricing initiative.
√ While the Bank expanded its branch network with 21 new branch openings in 2012, it continued to serve 6.5 million customers through its 2,819 ATMs, Internet banking (in which it holds a 10.8% market share), pioneering mobile banking (in which it holds a 12% market share), and two award-winning call centers.

Koçtaş, the sector leader with 37 stores in 19 provinces and 196,000 m² of sales area, opened two stores under the Koçtaş Fix concept, which it developed in 2012 to be closer to the consumer and more easily meet their needs.

Tat, maintaining its market lead in tomato paste, tomato products, ketchup and premium pasta, became the market leader by a clear margin in the fresh milk category, as well as with its long shelf life product.

KOÇ HOLDİNG CONSOLIDATED FINANCIAL STATEMENTS (TL MILLION)	2012	2011	CHANGE %
Revenues (net)	84,833	74,943	13
Operating Profit	4,464	5,490	-19
Profit before tax	4,517	4,707	-4
Profit for the year	4,102	3,850	7
Profit for the year attributed to equity holders of the parent	2,315	2,124	9
Earnings per share (Kr)	0.913	0.838	9
Earnings before interest, taxes and amortization – EBITDA	5,613	6,525	-14
Operating profit/Revenues (%)	5.3	7.3	-2.0(1)
Total assets	109,067	98,621	11
Total liabilities	82,316	75,350	9
Total equity	26,751	23,271	15
Shareholders' equity	16,286	13,897	17
Capital expenditures	3,829	2,233	72
Depreciation and amortization	1,149	1,035	11
Revenues/Total assets	0.78	0.76	0.02(1)
Operating profit/Total assets (%)	4.1	5.6	-1.5(1)
Return on equity (%)	16.6	18.0	-1.4(1)
Current ratio	0.88	0.80	0.08(1)
Total liabilities/total equity	3.1	3.2	-0.2(1)

(1) *The changes in ratios are given as percentage point differences.*

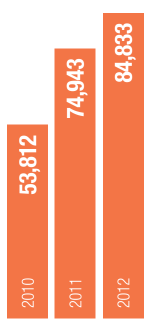
Financial and Operational Results

Esteemed Shareholders,

Our Group raised its revenues and profitability, and further strengthened its financial position, as it continued to achieve successful results in all areas of operation in 2012. It achieved this through its balanced portfolio structure, strong cash position, risk management and efficiency increasing measures.

26% CAGR

KOÇ HOLDİNG CONSOLIDATED REVENUES (TL MILLION)



Koç Holding's 2012 combined revenues increased by 12% to TL 121,395 million. Once TL 23,261 million is deducted for proportional consolidation of joint ventures, according to International Financial Reporting Standards, and a further TL 13,301 million in lieu of consolidation eliminations and adjustments, the net consolidated revenue of Koç Holding amounted to TL 84,833 million. Ultimately, there was an average increase of 26% in consolidated revenues over the past two years. Our domestic and international revenues made a balanced contribution to this increase.

While Koç Holding's operating profit was TL 4,464 million, its profit before tax was TL 4,517 million.

Consolidated net profit for 2012 rose by 7% to TL 4,102 million; the amount attributable to equity holders of the parent grew by 9% to TL 2,315 million.

Koç Holding's total assets increased by 11% to TL 109.1 billion by the year's end. Total shareholder equity rose by 17% to TL 16.3 billion by the end of 2012 as a result of profits earned and capital movements.

Capital expenditures (excluding advances given) for the year reached TL 3.8 billion on a consolidated basis and TL 4.9 billion on a combined Group basis. The highest capital expenditure was made in the energy sector for projects related to energy and operational efficiency as well as increasing profitability, these in addition to environmental and fuel station investments. The energy segment is closely followed by automotive, which saw new model and rental car fleet investments. Consumer durables came in third with investments in new environmentally sensitive models and technologies.

The Group companies generated combined international sales of US$ 18.4 billion. This represents 11% growth in USD terms compared to that of 2011. Energy and consumer durables segments accounted for the highest increase.

The Company's capital was reviewed under Article 376 of the Turkish Commercial Code to determine the extent to which it was unsecured. Duly, it was ascertained that as of 31 December 2012, Koç Holding's TL 2.5 billion in issued capital had indemnified its assets through equity capital incumbent upon the parent company (TL 16.3 billion), and was appropriate for soundly maintaining the Company's debt structure, which has a 63% of net financial debt / total equity ratio.

Employment and Labor Relations

Koç Holding's employees, including its consolidated subsidiaries and joint ventures, numbered 82,158 at the end of 2012. On a sectoral basis, the highest number of employees was in the automotive and consumer durables sectors, each accounting for 28% of the Group employee total, followed by finance with 21%.

The collective bargaining agreement in our company RMK Marine, which expired in 2012, was renewed amicably. The Turkish Metal Industries Employers Association (MESS) group collective bargaining process, which includes Arçelik, Arçelik-LG, Aygaz Gazal, Ford Otosan, Otokar, Tofaş and TürkTraktör was initiated with a delay due to the enactment of the Law on Unions and Collective Bargaining in November 2012. Negotiations between MESS and the labor union are ongoing in accordance with the procedures prescribed by law.

Dear Shareholders,

On behalf of our Board of Directors, I thank our valued shareholders, customers, dealers, suppliers, industry and business partners, and unions, for continued trust and support, and I thank our employees for their dedication and outstanding contribution.

In 2013, 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 create further employment opportunities and increase our efficiency.

Within this context, we have budgeted for capital expenditure of TL 6.8 billion on a combined Group basis.

We aim to increase our revenues and profit before tax by 7% and 10%, respectively.

With sincere respect to you, our valued shareholders and representatives,

Mustafa V. Koç
Chairman of the Board of Directors

AUDITOR'S REPORT

To the General Assembly of Koç Holding A.Ş.

The findings of our audit covering the 2012 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 2012 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 2012. Istanbul, 18 March 2013

Respectfully yours,

Auditor
Ethem Kutucular

INDEPENDENT AUDITOR'S REPORT

Introduction
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, 2012, 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.

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, 2012, and its financial performance and its cash flows for the year then ended in accordance with financial reporting standards issued by CMB.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A Member Firm of Ernst & Young Global Limited

Ethem Kutucular, SMMM
Responsible Partner, Head Auditor

8 March 2013
İstanbul, Turkey

KOÇ HOLDİNG A.Ş. CONSOLIDATED BALANCE SHEET

000 TL	AUDITED 2012	AUDITED 2011
Total Current Assets	57,004,878	49,408,060
Total Non-current Assets	52,062,148	49,213,027
TOTAL ASSETS	**109,067,026**	**98,621,087**
Total Short Term Liabilities	64,876,523	62,031,471
Total Long Term Liabilities	17,439,258	13,318,792
Total Liabilities	**82,315,781**	**75,350,263**
Total Equity	**26,751,245**	**23,270,824**
TOTAL LIABILITIES & EQUITY	**109,067,026**	**98,621,087**

KOÇ HOLDİNG A.Ş. CONSOLIDATED INCOME STATEMENT

000 TL	AUDITED 2012	AUDITED 2011
Total Revenue	84,833,332	74,943,107
Total Costs	73,138,521	63,783,219
Gross Profit	11,694,811	11,159,888
Operating Profit	4,464,238	5,489,939
Profit Before Tax	4,517,498	4,707,468
Tax Expense	415,791	857,115
Profit for the Period	4,101,707	3,850,353
Equity Holders of the Parent	2,314,880	2,124,469
Earnings per Share	0.913	0.838

2012 BOARD OF DIRECTORS*

Rahmi M. Koç, Honorary Chairman
A graduate of Johns Hopkins University in Business Administration, he joined Koç Group in 1958 at Otokoç and held various 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
Mustafa V. Koç graduated with a B.A. degree in Business Administration from George Washington University in 1984 when 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. Mr. Koç is a member of the Rolls Royce International Advisory Board, the JP Morgan International Council, and the Global Advisory Board of the Council on Foreign Affairs. He is also a member of the Steering Committee of the Bilderberg Meetings and Honorary Consul General of Finland in Istanbul. Mr. Koç was awarded the Cavaliere d'Industria medal by the Government of Italy in 2005 and the International Leonardo Prize, known as the "Oscar of Business" in 2012. He is Honorary Chairman of the Turkish Industrialists and Businessmen's High Advisory Council. Mr. Koç is also a member of the Board of his family's philanthropic foundation, the Vehbi Koç Foundation. He is strongly committed to its work in the cultural, educational and medical fields in Turkey, whose excellence has been recognized internationally by, among others, the World Monuments Fund, the Carnegie Foundation, and BNP Paribas.

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.

** For the information about the BoD and executive management members' transactions on behalf of themselves or someone else within the framework of the permission given by the General Assembly and their operations within the scope of the competition ban, see the agenda item description numbered 18 in the Information Document (page 212).*

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 Florence Nightingale Foundation. She is also the founder of Koç University School of Nursing.

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.

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).

Emine Feyhan Yaşar, Member
She graduated from American Collegiate Institute in 1974 and from Boğaziçi University, Economics and Administrative Sciences Faculty in 1978. She received her master's degree from Dokuz Eylül University in the field of Economics in 1996. She started her professional life as Industrial Relations Specialist at DYO Paint in 1978. She specialized in Human Resources Management. She then held various positions as Human Resources Coordinator, Tourism Coordinator and a Member of the Board of Directors at Yaşar Holding. She also served as the Vice President and a Member of the Board of Directors in Yaşar Holding group companies. Between 1997-2007, Feyhan Yaşar worked as the Deputy Chairman of Yaşar Holding, and between 1997-2003, she worked as the Chairman of Yaşar Holding, Pınar Süt, Pınar Et and Pınar Su. She is member of the Board of Directors of Hedef Ziraat A.Ş., Chairperson of HDF FZCO, Beverage Industry Assembly Chairperson at TOBB , DEIK Danish-Turkish Business Council Chairperson, member of the Board of Directors of ATC, Member of the Board of Directors of Turkish Foodbanking Association, and member of the Board of Trustee of SEV and BUVAK. She was appointed as a member of Koç Holding Board of Directors on 2012.

Muharrem Hilmi Kayhan, Member
Muharrem Kayhan was educated at St. Joseph French School and Robert College of Istanbul. He got his Engineering Degree in Textiles in 1976 from the University of Manchester in England. He received his MBA from Cornell University in 1978. Muharrem Kayhan is presently Vice-Chairman of the Board of Söktaş. He has represented the interests of the Turkish textile industry in various European Union platforms while serving on the boards of the Aegean Chamber of Industry, the Exporters' Union, and the Turkish Textile Employers' Union. He has served as the Chairman of TÜSİAD (Turkish Industrialists' and Businessmen's Association) between 1997-1999, and is now one of its Honorary Chairman. Muharrem Kayhan serves on the Board of Trustees of Robert College, Sabancı University, and the Izmir Culture, Art and Education Foundation. He represents Spain as Honorary Consul in İzmir since 2003. He is the recipient of the Turkish National Assembly Distinguished Service Award (2009). He was appointed as a member of Koç Holding Board of Directors in 2012.

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 (1999-2003), AT&T (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 and served as non-executive Chairman until 2006. Some of Mr. Weill's charitable endeavors include, Chairman of Weill Cornell Medical College (since 1995); Chairman of Carnegie Hall (since 1991); Founder and Chairman of the National Academy Foundation (since 1982); Chairman of the Green Music Center Board of Advisors at Sonoma State University; a member of the Board of Governors of the San Francisco Symphony; a member of the Executive Council of the University of California, San Francisco Medical Center; and a Director of the Lang Lang International Music Foundation. Mr. Weill has been the recipient of many corporate and philanthropic awards including Chief Executive Magazine's 2002 CEO of the Year Award and, along with his wife Joan, the 2009 Carnegie Medal of Philanthropy. Mr. Weill was recently elected to the prestigious American Academy of Arts and Sciences. Sanford I. Weill has been a member of Koç Holding Board of Directors since 2009.

** For the information about the BoD and executive management members' transactions on behalf of themselves or someone else within the framework of the permission given by the General Assembly and their operations within the scope of the competition ban, see the agenda item description numbered 18 in the Information Document (page 212).*

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 1992-2005 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 an 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.

Peter Denis 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 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), Chairman of The Council of The University of Hong Kong (2001-2009) and Chairman of the Greater Pearl River Delta Business Council (2004 to February 2013) . Dr. Fung is the Group Chairman of the Fung Group (formerly known as the Li & Fung Group), a Hong Kong-based multinational which comprises major subsidiaries in trading, logistics, distribution and retailing. They include publicly-listed Li & Fung Limited, Convenience Retail Asia Limited and Trinity Limited. Dr Fung is Founding Chairman of the Fung Global Institute, an independent, non-profit think-tank based in Hong Kong, Honorary Chairman of the International Chamber of Commerce and a member of the WTO Panel on Defining the Future of Trade. He is also a member of Chinese People's Political Consultative Conference, Vice Chairman of China Centre for International Economic Exchanges and a member of the Economic Development Commission of the Hong Kong Government. 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 China Petrochemical Corporation in the People's Republic of China. He is also Chairman of the Asia Advisory Board of Prudential Financial, Inc (USA). 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.

Ethem Kutucular, Auditor
He graduated from Boğaziçi University, the Faculty of Economics and Administrative Sciences-Business Administration with High Honor degree in 1986. Before joining Ernst & Young in September 2002, he has worked in Arthur Andersen since 1986. In 1987 and 1988 he worked in Atlanta Office of ArthurAndersen in the USA in the Assurance Department and then he returned to Istanbul Office. In 1997, he was accepted to the partnership in Arthur Andersen. Since 2005, he has been serving in Ernst & Young as Head of Assurance Services. Throughout his career, he has engaged in auditing of various national and international corporations in different sectors, mainly focused on the construction and contracting, power and infrastructure, and automotive sectors. In addition to these, he has provided advisory services in various mergers and acquisitions and he has served as advisor in various completed transactions. In 2000, he assumed the leading role in Power (Power and Distribution; Oil and Gas) Industry. In this regard, he provided services for various international power companies in their investment project is Turkey. Furthermore, he provided services for the companies in Romania Power Sector before the restructuring. He provided services for TUSIAD's (Turkish Industrialists and Business Association) Energy Working Group who has an active contribution to transformation of the sector. He was appointed as an Auditor of Koç Holding Board of Directors in 2012.

DIVIDEND POLICY

Our Company conducts a Dividend Policy within the framework of the provisions of the Turkish Commercial Code, Capital Markets Legislation, Tax Regulations and other relevant legislation as well as the provisions of our Articles of Association governing the distribution of profits. 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.

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.

DIVIDEND PROPOSAL

It is concluded that, TL 2,281,798,257.59 is determined as distributable dividend base after deduction of 5% legal reserve stated under article 519 of Turkish Commercial Code amounting to TL 33,081,742.41 from the net profit achieved in the consolidated financial statements for the accounting period of 1 January – 31 December 2012 prepared by Koç Holding A.Ş. management which are in compliance with IFRS under Capital Markets Board regulations and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Ernst & Young Global Limited) and TL 2,282,010,472.59 is determined as first category dividend base after addition of donations made to foundations and associations amounting to TL 212,215.00 to distributable dividend base.

On the other hand, TL 628,553,105.69 is determined as distributable profit after deduction of 5% legal reserve stated under article 519 of Turkish Commercial Code amounting to TL 33,081,742.41 from the net profit achieved in the statutory financial statements.

We are submitting following items to the approval of the Shareholders General Assembly:

1) By considering Capital Market Board Regulations and Company Articles of Association the profit distribution is determined as:

TL 456,402,094.52	As first category dividend to shareholders,
TL 7,500,000.00	To Koç Holding Foundation for Pensions and Assistance as per article 32/c of our Articles of Association
TL 64,650,100.65	To holders of usufruct certificates as per article 32/d of our Articles of Association,
TL 17,810,840.83	As second category dividend to shareholders,

2) The sum of first category dividend and second category dividend amounting TL 474,212,935.35 is proposed to be paid in cash;

3) Dividend payments of TL 474,212,935.35 and TL 64,650,100.65 payments allocated to usufruct shareholders together with a total amount of TL 538,863,036.00 will be paid in cash and sourced by TL 104,593,736.26 from current year tax exempt earnings and TL 434,269,299.74 from current year other income. TL 7,500,000.00 allocated to the Koç Holding Foundation for Pensions and Assistance to be paid in cash and will be sourced by current year taxable earnings;

4) It is further resolved the dividend will be distributed in cash to the resident entity taxpayer shareholders and non-resident taxpayer shareholders obtaining dividend income through an office or a permanent representative in Turkey as (gross =net) TL 0.1870 for shares with a nominal value of TL 1 (18.70%) and, to the rest of our shareholders as gross TL 0.1870 (TL 0.1643945 net) for shares with a nominal value of TL 1 (gross:18.70%; net:16.44%);

5) The balance which is left after payments of dividend to shareholders and allocations for usufruct certificate holders and Koç Holding Foundation for Pensions and Assistance, amounting to TL 82,190,069.69, is transferred to extraordinary reserves;

6) Profit distribution date is determined as 17 April 2013.

KOÇ HOLDİNG A.Ş. PROFIT DISTRIBUTION FOR 2012 (TL)

1	Paid-in Share Capital		2,535,898,050
2	Total Legal Reserves (As Per Statutory Records)		311,500,020
	Information Concerning Preferred Shares, if, as per The Company Articles Of Association, There Are Any Exceptions For Preferred Shares in Distribution Of Dividend		
		AS PER CAPITAL MARKETS BOARD	**AS PER STATUTORY RECORDS**
3	Profit For The Period	2,578,701,000.00	661,634,848.10
4	Taxes (-)	263,821,000.00	-
5	Net Profit (=)	2,314,880,000.00	661,634,848.10
6	Prior Years' Losses (-)	-	-
7	First Series Of Legal Reserve Fund (-)	33,081,742.41	33,081,742.41
8	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	**2,281,798,257.59**	**628,553,105.69**
9	Grants Made During The Year To Tax Exempt Foundations And Associations (+)	212,215.00	
10	Net Distributable Profit including Grants, as the First Level Dividend Base	2,282,010,472.59	
11	First Level Dividend To Shareholders	456,402,094.52	
	Cash	456,402,094.52	
	Shares	-	
	Total	456,402,094.52	
12	Dividends Distributed To Preferred Shareholders	-	
13	Dividends Distributed To Members Of The Board Of Directors, Employees, Etc. (Koç Holding Pension And Assistance Foundation)	7,500,000.00	
14	Dividends Distributed To Holders Of Usufruct Right Certificates	64,650,100.65	
15	Second Dividend To Shareholders (Cash)	17,810,840.83	
16	Second Series Of Legal Reserve Fund	-	
17	Status Reserves	-	
18	Special Reserves	-	
19	**EXTRAORDINARY RESERVES**	**1,735,435,221.59**	**82,190,069.69**
20	Other Sources Planned For Distribution	-	-
	Prior Years' Income	-	-
	Extraordinary Reserves	-	-
	Other Distributable Reserves As Per The Legislation And Articles Of Association	-	-

INFORMATION ON DIVIDEND PER SHARE (DISTRIBUTED ON CASH)

			DIVIDEND PER SHARE FOR 1 TL NOMINAL VALUE	
	GROUP	**TOTAL DIVIDEND AMOUNT (TL)**	**AMOUNT (TL)**	**SHARE (%)**
GROSS	A	126,930,629.96	0,1870000	18.70000
	B	347,282,305.39	0,1870000	18.70000
	TOTAL	474,212,935.35		
NET	A	126,930,629.96	0,1870000	18.70000
	B	305,301,124.60	0,1643945	16.43945
	TOTAL	432,231,754.56		

THE RATIO OF DISTRIBUTED PROFIT TO THE DISTRIBUTABLE PROFIT INCLUDING GRANTS

TOTAL DISTRIBUTION TO SHAREHOLDERS (TL)	THE RATIO OF DISTRIBUTED PROFIT TO THE DISTRIBUTABLE PROFIT INCLUDING GRANTS (%)
474,212,935.35	20.78

(*) Dividends are allocated equally among all shares existing in the respective fiscal period.

(**) TL 538,863,036.00, which is the total of dividends and usufruct right certificates, will be paid out from the following:
- TL 104,593,736.26 from current year's tax exempt statutory income,
- TL 434,269,299.74 from current year's taxable statutory income.

The portion that corresponds to taxable income will be subject to withholding tax.

(***) All A Group shareholders are full fledged tax payer individuals. The calculations have been based on the assumption that B Group shareholders are subject to withholding tax.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

FORMER TEXT

Article 2: Trade Name

Trade name of the company is KOÇ HOLDİNG ANONİM ŞİRKETİ. In this Articles of Association, the word HOLDING refers to the company.

FORMER TEXT

Article 3: Purpose

Establishment purposes of the holding are as follows:

a) To enable that the companies appropriate for big enterprises are established in the country by enabling and ensuring merger of small savings and capital and that a sound capital market is created;
b) To ensure continuity of the Companies which it has established or to which it has participated for increasing their successes in their own scope of activities;
c) To ensure high output and profitability in the activities of these companies via the organization technique which foresights of the day call for and reduce financial burdens of the joint service areas via participation of a more widespread group;
d) To relieve the shocks in the bodies of the companies to be caused by the cyclical fluctuations in an environment where various issues of study are taken into consideration;
e) By attributing the equities increasing in years and the liquid assets of the company to increase to the community, to direct them more strongly to the economic breakthroughs and enterprises;
f) To take the measures to actualize social justice included in the principles and purposes of the country so that more profitable and useful results are obtained with less cost by its members by receiving support of a broad group;
g) To be engaged in the duties expected from the private sector while entering in a new period in which mixed economy is started to be planned, in a manner which shall be more beneficial both to the country and the nationality for itself and the society it represents.

FORMER TEXT

Article 4: Subject

The Holding may participate in capitals of any and all joint stock, limited liability, domestic and foreign companies to be established for the commercial, industrial, agricultural and financial purposes and may carry out the following transactions related to the companies in which it has participated, or not.

a) It may purchase, sell, exchange with the other shares any and all share certificates, increase, decrease, and terminate its partnerships without seeking the purpose of intermediating and managing social security's portfolio.
b) On condition that the principles determined by the Capital Market Board have been observed, in terms of capital increase or bond issuance of the companies, it may be engaged in the activities to ensure that results of the same are accountable by the issuing companies or purchasers; dividend guarantee and values are protected.
c) It may purchase bonds of the companies and finance these in other manners.
d) On condition that the principles determined by the Capital Market Board have been observed, it may provide all kinds of guarantees for the funds to be received by the companies from the banks or other financial institutions and obtain any warranties in return for financial commitments it has been engaged in favor of these.
e) It may undertake accounts and financial controls of the companies; carry out organizational inspections which shall enable them to be more rational and profitable or cause the same to be carried out.
f) It may assume administration of these through the contracts it is to conclude with the companies.
g) It may provide technical services by taking advantage of its knowledge and experience, establish facilities and factories for the others at home and abroad, conclude technical support contracts on its behalf or on behalf of the companies, acquire intangible rights such as patent rights, licenses, trade marks and models and dispose of the same.
h) It may take necessary measures necessary for organizing import and export activities of the companies; help them carry out the activities such as customs, storage, shipment, collection, financial and legal negotiations.
i) The Holding may participate in the foundations to be established as per article 468 of the Turkish Commercial Law.

j) It may takeover the receivables of the companies with time and sight bills related to their forward sales, transfer or endorse the same to the other institutions. It may insure the funds provided by these institutions to their suppliers or customers on condition that the investors are informed and the necessary explanations to be sought are made by the Board in private circumstances.
k) It may cooperate with the domestic and foreign holdings or other companies, establish partnerships and conclude contracts on distribution of the financial liabilities.
l) It may engage in the enterprises and partnerships which may help invitation of foreign capital to our country and provide any confidence to them where necessary.
m) It may carry out any and all other services and transactions profitable to the companies.
n) It may support foundations, associations, universities and similar institutions established for social purposes and make donations to the same as per principles determined by the Capital Markets Board.

The Holding may engage in the activities which it believes that it shall be successful except for the ones above mentioned upon proposal of the Board of Directors and resolution of the General Assembly. However, as these kinds of resolutions call for amendment of the Articles of Association, the necessary permissions and formalities have to be dealt with in advance.

FORMER TEXT

Article 5: Head Office and Branches

The Head Office of the Holding is Istanbul province, Üsküdar county. Its address is Azizbey sokak No.1 Nakkaştepe Kuzguncuk 81207 Üsküdar. In case of change of address, the new address is registered with the trade registry, published in Turkish Trade Registry Journal and notified to the Ministry of Industry and Commerce and Capital Markets Board. Any notice to be made to the registered and declared address shall be deemed made to the Company. For the Company which hasn’t registered its new address within the required period although it has left its registered address, this situation is considered as a reason for termination. The Company may open branches at home and abroad on condition that it notifies the Ministry of Industry and Commerce and Capital Markets Board.

FORMER TEXT

Article 6: Term

The term of the Company is infinite and it may be terminated due to legal reasons or the majority decision of two third of the General Meeting to which three fourth of the shareholders have attended. The same quorum is compulsory even in other meetings to be held due to the fact that the respective quorum has not been provided.

FORMER TEXT

Article 7: Transactions Related to the Immovables and Other Values

On the condition that the principles established by the Capital Market Board have been observed, the company may, on its behalf and/or behalf of the third parties purchase, rent, real estates, land, sea and air transportation vehicles; sell, let out the ones it has; establish and remove any rights in kind and personal rights including mortgage and pledge on these; establish these rights onto the real estates and similar goods and values of the others and remove the same and may transport passenger and cargo for commercial purposes via the air transportation vehicles it has.

These dispositions and transactions are carried out upon resolution of the General Meeting.

FORMER TEXT

Article 8: Capital

According to the law number 2499, the Company has adopted the authorized capital system, and has changed over to the said system as per the permit of the Capital Market Board dated 7/13/1984 and number 219.

Registered capital of the Holding is TL 3,000,000,000 (three billion). This ceiling provided by the Capital Markets Board is effective for the years 2010-2014 (5 years). Even if the registered capital ceiling of TL 3,000,000,000 shall not have been reached in 2014, the Board of Directors has to be authorized by the general meeting by getting permission from the Capital Markets Board for the ceiling permitted previously or a new ceiling amount in order that it may be able to resolve on capital increase following the year 2012. If the respective authority is not granted, the Company is deemed to have quitted the registered capital system.

The issued capital of the company is TL 2,415,141,000, divided into 241,514,100,000 shares each worth Kr 1.

TL 2,012,617,500, which represents the previous issued capital, has been paid-up in full and in cash.

The increased amount of TL 402,523,500 is the amount which was not distributed from the 2008 profit but was included in the capital.

TL 5,062,500, the amount of the previous capital increase has been covered nominally by the shareholders' equity of Kav Danışmanlık Pazarlama ve Ticaret A.Ş. which has been taken over as a result of the merger with the said company acquired on 12/31/2007 along with all its assets and liabilities in accordance with articles 18–20 of the Corporate Tax Code, Article 451 and other respective articles of the Turkish Commercial Code, and provisions of the Capital Market Board Legislation and evidenced by the expert-witness report dated 04/30/2008 issued as per the Decision of Kadıköy 1st Commercial Court of First Instance dated 04/16/2008 and case number 2008/598 D.İş and Decision Number: 2008/598 D.İş. and the report dated 04/29/2008 issued in respect of the merger by Deloitte Danışmanlık A.Ş., a specialist institution.

506,250,000 shares with a nominal value of Kr 1 that were issued due to merger were distributed to the shareholders of Kav Danışmanlık Pazarlama Ticaret A.Ş. to be dissolved due to merger in exchange for the Kav Danışmanlık Pazarlama ve Ticaret A.Ş. shares they have.

Share certificates are registered and they have been divided into groups A and B due to their futures specified in these articles of association.

Distribution of the registered share certificates as per the share groups is as follows:

GROUP	NUMBER	AMOUNT (TL)
A	64,645,087,838	646,450,878.38
B	176,869,012,162	1,768,690,121.62
TOTAL	**241,514,100,000**	**2,415,141,000.00**

The General Meeting may increase the capital by issuing registered shares in order that they represent the shares with per nominal value of Kr 1(one) up to the capital amount written above between the years 2010-2014. The amount of the shares issued is received in cash and in advance. No new shares can be issued unless the issued shares are sold in whole and paid for.

While resolving on issuance of new shares, the Board of Directors may issue preference shares or the shares over the nominal value and it may restrict the shareholder's right to purchase new shares. The right to purchase new shares may be restricted by once or several capital increases and total amount of the increased capital where rights to purchase new shares have been restricted may not exceed 10% of the issued capital.

The shares representing the capital are monitored by recording in accordance with the basics of recording.

PROVISIONAL ARTICLE:

While nominal value of 1 share is TL 1,000, it has been changed as Ykr 1 as per the law on amending Turkish Commercial Law number 5274, and then as Kr 1 as per the Cabinet Decision number 2007/11963 dated 4 April 2007 which prescribed the replacement of the term "New" on New Turkish Liras and New Kuruş as of 1 January 2009. Due to this change, total number of the shares has decreased and 1 share of Kr 1(New Kuruş) shall be given in exchange for 10 shares each with nominal value of TL 1,000 (Old TL). With regard to the change in question, the rights that arise from the shares held by the partners are reserved.

The term "Turkish Lira" used in these articles of association denotes to those terms changed as per the Cabinet Decision as mentioned above.

FORMER TEXT
Article 9: Payment of the Capital
It has been abolished.

FORMER TEXT
Article 10: Increase and Decrease of the Capital
The capital of the holding can be increased or decreased as per the provisions of the Turkish Commercial Law and the Capital Markets Regulations.

FORMER TEXT
Article 11: Pre-Emptive Right
In case of capital increases, the pre-emptive rights held by the shareholders as per article 394 of the Turkish Commercial Law are used within their own groups. The pre-emptive rights not used by the group B are transferred to the group A shareholders. Group A shareholders may use these rights as per capital markets regulation.

Those who undertake the share certificates to be issued based on premiums due to capital increases shall pay the premiums to be determined in addition to the nominal value of the share certificates on the date of issuance to the Holding as per article 466 of the Turkish Commercial Law.

FORMER TEXT
Article 12: Dividend Shares
It has been agreed that Vehbi Koç is granted with 100 free of charge registered shares which may be circulated freely due to his services related to provision of an appropriate working site and time.

FORMER TEXT
Article 13: Sales and Transfer of the Shares
Group A shares may not be transferred via the methods such as sales, disposal to the others and rights in kind may not be established on them till the end of 1980.

The following transfers are not subject to this transfer.
a) The transfers to be made to the group A shareholders,
b) The transfers to the spouses and children of the group A shareholders; after 1980 or despite presence of any one of the conditions above allowing transfer before that date, Board of Directors of the Holding may refrain from transferring the group A shares without reasoning as per article 418 of the Turkish Commercial Law.

FORMER TEXT
Article 14: Share Certificates to be Transferred to Group D
It has been abolished.

FORMER TEXT
Article 15: Share Acquisition Due to Sales Restriction
The Holding may acquire the share certificates subject to compulsory execution as per article 418/3 of the Turkish Commercial Law.

Till resale of the share certificates acquired by the Holding, they shall be owned by the Holding for the public weal but these shares may not have voting right in the general meetings and be included in quorum as long as they are property of the Holding.

The share certificates acquired by the Holding may be proposed to the same group of shareholders in a convenient time by the board of directors for a period of minimum three months. If there is no applicant is found in that period, these shares are proposed to other groups of shareholders. If there is no applicant among these in three-month period, as well, the respective shares are sold to other real or legal persons who are convenient for shareholding.

FORMER TEXT

Article 16: Sales from Series B and C

It has been abolished.

FORMER TEXT

Article 17: Issuing Bonds

The Holding may issue bonds guaranteed or not guaranteed in the amount stipulated by the Capital Markets Law at home and abroad upon resolution of the Board of Directors. In this case, the provisions of articles 423 and 424 of the Turkish Commercial Law are not applied.

The Holding may issue bonds which may be exchanged with share certificates as per the principles determined and announced by the Capital Markets Board and upon resolution of the Board of Directors.

The Holding may issue profit and loss sharing certificates (profit sharing bond) as per resolution of the Board of Directors number 8/4053. The General Meeting resolves on issuance of the profit sharing certificates and determination of the maximum amounts. The General Meeting may authorize the Board of Directors to determine the other conditions related to profit sharing certificates.

FORMER TEXT

Article 18: Board of Directors

The Holding is managed by the Board of Directors comprising 9-15 members to be elected for a period of maximum three years as per provisions of the Turkish Commercial Law. Even if the term of election of the General Assembly has terminated, renewal of the Board of Directors may be resolved.

If the membership of the General Assembly is opened, the Board of Directors elects someone, bearing the legal conditions, provisionally and presents to approval of the General Assembly. The member elected in this manner acts till the General Meeting.

The member whose term of office has terminated may be re-elected.

FORMER TEXT

Article 19: Authority of the Board of Directors and Provisions Concerning the Board

The Board of Directors is authorized to make resolutions on any and all businesses other than those authorized by Turkish Commercial Code, Articles of Association and exclusively, the General Assembly. Nevertheless, in respect of any resolutions concerning re-participation in a company, or sale of current shares, it is essential that 7 votes of a Board of Directors with 9 members, 8 votes of a Board of Directors with 11 members, 9 votes of a Board of Directors with 11, 12 and 13 members, 10 votes of a Board of Directors with 14 members, and 11 votes of a Board of Directors with 15 members, be affirmative.

In accordance with Article 319 of Turkish Commercial Code, the Board of Directors may either allocate the duties of management and representation to its members, or may fully or partially assign the same to such managing directors who are members of Board of Directors, or to such directors who are not necessarily have to be shareholders.

The Board of Directors is responsible for allocating management and representation duties as aforementioned.

The Board of Directors determines the authorities and responsibilities of managing directors and directors, and assigns any authority and responsibility vested in the Board of Directors to relevant persons under such terms, provisions and restrictions to be set by the Board of Directors, and change, amend or revoke all or part of those authorities when it deems necessary.

The Board of Directors may establish consultancy, coordination and similar committees or sub-committees consisted of its members and/or non-members in respect of issues which it may deem proper.

The Board of Directors assigns, regulates and amends the principles for meeting organization, working and reporting principles for the chairmen and members of the said committees.

The members of Board of Directors are paid attendance fees in accordance with the provisions of Turkish Commercial Code. The members of Board of Directors or of committees as aforementioned, besides such attendance fees, may be paid remunerations, bonuses or premiums in consideration of membership or other services they render in within the scope of membership to such committees. The form and amount of the payment made to the members of the Board of Directors, including the managing directors, are determined by the General Assembly, and the form and amount of the payment made to the committee members for their services are determined by the Board of Directors in accordance with the relevant legislation.

Articles 312-346 concerning Turkish Commercial Code are exactly effective within the Holding.

FORMER TEXT

Article 20: Planning and Coordination Council

Planning and Coordination Council comprises the members to be determined by the Board of Directors under chairmanship of the Chairman of the Board of Directors.

Council is an institution making assessments, delivering opinions and advices about the activity results, business programs, long-term plans and personnel policies of the companies to whose capitals the Holding has participated directly or indirectly or to whose management Holding is effective.

The principles on meeting and working procedures of the council are determined by the Board of Directors.

FORMER TEXT

Article 21: Auditors

The Holding has 1-3 auditors elected by the General Assembly among from the shareholders or outside for a period of one year. The auditor whose term of office has terminated may be re-elected.

If one is elected by the General Assembly and he can not act in the year, one reserve auditor may be elected in place of him.

Auditors act as per provisions of the Turkish Commercial Law. The provisions of articles 347-359 of the same law are applied concerning the issues on auditing.

The first auditors have been specified in the provisional article 2.

FORMER TEXT

Article 22: General Assembly

The General Assembly of the Holding convenes either ordinarily or extraordinarily.

The Ordinary General Assembly convenes within three month as of the fiscal period of the company, and at least once a year. In these meetings, such issues indicated in Article 369 of Turkish Commercial Code, and the matters required to be negotiated as per the report of the Board of Directors are reviewed and resolved upon.

The Extraordinary Assembly convenes as and when required by the business of the Holding, and in accordance with the provisions stipulated in the Articles of Association to take the necessary resolutions.

The invitation for General Assembly meeting is made 3 weeks prior to the meeting date. The General Assembly meetings are held before public, including stakeholders, save that they have no right to speak, and the media.

At least a member of board, an auditor, at least an officer who is in charge of preparing the financial statements, and at least an officer who is aware of the matters of significance on the agenda for making statements on such matters are present at the General Assembly Meeting. The reasons of such persons who have failed to be present at the meeting as to not participating in the meeting is presented by the chairman for the information of the General Assembly.

FORMER TEXT

Article 23: Place of the Meeting

The General Meeting is held in the Head Office or in one of the cities where the branches are located upon requirement considered by the Board of Directors. This issue is rectified in the invitation letters and announcements belonging to the General Meeting.

FORMER TEXT

Article 24: Notification to the Ministry and Commissioner

It is necessary that both the ordinary and extraordinary General Meetings are notified to the Ministry of Commerce in 20 days advance and an agenda and one copy of the certificates belonging to this are sent to the Ministry.

It is compulsory that all the meetings are held in the presence of Ministry of Commerce Commissioner. The resolutions to be made in the General Meetings in the absence of the commissioner shall not be effective.

FORMER TEXT

Article 25: Voting Right

In the ordinary and extraordinary General Meetings, group A shareholders use two votes each and each share from the other groups use one vote. However, in the resolutions on amendment of the Articles of Association, all the shares has the right to use one vote each.

FORMER TEXT

Article 26: Representation by Proxy

In the General Meetings, group A shareholders may be represented by only shareholders of the same group. Other shareholders may assign proxy among from the shareholders or externally.

Regulations of the Capital Markets Board are reserved concerning representation by proxy.

FORMER TEXT

Article 27: Presiding Committee of the General Assembly

A chairman responsible for administration and organization of the negotiations, two members as secrutineer are elected by the General Assembly among the shareholders. Secretary of the General Assembly is assigned by the Chairman among the shareholders or extraordinarily.

FORMER TEXT

Article 28: Voting Procedure

In General Meetings, the votes are given openly. However, on demand from the ones holding one tenth of the capital represented by the attending shareholders, secret voting must be applied.

FORMER TEXT

Article 29: Amendment of the Articles of Association

Consummation of the amendments to be made in this Articles of Association upon resolution of the General Meeting are subject to permission of the Ministry of Industry and Commerce and the Capital Markets Board. The amendments on this subject are approved in accordance with the procedure and they become effective as of the announcement date after being registered at the Trade Registry.

FORMER TEXT
Article 30: Annual Reports

Three copies of each reports of the Board of Directors and Auditors, annual balance sheet, profit and loss account, table displaying the names and shares of the shareholders present in the General Meeting and Minutes of the General Meeting shall be sent to the Ministry of Commerce in one month at the latest as of the last meeting date or given to the Commissioner, present in the meeting, besides regulations and notifications related to the Capital Markets Board shall be complied with.

FORMER TEXT
Article 31: Annual Accounts

Account year of the Holding is calendar year.

FORMER TEXT
Article 32: Distribution of Profit

The remaining amount after any and all expenditures, amortizations of the Holding paid and to be accrued and allowances to be allocated and its all financial liabilities which incumbent on corporate body of the company are deducted from income of the company in the end of the account period comprises the profit of the company subject to allocation. Of this;

a) 5% of legal reserves are allocated in as per Turkish Commercial Law.
b) From the remainder, first dividend in the percentage and amount to be determined by Capital Market Board is allocated.
c) After 5% reserve fund and any legal liabilities being incumbent on the corporate body of the company are allocated as per provisions of the Turkish Commercial Law and the first dividend to be accounted over the paid-in capital as per sub-paragraph b is deducted from the profit of the company subject to distribution before the tax payment, an amount determined by the General Assembly is allocated to the Koç Holding Retirement and Provident Fund Foundation till 2%.
d) On condition that the first dividend specified in paragraph (b) is reserved, after 5% reserve fund and any and all financial liabilities being incumbent on corporate body of the company are allocated and an amount equals to 5% of the paid-in capital are deducted from profit of the company, to be distributed, as per provisions of the Turkish Commercial Law, 3% of the remaining amount is allocated to the dividend shareholders. The share to be paid to the dividend shareholders may not exceed the net profit, 1/10 of the amount remaining after the deductions specified in sub-paragraphs (a) and (b) of this article are made.
e) General Assembly is authorized to partially or fully allocate the remainder as extraordinary reserves or to distribute it.

Unless reserve funds that have to be allocated in accordance with the provision of law and first dividend that is specified for the shareholders in articles of association, are allocated, a decision on the allocation of another reserve fund by the General Assembly or on the profit be transferred to the next year may not be given besides unless the first dividend is paid in cash and/or as share certificates, it may not be resolved to distribute dividend share to the members of the board of directors, officials, servants and employees, dividend/founder dividend shareholders, preference shareholders, foundations established for various purposes and similar people/institutions.

FORMER TEXT
Article 33: Amount and Supply of the Reserve Fund

If the legal reserve funds to be allocated as per article 32 reaches up to one fifth of the paid-in capital, allocation is terminated. However, if it decreases due to any reason, allocation is continued in the same manner as of the next balance sheet.

Provisions of sub-paragraphs 1 and 2 of paragraph 2 of article 466 of the Turkish Commercial Law are reserved.

FORMER TEXT

Article 34: Termination and Dissolution

The Company is terminated upon resolution of the General Meeting as per article 6 or due to the reasons in the Turkish Commercial Law or upon verdict. In case of the termination and dissolution of the company, its liquidation is realized as per provisions of the Turkish Commercial Law.

FORMER TEXT

Article 35: Announcements

Announcements of the Holding are made in accordance with Turkish Commercial Code, Capital Market Law, and the regulations pertaining to such laws.

The announcements for calling the General Assembly to a meeting is made in accordance with the provisions of article 368 of Turkish Commercial Code.

All announcements to be made as under this article are also published in the corporate web site of the Holding.

Provisions of articles 397 and 438 apply in respect of announcements for reduction of capital and liquidation.

FORMER TEXT

Article 36: General and Legal Provisions

On matters not described in the articles of association, Turkish Commercial Law, Capital Markets Law and the respective regulations and notifications are applied.

NEW VERSION

Article 2: Title of the Company

Name of the Company is “Koç Holding Anonim Şirketi” which will hereafter be shortly referred to as the “Company”.

NEW VERSION

Article 3: Purpose and Scope

The Company has been founded for the purpose of starting up various businesses or participating in the share capital of various entities, and to promote and contribute to the successes of companies founded or participated or otherwise managed by the Company in their own fields of business, and to ensure that they are administered and managed in a more profitable, efficient manner and in accordance with the prevailing market conditions and requirements, and to provide shared service platforms for diminishing the financial burden of such services. For these purposes, the Company may particularly engage in the following activities:

1. In order to achieve its objectives, the Company may purchase, build or cause others build, all types of movable and immovable assets and personal and real properties at home or abroad; and may establish all kinds of other personal rights or rights in kind thereon; and may lease such properties; and may operate, let or sell the properties whether acquired or leased as above; and may establish real rights in favor of the third parties, and may revoke the same in compliance with the regulations of the Capital Markets Board.
2. In order to achieve its objectives, the Company may borrow from local or foreign persons, firms or banks; and may assume all kinds of other financial, commercial and economic commitments towards third parties; and may issue bonds and other types of capital market instruments in compliance with the regulations of the Capital Markets Board; and may invest in securities, derivatives and other types of capital market instruments; and may give sureties and guarantees in favor of third parties in compliance with the regulations of the Capital Markets Board; and may, if required, accept establishment of pledges and/or mortgages in its own favor on movable and immovable properties of third parties; and may annul the mortgages established in its own favor or waive its rights of pledge, and may accept sureties and guarantees given by third parties in favor of the Company.

3. Without prejudice to other provisions of these Articles of Association, the Company may carry out the activities and operations listed above either directly or indirectly through local or foreign persons or entities; and to this end, if deemed useful and necessary, may found ordinary partnerships, commercial companies or other legal entities at home or abroad, or may fully or partially acquire ordinary partnerships or other legal entities with the same purpose, and may acquire, hold or transfer the shares of such companies, and may participate in ordinary partnerships, for the purposes other than brokerage or asset or portfolio management businesses. The provisions of the Capital Markets laws and regulations pertaining to the disguised income transfer are reserved.
4. The Company may take all and any actions including imports, exports and any types of trading activities on behalf of itself or its affiliates in order to perform the above mentioned transactions, and may assume management of other companies through agreements entered into with such companies.
5. Provided that it does not conflict with the Capital Markets laws and regulations, and the required public disclosures are made, and the information regarding donations granted during the year are submitted to the shareholders in the annual general assembly meeting, and the upper limit of donations is determined and approved by the general assembly of shareholders, and the donations granted are taken into consideration in calculation of the distributable profit , the Company may make donations and grants to foundations, associations, universities and similar other institutions established for social and charitable purposes, and may enroll in societies and associations, and may participate in foundations, in a manner not to interfere with its activities within its scope and purpose. Donations in excess of the upper limit designated by the general assembly of shareholders are not permitted.
6. Subject to compliance with the provisions of the Capital Markets laws and regulations pertaining to disguised income transfer, the Company may engage in all kinds of registration, annotation, correction of kind, subdivision, combination, sharing, parceling or related abandonments and disposals with respect to all and any real properties in land registries, and may make abandonments for green areas and roads, and may give statements and waivers, and may abandon or dispose of the said real properties free of charge.
7. The Company may purchase, let, sell or lease land, sea and air transportation means and vehicles, and subject to compliance with provisions of the Capital Markets laws and regulations, may establish all types of personal rights and rights in kind, including, but not limited to, mortgages and pledges, on the same in its own favor and/or in favor of third parties, and may remove and annul such encumbrances.
8. In line with its objectives, the Company may acquire, hold, transfer, or otherwise dispose of all types of licenses, trademarks, patents, know-how, brand names, trade names and all other intellectual property rights, and have them duly registered in its own name, or may put up as collateral or enter into relevant license agreements in compliance with provisions of the Capital Markets laws and regulations
9. The Company may provide technical services by using its own expertise and experience; and may make all kinds of industrial and commercial investments at home or abroad for achievement of its objectives; and accordingly, may establish factories, plants and sales offices at home or abroad, and may provide services relating to architecture, engineering, design, software, book keeping, call center and data retention; and may enter into technical assistance agreements on behalf of itself or other companies.
10. Without prejudice to the provisions of the Capital Markets laws and regulations pertaining to disguised income transfer, the Company may participate in tenders locally or abroad either by itself or in partnership with third parties.
11. Subject to compliance with provisions of the laws and regulations of the Capital Markets Board and provided that it obtains the necessary permissions, the Company may take out insurance coverage on behalf of itself or its affiliates.

In case of any modifications to the scope and purpose of the Company, the Company shall obtain the necessary permissions form the Ministry of Customs and Trade and the Capital Markets Board.

NEW VERSION

Article 4: Head Offices and Branches of the Company

The Company is domiciled Üsküdar, Istanbul. Its address is Azizbey Sok., No. 1, Nakkaştepe, Kuzguncuk 34674 Üsküdar. In the case of a change of address, new address shall be registered with Trade Registry and published in the Turkish Trade Registry Gazette; and necessary notifications shall be filed with the Ministry of Customs and Trade and the capital Markets Board. All notifications and correspondence delivered to the registered and published address of the Company are deemed to be properly served on the Company. Failure of the Company to have its new address duly registered and published in a timely manner after moving from its registered and published address shall be considered as a just cause for dissolution. If the Company opens branches, the branches will also be registered with the Trade Registry and published in the Turkish Trade Registry Gazette.

NEW VERSION

Article 5: Term of the Company

The Company is founded for an indefinite term, and may be dissolved due to legal reasons or by a decision to be taken by the General Assembly of Shareholders in accordance with the pertinent provisions of the Turkish Commercial Code.

NEW VERSION

Article 6: Capital

The Company has accepted registered capital system according to the provisions of the repealed Law no. 2499, and has shifted to registered capital system with a permission, no. 219, dated 13.7.1984, of the Capital Markets Board.

Registered capital ceiling of the Company is TL 5,000,000,000 (five billion Turkish Lira), divided into 500,000,000,000 (five hundred billion) registered shares each with a nominal value of 1 (One) Kuruş.

The registered capital ceiling permission granted by the Capital Markets Board is valid for (five years) between 2013 and 2017. Even if the registered capital ceiling permitted as above is not reached as of the end of 2017, in order for the Board of Directors to take a capital increase decision after 2017, authorization is required to be taken from the General Assembly of Shareholders for a new term of up to 5 years, with a prior permission of the Capital Markets Board for the previous ceiling or for a new ceiling amount. If such authorization is not taken, the Company will be deemed to have exited from the registered capital system.

Issued capital of the Company is TL 2,535,898,050 (two billion five hundred and thirty-five million eight hundred and ninety-eight thousand and fifty Turkish Lira), divided into 67,877,342,230 Group “A” and 185,712,462,770 Group “B” registered shares each with a nominal value of 1 (One) Kuruş.

The issued capital of the Company of TL 2,535,898,050 (two billion five hundred and thirty-five million eight hundred and ninety-eight thousand and fifty Turkish Lira) has been fully paid free of any collusion.

All of Group “A” and Group “B” shares of the Company are registered shares. The shares representing the share capital of the Company are dematerialized in accordance with the dematerialization principles.

Capital of the Company may be reduced or increased if and when required, within the frame of provisions of the Turkish Commercial Code and Capital Markets laws and regulations.

The Board of Directors is authorized to decide to increase the issued capital by issuing new shares up to the registered capital ceiling if and when deemed necessary in accordance with the pertinent provisions of the Capital Markets Law, and to restrict the rights of the holders of preferential shares, and to limit the rights of option of shareholders on newly issued shares, and to issue shares above (with premium) or below the nominal value per share. Provided, however, the power to restrict the pre-emptive rights on newly issued shares cannot be used in such manner to cause inequality between shareholders. The pre-emptiverights of shareholders on newly issued shares may be restricted in each capital increase; provided, however, that total sum of capital increases restricting the pre-emptive rights on newly issued shares within the authorization period of 5 (five) years cannot exceed 10% of the issued capital.

In any case, the Board of Directors will issue new Group “A” and Group “B” shares in proportion to the existing shares held by the Group A and Group B shareholders respectively as of the time of capital increase. Shareholders participate in capital increases by subscribing for the shares to be issued in the same group as their existing shares, along with the privileges attached to the related group. Provided, however, the pre-emptive rights not used in Group B will pass to Group A shareholders. Group A Shareholders may use such pre-emptive rights in accordance with the regulations of the Capital Markets Board. Those who subscribe for shares to be issued with a premium in the related capital increase shall be obliged to separately pay to the Company, pursuant to article 519 of the Turkish Commercial Code, the premiums to be determined in addition to the nominal value of shares as of the date of issue.

NEW VERSION

Article 7: Dividend Right Certificates

At the time of foundation of the Company, in consideration of his efforts and services for improvement of the business activities of the Company, Vehbi Koç was granted 100 registered dividend right certificates on a free of charge basis which can be and freely transferred without any restriction, and the founder’s dividend right certificates are recorded in the book of holders of dividend right certificates.

NEW VERSION

Article 8: Issue of Bonds and Other Securities

For sale to natural persons and legal entities at home or abroad, and subject to compliance with the provisions of the Capital Markets Law and other pertinent laws, the Company may, by a decision of its Board of Directors, issue all types of bonds, convertible bonds, interchangeable bonds, and gold, silver and platinum bonds, and commercial papers, dividend right certificates, profit and loss sharing certificates, and other types of capital market instruments accepted and classified by the Capital Markets Board as debt instruments, and all kinds of other capital market instruments. Pursuant to the Capital Markets Board, the Board of Directors is authorized to determine maximum amounts, type, maturity, interest rate and other conditions of issue, and to authorize the Company management in connection therewith. Such transactions shall be performed in compliance with the provisions of the Capital Markets Law and other pertinent laws.

NEW VERSION

Article 9: Transfer of Shares and Establishment of Right of Usufruct on Shares

Transfer of shares is subject to the pertinent provisions of the Turkish Commercial Code and the Capital Markets laws and regulations. In relations with the Company, only the persons registered in the share book as per the records kept in the Central Registry Agency will be considered and treated as holders of shares or holders of rights of usufruct on shares.

The transfer of the publicly traded registered shares of the Company shall be governed by and subject to the pertinent regulations of the Capital Markets Board.

Group “A” shares which are not publicly traded may be transferred outside the stock exchange only with the prior consent of the Company. The Company may refuse to give its consent by offering the transferor to purchase its shares on behalf of itself, other shareholders or third parties at their actual value applicable as of the time of application.

NEW VERSION

Article 10: Acquisition or Acceptance of its Own Shares as Pledge by the Company

The Company may accept as pledge and/or acquire its own shares for consideration in accordance with the relevant articles of the Turkish Commercial Code, and regulations of the Capital Markets Board and other applicable legislation.

NEW VERSION

Article 11: Board of Directors, Election of Directors, and Board Decisions

11.1. Without prejudice to the non-transferable powers of the General Assembly of Shareholders pursuant to the relevant provisions of the Turkish Commercial Code, the Company will be managed and directed by a Board of Directors consisting of minimum 9 and maximum 15 members to be elected by the General Assembly of Shareholders in accordance with the relevant articles of the Turkish Commercial Code, and regulations of the Capital Markets Board. Number and qualifications of independent members of the Board of Directors will be governed by the regulations of the Capital Markets Board pertaining to Corporate Governance Principles.

11.2. Members of the Board of Directors are elected for a maximum term of three years. Any Director whose term of office is over may be re-elected.

11.3. The General Assembly of Shareholders is authorized to determine the number of and to elect members of the Board of Directors. Without prejudice to the obligations with regard to independent members arising out of the Corporate Governance Principles of the Capital Markets Board, the General Assembly of Shareholders may at all times replace all or any of the Directors if and when deemed necessary pursuant to provisions of article 364 of the Turkish Commercial Code.

11.4. If and when a vacancy occurs in the Board of Directors for any reason whatsoever, the Board of Directors temporarily elects a member who is eligible and meets the legal requirements , and submits such election to the approval of the next subsequent meeting of the General Assembly of Shareholders. If any independent member loses its independence, or resigns, or becomes incapable of performing its duties, the procedures envisaged in the pertinent regulations of the Capital Markets Board shall apply.

11.5. Meeting and decision quorum in the Board of Directors is the simple majority of the total number of Directors. Provided, however, the decisions pertaining to the participation in a company or disposal of any existing shares require an affirmative votes of 7 Directors in a Board of Directors comprising 9 members, or of 8 Directors in a Board of Directors comprising 10 members, or of 9 Directors in a Board of Directors comprising 11, 12 or 13 members, or of 10 Directors in a Board of Directors comprising 14 members, or of 11 Directors in a Board of Directors comprising 15 members. The obligations arising out of the Corporate Governance Principles of the Capital Markets Board are, however, reserved.

11.6. Unless any one of the Directors requests a negotiation, the Board of Directors may take its decisions by way of receiving written consents and approvals of all Directors on a motion submitted by any one Director. Such decisions may, however, require the written consent and approval of the number and composition of the members as stipulated in Article 11.5 of these Articles of Association. The Board of Directors can only validly take decisions without a meeting if such motion has been submitted to all of the members of the Board of Directors. Consents/approvals of the members of the Board of Directors are not required to be placed on the same paper, but all of the papers containing the related consents/approvals must be affixed to the decision book of the Board of Directors, or a single decision document containing signatures of all of the consenting members must be prepared and incorporated in the decisions book for a valid resolution without a meeting.

NEW VERSION

Article 12: Structure, Representation and Delegation of Powers of the Board of Directors

12.1. The General Assembly or if not elected by the General Assembly, the Board of Directors itself shall elect a Chairman of the Board of Directors and a Vice Chairman of the Board of Directors to act as deputy in the absence of the Chairman. The Vice Chairman of the Board of Directors will also be granted the powers allotted to the Chairman of the Board of Directors under the Turkish Commercial Code for convening meetings and request of information.

12.2. The Board of Directors may, specifically initiate lawsuits in the name and on behalf of the Company, settle, apply to arbitration, request bankruptcy, suspension of bankruptcy and concordat, undertake foreign exchange transactions, make donations subject to compliance with the regulations of the Capital Markets Board, become guarantor, transfer immovable and establish encumbrance on the same. If need be, the Board of Directors may authorize third persons in this respect.

12.3. The Board of Directors is authorized to delegate all or some of its managerial powers to one or more directors or non-directors (executive directors) by an internal directive to be prepared pursuant to article 367 of the Turkish Commercial Code. By the said internal directive, the Board of Directors determines the powers and responsibilities of the executive directors, and may delegate to the relevant persons all kinds of powers and responsibilities of the Board of Directors under conditions, provisions and restrictions to be determined again by the Board of Directors, and if and when deemed necessary, may change or withdraw all or some of these powers. The provisions of articles 371, 374 and 375 of the Turkish Commercial Code are reserved. Provided, however, in any case, the following actions require the decision of the Board of Directors; purchase, lease, sale or rent of real properties, and sea and air transportation means and vehicles, and subject to compliance with the regulations of the by the Capital Markets Board, establishment of all kinds of rights, including, but not limited to mortgages and pledges, on such properties in favor of itself and/or third parties, , and removal and annulment of such encumbrances, and establishment and removal of such rights on the real properties and other assets and properties of the third parties by the Company, and carrying out commercial passenger and cargo transportation by its own aircrafts.

12.4. Pursuant to article 370 of the Turkish Commercial Code, the Board of Directors may delegate its representation rights to one or more persons who need not to be a member of the Board of Directors or a shareholder. Provided, however, the representation rights of at least one member of the Board of Directors must be retained. Unless otherwise resolved by the Board of Directors, the Board of Directors, with the joint signatures of any two members of the Board of Directors, who are not the independent members as per the pertinent regulations of the Capital Markets Board, affixed under the title of the Company may represent the Company in all circumstances.

12.5. The Board of Directors shall have full authority with respect to the delegation of its management and representation powers as stipulated above.

12.6. The Company shall have a Planning and Coordination Council (the “Council”) consisting of members to be designated by the Board of Directors. The Chairman of the Board of Directors shall preside the meetings of the Council.

The main purpose of the Council is to review, assess, and advise on the operating results, business plans, long-term plans and personnel policies of the companies which are directly or indirectly controlled by the Company or of the Company participates in management of.

The meeting and functioning principles of the Council shall be determined by the Board of Directors.

12.7. Besides, the Board of Directors may, as deemed appropriate and subject to compliance with the applicable laws and regulations, establish committees or sub-committees for advisory, coordination, audit or similar purposes which may consist of the directors of the Board and/or members other than the directors of the Board. The composition, meeting, functioning and reporting principles of the committee chairman and the members shall be determined, regulated and revised by the Board of Directors.

NEW VERSION

Article 13: Remunerations and Fees of Directors and Committee Members

Pursuant to the relevant provisions of the Turkish Commercial Code and regulations of the Capital Markets Board, the members of the Board of Directors and the committee members referred to in Article 12 may be entitled to remunerations, fees, bonuses or premiums in consideration of their services rendered to the Company as members of the Board of Directors and the committee members. Amount and terms of payment due and payable to the members of the Board of Directors, including the executive directors, shall be stipulated by the General Assembly, while amount and terms of payment due and payable to the committee members shall be determined by the Board of Directors in accordance with the applicable legislation. Stock options or performance based payment schemes of the Company cannot be used in remuneration of the independent members of the Board of Directors.

NEW VERSION

Article 14: Audit

Audit of the Company and other matters as stipulated in the applicable legislation shall be governed by the relevant provisions of the Turkish Commercial Code and the Capital Markets laws and regulations. The Board of Directors may, pursuant to article 366 of the Turkish Commercial Code, establish an internal audit system reporting to the Board of Directors for internal audit purposes.

NEW VERSION

Article 15: General Assembly of Shareholders

The following principles shall be applied in the meetings of the General Assembly of Shareholders:

(a) **Convocation:** The General Assembly of Shareholders shall convene either for ordinary or extraordinary meetings. The meetings shall be summoned in accordance with the provisions of the Turkish Commercial Code and the regulations of the Capital Markets Board. The meetings of the General Assembly of Shareholders shall be open to public, including but not limited to, the stakeholders and media, who will have no right to speak therein.

(b) **Date and Time:** The ordinary meetings of the General Assembly of Shareholders are to be held at least once a year within three months following the end of each fiscal year of the Company. The agenda topics are discussed and resolved in these meetings.
The extraordinary General Assembly of Shareholders shall convene in a meeting, if and when deemed necessary, in the course of business of the Company in accordance with the provisions of the Turkish Commercial Code, the regulations of the Capital Markets Board, and these Articles of Association.

(c) **Right to Vote:** In the ordinary and extraordinary meetings of the General Assembly of Shareholders, the holders of Group "A" shares shall have two voting rights per share, and the holders of other group of shares shall have one voting right per share. Provided, however, the holders of the any group of shares shall have only one voting right per share in the decisions pertaining to the amendments to the Articles of Association, and acquittal and initiation of lawsuits for liability. In the General Assembly meetings, votes will be cast by raising hands. Provided, however, votes shall be cast by secret ballot upon the request of the shareholders representing at least one twentieth of the total shares represented in the meeting.

(d) **Representation by Proxy:** Subject to and in accordance with the regulations of the Capital Markets Board, in the meetings of the General Assembly of Shareholders, the shareholders may be represented through a proxy appointed from among the other shareholders or third parties. The proxies who hold shares in the share capital of the Company are authorized to cast votes both on behalf of themselves and the shareholders being represented by such proxies. Except for the appointment of proxies via the Electronic General Assembly System, the power of attorney to be to be issued in this respect should be in writing.

(e) **Place of Meeting:** The General Assembly of Shareholders shall convene in meetings at the headquarters of the Company or at any convenient place in Ankara, Istanbul or İzmir.

(f) **Participation in Meetings:** The executive directors and at least one member of the Board of Directors, the auditor, at least one of the officers in charge of preparation of financial statements, and at least one officer who is capable of furnishing necessary information about the specific issues included on the agenda thereon shall attend the meetings of the General Assembly of Shareholders. If any person, other than those who are legally required to attend the General Assembly meetings, does not attend the meeting, the reasons of absence will be reported by the chairman of the meeting to the General Assembly of Shareholders.

(g) **Presiding the Meeting:** The chairman of the meeting who is authorized to moderate in the meeting of the General Assembly of Shareholders will be appointed from among shareholders, and at least 1 (one) vote-collector and a secretary will be appointed from among shareholders or from third parties.

(h) **Meeting and Decision Quorums:** Unless a higher quorum is required as per these Articles of Association, the meeting and decision quorums in all meetings of the General Assembly of Shareholders of the Company shall be governed by the provisions of the Turkish Commercial Code and the regulations of the Capital Markets Board.

(i) **Internal Directive:** In accordance with the relevant provisions of the Turkish Commercial Code and the applicable legislation, the Board of Directors will issue and submit to the General Assembly for approval an internal directive which sets forth the procedures and principles relating to the conduct of the General Assembly. Upon approval by the General Assembly, the internal directive will be registered with and published in the Trade Registry.

(j) **Participation in the Meetings of the General Assembly of Shareholders by Electronic Means:** The persons having right to participate in the general assembly meetings of the Company may participate in these meetings via electronic means pursuant to article 1527 of the Turkish Commercial Code. Pursuant to the provisions of the Regulation on General Assembly Meetings Held Electronically in Joint-Stock Companies, the Company may either establish an electronic general assembly meeting system itself, or outsource such services to the existing service providers, in order to enable such right holders to participate, express their opinions, submit motions and proposals, and cast their votes electronically in the General Assembly meetings. In all of the General Assembly meetings, as per the provisions of this Article, the right holders and their proxies will be enabled to use their rights arising out of the aforementioned Regulation.

NEW VERSION

Article 16: Corporate Governance Principles

The mandatory Corporate Governance Principles of the Capital Markets Board shall be complied with.

All material transactions as specified under the Corporate Governance Principles, all related party transactions, and establishment of mortgages, pledges or other encumbrances in favor of the third parties shall be carried out in compliance with the Corporate Governance Principles of the Capital Market Board.

All actions and decisions of the Board of Directors which do not comply with the Mandatory Principles will be invalid and deemed to be in conflict with these Articles of Association.

NEW VERSION

Article 17: Announcements

Information legally required to be announced by the Company shall be announced in accordance with the relevant articles of the Turkish Commercial Code, and regulations, communiqués and circulars issued by virtue of the said Code, and regulations of the Capital Markets Board, and other applicable legislation. If place of announcement is not stipulated in the pertaining regulations, such information will be posted on the website of the Company.

NEW VERSION

Article 18: Fiscal Year

The fiscal year of the Company begins in the first day of January and ends in the last day of December of the same year.

NEW VERSION

Article 19: Distribution of Profit

The Company shall comply with the provisions of the Turkish Commercial Code and the Capital Markets laws and regulations pertaining to the distribution of profit.

The balance, after deduction of the previous year losses (if any) from the remaining current profit of the of the Company as shown in the balance sheet of the Company which yields to the total income of the Company as of the end of the related fiscal year, less the general expenses and overheads along with the amounts, such as various depreciation items, mandatory to be paid by the Company and other amounts mandatory to be set aside by the Company, and all and any taxes payable by the Company, will be allocated and distributed as shown below:

General Legal Reserve Fund:

(a) 5% is set aside as legal reserve fund until it reaches to 20 % of the paid-in capital of the Company as per the pertinent provisions of the Turkish Commercial Code.

First Dividend:

(b) Out of the balance, first dividend is set aside which to be calculated by taking into account any donations granted during the relevant fiscal year in accordance with the Turkish Commercial Code and the Capital Markets laws and regulations.

(c) After setting aside 5% legal reserve fund according to the provisions of the Turkish Commercial Code and the financial obligations due and payable by the Company, and after deducting first dividend to be calculated as per sub-paragraph (b) over the paid-in capital of the Company, out of the before tax profit of the Company, an amount up to 2% as determined by the General Assembly of Shareholders shall be allocated to Koç Holding Pension and Support Fund Foundation.
(d) Save for the obligations with regard to first dividend as set forth in sub-paragraph (b), after setting aside 5% legal reserve fund in accordance with the provisions of the Turkish Commercial Code and the financial obligations due and payable by the Company, and after deduction of an amount equal to 5% of paid-in capital, 3% of the remaining amount will be allocated to the holders of the dividend right certificates. Provided, however, the amount to be paid to the holders of the dividend right certificates cannot be exceed one tenth of the amount remaining after making the deductions set forth in sub-paragraphs (a) and (b) of this Article from the net profit of the Company.

Second Dividend:
(e) As for the remainder of the relevant net profit after deduction of the amounts referred to in sub-paragraphs (a), (b), (c) and (d) hereof, the General Assembly of Shareholders is authorized to fully or partially distribute the said amount as second dividend, or to set aside as reserve funds pursuant to article 521 of the Turkish Commercial Code.

Unless all reserves required by law are set aside and the dividend determined for the shareholders as per these Articles of Association are distributed in cash and/or as gratis shares, it cannot be resolved to set aside other reserve funds, or to carry forward profit to the next year, or to distribute profit to the members of the Board of Directors, officers and other employees, foundations of various purposes and similar persons and/or entities.

Dividends are distributed equally to all of the existing shares as of the date of distribution, regardless of their dates of issue and time of acquisition.

Method and timing of distribution of profit resolved to be distributed will be decided by the General Assembly of Shareholders upon a proposal of the Board of Directors.

The profit distribution decision of the General Assembly of Shareholders taken in accordance with the provisions of these Articles of Association cannot be revoked.

NEW VERSION
Article 20: Advances on Profit
The General Assembly of Shareholders may resolve to pay to the shareholders advances on profit in accordance with the regulations of the Capital Markets Board and applicable legislation.

NEW VERSION
Article 21: Foundation for Company Personnel
The Company may either found new foundations or participate in the existing foundations in favor of its officers and employees as stipulated in article 522 of the Turkish Commercial Code.

NEW VERSION
Article 22: Legal Provisions
All and any matter which is not included in these Articles of Association shall be governed by the relevant provisions of the Turkish Commercial Code, the Capital Market Law and applicable legislation.

NEW VERSION
Temporary Article
Omitted.

NEW VERSION
Article 23: Meeting Place
Omitted.

NEW VERSION
Article 24: Notification to Ministry and Ministry Representative
Omitted.

NEW VERSION
Article 25: Voting Right
Omitted.

NEW VERSION
Article 26: Representation by Proxy
Omitted.

NEW VERSION
Article 27: Chairmanship Committee of General Assembly Meeting
Omitted.

NEW VERSION
Article 28: Method of Voting
Omitted.

NEW VERSION
Article 29: Amendments to the Articles of Association
Omitted.

NEW VERSION
Article 30: Yearly Reports
Omitted.

NEW VERSION
Article 31: Yearly Accounts
Omitted.

NEW VERSION
Article 32: Distribution of Profit
Omitted

NEW VERSION
Article 33: Limit and Reservation of Reserve Funds
Omitted

NEW VERSION
Article 34: Dissolution and Liquidation
Omitted

NEW VERSION
Article 35: Announcements
Omitted

NEW VERSION
Article 36: General and Legal Provisions
Omitted

NEW VERSION
Article 37: Compliance with Corporate Governance Principles
Omitted.

2013 BOARD OF DIRECTORS' CANDIDATES

Rahmi M. Koç
See page 16

Mustafa V. Koç
See page 16

Temel Atay
See page 16

Ömer M. Koç
See page 16

Semahat Arsel
See page 17

İnan Kıraç
See page 17

Ali Y. Koç
See page 17

Dr. Bülent Bulgurlu
See page 17

Prof. Dr. John H. McArthur
See page 18

Prof. Dr. Heinrich V. Pierer
See page 19

Muharrem Hilmi Kayhan (Independent Board Member Candidate)
See page 18

Kutsan Çelebican (Independent Board Member Candidate)
He graduated from 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 the World Bank (IBRD). He joined the 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. He currently manages his own financial consulting company. He served as a legal auditor of Koç Holding between April 2008-April 2012 and he resigned due to beginning of his career as an independent member of the Board of Koç Group companies. He has been serving as an independent member of the Board of Directors of Tüpraş and Arçelik since 2012.

Sanford I. Weill (Independent Board Member Candidate)
See page 18

Peter Denis Sutherland (Independent Board Member Candidate)
See page 19

Kwok King Victor Fung (Independent Board Member Candidate)
See page 19

REMUNERATION POLICY

This policy document identifies the remuneration system and practices concerning our Board members and top management who have administrative responsibility as per the CMB regulations.

Fixed compensation for all Board members is determined in general assembly meetings every year. Payment for executive Board members shall be done within the context of below given policy that has been determined for top managers.

At the end of the year, bonus payment determined by the Board of Directors within the framework of Corporate Governance Committee, could be done to the executive committee's chairman and members, who will give effective support to Company's Board of Directors in all matters relating to the operation of the Company, based on their contribution, their participation to the meetings, their functions. Performance based compensation is not applied for the independent Board members' remuneration.

Payment to Board members shall be done by considering their task period from inception to expiry date on a pro-rata basis. Expenses (transportation, telephone, insurance and so on) covered by the Board members during the execution of their duties, can be reimbursed by the Company.

The top management compensation is comprised of two components; fixed and performance based.

Top management's fixed compensation is determined in parallel with international standards and legal obligations by considering macroeconomic data in the market, remuneration policies prevalent in the market, corporate growth and long-term targets and the position of the manager.

Top management bonuses are calculated according to bonus based, company performance and personal performance. The information concerning the mentioned criteria is summarized below.

Bonus Based: The base of bonus updated at the beginning of every year and can be variable according to the level of managers' position. While updating the base of the bonuses, the top management bonus policies prevalent in the market shall be considered.

Company Performance: The company performance is determined by evaluating period end values of the financial and operational (market share, export, foreign market activities, efficiency, etc…) targets given at the beginning of every year. The sustainability of the success, covering improvements compared to previous years is the most important factor in determining company targets.

Personal Performance: Targets concerning employee, customer, process, technology and long term strategy are considered together with the company targets to determine personal performance. While evaluating personal performance, in line with company performance, long term sustainable improvement principles, excluding financial aspects, is considered.

The total amount of remuneration which is paid to top management and Board members within the year, and determined as per the above given principles, shall be presented to of the shareholders in the following general assembly in line with the legislation.

The amount of benefits provided to Koç Holding's Board of Directors' Chairman and Members and executive management composed by the President, was TL 66,097,461 in 2012.

Koç Holding thrived in 2012 despite challenges at home and abroad.

Koç Holding's esteemed shareholders and stakeholders,

Koç Holding thrived in 2012 despite challenges at home and abroad. Consolidated revenues increased by 13% to TL 85 billion while net profit for the year, after minority shares, rose 9% to TL 2.3 billion.

Rising international revenue despite shrinking export markets

We raised our combined international revenues by 11% to US$ 18.4 billion despite challenges in export markets. While our automotive exports remained steady due to unfavorable developments in Europe, our international revenues showed a steady increase on account of our strong performance in petroleum products and consumer durables.

Consolidating leadership at home

Our strong performance strengthened our key role in our sectors and consolidated our leadership positions. We maintained our clear superiority in petroleum and LPG products in the energy sector.

The US$ 2.1 billion-loan Tüpraş received for its Residuum Upgrade Project won an award as the "Best Structured Financial Transaction in Europe, the Middle East and Africa". Moreover, Tüpraş issued US$ 700 million in eurobonds to diversify sources of financing and to reduce costs.

Opet maintained its position as the second largest oil distributor by means of being the fastest growing company once again. Aygaz Group, operating the Aygaz-Mopet-Lipet brands, was clearly ahead with a 29% market share.

At the end of the year, AES Entek took over three hydroelectric power plants with a total capacity of 62 MW. Investments in a 625 MW coal-fired power plant began in partnership with Oyak and work began on a 220 MW natural gas power plant to generate energy for Tüpraş in Kırıkkale.

We continued to be the indisputable leader in the automotive sector with a market share of 27% despite stiff competition due to shrinking domestic markets and rising Special Consumption Tax rates.

Ford Otosan maintained its market lead for the 11th year with a 13.8% share and Tofaş came a close second with a 12.9% share.

Ford Otosan successfully introduced its new light commercial vehicle and truck models, again demonstrating that it is one of Ford's most important production hubs. Construction of its second factory to accommodate new projects and meet growing capacity needs continues in Gölcük, near Bursa.

Tofaş, which manufactures for Fiat, Peugeot, Citroen, Opel and Vauxhall, has gathered the marketing and distribution of the Alfa Romeo, Lancia and Jeep brands in Turkey under a single umbrella. The Linea, which was remodeled this year, was Turkey's bestselling automobile.

Otokoç Otomotiv expanded its domestic vehicle leasing business by 16%. It broke new ground in the automotive retail sector by issuing debt securities.

Otokar signed a preliminary agreement to manufacture the 100% Turkish-designed Kobra armored vehicle in Kazakhstan. We are proud to see the first prototypes of Altay, the national tank project, which is of strategic importance for our country and for Koç Holding. Otokar maintained its leadership in the domestic bus market and

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.

it launched the first electric bus designed in Turkey, the Doruk Elektra.

TürkTraktör, with a 50% market share, continued to be the hands down number one company in a shrinking and increasingly competitive market. It raised total export revenues by 44% in 2012 with its new tractor series, the production of which began at the end of 2011. Investments for a new assembly plant in Adapazarı, east of Istanbul, are continuing.

Arçelik continues to expand globally while maintaining its unrivaled leadership in the domestic market. The Company successfully completed the integration of Defy, the South African company it acquired, and invested nearly US$24 million in new production lines. In addition, Arçelik set up two sales companies – one each in Ukraine and Egypt. The Arçelik Group increased its share of the West European market to 7.1%, rising to third place in Europe in terms of revenues.

Yapı Kredi's growth rates in TL denominated loans, deposit accounts and basic banking revenue exceeded the sector average. It also maintained its leadership in all categories in credit cards. Despite a difficult period in the global economy, the bank obtained a US$ 1.4 billion syndicated loan – the largest ever received in Turkish banking – and it issued securities totaling US$ 3.2 billion. Yapı Kredi, which had 928 branches at the end of the year, also retained leadership in leasing and factoring, and held second place in asset management.

Investment, employment creation, R&D and innovation were key despite adverse global economic conditions

We maintained our major growth-oriented investments, despite adverse global economic conditions, with a record combined investment of TL 4.9 billion. We plan to make combined investments of TL 6.8 billion in 2013. In addition to these, we are working on new energy investments.

Similarly, we continued to increase our labor force. Adding about 1,200 employees to our workforce, we raised total number of our employees to 82,158 by the end of 2012.

Our R&D investments continued unabated. Arçelik came away with two awards from the Ministry of Science, Industry and Technology's R&D Centers Summit, held in 2012 for the first time. Ford Otosan, Tofaş and Tüpraş each received an award. We are very proud of these accomplishments. Arçelik, holder of the greatest number of patent applications in Turkey, garnered the Turkish Exporters Assembly's first ever "Most Innovative Company" award.

One of our most important priorities will remain to raise the competitiveness of Turkish companies globally by sustaining our pioneering, key role through our investments in technology and innovation.

I express my heartfelt thanks to all our stakeholders, whose great support has enabled 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. We will continue to strive with all we have got to make the highest possible contribution to our shareholders, stakeholders and Turkey.

Osman Turgay Durak
CEO

EXECUTIVE MANAGEMENT*,**

Osman Turgay Durak, 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.

Ali Tarık Uzun, President, Audit Group
He graduated from Ankara University in Faculty of Political Science with a B.A. in Economics in 1985 and earned his MBA degree from Koç University in 1995. He has been a member of TÜSİAD, Turmepa (Turkish Marine and Environment Protection Association) and Mulkiyeliler Union. 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. He is a member of TÜSİAD (Turkish Industrialists' and Businessmen's Association), TURMEPA (Turkish Marine and Environment Protection Association) and Alumni Association of Ankara University Faculty of Political Science.

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. He serves as a Board member of some Koç Group companies. In addition, he has been a Vice Chairman of YASED, member of TÜSİAD, member of the Board of Tourism Investors' Organization and member of the Board of Trustees of HEV.

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.*
** *For the information about the BoD and executive management members' transactions on behalf of themselves or someone else within the framework of the permission given by the General Assembly and their operations within the scope of the competition ban, see the agenda item description numbered 18 in the Information Document (page 212).*

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.

We aim to be the most preferred employer for the most successful professionals.

As of the end of 2012, the Koç Group employed a total of 82,158 people, 73,869 in Turkey and 8,289 in other countries. The 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 Turkey's most preferred organization, one that each employee is proud of being a part of. In line with 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 provides an open communication environment for management of employee data, ensuring transparency of policies and applications.

Performance Management System

Performance Management System enables the effective deployment of Company's goals to all employees. The system provides a measurement and rewarding tool for success in goal realization and helps determining the employees' competencies and planning their individual development.

Salary Management System

The Koç Group's Salary Management System is based on factors such as the salary market, current salary structure of the Company, purchasing power, salary policy, individual performance and job grade of the employee. With regular market analyses, a competitive and fair salary policy is applied. The bonus system encourages outstanding performance. Focusing on long-term consequences rather than short-lived achievement, the bonus system aims to reward sustainability and outstanding success.

Job grades which are the basis of the salary management system are determined by job evaluations. An international system is used to ensure that all jobs in all areas of across Koç Group are ranked according to their potential contribution to organizational goals and their responsibility levels.

A narrow band model is applied in determining job grades. The narrow band model makes it easy to differentiate grades, facilitates the promotion of employees from one grade to the next and applies the principle of equal pay for equal job size in order to bring the salaries in the same grade possibly closer.

We support our employees through health and safety programs, benefit systems, and institutions such as the Foundation for Pensions and Financial Assistance.

E-Approval Top Management Salary and Bonus System

For top management, the approval procedures for job evaluations, salaries, job grades and bonuses are handled through an electronic system known as the E-Approval System which also determines top managers' salaries and bonus amounts at the end of the year.

KoçAcademy Development Planning and Learning Platform

KoçAcademy provides activities to support the development of Koç Group employees. Activities are planned and implemented according to the Company's and employees' needs. Indeed, it serves as the learning and development infrastructure of the Group.

In order to identify the most pressing development needs, KoçAcademy has competency and ability assessments tools. According to the results of the assessment, an individual development plan for each employee is formulated by selecting the most appropriate development activities. In addition, KoçAcademy is continuously enriched by new contents like training programs, e-learning modules and articles in order to better support the professional development of the Company's employees.

Leadership Potential Assessment Process and LiderSensin Talent Management and Development Program

Koç Group companies define career paths for employees at all levels with an assessment process based on the competencies. Successful employees with high level leadership skills are identified by an application of Assessment Center and included in a special program as potential senior managers. This enables the Group to identify the successors of the senior management positions and train them for their future positions proactively.

Corporate Coaching

A Corporate Coaching Program has been created as part of the LiderSensin Talent Management and Development Program. This program provides one to one coaching service for potential leaders from an assigned corporate coach. This program aims to support the development of these potential leaders closely. In addition, in order to deploy the coaching culture within the organization, internal coaches are being trained in the Group companies.

Leader Development Programs

The main objective of Koç Group Leader Development Programs is to form a common management and leadership culture throughout the Group. It also creates a training and business cooperation environment where managers from different Group companies can share their knowledge and experience. In total, 5,124 managers attended these programs between 2002 and 2012.

Internal Job Postings - KoçKariyerim

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

“EBK” Most Successful Koç Employees Award System

The “Most Successful Koç Employees Award System” recognizes and rewards successful employees and spotlights and shares the best practices in the Group. In 2012, a total of 10 White Collar and Blue Collar projects were selected in five categories; “Making a Difference”, “Developing Cooperation”, “Creating Customer Satisfaction”, “Creative Innovations” and “Adding Value to Life”. The 120 employees that participated in these projects were rewarded.

Work Environment Evaluation Survey

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

Industrial Relations

Collective labor agreements are negotiated with seven different labor unions on behalf of Koç Group companies within seven different industry branches. Industrial relations coordination meetings are organized periodically in order to ensure labor peace is sustained throughout. Works are conducted regularly in order to maintain sustainable, strong and constructive social dialogue with the labor unions in accordance with the European Union regulations, Koç Group human resources processes and the UN Global Compact. In 2012, amendments were adopted within the main legislation relating to employment. The swift adaptation of Group companies to such changes was ensured and the mandatory changes in accordance with the amended legislation were implemented.

Occupational Health and Safety (OHS) Board

The Occupational Health and Safety Board which was established as a result of the importance the Company attaches to the health and safety of the employees, meets regularly. The Board, reviews the practice throughout the Group frequently, implements the necessary development and circulation works, procures that high occupational safety standards are implemented and the best practices developed within the Group are also adopted by other Group companies. In 2012, Board meetings relating to occupational health and safety issues, seminars and trainings were ongoing.

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 both their employment and retirement periods.

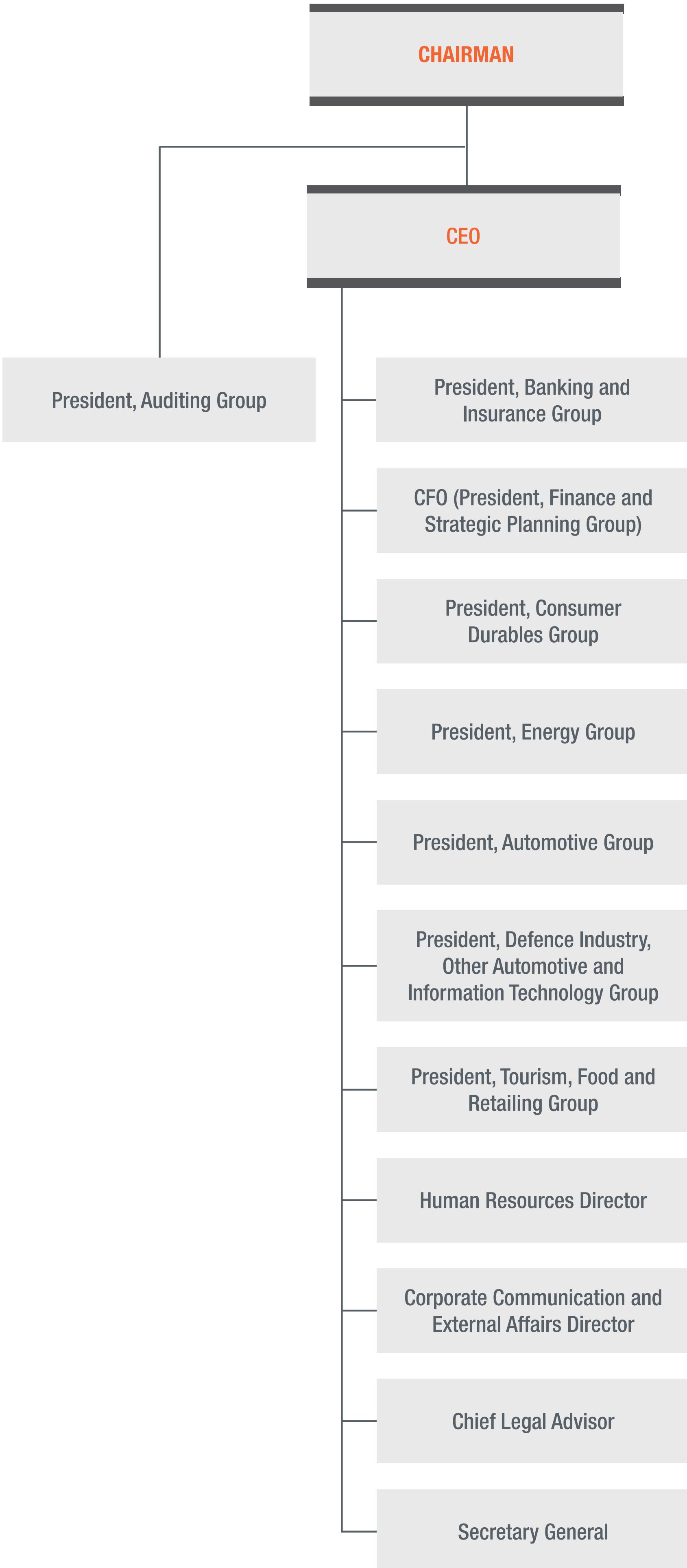
KoçAilem

The KoçAilem Program, unlike any other loyalty program, provides our employees, various advantages in using the products and services of Koç Group and also other contributing companies. 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 89,000 members.

Sports Festivals and the Koç Group Sports Club

The 23rd Annual Sports Festival took place in 2012. The festival strengthens Group culture, improves cooperation, contributes to the physical and mental health of employees, and helps employees make the most of their spare time. In 2012, over 3,600 employees participated in the festival in 11 different sports.

In order to improve the sportive and social opportunities for the employees, the Koç Group Sports Club was initiated. The Club organizes sportive events, courses in several sports and training camps for the employees and their families.


CHAIRMAN
CEO
President, Auditing Group
President, Banking and Insurance Group
CFO (President, Finance and Strategic Planning Group)
President, Consumer Durables Group
President, Energy Group
President, Automotive Group
President, Defence Industry, Other Automotive and Information Technology Group
President, Tourism, Food and Retailing Group
Human Resources Director
Corporate Communication and External Affairs Director
Chief Legal Advisor
Secretary General

As the largest investment holding company in Turkey, Koç Holding is regarded as the best proxy to invest in Turkey's high growth potential on the ISE.

- Koç Holding and the Group's 13 publicly traded companies represent 16% of total market capitalization on the ISE at the end of 2012.
- Koç Holding strives to continuously increase shareholder value by implementing international standards in corporate governance and investor relations.
- In 2012, Koç Holding Investor Relations attend a total of 18 roadshows and conferences in Turkey and abroad and held over 500 meetings with existing and potential investors. It organizes webcasts on a quarterly basis to share financial results with participation of high level managers.

Koç Holding's Value Added to its Investors

- The best proxy to invest in Turkey's high growth potential on the ISE
- Turkey's largest investment holding company
- Strategies focused on sustainable profitability and increasing shareholder value
- Strong net cash position and solid balance sheet structure
- High growth potential as leader in sectors with low penetrations and advantages of economies of scale
- Superior and sustainable improvement of operating performance
- Portfolio structure resilient to economic volatility and risks
- Efficient risk and opportunity management, supported by extensive customer database as well as effective early warning systems
- 87 years of a proven track record, built by proactive restructuring, M&A's, privatizations as well as domestic and international partnerships

Koç Holding's Added Value to its Group companies

- Reliability, strong reputation and powerful brand management based on 87 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 of corporate governance, business practices, ethical principles, environmental policies and working conditions through application of Group vision and objectives
- Broad distribution channels, comprehensive customer information and database facilitating effective 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 infrastructure

The increasing share of foreign institutional investor base and the fact that Koç Holding trades with much lower discounts and even with premiums to its NAV compared to its domestic and global peers, are the results of high shareholder value creation.

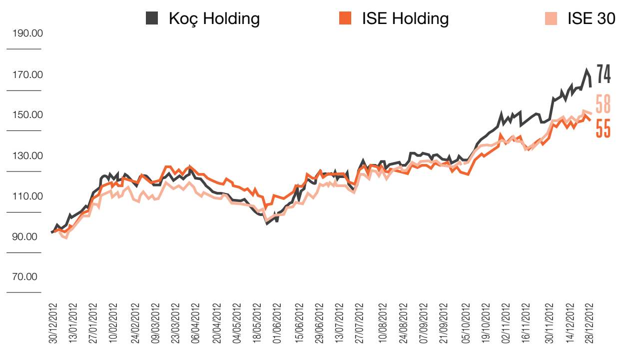
As a sign of the high share value created by Koç Holding, it consistently trades with much lower discounts, sometimes with premiums, to its capitalized NAV compared to all other holding companies in Turkey.

Premium/Discount to Net Asset Value

AVERAGE	2010	2011	2012
Koç Holding	-11	-7	-6
Peer Group Average	-43	-47	-45

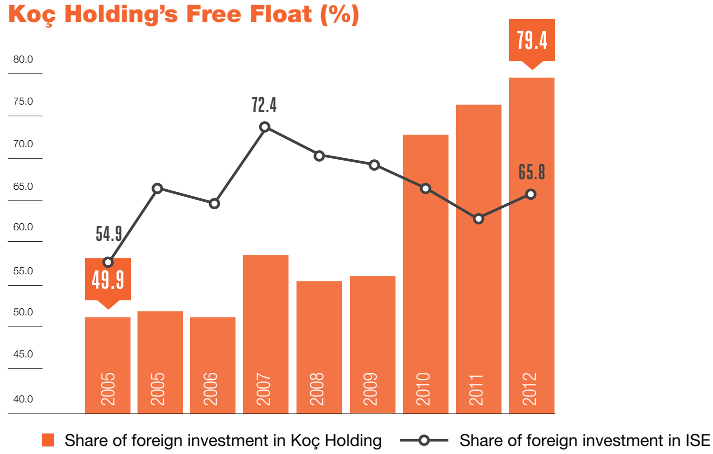
With an increase of 74% in 2012, Koç Holding outperformed the ISE Holding Index (55% increase) as well as the ISE-30 Index (58% increase).

Share 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 (%)

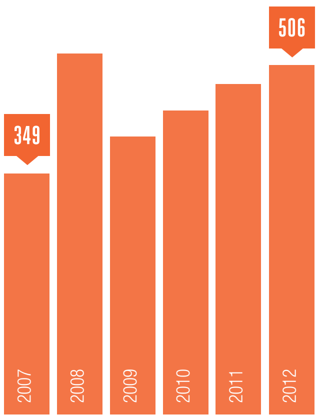


Group companies move up in worldwide rankings of R&D expenditures.

Over the last 5 years

2,736 TL million

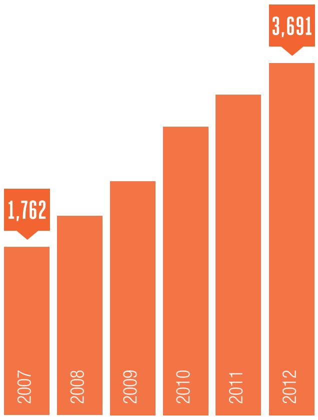
TOTAL R&D INVESTMENT OF KOÇ HOLDİNG COMPANIES



Increase in the last 5 years

110%

TOTAL NUMBER OF KOÇ GROUP R&D EMPLOYEES



The Koç Group is determined to enhance 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.

In the last 10 years, the Koç Group has spent a total of TL 3,557 billion on R&D. With an R&D investment level of almost TL 506 million in 2012, the Koç Group remained the highest spending group in Turkey for R&D. The R&D spending of the Koç Group constitutes 8% to 10% of the private sector R&D spending across Turkey.

According to an EU Commission study on 2012 R&D investments; with consolidated R&D spending totaling €151.4 million in 2011, Koç Holding moved up 77 places to rank 485th worldwide, making it the only Turkish company in the first 500 companies. 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 1.73%.

Koç Holding fortifies its strengths with its R&D culture. The Company has 14 R&D centers certified by the Ministry of Science, Industry and Technology. The Koç Technology Board was established in 2005 to share and 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 suppliers, after-market partners and SMEs.

14 R&D centers
One tenth of all R&D employees in Turkey

EU Projects
In the belief that the best way to increase its competitiveness is to participate in European Union financed R&D projects and different R&D platforms, Koç Holding made significant advances in EU projects in 2012 with the active contribution of Tüpraş, Tofaş and Koç Sistem.

Awards
In the First R&D Centers Summit organized by the Ministry of Science, Industry and Technology, Koç Group companies took their place at four categories of Turkey's most successful rated companies. Tüpraş came in second place in the Quality R&D Centers category which was given for the quality of employees, projects and added value. In the Cooperation with Universities category, out of 141 R&D Centers, Tofaş took 1st place and Arçelik 2nd; in the Scientific Publication category, Ford was 3rd and in the Patent category Arçelik took 2nd place.

Firsts in Defense Industry
In 2012, Otokar, the lead contractor for the main Turkish battle tank, Altay, invested strongly in R&D for new products for both Altay, and other projects such as armored vehicles and commercial vehicles. With this respect, Otokar supports the automotive and defense industries with its high skilled and well educated workforce. Otokar reserves 4% of its revenue for R&D; it has invested US$ 10 million in the Altay project alone. The Company has established, for instance, an electromagnetic compatibility test center, a dynamometric acclimated chamber and a tank test course, at a single facility, which is unique and one of the few in the world with its modernity, and it has endowed Turkey with skills.

In 2012, RMK Marine, a Holding company, decided to supplement the TCG Heybeliada and TCG Büyükada ships that are built under the MİLGEM Project, with six new warship series. RMK Marine's recent R&D activities were influential in the making of this decision.

Energy
Tüpraş, one of our Energy Group companies, has initiated in product and process development projects at its R&D Headquarters. Tüpraş is set to create its own technology and make a difference with its innovative R&D projects in the long run. Aygaz, Demir Export and AES Entek have accelerated their R&D activities since 2012.

Environmentally friendly and innovative products that raise the standard of living for its customers

Automotive

Ford Otosan is well on its way to becoming a global R&D center. Including those working on its new projects, Ford Otosan employs a total of 1,239 R&D personnel. In 2012, its R&D team successfully introduced a completely revamped Transit series in the light commercial vehicle class, launching The New Ford Toureo Customer, praised throughout the world as the "Official Vehicle of Commerce", and the New Ford Transit Custom. Global Cargo 1846T tractor units' project, developed for South America and Turkey, was undertaken and production has started.

The Tofaş R&D Headquarters launched the Fiat Linea FL model in 2013. Among its R&D activities in 2012 were 64 technological research projects, including the electrification of the Doblo.

Household Appliances

Arçelik continues to lead and be a major player by creating a difference with its superior technology, high quality and innovative products in global R&D. It has the capacity to market products of its own design with its own brand now in over 100 countries.

Arçelik, through its vision "Respect for the World, Respect in the World" and backed by its R&D and innovative technologies, continues to develop environmentally friendly and innovative products that raise the standard of living for its customers. Often considered "the best" or "the first" in the white goods product range, Arçelik continues to develop and manufacture products that are the quietest, least energy-consuming, or least water-consuming in the world. In addition to superior performance products, through its R&D and innovation, it strives to be a company that differentiates itself by developing solutions to meet various consumer needs around the world.

Turkey's largest intellectual property rights portfolio

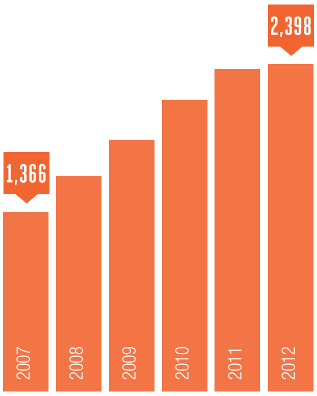
with more than:
6,000 trademarks
2,300 patents
600 industrial designs
3,000 internet domain names

Increase in the last 5 years

75%

PATENT PORTFOLIO OF KOÇ GROUP

(CUMULATIVE - UNITS)



With a goal of increasing value created for its investors, the Koç Group increases investment in intellectual property year after year and places great importance on intellectual property management.

The Koç Group derives its competitiveness from innovations in all fields. Therefore, the intellectual property rights of Koç Group constitute one of the most important drivers supporting its growth, competitiveness and profitability.

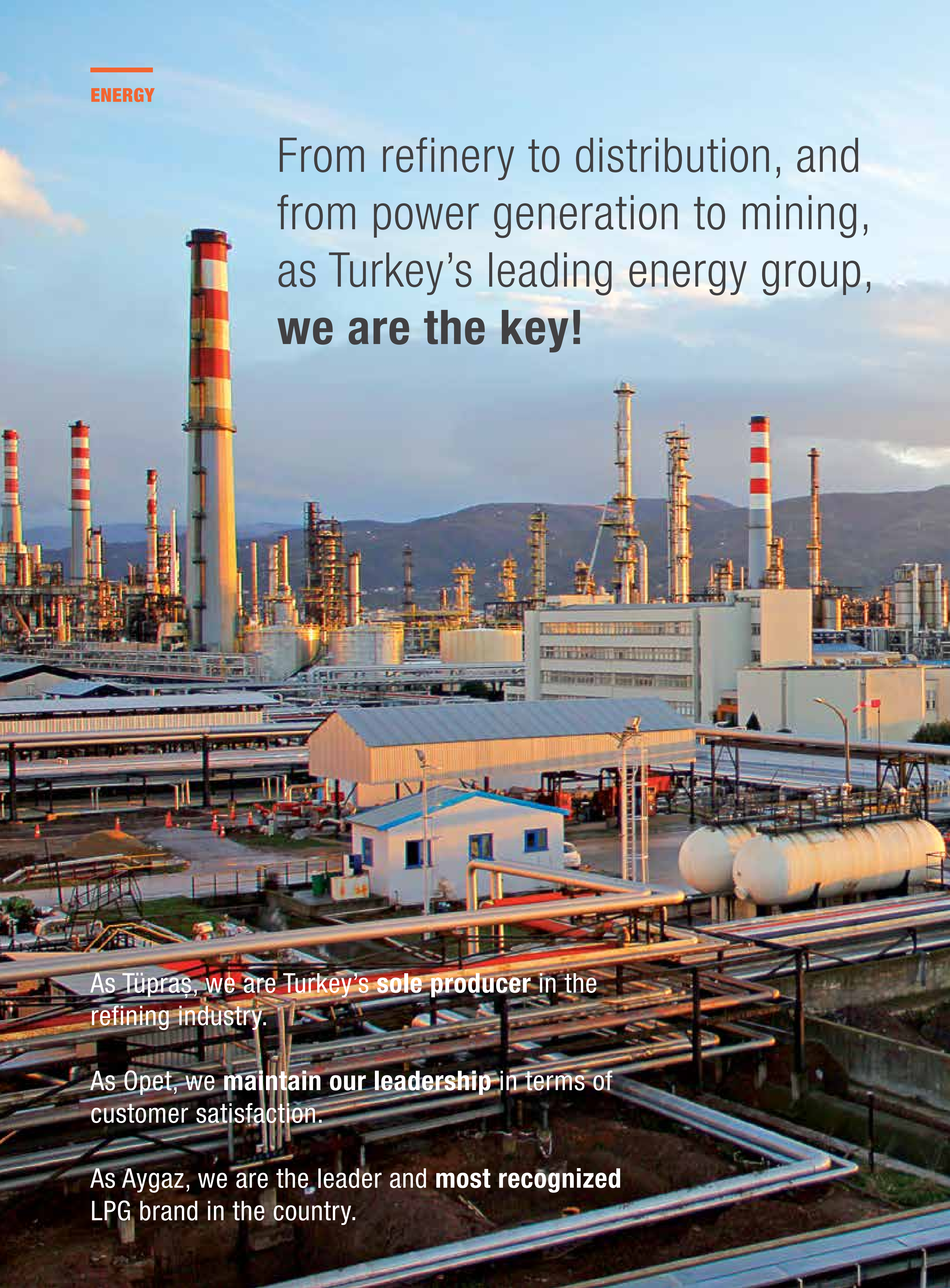
Koç Group defines its intellectual property strategy as follows:

1. Maximizing its use of the intellectual property system to obtain sustainable competitive advantage and achieve the best business results.
2. Protecting innovations that make difference and strong brands in the markets it operates.
3. Creating value by managing its intellectual property portfolio in an alignment with its business goals.
4. Commercializing intellectual property through acquisition, sale or licensing and being open to partnerships in this field.
5. Respecting the intellectual property rights of others.

In this respect, Koç Group is the first and only group in Turkey which established and shared an intellectual property strategy with its stakeholders.

Koç Group intellectual property rights portfolio -consisting of over 6,000 brands, 2,300 patents, 600 industrial designs and 3,000 internet domain names- is the largest in Turkey and the most important one in the region it operates. The Koç Group of Companies applied for 273 patents in 2011 and 310 patents in 2012. The Koç Group alone files over one third of all international patent applications from Turkey. Arçelik, being the first and only Turkish company to be listed in the top-500 list of the World Intellectual Property Organization (WIPO), was awarded the 2nd place in the Fraunhofer IAO Institute's Intellectual Property Management contest in 2012.

From refinery to distribution, and from power generation to mining, as Turkey’s leading energy group, **we are the key!**



As Tüpraş, we are Turkey’s **sole producer** in the refining industry.

As Opet, we **maintain our leadership** in terms of customer satisfaction.

As Aygaz, we are the leader and **most recognized** LPG brand in the country.

Hikmet Kurucu
Tüpraş

Paralleling economic growth, Turkey's consumption of electricity increased 5.1% to 241 TWh.

Developments in the petroleum sector in 2012

Turkey's GDP growth rate is expected to fall to about 3% in the face of the global economic slowdown and policies taken to address the country's current account deficit.

Oil price was $106.5/barrel at the beginning of 2012, and it fluctuated throughout the year in response to economic and political developments. The year closed with oil at $110/barrel. The global economic growth rate of 3.2% had a positive impact on the world's oil demand with average daily consumption rising by 1.1% to 89.84 million barrels.

Consolidation in refinery industry accelerated in 2012 due to the decline in consumption created by European countries' conservation measures and pressures brought on by the increasing price differential between WTI and Brent crude oil. As a result, refineries with 1.49 million/day total capacity either ceased operations or were transformed into commercial terminals, as they became unable to sustain profitability. While this had a favorable impact on Mediterranean refinery margins, sanctions on Iranian oil had an unfavorable impact.

Competition in the domestic oil distribution sector intensified in 2012, affecting quality and product and service diversity positively. The measures taken against illegal fuels began to pay off. Dynamism in the sector continued as new players attempted to enter it while those unsuccessful ones left. Another significant development in the oil distribution sector was the increase in the special consumption tax (ÖTV) after a three year hiatus.

Additional measures were taken to eliminate the adverse effect on the sector of substandard or contraband products. For instance, the Ministry of Finance took action to prevent use of the "no. 10 oil" as fuel, the most common form of illegal fuel, which is also a major environmental threat, and source of tax losses. After having imposed ÖTV on lubricants on 14 September 2011, the ministry implemented a tax-return policy on the ÖTV on base oils on 11 October 2012. It is expected that the measures taken will be effective in preventing such illegal practices.

Demand for diesel fuel consumption continued to rise. According to the Energy Market Regulatory Authority (EPDK), total diesel fuel consumption rose 6.1% to 15.6 million tons in 2012. Total white products consumption (gasoline and diesel fuel) grew by 4.6%, while that of black products (fuel oil and heating oil) declined by 12.6% in 2012. The decline in gasoline demand continued as a result of increasing autogas usage, dieselization and uneven taxation. Gasoline consumption decreased by 6.6% to 1.85 million tons.

According to a government communiqué published in 2011, minimum 2% bioethanol is being added to gasoline since 1 January 2013. As of 1 January 2014, diesel fuel will have to contain at least 1% biodiesel, with the proportion gradually rising in subsequent years to 3%. However a change in the regulation, reducing the ratio to 0.3% as of 2014, is currently being discussed.

While the necessary domestic crops and production capacity exist for bioethanol, over 70% of the vegetable oils, the main input for biodiesel production,

Bülent Küçük
Aygaz

are imported and this figure is increasing. Therefore, biodiesel production in Turkey will likely result in a further increase in vegetable oil imports.

Turkey's LPG sector in 2012

LPG consumption in Turkey, Europe's second largest LPG market, was 3.7 million tons in 2012, of which 73% was for use as autogas and 24% as cylinder gas in nearly 10 million households and businesses.

Autogas consumption in Turkey, the second largest autogas market in the world and the largest in Europe, grew by 2% in 2012 to 2.7 million tons. The Turkish market makes up 11% of the total world autogas market.

On 22 September 2012, ÖTV on autogas was increased, while ÖTV on cylinder gas did not change. The exemption of cylinder gas from ÖTV increases, is an important development for the sector.

Electricity sector developments in 2012

The world economy has been adversely affected by the uncertainties created by the world economic crisis. Most importantly, the situation of some countries in the European Union has shaken all markets. The continuation of the crisis caused the rapidly growing interest in renewable energy to decline.

Paralleling economic growth, Turkey's consumption of electricity increased 5.1% to 241 TWh.

The free eligible customer limit, which gives electricity consumers the right to choose providers, was set at 25,000 kWh/year in 2012.

Privatization of distribution assets continued and tenders previously canceled were reopened. Privatization of the Electricity Generation Company's (EÜAŞ) assets began with the Seyitömer and Kangal thermal power plants and it is expected to continue in 2013.

There were two major developments in the electricity market that may have a direct impact on consumer prices: BOTAŞ imposed price hikes in April and October on natural gas sold to natural gas conversion electric power stations, totaling 32%. The EPDK raised the profit margins of electricity distribution companies from 2.33% to 3.49%.

Koç Holding Energy Group

Tüpraş, flagship company of Koç Group, Turkey's energy sector leader, maintained its customer-focused strategy in 2012 and achieved a higher than sector average growth in diesel sales, raising its market share from 51.5% to 53.1%. Tüpraş also increased its gasoline market share from 91.5% to 96.4% through its competitive strength founded on its storage and terminal infrastructure.

Paralleling developments in the air transportation sector, the domestic sales of civilian jet fuel rose by 499,000 tons. The continued rapid growth of the Turkish air transportation sector enabled Tüpraş to increase sales of jet fuel by 20%.

Aygaz maintained its clear lead in the LPG sector with a market share of 29%, according to the EPDK data. The total market share of the Aygaz group in cylinder LPG was 43%. It also remained market leader in autogas with a 23% market share.

Energy, the key to growth; Tüpraş, the key to energy

Ahmet Yavuz
Tüpraş

26,276

TOTAL REVENUES (US$ MILLION)

Domestic Market Position

Turkey's **sole** oil refining company
60% market share in fuel products, excluding industrial products

International Market Position

Europe's **7th** and the world's **29th** largest refining capacity

Share of International Revenues

21.4%

Shareholder Structure

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

Turkey's largest industrial company

Tüpraş is Turkey's only oil refining company, operating four refineries in Izmit, Izmir, Kırıkkale and Batman, with a total annual crude oil processing capacity of 28.1 million tons; it is the country's largest industrial company by revenues and added value generated. Europe's 7th largest refining company, Tüpraş is among the most complex refiners in the Mediterranean region, with a Nelson Complexity Index of 7.25.

Strategy

Aware of ever rising competition within the sector, Tüpraş aspires to the highest level of operational excellence to maximize value for Turkey and the Company's shareholders. To accomplish this, Tüpraş targets ranking within the first quartile of refineries in terms of facility availability, energy index and operating costs.

Marine transport: Ditaş

Ditaş, a 79.9% owned subsidiary, provides crude oil and petroleum products logistics and transportation services to Tüpraş. It owns a fleet of two crude oil and three product tankers, including the 55 DWT M/T Suna, which entered service in November 2012, and 18 tugboats; the subsidiary also leases additional vessels. In 2012, Ditaş carried 17.9 million tons in total cargo, which included 14.8 million tons of crude oil and 3.1 million tons petroleum products.

Operational flexibility, optimized production and effective sales policies

In 2012, Tüpraş increased its production and sales volumes by 4.6% and 6.5%, respectively, through operational flexibility, optimized production and effective sales policies.

Tüpraş achieved an 83.5% total capacity utilization rate, thanks to the successful implementation of optimum stock-production programs.

On the domestic front, Tüpraş's performance paralleled the rise in market demand in 2012. The Company supplied 19.6 million tons of products, an increase of 836 thousand tons over the previous year.

Ahmet Yavuz
Tüpraş

With the addition of 5.9 million tons in exports, total sales grew to 25.4 million tons, up 6.5% over 2011.

Tüpraş's jet fuel sales increased by 20% and diesel sales rose 10% during the year; as a result, the Company achieved its highest sales figures ever.

Residuum Upgrade Project 54% complete: the countdown is on to November 14, 2014

The Residuum Upgrade Units are due to come online in November 2014. These units will enable about 4.2 million tons per year of heavy fuel oil products, which has seen demand fall in recent years, to be converted into about 3.5 million tons of more valuable and more environmentally friendly white products, mostly diesel fuel at Euro V standard.

The Tecnicas Reunidas consortium and five local subcontractors have construction and assembly underway at the 1.3 million m^2 site of this project, which has garnered two awards for best investment financing.

The project was 54% complete at year-end 2012. Total investment in the facility has reached US$ 1.3 billion, of which US$ 1.0 billion originated from the financing package obtained.

Strong corporate governance and financial structure

Tüpraş raised its rating on the ISE corporate governance index to 9.10 in 2012, up from 7.91 in 2007, when the index was first launched.

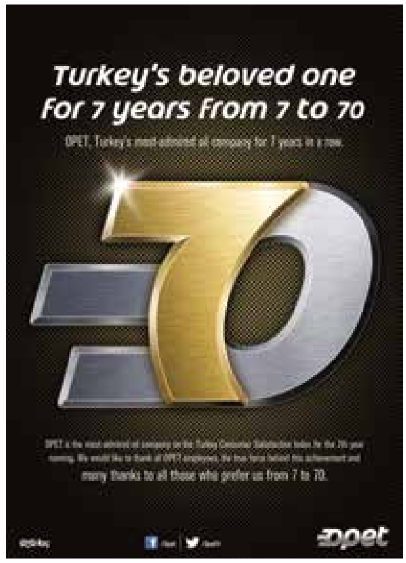
Fitch Ratings affirmed Tüpraş's long-term foreign and local currency ratings at "BBB-" on October 10, 2012.

To take advantage of increased global liquidity and funds channeled to developing countries, and to diversify its funding sources, Tüpraş issued a US$ 700 million, 5.5-year bond on the London Stock Exchange on November 2, 2012. The issue was priced at a 4.168% annual yield.

Tüpraş's achievements and awards in 2012

- Ranked 1st among Turkey's 500 largest companies according to the Istanbul Chamber of Industry.
- Led Turkey as the export champion with US$ 4.3 billion in exports.
- Ranked 2nd by Platts Insight Magazine EMEA (Europe, Middle East and Africa), in the "Refining & Marketing" category.
- Awarded 1st prize for the fifth consecutive year for the Batman Refinery in the Ministry of Energy's SENVER project competition, in the SEVAP-2 category.
- Ranked in the top tier (2nd, 4th and 6th) in three out of four categories in the Ministry of Science, Industry and Technology's R&D center assessments.

Opet has consistently been the fastest growing player in the market in recent years.



8,221

TOTAL REVENUES (US$ MILLION)

Domestic Market Position

2nd in white products with a **18.5%** market share
2nd in black products with a **13.6%** market share

Share of International Revenues

18%

Shareholder Structure

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

Continued market share growth

Opet, celebrating its 20th anniversary and its 10th year since joining the Koç Group, conducts retail and wholesale operations in the fuel distribution sector. It also produces and markets lubricants, sells jet fuel and engages in the international trade of petroleum products. Opet has consistently been the fastest growing player in the market in recent years while aiming to be the first choice of Turkish consumers.

Despite limited growth in the white products market during 2012, Opet expanded its sales volume by 7% over the prior year. Meanwhile, the Company's black product sales volume declined 18%, in parallel to the fall in market demand for black products.

New product launches

In the second half of 2012, Opet launched EcoForce and UltraForce, two diesel products with different additives thus expanding and diversifying the product range available to customers. These products are in demand by different consumer segments.

Highest storage capacity in the fuel oil distribution sector

Opet has a total storage capacity of 1.1 million m^3. The Company continues to provide storage services to international companies at its Marmara Ereğlisi Terminal and leased out 276,000 m^3 capacity in 2012.

Seven consecutive years as unrivaled leader in customer satisfaction

Opet has achieved sustainable leadership in customer satisfaction due to the importance it places on its customers. The Company has been the sector's unrivaled leader in customer satisfaction for seven consecutive years, according to the Turkish Quality Association's Customer Satisfaction Index.

Respect for the environment and responsibility toward society

Opet conducts all its operations in accordance with the highest ethical standards and a strong sense of responsibility toward its stakeholders. This awareness guides the Company's development and implementation of social responsibility projects. Having embedded social responsibility in its corporate culture, Opet has carried out many successful initiatives, such as "Respect for History", "Green Path", "Model Village", and "Clean Toilet".

2013 and beyond

The continuous improvement of product and service quality through a customer-focused approach is the foundation of Opet's corporate strategies going forward. The Company's main targets include maintaining benchmark level customer satisfaction and growing market share by expanding the station network.

The key to Turkey's LPG market

3,116

TOTAL REVENUES (US$ MILLION)

Domestic Market Position

Leader in the LPG market since its founding in 1961
43% market share in cylinder LPG
23% market share in autogas
29% market share in the total LPG market

International Market Position

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

Share of International Revenues

13%

Shareholder Structure

Koç Holding	**40.68%**
Other Koç	**10.53%**
LPGDC	**24.52%**
Free Float	**24.27%**

The country's first and only publicly traded LPG company, Aygaz ranks 10th in the Istanbul Chamber of Industry's 2011 list of the largest industrial enterprises in Turkey.

Established in 1961 as the first Koç Group company in the energy sector, Aygaz has maintained its market leading position in Turkey while becoming one of Europe's five largest LPG distributors.

A new look for small cylinders

At year-end 2011, Aygaz, the sector pioneer, added blue sleeves to its 2 kg LPG cylinders. This innovation served to differentiate Aygaz-brand cylinders from other brands in the market, while instilling consumer confidence in the use of these sleeved cylinders in the home with their neat look. The practice have received a very positive reaction from customers.

A new brand - Aygaz Otogaz

Based on its success at generating consumer appreciation of the distinctive quality of its product and services, Aygaz modified its brand in the autogas segment in 2012 to reflect the brand's specific features more clearly. The new brand, Aygaz Otogaz, is easier for consumers to articulate and recall. Additionally, the Aygaz Otogaz brand logo was redesigned.

Raising autogas awareness

Aygaz launched an awareness campaign in 2012 to demonstrate to non-autogas users the product's features. "The Fuel of the Future: LPG" campaign promoted autogas as a high-performance, safe, readily available, environmentally friendly and economical fuel.

Kutlay Toprak
Aygaz Doğalgaz

Pürsu

Aygaz sells Pürsu bottled water under a bottling agreement with two spring water plants in Sakarya/Sapanca and Aydın/Nazilli. In 2012, sales of Pürsu made through 523 dealers in 30 provinces in four regions, rose to a daily average of 14,500 units, an increase of 45% against overall market growth of 1.5% during the year.

Aygaz investments and merger with Mogaz

Aygaz and its subsidiary Mogaz have taken several steps in recent years to enhance operational efficiency through cooperation. In 2004, Mogaz's production facilities were transferred to Aygaz for single point management of all production. Since then, the partnership has expanded and transitioned to include the common management of support functions. With the goal of carrying over the efficiencies achieved in procurement and production to brand management, sales and logistics, the Aygaz Board of Directors resolved on July 16, 2012 to merge with Mogaz. Based on the financial statements dated June 30, 2012, the merger was completed on January 22 2013.

Main awards

- Aygaz received the Consumer Satisfaction Award of the Ministry of Customs and Trade for the second consecutive year.
- Aygaz further improved its corporate governance rating to 8.96, the 3rd highest rating for a company in Turkey. Aygaz also placed among the companies with the best rating on the 150-country World Corporate Governance Index.

2013 and beyond

Aygaz's main goal is to be the leading energy solutions provider in the LPG and natural gas markets in Turkey and other potential geographic regions. Foremost among Aygaz's short and medium term strategies is increasing the Company's market share in all its segments in order to sustain its market leadership position and raise profitability. Its long-term goal is to expand its energy pool by generating alternative projects that will meet Turkey's growing energy needs.

AYGAZ DOĞAL GAZ

In addition to selling and transporting liquefied natural gas (LNG), Aygaz Doğal Gaz sells natural gas obtained in the domestic market through pipelines to independent consumers.

With the agreements made in 2012, Aygaz Doğal Gaz increased its pipeline gas sales activities and developed its customer portfolio. The Company rose its trade volume to 500 million m^3 at the year-end, with its pipeline gas agreements made in 2012.

Onat Başbay
Demir Export

AES ENTEK

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 with a total capacity of 302 MW. The Company also has three hydroelectric power plants, two in Karaman and one in Samsun, which have a combined capacity of 62 MW.

With the addition of 4,000 MW in new capacity in 2012, Turkey's total installed capacity grew to 57,060 MW, 22,900 MW of which is located at private power generation companies and auto producer plants operated by the private sector. At year-end 2012, AES Entek held 1.6% of Turkey's private sector installed capacity and accounted for 1.44% of private sector power generation.

The Company's consolidated revenues totaled TL 308 million in 2012.

New investments, new targets

In 2012, AES Entek acquired a 50% stake in Ayas A.Ş. from the Armed Forces Pension Fund (OYAK). Located in Adana, the Company plans to begin generating electricity from imported coal in 2016.

In another significant investment, the Company acquired three hydroelectric plants with a combined generation capacity of 62 MW from its partner AES.

AES Entek also continues its investments in a 220 MW natural gas power plant located next to the Kırıkkale-Tüpraş facility.

In 2013, AES Entek aims to increase its future market share through investments and acquisitions by focusing on alternative energy sources.

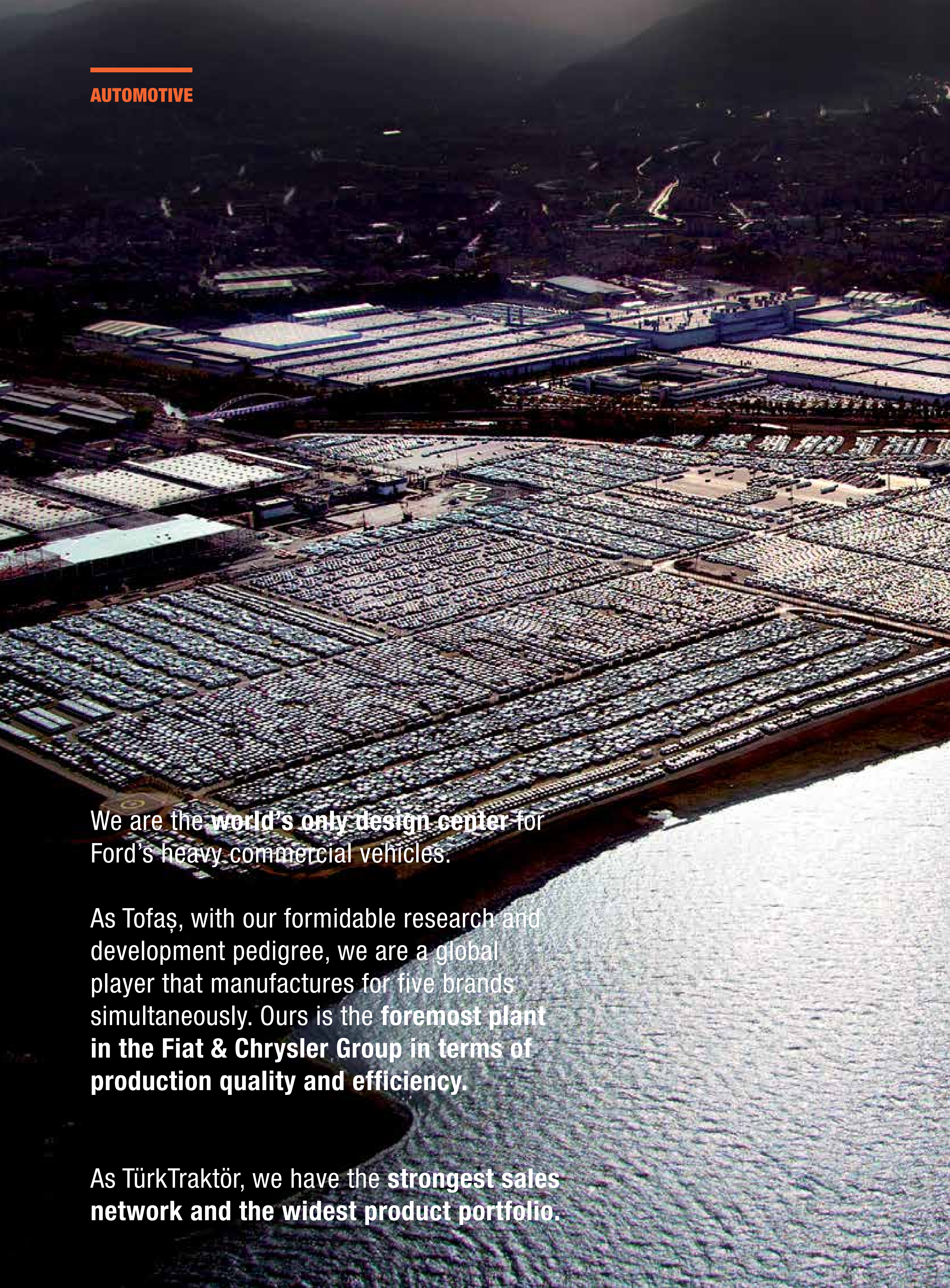
DEMİR EXPORT

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

In 2012, Demir Export continued work to drill development galleries for underground coal extraction at the Manisa-Soma coalfield. The Company also concluded negotiations to procure fully mechanized mining equipment needed for coal extraction. In addition, it finalized plans to start operations at a gold mine in Bakırtepe, Sivas and at an iron ore mine in Kalkan, Kütahya in 2013.

Demir Export continued reserve development projects at prospective gold, copper, silver, zinc and coal deposits at different locations in Turkey, drilling a total of more than 31,000 meters during 2012. The Company also acquired important mining licenses for gold and base metal projects, in particular in Erzurum, Malatya, Giresun and Western Anatolia.

Onat Başbay
Demir Export

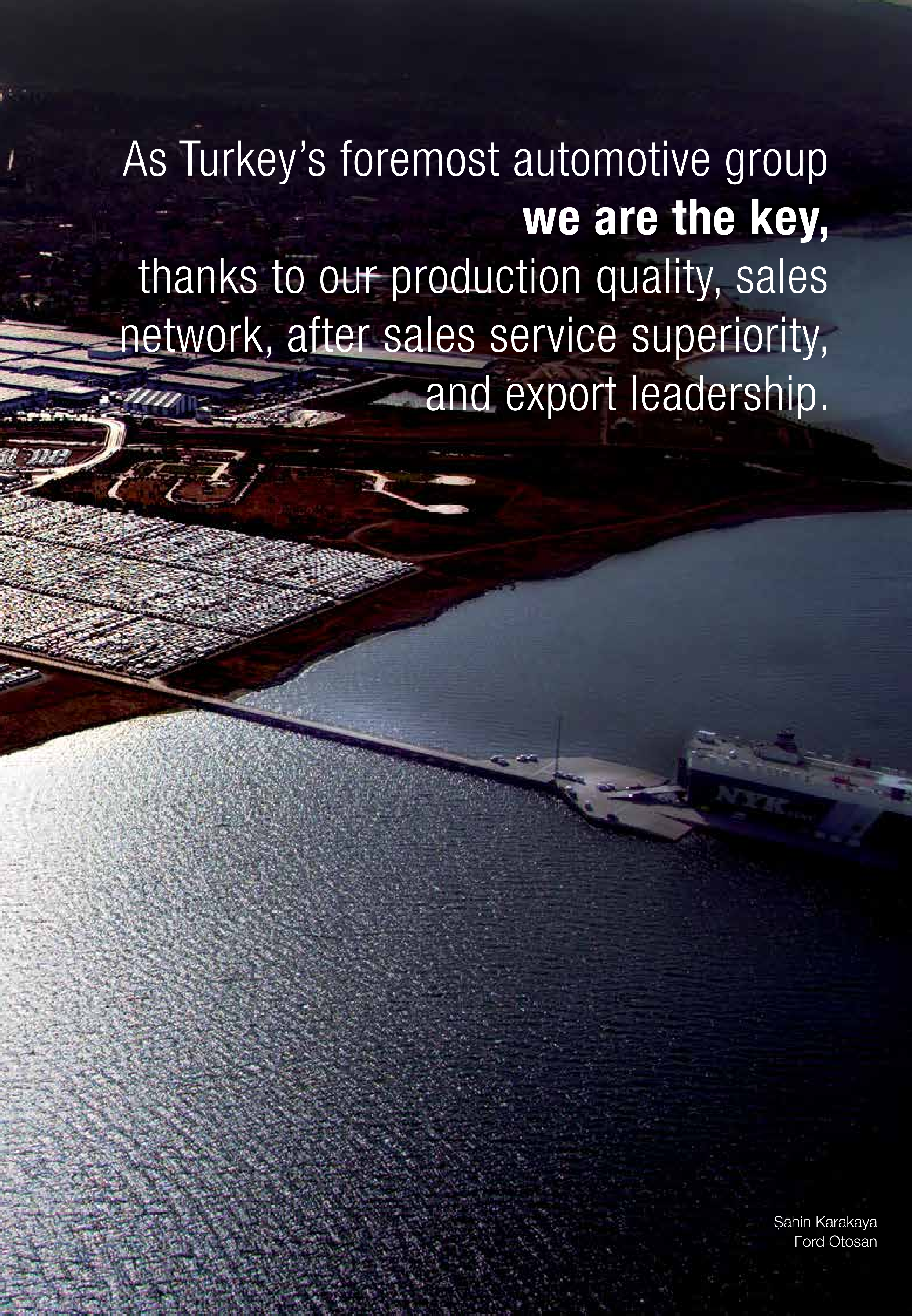


AUTOMOTIVE

We are the **world's only design center** for Ford's heavy commercial vehicles.

As Tofaș, with our formidable research and development pedigree, we are a global player that manufactures for five brands simultaneously. Ours is the **foremost plant in the Fiat & Chrysler Group in terms of production quality and efficiency.**

As TürkTraktör, we have the **strongest sales network and the widest product portfolio.**



As Turkey's foremost automotive group **we are the key,** thanks to our production quality, sales network, after sales service superiority, and export leadership.

Şahin Karakaya
Ford Otosan

Although 2012 was the 2nd highest year in Turkish automotive history in terms of unit sales, sales volume contracted by 10% to a total of 818,000 vehicles.

Developments in the automotive sector in 2012

In 2012, the global light vehicles market grew by 5.2% to roughly 81 million units (LMC Automotive). The United States (+13.5%), China (+6.2%) and, recovering from the natural disasters of 2011, Japan (+27.3%) contributed the most to the rise. Among ASEAN members, Thailand, bolstered by state incentives and delayed demand, shot up to over 80%; while in Indonesia, riding the crest of economic growth fueled by low credit rates, the automotive market expanded by 25%. The region's total automotive market growth was 34%. In Western Europe, in contrast, the recession continued (-8.8%). As a consequence, in Europe, the Turkish automotive sector's largest export market, passenger car unit sales numbered just 13.5 million, the lowest in 20 years. Of the four largest European automotive markets, the UK rose by 4%, while Germany, France and Italy declined by 3%, 13% and 21%, respectively. These developments in the global automotive market resulted in increase of automotive imports of Turkey.

After a record year for the Turkish automotive industry in 2011, sales in the domestic market hit another high in 2012 despite many adverse factors in the market. Prominent among these are the slower pace of economic growth, measures taken to cool the economy due to current account deficits, and a contraction in the light commercial vehicle segment caused by increases in the special consumption tax (SCT) at the end of 2011.

Price competition, that used to be strong in the final months in the previous years, was seen with throughout 2012. The increase in SCT on combi-class light commercial vehicles in October 2011 from 10% to 15% resulted in a shift from light commercial vehicles to passenger cars. This led to a rise in the automobile share of the total market from 65% to 68% in 2012.

The change in application of model year transition resulted in lower sales in December. On the other hand, the effect of tax hike of 3pps on the SCT on automobiles of 1.6 liters and below has been limited by the sales campaigns of the auto companies. Nevertheless, the passenger automobile and the light commercial vehicle markets contracted by 6% and 18%, respectively.

The rate of growth in the heavy commercial vehicle segment dropped sharply in 2012, following rapid growth in 2011. However, while the market was buoyed by public purchases and tenders, the bus segment fell by 7% and the large truck segment by 20%.

The total automotive market declined to 818,000 units, a drop of 10% in volume compared to that of 2011.

Total production in the Turkish automotive industry decreased by 10% in 2012 to 1.1 million vehicles, according to the Automotive Manufacturers Association. Passenger car production fell by the same proportion to 577,000.

In 2012, 730,000 vehicles were exported. Of these, 413,000 were passenger cars. Vehicle exports in 2012 declined 8% and passenger cars 7%. The drop in total automobile industry export revenue was limited to 5% to total US$ 19.3 billion, according to Automotive Manufacturers Association figures.

In the semi-trailer market, one of Otokar's key operating areas, demand postponed on the heels of the global crisis, as well as current demand, were fulfilled in 2011, with the market expanding by over 80%. As a result, the sector began 2012 in a recession and this continued throughout the year.

Demand fluctuations in the defense industry continued. However, interest in "national projects" grew and R&D in the Turkish defense industry became a priority.

The Turkish farm tractor market in 2012

As of October, 40,750 farm tractors had been sold in the Turkish market in 2012, according to the Turkish Statistical Institute's traffic registration records. Compared to that of 2011, which had record sales of 61,000 units, there were 19% fewer sales in 2012. Nevertheless, 2012 was another good year for the sector. The positive trend in demand in 2011 continued in 2012, contributing to the sound performance attained in the first half of the year. Unfavorable weather conditions in some parts of the country kept harvest yields, especially for grain producers, at average levels. Ziraat Bankası (the Agricultural Bank) extended fewer loans to the sector, but lower interest rates on loans offered especially by commercial banks newly entering the market facilitated the acquisition of financing.

Koç Holding Automotive Group

Koç Holding maintained its indisputable leadership in the automotive sector in 2012. The Holding's automotive companies conducted half of all automotive production and exports and took close to 30% of domestic sales in Turkey.

Ford Otosan reconfirmed its lead in the overall automotive market in 2012 for the 11th consecutive year. Ford Otosan offers the widest range of products in the Turkish Automotive sector; it makes up 55% of total commercial vehicle production and 60% of its exports.

Tofaş remained the second most important company in the Turkish Automotive market. The only automotive company in Turkey that manufactures both passenger and commercial vehicles, it has succeeded in raising its profitability despite intensifying competition.

Otokar increased total revenues by 13% and expanded exports by close to 60% in 2012. It manufactured 4,040 vehicles including trailers.

In a strongly competitive market of 32 brands, Türk Traktör has continued to dominate the market with a share in excess of 50% with its two brands, for six consecutive years.

Turkey's best-selling automotive brand for 11 consecutive years

Turkey's automotive export champion

5,449

TOTAL REVENUES (US$ MILLION)

Leadership Positions

Domestic Market Position

Best-selling automotive brand for **11** consecutive years
Automotive market **leader** with a **13.8%** share
Light commercial vehicle market **leader** with a **26.7%** share
2nd in the heavy commercial vehicle segment with a **20%** share
4th in the passenger car market with an **8.5%** share

International Market Position

Highest Ford commercial market share in Europe at **26.7%**
2nd largest **Ford market share** in Europe

Share of International Revenues

61%

Shareholder Structure

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

Leader for the 11th consecutive year

Within an environment marked by changing macroeconomic conditions and rising competition, Ford Otosan maintained its domestic market leadership position for the 11th consecutive year in 2012. The Company achieved a 13.8% market share and sales of 112,162 vehicles for the reporting year thanks to an extensive product range and flexible strategy. Ford Otosan has sold over 100,000 vehicles in each of the previous three years, resulting in a total of 1,090,459 units sold during its 11-year market leadership reign.

Ford's new models, the Transit Custom and Tourneo Custom, started production in July on the Kocaeli Plant's third line. Ford Otosan's flexible planning, engineering prowess and disciplined efforts enabled the successful addition of new vehicle lines on its existing site with no interruption in production. Production of the Cargo truck, developed by Ford Otosan engineers with US$ 1 billion investment, began in 2012 at the İnönü Plant; this facility is one of only two Ford Cargo production centers (the other is in Brazil) developed under the One Ford strategy.

Other highlights of the year were the launches of the 1.0L EcoBoost-powered Ford Focus, Ranger and B-Max.

Continue to grow with new investments

Heavy investment continued in 2012, totaling US$ 440 million. During the year, the Company concluded a €190 million long-term credit agreement for the Transit project with the European Investment Bank.

As part of a US$ 1 billion investment program, Ford Otosan laid the foundation of its third manufacturing facility, the Yeniköy Plant, on March 19, 2012. Under construction on property belonging to the Kocaeli Plant, Yeniköy will have an enclosed area of 70,000 m² and it will be the sole global production center for Ford's new light commercial vehicles, Transit and Tourneo Courier, scheduled for launch in 2014.

İsmail Öztürk
Ford Otosan

Ford Otosan exported 272,000 vehicles to Europe in 2012 despite a contraction in that market. The Company generated exports revenues of US$ 3.2 billion and strengthened its net exporter position. Ford Otosan continued to increase its exports in all its international markets thanks to the Transit models. With the addition of South Africa, Georgia, Kazakhstan and Turkmenistan, the Company counts 76 countries on its vehicle and parts' export list.

While domestic and international markets contracted in 2012, Ford Otosan produced 272,000 vehicles, and managed to maintain an effective capacity utilization rate of 83% – exceeding the average for Europe and Turkey.

Ford Otosan has achieved average annual growth of 20% and has paid out dividends of US$ 2.5 billion between 2004 and 2012. With an average dividend efficiency rate of 12% over the past five years, the Company retains its first place position among companies traded on the Istanbul Stock Exchange. Its dividend policy remained unchanged in 2012, with record dividends of TL 579 million paid to shareholders.

Leader in R&D

With 1,240 R&D engineers, Ford Otosan is home to Turkey's largest private sector R&D organization. Globally, Ford Otosan ranks among Ford's three largest R&D centers and has the highest R&D spending to sales ratio in the Turkish automotive sector. In fact, the Company has already reached Turkey's 2023 target of an average 3% ratio for R&D expenditures.

Main awards

The Transit Family's new member, the Transit Custom, received the "2013 International Commercial Vehicle of the Year" award even before it was launched, garnering the highest score and greatest number of votes from the 24 judge panel in the history of the competition.

The Transit Custom is the first and only commercial vehicle to receive five stars, the highest score, for safety from Euro NCAP. The Tourneo Custom also received five stars from Euro NCAP in the passenger transit segment. Ford is the first automotive manufacturer to receive seven Euro NCAP Advanced Rewards.

The new Ford Cargo 1846T, developed by Ford Otosan engineers and produced at the İnönü Plant, took third place in the "2013 Truck of the Year" awards.

Ford Otosan in future

The Ford Cargo 1846T will hit the roads at the beginning of 2013, followed by the revamped Fiesta, new Kuga and, in the final quarter of the year, the New Transit Connect.

Ford Otosan will make even greater progress in 2013 under its "Go Further" vision. Ford Otosan's principal goals are to add more vehicles to its product range over the next 10 years and to maintain its market leadership position.

Pioneer of the Turkish automotive sector for 44 years

A global player with strong R&D capabilities, manufacturing five different brands

3,741

TOTAL REVENUES (US$ MILLION)

İzzet Yazgan
Tofaş

Domestic Market Positions

Passenger cars: **5th** with an **8.3%** market share
Light commercial vehicles: **2nd** with a **26.2%** market share
2nd in the total market with a **12.9%** share

Bestselling passenger car with a **6%** market share: Fiat Linea
Bestselling light commercial vehicle with a **13.7%** market share: Fiat Doblo

Long time leader in sales from manufacturing

Share of International Revenues

55%

Shareholder Structure

Koç Holding	**37.59%**
Other Koç	**0.27%**
Fiat	**37.86%**
Free Float	**24.29%**

Turkey's largest automotive production capacity

In 2012, Tofaş produced 256,428 vehicles at a capacity utilization rate of 64% (with installed capacity of 400,000 units/year).

Increasing power in export with geographic diversification

Tofaş is the largest motor vehicle manufacturer in Turkey. With 154,069 vehicles exported in 2012, the Company ranked third in automotive exports. Tofaş's strategy is to diversify its export markets in response to decreasing demand in Europe. The higher volume of exports to South America and Northern Europe during the year, in addition to manufacturing for the Opel and Vauxhall brands, prevented a decline in export figures in 2012.

New products strengthen portfolio

Tofaş introduced a number of new products in 2012. The new-look Fiat Linea went into production in April. Under the Fiat-Chrysler global integration process, Tofaş became the distributor of Chrysler Group brands with responsibility for sales and after-sales service. At the beginning of 2012, the Jeep brand also became part of Tofaş. As a result sales of the Jeep Grand Cherokee, Cherokee, Compass and Wrangler models started during the year.

The Lancia Thema and Voyager models went on sale in Turkey in May. The Company reorganized the Alfa Romeo, Lancia and Jeep brands' distributorship network. The Fiat Panda and Fiat Freemont models made their debut at the Istanbul Autoshow in November 2012 and sales commenced in Turkey.

Diversification and take-or-pay agreements: Response to tightening European markets

Despite the negative impact of the continuing economic crisis on automotive sales in Europe, Tofaş exported a total of 154,069 vehicles in 2012 by adding new export markets. The 290,000 reserved-capacity for export and take-or-pay agreements and the positive performance in the domestic market enabled the Company to maintain a high level of profitability. Tofaş ended the year with net profit of TL 448.3 million and an EBITDA margin of 12.3%.

Tofaş's four millionth vehicle rolled off the production line at the Company's Bursa plant in September 2012, and was a source of great pride. The Company invested over € 96 million in 2012.

Important awards

At the 2011-2012 EU Environment Awards Turkey Program, held jointly by the Regional Environmental Center and the Turkish Industrialists' and Businessmen's


Cem Meriç
Tofaş

Association, Tofaş was named "The Company in Turkey with the Best Environmental Management" as determined by EU criteria.

At its 2012 Corporate Governance Awards, the Turkish Corporate Governance Association recognized Tofaş as "The Company Having the Highest Rating in the Executive Board Category".

Tofaş placed first in Koç Holding's "No Barriers for My Country" initiative in the category of companies having more than 2,500 employees.

As part of Koç Holding's "Vocational Education: A Crucial Matter for the Nation" project, which strengthens the link between vocational training and employment, Şişli Industrial High School's Fiat Laboratory received an award in an annual competition for having the best school-business cooperation.

Tofaş received the "Best Project" award in Koç Holding's IT project awards competition.

The Turkish Automotive Distributors Association's annual Gladiators of the Year Awards recognized the Fiat Linea as the "Bestselling Automobile" in 2012 and the Fiat Doblo as the "Bestselling Light Commercial Vehicle".

2013 and beyond

In 2013, the Turkish automotive market is expected to perform much as it did during the reporting year. Despite an ongoing contraction in the European market, the Turkish automotive sector still expects to export roughly two-thirds of its production in the coming year, similar to its performance in 2012.

Tofaş aims to maintain its current level of domestic market sales, production and exports in 2013. The Company is financially strong and has the technological know-how needed to remain competitive. Tofaş will continue to be a powerful player in 2013, in both domestic and international markets.

Tofaş has adopted the mission of "Offering the products and services that best fit society's mobility needs in order to raise the quality of life". Meanwhile, the Company's vision is "Toward one million vehicles: Becoming the leading automotive company that shapes customer expectations and that is a source of pride for Turkey". Tofaş also aims to continue pursuing sustainable and profitable growth in the long term. The Company's awareness of its social and environmental responsibilities within the framework of its mission and vision is seen as the best way to achieve this strategy.

Priorities in risk management

The greatest risk currently for automotive companies is the negative impact on demand of the ongoing economic crisis, especially in European automotive markets. Of Tofaş's 400,000-unit annual installed capacity, 290,000 units are reserved for export and their sale is guaranteed through take-or-pay agreements and cost-plus pricing. As a result, even in years like 2012 when markets contracted, especially in Europe, Tofaş safeguarded its profitability and increased its financial strength, by maintaining its cash generation capacity.

KOÇ FIAT KREDİ

Koç Fiat Kredi provides consumer financing for the brands marketed by Tofaş. The Company provided loans of TL 1 billion for 45,000 vehicles in 2012 and its loan portfolio totaled TL 1.2 billion.

Koç Fiat Kredi financed its lending by issuing securities with a total nominal value of TL 365 million, TL 135 million of which was obtained via a public offering.

The greatest range of products, the most extensive sales network

The key with the strength of local production

1,101

TOTAL REVENUES (US$ MILLION)

Domestic Market Position
Leader with a **50%** market share

International Market Position
The only design and manufacturing center for New Holland TD and Case IH JX tractors worldwide.
The exclusive global manufacturing center for Utility-series tractors, which were marketed internationally in 2011 and domestically in 2012.
The sole engineering and manufacturing center for 66-series transmissions worldwide.

Share of International Revenues
31%

Shareholder Structure

Koç Holding	**37.50%**
CNH Osterreich GmbH	**37.50%**
Free Float	**24.93%**
Other	**0.07%**

Turkey's pioneering sector leader
Founded in 1954, TürkTraktör took its first step toward capturing a growing domestic share of the agricultural production market in 1955 when it began manufacturing Turkey's first tractor. Today TürkTraktör has a strong market lead in production, investment, workforce and exports; in addition, the Company ranks as one of Europe's largest tractor manufacturers. TürkTraktör's success is the result of effective and direct communications with the Turkish farmer sustained over many years.

Over the past 58 years, TürkTraktör has achieved many firsts. In 1979, the Company exported Turkey's first farm tractor. TürkTraktör was the first company in Turkey to receive ISO27001 certification; the first in the sector to establish a Ministry of Industry and Commerce-certified R&D center; the first to obtain ISO10002 Customer Satisfaction and Customer Complaint Management certification; and the first company in the sector to receive both ISO50001 Energy Management System and ISO14064 Greenhouse Gas Emissions certifications.

Since its establishment, TürkTraktör has aimed to provide value and benefit to the Turkish agricultural sector and the Turkish farmer; to contribute in the best way possible to Turkey's agricultural potential; and to maximize productivity. Today, the Company exports its tractors to over 90 countries. Moreover, with addition of the Utility series, which began production in 2011, TürkTraktör exported more than 14,565 tractors in 2012.

TürkTraktör manufactures half of all tractors sold in Turkey
Today, TürkTraktör manufactures one of every two tractors sold in Turkey. The sector leader with more than 50% market share for six years in a row, TürkTraktör has a workforce of nearly 2,500 personnel. Behind the Company's success is industry experience spanning over 58 years, top quality, high-performance products and the capability of correctly analyzing the expectations and needs of farmers.

For years, the manufacture of engines has been an important part of TürkTraktör's operations. In 1994, the Company manufactured the first entirely locally made tractor with drive train and body. In 2012, the 250,000th engine made solely from local resources rolled off the production line. During the same year, TürkTraktör set a new record by manufacturing 36,274 engines.

Modernization investments in 2012 of US$ 42 million in computer-controlled assembly-line production will help the Company maintain operational flexibility. A US$ 80 million investment is planned over the next few years for the expansion of production facilities with a new plant in Adapazarı, east of Istanbul.

Today, agricultural enterprises are demanding more powerful engines to meet their expanding needs. In response to this demand in 2012, TürkTraktör launched enhanced performance 100 hp 4-cylinder engines with Case IH JX110 and New Holland TD110D tractors. Interior and exterior cabin designs for the New Holland TDD and Case IH JX-models were also enhanced during the year. Originally intended for export, the Utility tractors were offered on the domestic market as Case IH JXC model with 55hp, 65hp or 75 hp engines.

Over the years, TürkTraktör has gained recognition for its achievements from well-respected Turkish research, industrial and commercial groups and associations. The Company has received awards for exports, R&D and corporate tax payment from the most important organizations in the sector, including the Automotive Manufacturers Association, Ankara Chamber of Industry, Central Anatolia Exporters Union and the Turkish Exporters Assembly.

TürkTraktör is shaping the future of Turkish agriculture by carrying out many initiatives to raise agricultural awareness and to train new generations. Four TürkTraktör Agricultural Machinery Laboratories were established at Agricultural Vocational High Schools in four provinces (Ankara, Amasya, Şanlıurfa and Bursa) through collaboration between the schools and business under the Koç Holding, Ministry of Education and Vehbi Koç Foundation's project, "Vocational High Schools: A Crucial Matter for the Nation".

Turkey has achieved enormous growth in the agricultural sector in recent years: currently, the country boasts the seventh largest agricultural economy in the world. Turkish farmers, satisfied with the support they have received in the past, demand more modern and more powerful tractors today. TürkTraktör believes that agriculture is central to national well-being; as a result, one of the Company's most important goals is to consolidate and ensure its sustainability. In addition to offering innovative technology to the Turkish farmer, TürkTraktör aims, through its social responsibility initiatives and effective management approach, to remain the name that leads and drives agriculture in Turkey.

Turkey's largest private defense industry company

560

TOTAL REVENUES (US$ MILLION)

Akif Güleç
Otokar

Leadership Positions:
Leader in the 25+ capacity passenger bus market
Turkey's **bestselling brand** in this segment
Largest supplier of land vehicles to the Turkish Armed Forces

Share of International Revenues
26%

Shareholder Structure

Koç Holding	**44.68%**
Other Koç	**3.29%**
Ünver Holding	**24.81%**
Free Float	**27.22%**

In 2012, Otokar's revenues climbed 13% to reach TL 1,006 million. The Company sells to over 60 countries under its own brand; its international sales totaled US$ 146 million in 2012.

Leader in the bus market

Despite stagnation in the Turkish market in the 7-12 meter bus category, Otokar increased its sales by 21%. The Company has been leader in the 25+ capacity passenger bus market in 2012, for the third consecutive year.

Otokar was successful in Turkey's largest bus tenders: the Company won the tenders for 120 buses in Izmir and 750 buses in Istanbul. Moreover, the electric bus developed by Otokar, the first of its kind in Turkey, was test driven by the Greater Istanbul Municipality.

In the trailer market, where Otokar offers a wide range of products, the decline in the rate of growth since 2011 also impacted the Company's sales.

Testing started on the national tank

While Otokar sustained its market leadership position in armored road vehicles in 2012, it also completed prototypes of the national battle tank, Altay, Turkey's largest land vehicle project; the Company also commenced maneuvering and firing tests for the tank. In order to expand its activities to different markets, the Company is elaborating investments abroad.

New R&D investments

During the year, Otokar opened its Electromagnetic Compatibility Test Center and, with the construction of the Tank Test course, the Tank Test Center. The Company has begun leasing these test facilities to the automotive industry.

2013 and beyond

Otokar will celebrate its 50th anniversary in 2013. In the coming year, the Company plans to maintain market share in commercial vehicles with its existing products and to pursue growth with new product launches, while focusing on timely deliveries of defense industry orders. Otokar is forging ahead with the second and third phases of the Altay National Battle Tank project and will continue product development in the commercial vehicle area.

The Company's new vehicle sales exceeded 66,000 units during the year, about 8.1% of the total market.

Leading the Turkish automotive retailing and car-rental markets

Otokoç Otomotiv operates in automotive retailing with the Otokoç, Birmot, Avis, Budget and Otokoç Sigorta (Insurance) brands at 133 locations. The Company provides sales and after-sales services for Ford and Volvo under the Otokoç brand and for Fiat, Alfa Romeo, Lancia and Jeep under the Birmot brand.

Otokoç Otomotiv is responsible for significant shares of its brands total retail sales in Turkey; in 2012, the Company accounted for 32% of Ford, 27% of Fiat and 34% of Alfa Romeo, Lancia and Jeep retail sales in the country. The Company's new vehicle sales exceeded 66,000 units during the year, about 8.1% of the total market. In short-term car rentals, Otokoç grew more than twice as fast as the overall market, with Avis increasing sales 41% while Budget's sales were up 31%. Avis, with a 15,400-car fleet, increased its long-term car leasing revenues by 21%.

In the reporting year, the Company launched after-sales service operations at its Birmot Antalya and Kuruçeşme facilities for the Alfa Romeo, Lancia and Jeep brands. Otokoç moved to a new location in Alanya and opened facilities in Yenibosna. The Company expanded its service network by adding five Avis and four Budget offices; in addition, it refurbished nine of its locations. Following the opening of its office in Azerbaijan, Otokoç continued its international expansion by inaugurating an office in Northern Iraq.

Otokoç Otomotiv made TL 430 million in capital investment and generated revenues of TL 3 billion in 2012, up 4% over the prior year.

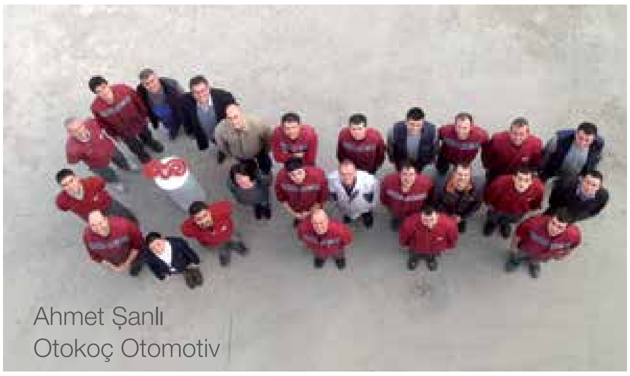
#1 in customer satisfaction

Skal International selected Avis Türkiye as the "Best Car Rental Company" for the third time and awarded Budget Türkiye with its first "Best Car Rental Company - Silver Plaque" designation. Avis Türkiye ranked first in Europe for customer satisfaction in 2012, for the seventh consecutive year.

2013 and beyond

Otokoç Otomotiv plans to expand its after-sales service network by opening new locations, renovating existing facilities and, where appropriate, introducing a multi-brand format at single-brand locations. The Company also aims to open heavy commercial vehicle facilities in Istanbul and Eskişehir. Otokoç targets reinforcing its car-rental market leadership position by growing Avis's revenues by 31% and lifting Budget to second place in the market. In addition, the Company plans to increase the number of Avis and Budget licensees. Otokoç has set its sights set on 15% growth in leasing and is committed to expanding internationally.

Otokoç Otomotiv plans investments of TL 501 million in 2013, mainly in vehicle purchases.



Ahmet Şanlı
Otokoç Otomotiv

CONSUMER DURABLES

As Turkey's leading consumer durables group, **we are the key,** boasting the largest sales and after sales services networks with a market share of over 50% and significant research and development investments.

As Koç Group's Consumer Durables Group companies, we are Turkey's **market leader** in white goods, as well as television and air conditioning units.

With production facilities in Turkey, Russia, Romania, and China, we are **Europe's 3rd largest player** in the white goods sector.

We have a **46%** share in white goods exports and a **15%** share in television exports.

Birol Kayrak
Arçelik

The Turkish white goods market in 2012 maintained its 2011 level of 6.5 million sales units.

White goods market experienced regional differences in 2012

The crisis in the EU countries extended into 2012 albeit in a different form. The ensuing economic measures and the recession they induced left developed countries with budget deficits. The Euro Zone unemployment rate reached 12% and consumer confidence indexes dropped below 90 points. This state of affairs resulted in downward revision of growth projections for developing countries and the rest of the world.

In 2012, the global household appliance market growth rate was down compared to the previous years, but there were great regional differences. While the household appliance market in Western Europe, one of Arçelik's key markets, contracted by about 2%, the Eastern European market grew by around 5%. Of the five major European national markets, which together account for 80% of unit sales in Europe, only the German market grew, while Italy, Spain, France, the UK contracted.

Beyond Turkey and Europe, Arçelik invests and sells in the Middle East, Africa and the Turkic Republics. While markets in politically stable regions look bright, wars, civil and external, directly impacted political and economic developments. Arçelik strengthened its position in 2012 in the South African and Sub-Saharan markets, where it entered with the brand Defy, a company it acquired in 2011.

Uncertainties in Europe and the United States impacted the global situation, and the continuing crisis left its mark on the Turkish economy in 2012. The all-important consumer confidence index fell below its 2011 level, though the Turkish household appliance market in 2012 maintained its 2011 level.

Koç Holding Consumer Durables Group

The Arçelik Group maintained its position in markets where it leads and increased its market share in many other markets. The Company maintained its leadership in Turkey, Romania and South Africa.

Arçelik, with its Beko brand, is in 3rd place in Europe in terms of units sold and it became the company with the fastest growing share of the European market in 2012. In the French, German, Belgian, Italian and UK markets, Beko took the largest market share gain in white goods covering six main products. Beko was the fastest growing brand in Poland, a leading market in Eastern Europe.

The Arçelik Group maintains its undisputed lead in the Romanian market with its Artic brand. In the Austrian market, its ElektraBregenz brand is one of the fastest growing.

In the Middle East, Arçelik maintained its product leadership in Jordan, Israel and Iraq in 2012 and it completed its sales and service organizations in the Gulf countries of Saudi Arabia, Kuwait and Oman. While increasing its market share in the Turkic Republics, Arçelik retained its market lead in Azerbaijan.

In consumer electronics, the Grundig brand raised its revenues by over 40% in Germany and the North European countries.

Arçelik continues to pioneer innovation, energy efficiency and sustainability in the countries in which it operates.

Sevim Üstüner Vardar
Arçelik

5,889

TOTAL REVENUES (US$ MILLION)

Leadership Position

Domestic Market Position

Leader in the white goods, built-in appliances, LCD television and air conditioner markets
Turkey's **widest service network** with **3,000** authorized dealers and **540** after-sales service points

International Market Position

3rd largest company in Europe in the sector
Leading brand in the UK, Romania and South Africa
Arçelik's Beko brand, ranked **3rd largest** in Europe, becoming the most rapidly growing brand by market share in the UK, Germany, Belgium, Italy and Poland
Best-selling refrigerator brand in Western Europe

Share of International Revenues

58%

Shareholder Structure

Koç Holding	**40.51%**
Other Koç	**16.69%**
Burla Group	**17.61%**
Free Float	**25.19%**

Today, Arçelik A.Ş. sells goods and services in over 100 countries; has 14 production plants in five countries – Turkey, Romania, Russia, China and South Africa; and employs 24,000 personnel worldwide. The Company has sales and marketing organizations in 23 countries and owns 10 brands, including, Arçelik, Beko, Grundig, Blomberg, Elektrabregenz, Arctic, Leisure, Flavel, Defy and Altus.

New products

In 2012, Arçelik continued to introduce many new cutting edge products to the market that raise the standard of living of consumers and provide the highest level of energy and water efficiency. At the same time, the Company's technological innovations in audio, hygiene, food storage, cooking, washing and drying methods continued to exceed customer expectations.

In line with strategic and technological road maps, developed in parallel to trends related to the environment and energy consumption, a growing and aging population, increased urbanization and new market opportunities, Arçelik introduced a wide variety of new products in 2012, including:

- A+++ -40% energy class washing machine
- A+++ -10% energy class combi no-frost refrigerator
- Smart TV
- A+++ energy class drier
- A -40% energy class oven
- 3-door refrigerator for the Chinese market
- World's quietest conventional refrigerator (36dBA)
- Newly designed, larger drum washing machines
- Special product range for Australia, New Zealand, Egypt and Saudi Arabia
- The quietest built-in oven (43dBA)
- The first A+++ 45cm-wide dishwasher
- The quietest dishwasher (37dBA)
- Washing machine that washes and dries
- Flexible induction stove
- Ease-of-use products for elderly consumers

During the year, Çelik, Arçelik's brand character that symbolizes technology and innovation in brand advertising, married Çeliknaz, who represents design, in the Company's advertising campaigns. This marriage of advertising characters promotes Arçelik's "In Love" series of washing machines and small home appliances, which combine technology and innovation with design.

Financial results

Despite the myriad ongoing global economic problems, Arçelik achieved robust growth in 2012 and increased its revenues 25% to over TL 10 billion.

While production capacity increases and new products supported its growth, Arçelik continued investing in R&D, which it sees as the most crucial components for achieving sustainable growth.

The Company diversified its geographic revenue sources further in 2012, with Turkey's share in total revenues decreasing to about 40%.

Arçelik maintained positive cash flow, a key indicator of sound growth, during the year and achieved significant improvements in working capital management.

Global operations

Pursuant to its strategy to achieve organic growth and expand into new markets, the Company established Beko Ukraine LLC and Beko Egypt Trading LLC sales and marketing companies in 2012.

The integration process of Defy Appliances that began after the acquisition of the South African white goods company in 2011 continued during the year.

Major awards

- Received the "Most Innovative Company" award from The Turkish Exporters Assembly during "Innovation Week" in Turkey.
- Presented with the "Product Development Process" award for its built-in induction oven by the Turkish Electronics Industry Association in the Large Company category in the "Innovation & Creativity Awards".
- Received various "Design Turkey Industrial Design Awards" for six different products.
- Named "Best Turkish Investor" for Beko Plc by the UK-based Business Network Association and "Best White Goods Producer" for Beko LLC by Russia's Top Companies and Businesses organization.
- Presented with the Austrian Employers Union's "Green Brand" award in the Home Appliances category for the Company's Elektrabregenz brand.

Arçelik in the future

Arçelik plans to achieve profitable growth with its own brands in line with its long-term strategic targets. The Company will continue to make significant investments in R&D, the most critical factor for sustainable growth.

Arçelik also plans to assess opportunities for organic or inorganic growth to achieve geographical expansion and product diversification.

The Company's vision, "Respectful to the World; Respected in the World", will lead Arçelik into the future. This vision is supported by its main business goals: sustainable growth; application of a brand, market and customer-focused approach; development of innovative and environmentally friendly products and solutions; profitability above the sector average; and global organization. The Company will continue to support the expansion of its global organization and growth strategy with inorganic growth opportunities.

Priorities in risk management

At Arçelik, risk management is addressed holistically. Strategic, operational, financial and other threats to achieving the Company's short and long-term goals are assessed at every level of the organization, from the Board of Directors down. The Company's three main risk groups are operational risk, receivables risk and financial risks.

As the largest air-conditioner manufacturer in Europe, the Near East and the Middle East, Arçelik-LG is domestic market leader with a 51% share due to its wide range of distribution and service network.

356

TOTAL REVENUES (US$ MILLION)

Leadership Positions

Domestic Market Position
Leader in air-condition with a **51%** market share

International Market Position
Largest air-conditioner manufacturer in Europe, the Near-East and the Middle East

Share of International Revenues
58%

Today, Arçelik-LG is the largest air-conditioner manufacturer in Europe, the Near East and the Middle East with an annual production capacity of 2 million units. The Company started production in 2000 with an annual capacity of 300,000 units. Arçelik-LG has 1,500 direct employees and creates about 1,000 additional jobs in the related supply industry.

Market leader with a 51% share

Its innovative approach, strong technological infrastructure and extensive distribution and service network has made Arçelik-LG the domestic market leader. The Company currently exports 50% of its production to over 50 countries, mainly in Europe, the Middle East, Africa and the CIS.

New products

Arçelik-LG's new series energy-efficient inverter air-conditioners make a significant contribution to both improving the environment and meeting Turkey's energy needs. The inverter models not only cool in the summer but can also heat in the winter, making them particularly useful in regions with a mild Mediterranean climate.

"Fresh Air"

The Company launched the "Fresh Air" feature in response to detailed market research findings on consumer expectations and needs that identified a desire for fresh air in air-conditioned spaces. Fresh Air allows the air in an air-conditioned room to be enriched with oxygen without changing the room's temperature.

Strategic objectives

Arçelik-LG's strategic objective is to achieve profitable growth in Europe, the Middle East, North Africa, Russia and the Turkic republics while maintaining its leading market share domestically by supplying high-quality, energy-efficient products. The Company also focuses on sustaining its existing market share and leadership position in the newly developing commercial air-conditioning segment.

As the leading banking and insurance group in Turkey, **we are the key** thanks to our customer-oriented approach, strong financial structure, and millions of active customers.

As Yapı Kredi, we pursue a customer-centered strategy that serves **6.5 million active customers.**

We **maintain our leadership** in the credit card market.

We continue our consumer finance activities with KoçFinans, Turkey's **first consumer finance company.**

Abdullah Karakuş
Yapı Kredi Bankası

In 2012, the banking sector recorded solid profitability with an average return on equity of 15.8% despite the impact of competition and regulation.

Economic conditions in 2012

2012 was marked by positive differentiation of developing countries driving global economic growth of around 3%. Economic growth in developed countries, especially the United States (US) and Europe, remained subdued due to impact of the debt crisis in European Union (EU). In this global economic backdrop, Turkey maintained its sound macroeconomic fundamentals supported by proactive monetary policy by the Central Bank of Turkey. Soft-landing of the economy was achieved with slight deceleration in economic growth to 3%, mainly driven by external demand. Sound fiscal discipline was maintained throughout the year. Sustainable macroeconomic environment and solid banking system led to an upgrade in Turkey's sovereign investment grade to BBB- by Fitch in November 2012.

Banking sector in 2012

In 2012, the banking sector recorded solid profitability with a 15.8% return on average equity despite the impact of regulation and competition. Total loan volume increased by 15% annually to TL 751 billion driven by 21% local currency loan growth. Total deposits increased by 11% annually to TL 768 billion. Diversification of funding continued through 2012 via issuances of TL 22 billion local currency bonds and US$ 9 billion Eurobonds. Meanwhile, transition to Basel II capital standards in July 2012 was completed successfully with strong capital levels maintained.

Koç Holding Banking and Insurance Group

Koç Financial Services, a Koç Holding and UniCredit Group Italia 50-50 joint venture, and KoçFinans, Turkey's first consumer finance company, operate in this segment under the Banking and Insurance Group. Koç Financial Services is the parent company of Yapı Kredi, established in 1944 as Turkey's first private nationwide bank, and of various subsidiaries that are leaders in their own segments.

Yapı Kredi serves its 6.5 million customers through retail banking (which includes card payment systems, individual banking and SME banking), corporate and commercial banking as well as private banking and wealth management.

** Participating banks are excluded from sector data*

Yapı Kredi's Key to Sustainable Performance:

Easy to work Bank via customer oriented business strategy

Strong focus on core banking

The right product/service to right customer through the right channel at the right price

Market Shares

- **4th** among private banks in terms of asset size
- **Leader** in credit cards with 19.4% market share in outstanding, 19.3% market share in acquiring volume; 17.2% market share in number of credit cards
- **Leader** in financial leasing with 17.2% market share and in factoring with 15.0% market share
- **2nd** in mutual funds with 17.6% market share and equity transaction volume with 7.0% market share
- **Leader** in health insurance with 22.7% market share
- **4th** in life insurance with 7.7% market share, **5th** in non-life insurance with 7.2% market share, **5th** in branch network with 9.1% market share
- **6th** in ATM network with 7.8% market share
- **Pioneer** in mobile banking with 12.0% market share

Total Assets

US$ 76 billion

Return on Average Equity

16.2% (17.5% Tangible RoAE)

Shareholder Structure

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

2012 Yapı Kredi performance

In 2012, Yapı Kredi recorded healthy performance with consolidated net income of TL 2.1 billion and return on average tangible equity of 17.5%. Yapı Kredi's solid performance continued to be recognized internationally in 2012 with more than 20 awards in various areas ranging from alternative delivery channels and products to training activities. Yapı Kredi was chosen as the Best Bank in Turkey for the 3rd time by World Finance, the Best Bank in Finance Services by Global Finance and One of the Three Most Admired Turkish Banks by Capital Magazine. The Bank also received the Top Employer in Europe award by the CFR Institute, which recognizes best implementations in human resources field.

Successful implementation of Smart Growth strategy

In 2012, Yapı Kredi continued its strong emphasis on value generating growth in line with "Smart Growth" strategy. Total loans increased by 12% driven by 22% growth in local currency loans. The Bank's loans to assets ratio, an indicator of customer oriented banking, realized at 59%. The Bank recorded significantly above sector annual growth of 17% in local currency deposits while effectively managing deposit costs through unique one-to-one deposit pricing initiative allowing the Bank to scientifically determine deposit rates based on customer price elasticity and behavior. Accordingly, total deposit volume increased by 7% annually.

Continuation of funding diversification via high creditability

In 2012, Yapı Kredi strengthened its funding base and diversified its funding sources through US$ 2.7 billion syndications, US$ 500 million Eurobond, TL 1.2 billion local currency bonds and TL 458 million SME backed covered bond. Yapı Kredi also successfully finalized a subordinated debt issuance of US$ 1 billion towards the end of the year with strong interest from international investors, leading to 7 times subscription. The transaction was closed with the lowest interest rate for this type of funding so far in the Turkish banking sector.

Strong performance in core revenues

Throughout the year, Yapı Kredi continued to positively differentiate in the banking sector, leveraging on its key success factors which include customer-business focus and healthy revenue structure. Revenues increased by 11% annually to TL 7,401 million on the back of strong 18% core revenue growth, despite new regulations and increasing competition. In terms of cost management, Yapı Kredi is considered a benchmark in the sector. The Bank is able to manage cost through efficiency gains while at the same time continuing investments for organic growth. Accordingly, cost to income ratio remained stable at 44%.

The first and only mobile banking application which works on all platforms

As of the end of 2012, following 21 new net branch openings, Yapı Kredi has a total of 988 branches at Group level (928 at Bank level) covering 91% of Turkey and 17,461 thousand employees through which it serves 6.5 million customers. The Bank's wide service network consists of 2,819 ATMs, innovative internet banking with 10% market share, leading mobile banking with 12% market share and two award winning call centers. The Bank continuously invests in its ADCs to improve customer satisfaction and efficiency. In total, the share of ADCs in Yapı Kredi's total banking transactions reached 80% as of the end of 2012 from 56% in 2007.

2013 targets

In 2013, Yapı Kredi will continue its customer-oriented approach and focus on value generating growth, aligned with its "Smart Growth" strategy. The Bank plans to open 30-40 new branches in 2013 in line with its organic growth plans.

YAPI KREDİ'S SUBSIDIARIES*

Yapı Kredi's financial services subsidiaries

Yapı Kredi Leasing

Established in 1987 and 98.85% owned by Yapı Kredi, Yapı Kredi Leasing is a leader in its sector with a 17.2% market share in transaction volume. Throughout the year, number of contracts generated from SME customers reached 44% as a result of continuous focus on strengthening its position in SME business.

Yapı Kredi Faktoring (Factoring)

Established in 1999 and 99.96% owned by Yapı Kredi, Yapı Kredi Factoring is a leader in its sector with a 15% market share in terms of factoring receivables. Yapı Kredi Factoring realized a total transaction volume of US$ 6.1 billion as of the end of 2012.

Yapı Kredi Yatırım (Investment)

Established in 1989 and 99.98% owned by Yapı Kredi, Yapı Kredi Invest is the leading securities house in Turkey with 19.6% market share in ISE and TurkDEX trading volume and ranks 2nd among brokerage houses in terms of equity transaction volume with 7% market share. The Company is also leader in equity and fixed income securities volume with total transaction volume of TL 689 billion, indicating an annual increase of 13%.

Yapı Kredi Portföy Yönetimi (Asset Management)

Established in 2002 and 99.97% owned by Yapı Kredi, Yapı Kredi Asset Management is ranked 2nd in terms of assets under management with 17.6% market share as of the end of 2012. During the year, total assets under management volume increased by 18% to TL 9.6 billion.

** "Ownership ratios" refers to direct and indirect shares of Yapı Kredi in the relevant subsidiary.*

Koçfinans, Turkey's first consumer finance company, extended a total of TL 1,287 million in loans in 2012.

Insurance Subsidiaries

Yapı Kredi Sigorta (Insurance)
Established in 1943 and 93.94% owned directly and indirectly by Yapı Kredi, Yapı Kredi Sigorta is ranked 5th in non-life business line with 7.2% market share. Yapı Kredi Insurance has a market capitalization of TL 1.7 billion as of the end of 2012. The company's market share through bancassurance channel reached 11.5% compared to 10.8% in 2011.

Yapı Kredi Emeklilik (Pensions)
Established in 1991, Yapı Kredi Pension is almost fully owned by Yapı Kredi Insurance. In terms of private pension funds, Yapı Kredi Pension improved ranking by one notch to 3rd place in 2012 with 17.1% market share. In terms of life insurance premiums, the company also improved its ranking by one notch to 4th place with 7.7% market share.

International Subsidiaries

Yapı Kredi Bank Nederland
Yapı Kredi Bank Nederland is fully owned by Yapı Kredi. As of the end of 2012, the bank has an asset size of US$ 1.8 billion.

Yapı Kredi Bank Moscow
Established in 1988 as a representative office, Yapı Kredi Bank Moscow is 99.84% owned by Yapı Kredi. As of the end of 2012, the bank has an asset of US$ 212 million.

Yapı Kredi Bank Azerbaijan
Yapı Kredi Bank Azerbaijan is 99.84% owned by Yapı Kredi. As of the end of 2012, the bank has an asset size of US$ 295 million.

Other subsidiaries
Yapı Kredi's other subsidiaries include Yapı Kredi Kültür Sanat Yayıncılık (Culture, Arts and 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 TL 1,287 million in loans in 2012, the Company holds 5% of active auto loans nationally, including loans of banks and other financial services companies. Overall, KoçFinans's loan portfolio consists of TL 1,501 million in auto (84,727 units) and TL 19 million (6,039 units) in consumer durables and housing loans. The Company expects growth of 9.5% in the loan portfolio in 2013.

KoçFinans is Turkey's only finance company to provide loans in such highly diversified segments as auto, housing and consumer durables. In 2012, the Company completed a TL 465 million bond issue, raising its securities balance to TL 753 million and providing 55% of its funding needs directly.

KoçFinans also provides insurance brokerage services in conjunction with its lending business.

OTHER LINES OF BUSINESS

We are the key in many areas through our initiatives to improve the quality of life and the confidence we inspire.

As Tat, we have introduced "firsts" in kind of products that have held the hearts of consumers for almost half a century. We were also **the first company to provide consumers healthy and innovative products.**

As Koçtaş, we **dominate the home improvement and home refurbishing market** with our network of 37 stores.

As Bilkom, we introduce **leading global informatics brands** to the Turkish market.


Koç
YENİ
divan
tat
tat

The first company to use advanced technologies to offer wholesome new products to consumers

468

TOTAL REVENUES (US$ MILLION)

Domestic Market Position

Leader in the tomato paste, ketchup, tomato products, premium pasta and pasteurized fresh milk markets

2nd in the mayonnaise market

International Market Position

Exports to **36** countries

Share of International Revenues

9%

Shareholder Structure

Koç Holding	**43.65%**
Other Koç	**9.69%**
Foreign Partner	**5.26%**
Free Float	**41.41%**

TAT KONSERVE

Tat maintained its market leadership position in 2012

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

While the Tat brand maintained its leading position in the tomato paste, tomato products, ketchup and premium macaroni markets in 2012, SEK achieved a clear lead in the pasteurized fresh milk category.

New products launched

Tat continued its efforts to remain close to consumers by adding nearly 100 new products to its extensive product portfolio during the year.

Top among these newly introduced products are: Tat-brand village tomato paste; convenient, ready-to-use Tat tomato products; 200 ml fresh milk and SEK-brand 500 ml low-fat fresh milk in the New Generation Fresh Milk category, which extends the shelf-life of fresh milk to 10 days; 330 ml and 1 ltr ayran in the New Generation Ayran category; small, individual-use Maret delicatessen products; and new, Pastavilla-brand pasta and sauce products.

Investing in technology and marketing

Technology and marketing investments continued apace in 2012 in line with Tat's business continuity and sustainability strategies. Tat invested TL 18 million in expanding plant capacity and new products to meet growing demand and sales and to boost its marketing efforts.

A financial structure that grows every year

Tat's revenues totaled TL 839 million in 2012, up 11% over the prior year. The Company's gross profits for the year climbed to TL 157 million, with a 19% gross margin, up from TL 136 million in 2011, with a gross margin of 18%.

Awards

Bringing delicious, high quality and healthy tastes to consumers, Tat placed 1st in the Canned Goods-Tomato Paste-Sauce category on the Turkish Customer Satisfaction Index (TMME), compiled by the Turkish Quality Association (KalDer).

At the 24th Turkish Crystal Apple Advertising Awards, SEK won six awards (two Crystal Apples and four Achievement Awards) while Tat received three awards in the media category (one Crystal Apple and two Achievement Awards). Tat was presented with the Red Award for its Tat Ketchup advertising in the Food category at the annual Red Awards.

SEK also won two awards in the Successful Team of the Year category at KALDER's nationwide Search for Excellence Symposium.

Participating in 12 categories and with 170 packaging samples at the Packaging Manufacturers Association's 3rd Packaging Ay Yıldız competition, SEK received the Gold Award in the Beverages and Graphic Design categories for its New Generation Ayran and New Generation Fresh Milk packaging.

2013 and beyond

Tat's main objective is market leadership in all its segments and all the Company's strategies are based on supporting this goal. As a result, Tat uses advanced technology to manufacture high quality products with maximum efficiency; offers new products that exceed consumer expectations and that surpass competitors' products; and, as a socially responsible enterprise, it develops and implements projects that add value to the environment, society and its employees. Finally, Tat aims for profitable growth by maximizing consumer satisfaction across all its product categories.

DÜZEY

Düzey Pazarlama has expanded its distribution system since 2003 beyond that of Koç Group-branded products – Tat, Maret, SEK and Pastavilla - to include General Electric light bulbs, Landlite energy-saving light bulbs, Ekin Bakliyat grains, Rest cleaning products, Prenses Candy, Şölen Tea and Sony-brand batteries. The Company has also established its own sales teams in large urban areas that promise high growth potential.

Founded in 1975, Düzey Pazarlama increased revenues 27% in 2012.

During the year, Düzey Pazarlama also expanded its distribution portfolio to include the Nutella and Kinder brands, owned by the Italian Ferraro Group, the fourth largest global chocolate and confectionary conglomerate with revenues of €7 billion. This partnership will complete the Group's investments in Manisa in 2013.

Research continues into joint venture opportunities with strong domestic fast-moving consumer brands that have appropriate distribution and marketing structures.

Düzey Pazarlama plans to continue its pioneer role in its sector with the support of its suppliers and employees.

SETUR

Tourism
As Turkey's leading travel agency since 1973, Setur's 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. The Company is also the licensed Turkish representative for Abercrombie & Kent, the international brand leader in luxury travel, and it represents Orient Express, Uniglobal and Costa. Additionally, Setur has expanded its product range and created the "Sedventure" brand, which specializes in safaris.

In 2012, Setur's revenues totaled TL 648 million. During the year, the Company renovated and increased the number of its sales locations; in addition to its five agent and five visa application centers, Setur provides services through 33 authorized agents and 170 online agents.

Setur launched BookinTurkey.com in 2001 to promote tourism products and services to corporate and individual clients and to allow online booking. The web-based service won the Online Travel Reservations/Services Company award at the SKALİTE 2012 Quality in Tourism Awards, where Setur won the "Congress/Meeting Organization Agent" award. In 2012, Setur also placed 1st for the 6th time in Capital magazine's Turkey's Best Liked Companies survey.

Duty-free Shops
In 2012, Setur had duty-free shop operations at six airports, nine land border gates and nine seaports; the Company employed 619 personnel at 21 centers. The Company completed and commissioned its Sabiha Gökçen Airport duty-free shop expansion project in November 2012. Setur also completed setup, assignments and licensing procedures for the Erbil duty-free shop's operation and the Company's Erbil Diplomatic Duty Free Shop started operations. In 2012, Setur won the tender to operate the Çukurova Airport's duty-free facility.

SETUR MARINAS

Leader of the Turkish marina sector with 25% market share
Setur Marinas provides world-class services to yachts at its marinas in Kalamış and Fenerbahçe, Yalova, Ayvalık, Çeşme, Kuşadası, Marmaris, Finike, and Kaş in Turkey and on the Greek island of Lesbos at Mytilene Marina, which opened in July 2012. The sector leader with 25% market share, Setur Marinas had 100% occupancy rate in 2012. The Company also opened a shopping center at the Kuşadası Marina in September.

2013 and beyond
Setur Marinas plans to expand its market share while maintaining its leadership position in Turkey and to become an international brand by increasing the number of its marinas abroad. To this end, the Company closely monitors the sector for potential marinas to acquire in Turkey and abroad.

The Group uses the Divan brand in all its segments to support brand penetration, value and image.

Murat Tomruk
Koç Holding

DİVAN GROUP

The Divan Group operates 12 hotels, 21 patisseries, 31 bakeries, nine restaurants, two stadium concessions and four catering units in Turkey and abroad. The Group uses the Divan brand in all its segments to support brand penetration, value and image.

The 227-room Divan Erbil (Iraq) opened its doors to guests in February 2012 and the 62-room Divan Express Baku (Azerbaijan) was inaugurated in November 2012.

In keeping with the latest global trends in tourism and real estate, the Divan Group has created a new hotel brand, Divan Express, with a city-business concept. This initiative also marks the entry of the Group into a new business segment with the Divan Residence brand for residence management. Divan Express launched with Divan Residence at the G Plus development in the Guneşli district of Istanbul in March 2012.

The year also saw the launch of Divan Patisseries with a patisserie-cafe concept. The first of these cafes opened in Istanbul at Göktürk, Altunizade and Kalamış and at Ankara Köroğlu. New concept bakeries, In Bakery by Divan, opened in Istanbul at Şişli, Teşvikiye, and on the Koç University campus.

The Group initiated four hotel and three residence development projects in 2012.

- In 2013, Divan Express Airport and the 140 rooms, 276 apartments and six office units Divan Residence at G Plus, Istanbul,
- In 2014, the 48 apartment Divan Residence Gaziantep,
- In 2015, the 120-room Divan Express Denizli; the 140-apartment and 165-office Divan Residence İzmir; and the 138-room Divan Express Kocaeli are scheduled to open.

Construction is underway on the 125-room Divan Gaziantep, 196-room Divan Adana and the 150-room Divan Diyarbakır hotel projects, all signed in 2011. Divan Gaziantep and Divan Adana will open its doors in 2014 in the third quarter, while Divan Diyarbakır is scheduled to open in 2015.

With its hotel projects the Divan Group plans to expand in Turkey mainly in Istanbul and other important cities, and abroad, in the Middle East, North Africa, Middle and East Europe, Russia and CIS countries. The Group plans to growth on residences in Turkey at first.

In 2012, Koçtaş served 10 million customers.

KOÇTAŞ

Koçtaş leads Turkey's DIY market, with 37 stores in 19 provinces and a total sales area of 196,000 m^2. In 2012, the Company opened its fourth Izmir store and increased consumer awareness of its extensive product and brand range by emphasizing its core categories. For the year, Koçtaş's customers reached to 10 million.

100% brand awareness

In 2012, Koçtaş's brand awareness among Turkish consumers was 100% while its Customer Satisfaction Index jumped seven points, surpassing the average loyalty level in the sector. With key messages such as "Come to Koçtaş and pay less" and "At Koçtaş you always pay less", the Company encouraged consumers to pay less money for better quality products and services. Koçtaş differentiates itself with the motto "Always better prices". In 2012, Koçtaş was selected as a Superbrand based on consumer preferences, and it won first place as the preferred home decoration and furniture category brand at shopping malls.

The Interior Design with Koçtaş Contest, which supports Turkey's younger generations and fosters brand loyalty, was held this past year for the third time.

Internet sales

Koçtaş revamped its e-commerce website in September 2012. The goal for the new website, which receives 1 million hits a month, is to grow online sales by 50%.

The Company's vision for 2020, "More beautiful homes, more beautiful lives," is based on four focal points: convenience, extensive market presence, partnership and market leadership.

In line with the goals of having a broad market presence and establishing closer relationships with consumers in order to more easily meet their needs, the Company opened new-format Koçtaş Fix stores in 2012 in the Taşdelen and Kartal Uğur Mumcu districts of Istanbul.

The Koçtaş Leadership Platform, a six-module course designed to train the leaders of tomorrow to further the goal of maintaining the Company's market leading position, provided new learning opportunities to nurture participants on their own path to leadership.

Five new stores are planned for 2013 in order to enhance customer satisfaction by offering affordable prices and an extensive product range in more geographic locations.

Koçtaş's business objectives are to expand its share of the DIY market and to maintain its leadership position. The Company will achieve these goals by offering consumers unique, innovative products and affordable home improvement suggestions while expanding nationwide.

RMK Marine is completing the construction of four Coast Guard Search and Rescue vessels and has been tapped to construct six corvette-class warships.

RMK MARİNE

Joining the Koç Group in 1997, RMK Marine provides turnkey solutions in domestic and international markets in the design, construction, project management, maintenance and repair services for military and commercial ships, and superyachts.

RMK Marine is one of only two Turkish shipyards, including military facilities, to have attained AQAP 2110 NATO Quality Management System certification. Turkey's first private sector shipyard to offer platform systems and in-house integrated electric distribution, weapon and electronic design solutions, RMK Marine does so through its highly developed design and weapons and electronic systems department.

Largest warship

RMK Marine won the tender and is completing the construction of four Coast Guard Search and Rescue ships – the largest military vessel project ever awarded to the private sector in Turkey. It also won approval to begin contract negotiations with the Undersecretariat for Defense Industries (SSM) for six vessels under the national warship Milgem program, making it the first private shipyard approved for corvette construction.

RMK Marine was one of three companies to submit a bid in the SSM tender for the Landing Platform Dock/ Helicopter Landing Dock project. The tender process is in process.

RMK Marine is exhibiting its national defense systems capabilities internationally with the uniquely designed 42-meter Fast Attack Craft, the 66-meter Multi-role Coast Guard Vessel and the 85-meter Corvette class platforms.

Global brand in superyachts

RMK Marine has won international awards for its superyachts. Its Karia and Sarafin garnered the Judges' Special Commendation in 2012 at the international superyacht Oscars, the "World Superyacht Awards", following the RMK-built Nazenin V, which received the same award in 2010.

The first Oyster 100 series superyachts manufactured under the British Oyster brand, the Sarafin and the Penelope, and the 45-meter motoryacht Karia were delivered in 2012. The first yacht in the Oyster 125 series will be delivered in the first half of 2013.

2013 and beyond

The Company's strategy is to make the RMK Marine brand the leader of the naval, commercial ship and superyacht sectors in Turkey, to consolidate its place among internationally renowned shipyards and to become the leading supplier to the defense industry.

KoçSistem diversified its portfolio with new products and created new international technology platforms.

KOÇSİSTEM

Awards and achievements

KoçSistem has received numerous major awards for its services and technology. In IDC's 2011 Turkey IT Services report, KoçSistem ranked first in the application management, communication networks and desktop outsourcing, and hosted application areas. The Company was named "System Integrator of the Year" and placed first in consultancy and hosting management services according to the Interpromedya Bilişim 500 list. It also topped the Deloitte Fast 50 list in the "Big Stars" category and was one of four companies from the ICT sector to make the Fortune Turkey 500.

In the global arena, the European IT & Software Excellence Awards named Pixage, KoçSistem's digital signage software, as the "Technology Solution of the Year", and the Stevie Awards recognized the Company with the "Human Resources Team of the Year" title. KoçSistem is the first and only Turkish company to receive the "Reputation and Brand Management" award at the Stevie Awards.

KoçSistem has maintained rapid growth, easily outpacing the sector for the past six years; the Company achieved revenue growth of 11% in 2012.

KoçSistem is extending its market leading position in data center services to cloud services by increasing the number of cloud IT services customers threefold during the year.

KoçSistem R&D and Innovation Center diversified its portfolio with new products in 2012 including SistemetriKS, Pixage Hospitality, Ready Budget Package, Mobile Device Management, and Social Media Complaint Management (Callus). On international technology platforms, in line with the EU's Horizon 2020 goals, KoçSistem joined the Eureka program in four projects and the Framework 7 program in two initiatives. KoçSistem also set up a company in Azerbaijan in 2012.

According to the KoçSistem Reputation Perception survey, the Company's reputation rating improved 94% in 2012 over that of the prior year. Customers describe KoçSistem as 'professional', 'reliable', 'customer-oriented' and 'innovative'.

2013 and beyond

KoçSistem has set a target growth rate of 15% for 2013. The Company plans to increase the share of its own products and solutions in domestic and international markets and to invest more in R&D, business applications and technological infrastructure, in order to provide customers with a variety of service models.

The authorized distributor for Apple products and Adobe software in Turkey, Bilkom seeks to become a “Digital Life Coach” by providing end-users with the highest standards of customer service.

BİLKOM

Bilkom has provided Turkey’s IT sector with marketing, sales, channel development and after-sales support for leading global IT brands for over 25 years.

The Company’s revenues exceeded TL 320 million in 2012, up 48% from the previous year and comfortably surpassing the sector average.

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 highest standards of customer service.

Bilkom offers products under Bilkom Assurance through its corporate business partners and in chain IT stores at over 700 locations across Turkey.

Bilkom is also the authorized Turkish distributor for Adobe, a leading global software provider. The Company services the corporate market through over 100 authorized business partners.

Bilkom became the sole authorized after-sales service provider for Apple products under an agreement with Apple executed in 2012. The Company has achieved a customer satisfaction score of 90% for its superior service at its authorized service centers. It is expanding its service network to match its rising sales volume.

Ram Dış Ticaret represents Boeing and it has provided consultancy services to several Central Asian airlines for the purchase of five Boeing passenger aircraft.

RAM DIŞ TİCARET

Since its founding, Ram Dış Ticaret has conducted extensive commercial operations in countries neighboring Turkey, gaining international recognition as a reliable trading partner.

Ram Dış Ticaret's exports primarily include:
- Refined petroleum products;
- Commercial vehicles and tractor units, accessories, and related spare parts;
- Vehicles and systems for the defense industry.

The Company also has acquired a significant share in the import of photocopy paper and other paper products for the domestic market, where it is gaining an ever-increasing share.

In the aviation sector, Ram Dış Ticaret represents Boeing and it has provided consultancy services to several Central Asian airlines for the purchase of five Boeing passenger aircraft.

In addition, the Company signed a sales and marketing consultancy agreement with Sikorsky Aircraft Corporation for military and civilian helicopters for Central Asian countries, and civilian helicopters for Turkish civilian markets.

One of Turkey's leading foreign trade companies, Ram Dış Ticaret successfully ended the 2012 reporting year. The Company's net sales revenues for the year totaled TL 915 million, with TL 317 million from domestic operations and TL 598 million from international activities.

2013 and beyond

Ram Dış Ticaret aims to expand its petroleum exports in terms of customer numbers, product diversification and number of shipment and delivery points.

Joint efforts are underway with Koç Holding to enter new markets for automotive products.

Exports of paper and paper products are a Company priority.

Ram Dış Ticaret will develop its aviation distributorship into new countries and the Company will seek complementary distributorships in this sector.

Ram Dış Ticaret's long-term goal is to develop local operations in target markets where regional risks may be averted.

Zer Merkezi Hizmetler provides marketing, services, supplies and logistics to companies within and outside of Koç Group, adding value through synergy and economies of scale.

ZER

Since 2003, Zer Merkezi Hizmetler has provided marketing services, supplies, logistics and other services to enterprises within and outside Koç Group. The Company adds value through the synergy and economies of scale created by centralized procurement purchasing, thus enabling enterprises to focus on their core business.

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

Koç Holding's Sustainability Management focuses on work environment, environmentally friendly practices and social development.

CORPORATE RESPONSIBILITY AT KOÇ

Koç Holding strives to bring about sound development and satisfy customers and employees by offering products and services of universal quality and standards and in this way to be regarded by all of its stakeholders as a symbol of reliability, continuity and respect.

To attain this objective, Koç Holding has formulated its business models on the principles of responsibility and sustainability. The Holding monitors performance in order to ensure continuous progress. Operational and performance results are reported to all stakeholders in an accountable and transparent manner. Corporate responsibility activities of Koç Holding companies 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

Work environment*, environmentally friendly practices and social development are the three main focus areas of Koç Holding's Sustainability Management. In the light of corporate commitments, policies and targets, performance in each area is managed and monitored by the specialized organizational units in accordance with international norms.

The Koç Group Sustainability Performance Evaluation and Reporting System is used to evaluate the Holding'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 Standard B-level reporting requirements and United Nations Global Compact Principles.

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

** Information about work environment at Koç Holding may be obtained from page 46 of the Annual Report and from the Corporate Social Responsibility Report.*

The Holding's sustainability performance is evaluated by the Koç Group Sustainability Performance Evaluation and Reporting System.

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 demonstrates how social responsibility can be implemented in corporate operations and how it can be improved upon.

As a member of the United Nations Local Network Management Committee, Koç Holding piloted efforts to form thematic working groups in 2012. In this capacity, Koç Holding was active in the establishment of the "Sustainability and Social Responsibility in the Media" Working Group. Together with Anadolu Holding and Sabancı Holding, it got the "Sustainability and Social Responsibility in Media Initiative" off the ground. The purpose of this initiative is to make matters of corporate social responsibility and sustainability a part of professional journalism. Its first action was a workshop held 23-24 November 2012 for journalists. The workshop was held to raise participants' awareness on sustainability and to equip them with the wherewithal to comment on companies' sustainability performances. Nineteen members of the press from national newspapers, magazines and TV news channels participated in the workshop.

ENVIRONMENTAL PRACTICES AT KOÇ

Koç Holding 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 improving its commitment to the environment and performance in this area. By sharing its experiences, it endeavors to find common solutions to local and global environmental problems, and to remain sensitive to expectations in health and safety and to the needs of society. These principles are in harmony with the environmental principles of the UN Global Compact Koç Holding signed in 2006.

Koç Holding'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 field. The Holding's Environment Committee was formed to share best practices, create common long-term plans and develop common projects.

An Auditing Group and the Environment Committee jointly conduct an environmental audit once every two years to raise environmental awareness within Koç Holding companies and to determine possible risks. The indicators used for evaluation during the audits are derived from sustainability criteria.

The Koç Group monitors the environmental impact of all its operations and production processes.

Koç Holding's companies combat climate change within the framework of Koç Holding's Climate Change Strategy. Accordingly, the Holding's companies strive to effectively measure and reduce greenhouse emissions. Arçelik, one of the Group's companies, has served as term spokesman and leader of the Climate Platform in Turkey, of which it is a member. Arçelik has signed the "20 C Declaration" that has drawn attention to work being done on climate change. Arçelik participated at the CEO level in the World Climate Conference held in Durban, in 2011, and in Doha, in 2012, where it provided an account of the work Arçelik has done in this area. Koç Holding's Climate Change Strategy is explained in detail in the CSR report.

One of the priorities of Koç Holding companies is to minimize the environmental impact of production. Respect for the environment is a priority in the Holding's companies' production processes. Most of its companies have the ISO 14001 Environmental Management System in place. In 2012, Arçelik, Ford Otosan and Opet received the ISO 14064 certificate. Other Holding companies established a greenhouse gas management system according to this standard.

Within the framework of energy efficiency, Aygaz, Arçelik and Türk Traktör obtained the ISO 50001 Energy Management System certificate. Aygaz and Türk Traktör were the first companies in their sectors to receive this certificate. Arçelik was the first company in the sector to be awarded this certificate by an international certifying body. 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 its production. Therefore, dozens of new environmentally friendly products and services were offered to consumers in 2012. Details pertaining to the work are provided in the Koç Holding Corporate Social Responsibility report.

In addition to working to reduce harm to the environment, Koç Holding companies are engaged in improving nature and biodiversity, and raising environmental consciousness in society. Ford Otosan's preservation of biodiversity and the ecosystem practices at its Kocaeli plant were chosen as among the best in Turkey and they were presented at the UN Rio+20 Sustainable Development Conference.

One of Koç Holding's main objectives is to offer products and services that create added value; an important part of this principle is to produce these goods with the least possible environmental impact.

Awards

- Tofaş ranked first in Turkey in the Governance category of the 2011-2012 EU Environment Awards Turkey Program. The Company successfully represented Turkey at the European Business Awards for Environment competition, which is the second stage of the program.
- Arçelik received the Turkey Carbon Transparent Leadership Award in the 2012 Turkey Report of the Carbon Transparency Project.
- Arçelik's Cactus Dishwasher project was one of the sustainable development and green economy practices representing Turkey at the Rio+20 UN Sustainable Development Conference held in Brazil in June 2012.
- Arçelik garnered first place with its Arçelik 9658 ETI oven in the Innovative Environmental Product category of the 13th annual Istanbul Chamber of Industry's Environment Awards.
- Arçelik took first place with its IE 3-type Energy Efficient Engine in the Most Efficient Product category at the 4th SENVER Awards, held by the Ministry of Energy and Natural Resources' Renewable Energy General Directorate.
- Ford Otosan received three awards simultaneously in the Large-scale Enterprises division of the Istanbul Chamber of Industry's Environment Awards. It took the first place in the Energy Efficiency Application Project category with its Hydraulic Bed Cushion Energy Saving project, the second place in the Environmental Management and Corporate Social Responsibility category, and the third in the Environmentally Friendly Product category for its Dry-type Sheet Metal Cleaning Project.
- Ford Otosan Kocaeli plant's Sustainable Environmentally Friendly Automotive Production project was chosen as one of Turkey's best applications of the Ministry of Development's Sustainability in Turkey competition. This gave the company the right to represent Turkey at the UN Sustainable Development Summit in Rio.
- The Ford Otosan Kocaeli plant and Tüpraş Kırıkkale refinery obtained the Environment Certificate for placing in the Ministry of Environment and Urban Planning's Clean Industry competition.
- OPET's Tekirdağ Marmara Terminal was chosen as the Cleanest Plant in the Ministry of Environment and Urban Planning's My Clean Turkey competition.
- Otokar came third in the Environmental Management and Corporate Social Responsibility category in the Istanbul Chamber of Industry Environment Awards.
- The Tüpraş Izmit Refinery received the Kocaeli Chamber of Industry's Şahabettin Bilgisu Special Jury Award for the importance the refinery places on the environment and for its environmental investments.
- The Tüpraş Izmir Refinery and the Ford Otosan Kocaeli Plant received the Turkish Healthy Cities Association's Environmental Facilities award.
- The Tüpraş Batman Refinery came first in the SEVAP-2 category with its Steam Production Efficiency Enhancement Project.
- The Aygaz Yarımca Filling Plant garnered the Incentive Award in the Large-scale Business category in Kocaeli Chamber of Industry's 18th Şahabettin Bilgisu Environment Awards ceremony.

SOCIAL DEVELOPMENT

Koç Holding's goal is to contribute to growing prosperity in the locations where it operates, to promote the expansion of social creativity, and to encourage social development according to stakeholder needs and expectations.

An advanced level of institutionalization of social development is important to Koç Holding. Accordingly, it concentrates its efforts on education, health, the environment and culture/art. The institutions that oversee the Holding's work in these areas conduct regular programs, support projects and engage in periodic activities.

Vocational Education: A Crucial Matter for the Nation

The Vocational Education: A Crucial Matter for the Nation (MLMM) project was initiated in 2006 through collaboration between the Ministry of Education, Koç Holding and the Vehbi Koç Foundation and it has the support of 20 Koç Holding companies and more than 550 Koç Holding employees. It has since become recognized by national and international actors in the field of vocational education as a successful model. The MLMM Project began with the commitment to provide internship-supported educational scholarships to 8,000 vocational high school students to promote vocational education. Over time, the project developed into a working model for forging cooperative links between schools and businesses and incorporating the vocational high school coaching system, development modules and educational laboratories.

Work ongoing since 2010 to disseminate the experience and results obtained by the MLMM Project intensified in 2012. The Cooperation for Quality in Vocational Education project, begun on 20 December 2010 in cooperation with the Education Reform Initiative to develop recommendations to raise the quality of vocational education, was completed in 2012.

In 2012, the Vocational High School Coaching Program, which had been developed under the MLMM Project was transferred to the private sector under the management of the Private Sector Volunteers Association. The Program contributes not only to the personal development of vocational high school students, but also it nurtures the spirit of volunteerism among the employees who participate in it. The program started to be implemented by the Private Sector Volunteers Association has already reached 29 companies and in excess of 300 volunteers.

For My Country

The For My Country Project is a Koç Holding social responsibility initiative that was launched in 2006 to encourage the spread of individual entrepreneurship as part of the notion of responsible citizenship. 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 focuses on a particular social need in every two years. In 2006-2007 implementation period, For My Country led to the realization of 387 local projects in order to support local development, whereas in 2008-2009, in the new phase of the project, 1,084,000 saplings were planted in 7 For My Country

Zafer Seçgin
Koç Holding

forests around the country and environmental education was provided to 18,000 children. The 2010-2011 implementation period of For My Country Project focused on increasing the number of volunteer and regular blood donors through raising the awareness of 103,000 people. At the end of this phase of the project, Koç Holding reached the milestone of collecting the highest number of blood donations by the efforts of a single corporation, which were 83,579 units of blood.

In 2012-2013, the For My Country project collaborated with the Alternative Life Association and the United Nations Development Program in the No Barriers for My Country project. The objective of this project is to serve as a role model in practices that will support the quality of life of the disabled in their professional and social lives, and to create social awareness and sensitivity to the subject of the disabled. By May 2012, this project had raised awareness in 37,980 persons at 44 Koç Holding companies, through the efforts of Koç Holding-employee volunteers, and in 20 provinces, through our distributors acting as For My Country ambassadors. 375 volunteers were prepared as instructors under the Right Approach to Disability training program and 730 training sessions were held. In addition, 55 projects designed to make our companies, distributorships and stores disabled-friendly were initiated. Under the project, work got underway to develop products and services for disabled consumers.

International Istanbul Biennial

Koç Holding has supported projects that can leave a legacy to society. The International Istanbul Biennial is one of those projects. Organized by the Istanbul Foundation for Culture and Arts, the International Istanbul Biennial is a modern art event directly involved in social issues in art and culture. Koç Holding has assumed sponsorship of the International Istanbul Biennial for the ten-year period 2007-2016. Among the art events held in Turkey, this is the most well-known and it receives the greatest amount of attention from abroad. The support provided to the Biennial is also provided to the Istanbul brand. Koç Holding will continue making the necessary contributions to enrich the International Istanbul Biennial and to ensure its continuity.

Koç Fest

Koç Holding and its affiliates started the Koç Fest in 2006 to bring music and entertainment to universities, create a special festival for students, and open the way to start a tradition. The Koç Fest has gone to 28 cities and organized 65 festivals in seven years. Koç Holding, as a corporation that believes sports play a role in raising the quality of life, was also the main sponsor of the Turkish University Games, which was held by the Turkish University Sports Federation in 2009. Thereby, the most prestigious and highest attended sporting event among Turkish universities has become known as the Turkish Koç Fest University Games and Koç Holding has become an essential part of the festival. Through this initiative, the Koç Fest became the largest youth festival in Turkey, bringing together sports, music and fun under one umbrella. Since 2009, the Koç Fest has hosted 20,000 athletes in 42 disciplines from 185 universities every year. Some of the athletes and teams successful at annual sporting events regularly represent Turkey at international events sponsored by Koç Holding. In 2012, the Koç Fest once again visited seven universities and the big finale was held at Eskişehir Anadolu University with approximately 5,000 students in attendance.

VEHBİ KOÇ FOUNDATION

EDUCATION
Koç Schools (High School 1988, Elementary School 1998)
Koç University (1993)
Koç Elementary Schools (1998-2008)
On the Republic of Turkey's 75th anniversary, the Vehbi Koç Foundation built 13 elementary schools across the country. This project was extended to 17 schools with the addition of four more schools between 2006 and 2008.
Model School project (launch planned for 2014)

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)
Health Sciences Campus (opening planned for 2014).

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)
TANAS Art Gallery, Berlin (2008)
ARTER Space for Art, Istanbul (2010)

Since its establishment, the Vehbi 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.

In 2012, the Vehbi Koç Foundation (VKV) 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, go to www.vkv.org.tr.

EDUCATION

Vehbi Koç Foundation provided scholarships through its headquarters and affiliated institutions to approximately 4,048 students - 3251 junior and senior high school students and 797 university students in the 2012/2013 academic year. VKF has increased the number of students eligible for scholarships in order to reach a higher number of successful students in need of financial support. The number of universities receiving scholarships from the VKV has increased to 17.

Following the earthquake disaster that hit Van in 2011, Vehbi Koç Foundation, supported by Ford Otosan, moved into action to help heal the wounds of educators serving in Van and constructed a modern housing complex that can accommodate 128 teachers with their families. Opened on 12th November 2012 in the Kalecik Village of Van, the "Ford Otosan Teachers' Housing Complex" consists of four three-storey buildings, a social facilities site, indoor and outdoor sports grounds, green areas and a carpark.

Among non-profit private universities, Koç University attracts the largest number of top-scoring students in Turkey

Times Higher Education has ranked Koç University along with two other Turkish universities in the top 250 universities in the world. Koç University, which will celebrate its 20th anniversary in 2013, aims to become the first Turkish university to rank in the top 100 universities worldwide.

Koç University in figures:

Among non-profit private universities, Koç University attracts the largest number of top-scoring students in Turkey

- 4,812 students
- 400 faculty members
- 7,124 graduates
- 22 undergraduate programs, 28 masters programs and 14 doctoral programs
- More than 60% of its students are scholarship students
- A variety of scholarship and grant opportunities; 14 types of scholarships
- 6 faculties, 1 college, 4 institutes
- 2,345-person capacity dormitories (undergraduate and graduate)
- Exchange program agreements with more than 195 universities
- 77 research laboratories
- 9 research centers, 1 research and 1 education forum
- 325 externally funded active research projects (January 2004-April 2012)
- The Suna Kıraç Library, open 24 hours, 7 days a week.
  211,000 publications
  44,000 audio-visual and other resources
  More than 55,000 e-books
  More than 55,000 e-journals
- More than 40 student clubs
- Unlimited sports opportunities; ice-skating rink, indoor and outdoor swimming pools
- 370-person capacity Sevgi Gönül Cultural Center

The Vehbi Koç Award was given in the field of education to Prof. Nermin Abadan Unat

Every year, the Vehbi Koç Foundation gives the Vehbi Koç Award in one of the fields of education, health, culture or art for the purpose of encouraging people or institutions that contribute towards improving people's quality of life. This year, the Vehbi Koç Award was given in the field of education to Prof. Nermin Abadan Unat.

Prof. Nermin Abadan Unat, winner of the 2012 Vehbi Koç Award, is Turkey's first female political scientist; in addition, she was the first female assistant professor, first associate professor and first professor at the Faculty of Political Sciences at Ankara University, where she was also the first female founder of a professorship chair. She was a founder of the College of Journalism, Turkey's first school of journalism and its first female director. Unat's voluminous academic works are of the highest caliber. She has published academic books and articles in Turkey and abroad. She is one of the founders of the Turkish Social Sciences Association. Unat has trained many successful students and has served as a role model, especially for her female colleagues. She is known as the "teacher of teachers."

Model School Project
Architectural Design

After a model school...

The first of two conferences organized under the themes "Education Architecture in the 21st Century" and "The Impact of the Environment on Education," and jointly hosted by the Vehbi Koç Foundation and Cannon Design, was held in February 2011. The second of these conferences was held on 4 December 2012 at the Koç University Anatolian Civilizations Research Center, in the Merkezhan Building, İstiklal Caddesi, Istanbul. Cannon Design is supporting the Model School Project to produce a "model school" that offers innovative educational environments and pedagogical approaches. The major characteristics of the school can be defined as student-centered and sustainable, based upon an organic relationship between shareholders and the community, and finally as reproducible and adaptable. The model school process and the architectural concept that emerges were presented to the participants, who were then asked to discuss the subjects of education, architecture and learning in the new century. The bases for the idea of a reproducible "model" school planned for completion in 2014 were made public.

HEALTH

The Health Sciences Campus – where education and health intersect.

Construction of the Health Sciences Campus, one of the largest of its kind in Turkey, has begun in Topkapı, Istanbul. Affiliated with the Vehbi Koç Foundation Koç University Faculty of Medicine, the campus is set to open in September 2014. The first phase of the project will include the faculty of medicine and a research and training hospital. The second phase encompasses faculty member housing, the nursing school and nurses' housing. The project upon its completion will be a major contribution to the country. Investment in the Koç University Faculty of Medicine teaching hospital is funded by the revenues of the American Hospital. In providing this crucial social contribution, the American Hospital has broken new ground.

Every year, the Vehbi Koç Foundation Nursing Fund provides scholarships to students of nursing.

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

The Koç University School of Nursing was founded in 1999 to provide professional applied nursing education. It continues to admit students to train as modern, exemplary and self-confident nurses. In 2011-2012, the Nursing Undergraduate Program admitted 28 students who took the university entrance exam. Students completing the four-year school and two summer terms of English, as well as clinical practice, receive their degrees in nursing and become professional nurses.

Number of Graduates by Year

2003	20
2004	17
2005	20
2006	20
2007	23
2008	25
2009	25
2010	24
2011	20
Total	**194**

Number of Masters Students: 63
Number of Doctoral Students: 5

SANERC, Turkey's first post-graduate nursing education and research center for health professionals.
SANERC was founded as an affiliate of the Vehbi Koç Foundation on 21 December 1992. In 2004, it was attached to the School of Nursing at Koç University. To achieve its mission SANERC educates and gives advisory services; conducts and supports research contributing to professional development; prepares guidelines for textbooks and training; and publishes and distributes for free the "Training and Research Journal," which has been published three times annually since 2004. SANERC is accredited by the American Nurses Credentialing Center. Since its founding, 8,679 healthcare professions, most nurses, have participated in the training programs it conducts.

CULTURE

The Vehbi Koç Foundation Ford Otosan Cultural and Social Life Center enriches cultural life.
The Vehbi Koç Foundation Ford Otosan Cultural and Social Life Center, built in Gölcük, near Bursa, through the support of Ford Otosan, has contributed to the social and cultural development of the region's people since it opened its doors. The center has a natural setting, a garden and award-winning architecture. With personal development, art courses, exhibitions, theater performances and musical activities, it provides a rich cultural environment. Despite having been open for only two years, it has an extensive array of activities, ranging from classical music and jazz concerts, theater and children's shows to art workshops. It has become the meeting spot of an average of 9,000 visitors and art lovers a month. The center places particular importance on social responsibilities, providing unrestricted and free services to people of all ages and from every walk of life.

"What Josephine Saw: Twentieth Century Photographic Visions of Rural Anatolia" exhibition at AnaMed

The American photographer and collector, Josephine Powell is one of the last of the Anatolian nomads. Her exhibition, "What Josephine Saw: Twentieth Century Photographic Visions of Rural Anatolia" was held 12 June-21 October 2012 at the Koç University Anatolian Civilizations Research Center (AnaMed). It was the first exhibition for the AnaMed's Gallery, which has been open since 2006.

Josephine Powell is known for her valuable contributions to the cultural heritage of Anatolia. Three months before her death in 2007, she donated her entire collection of photographs and kilims to the Vehbi Koç Foundation. The 30,000 frames of photographs she left were copied digitally and catalogued and some of the best were selected for the exhibition, "What Josephine Saw: Twentieth Century Photographic Visions of Rural Anatolia", which was AnaMed Gallery's inaugural exhibition. Part of the exhibition, consisting of hand-woven items such as kilims, gunny sacks and tents bearing the vestiges of Anatolian culture, and weaving implements, are on display at the Vehbi Koç Foundation Sadberk Hanım Museum.

The Vehbi Koç Foundation is a major presence in the Modern Art Arena with ARTER

The Vehbi Koç Foundation made a strategic decision in 2007 to create a modern art collection in addition to its Turkish Islamic and Archeological collections. Today it owns a modern art collection consisting of nearly 700 works. ARTER, founded to create a "space for art" as a modern art gallery in Beyoğlu in 2010, has held six exhibitions, each providing uniquely distinct experiences for connoisseurs of art:

Erdem Helvacıoğlu: "Freedom to the Black," 10-26 February 2012

ARTER began its "Sound Series" with Erdem Helvacıoğlu's exhibition "Freedom to the Black". Held under the curatorship of Melih Fereli between 10 and 26 February 2012, the exhibitions are designed to support the production of "sound art".

Mona Hatoum: "You are Still Here", 17 March-27 May 2012

This exhibition by Mona Hatoum, one of the pioneers in the world of modern art, was her first solo exhibition in Turkey. Curated by Emre Baykal, "You are Still Here" consisted of approximately 30 works, including ones she created for this exhibition. More than 18,000 art devotees visited the exhibition.

Nevin Aladağ: "Stage", 6 April-27 May 2012
As part of its mission to support new productions of artists in Turkey, ARTER sponsored the production of Nevin Aladağ's project "Stage", which was carried out under the curatorship of Başak Doğa Temür. Held on the 3rd floor of ARTER, the exhibition was Nevin Aladağ's first solo exhibition in Turkey.

Berlinde De Bruyckere: "The Wound", an exhibition by Berlinde De Bruyckere, was held under the curatorship of Selen Ansen between 21 June and 26 August 2012.
In addition to her statues and drawings, the exhibition contained works that were specially produced for it. Two of the artist's recent works produced for the ARTER exhibition were displayed at Çukurcuma Hamam in Beyoğlu. The French dancer and choreographer Vincent Dunoyer put on a performance at ARTER everyday throughout the exhibition.

Sophia Pompéry: "The Silent Shape of Things", 21 June-26 August 2012
The solo exhibition by Sophia Pompéry, "The Silent Shape of Things", was held at ARTER simultaneously with "The Wound", Curated by Ece Pazarbaşı, the exhibition was devoted to the projections and installations of the artist, as well as objects she made.

Adel Abidin, Rosa Barba, Runa Islam: "The Move", 5 October-13 December 2012
This Başak Şenova curated exhibition "The Move" contained the works of Adel Abidin, Rosa Barba and Runa Islam.

LEGAL DISCLOSURES

CORPORATE GOVERNANCE COMPLIANCE REPORT

RISK MANAGEMENT

CONSALIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Shareholder Structure and Voting Rights

Our Company's shares are divided into two groups, A and B. Each A group registered share holds two voting rights at our General Assembly.

Concerning the privileged shares, our shareholders' voting rights are presented below:

SHAREHOLDER	AMOUNTS (TL)	SHARE STAKE (%)	VOTING RIGHT	VOTING RIGHT STAKE (%)
Koç Family	654,607,780	25.82%	65,460,778,117	20.36%
Temel Ticaret ve Yatırım A.Ş. (B Group)	401,210,786	15.82%	40,121,078,570	12.48%
Temel Ticaret ve Yatırım A.Ş. (A Group)	678,773,422	26.77%	135,754,684,460	42.23%
Koç Holding Emekli ve Yardım Sandığı Vakfı	50,451,548	1.99%	5,045,154,800	1.57%
Vehbi Koç Vakfı	181,405,360	7.15%	18,140,536,000	5.64%
Rahmi M.Koç ve Mahdumları A.Ş.	2,658,789	0.10%	265,878,900	0.08%
Free Float	566,790,365	22.35%	56,679,036,452	17.64%
TOTAL	**2,535,898,050**	**100.00%**	**321,467,147,299**	**100.00%**

There was no important change in shareholder sturcture in 2012.

Important changes in ownership structure of Koç Holding's financial fixed assets in 2012

Changes to the ownership structure of the financial fixed assets that Koç Holding owns directly did not exceed the limits set by the Turkish Commercial Code.

Information on the amount of financial fixed assets Koç Holding A.Ş. holds indirectly (broken down as 5%, 10%, 20%, 25%, 30%, 50% or 100%, and the transactions that fall below these percentages) can be found in the table below.

SUBSIDIARIES INCLUDED IN THE SCOPE OF THE CONSOLIDATION AND THEIR EFFECTIVE INTERESTS

SUBSIDIARIES	2012 (%)	2011 (%)	CHANGE	DISCLOSURE
Beko Egypt	40.51	0.00	40.51	Established in 2012.
Beko Ukraine	40.51	0.00	40.51	Established in 2012.
Blomberg Vertrieb	-	40.51	-40.51	Legally merged with Beko Deutschland in April 2012.
Defy Botswana	40.51	0.00	40.51	Acquired in 2012.
Karşıyaka Tankercilik	34.13	0.00	34.13	Established in 2012.
Kartal Tankercilik	34.13	0.00	34.13	Established in 2012.
Maltepe Tankercilik	34.13	0.00	34.13	Established in 2012.
Salacak Tankercilik	34.13	0.00	34.13	Established in 2012.
JOINT VENTURES				
AES Enerji Ltd.	34.90	0.00	34.90	Acquired in 2012.
Ayas Enerji	17.45	0.00	17.45	Acquired in 2012.
Cenay Elektrik	34.90	0.00	34.90	Acquired in 2012.
Güney Tankercilik	8.79	0.00	8.79	Established in 2012.
Kumköy Enerji	34.90	0.00	34.90	Acquired in 2012.
Kuzey Tankercilik	8.79	0.00	8.79	Established in 2012.
Platform	-	37.21	-37.21	Liquidated on 27 December 2012.
Selen Elektrik	34.90	0.00	34.90	Acquired in 2012.
Seymenoba Elektrik	34.90	0.00	34.90	Established in 2012.

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 (31.12.2012)	:	**79.4%**

Ordinary General Assembly Meeting, if held during the year

An Ordinary General Assembly was not held during the year.

Organizational changes during the year

There were no important organizational changes in the operating year.

Associated Company Report

Turkish Commercial Code No. 6102 Article 199, which came into effect on 1 July 2012, obliges Koç Holding A.Ş.'s Board of Directors to prepare, within the first three months of the operating year, a report on the Company's controlling shares and associated companies for the previous operating year, and to include the conclusion section of this report in the annual report.

The Koç Holding A.Ş. Board of Directors report of 11 February 2013 states: "In all transactions conducted in 2012 with companies in which Koç Holding A.Ş. has a controlling share, or else with associated companies, the moment the transaction was conducted, measures were taken, or avoided, and it was determined that appropriate action had been taken in each transaction, based on the circumstances and conditions known by us, and that no measure was taken or avoided that could harm the Company, and accordingly, that no compensatory transactions or measures needed to be taken."

Lawsuits against the Company and any probable outcomes that could impact the Company's financial situation and operations

There are no lawsuits filed against the Company significant enough to have an impact on its financial situation or operations.

Announcements concerning administrative or judicial sanctions imposed on the Company and its management due to practices in violation of regulations

No administrative or judicial sanctions have been imposed on the Company, or its management due to regulatory violations.

CORPORATE GOVERNANCE COMPLIANCE REPORT

1. Declaration for the 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.

Koç Holding has adopted the "Corporate Governance Principles" that the Capital Markets Board (CMB) first made public in July 2003 and the Holding has implemented most of these universal principles. While it has implemented the mandatory principles stated in the CMB "Communiqué Pertaining to the Determination and Implementation of Corporate Governance Principles" Serial: IV, No: 56, it has also widely implemented most of the non-mandatory principles. Koç Holding has not yet achieved full compliance due to: the challenges encountered in the implementation of some principles, ongoing discussions in Turkey and internationally regarding compliance with certain principles, and the failure of the current market and corporate structure to comply with such principles in a proper fashion. We are working on the principles not yet implemented and we plan to apply them once the administrative, legal and technical infrastructure for the effective governance of our company has been completed. The following sections detail the comprehensive efforts being made in our company within the framework of corporate governance principles, the principles with which compliance has not yet been achieved and, if any, conflicts of interest that stem from them.

Koç Holding undertook its most important activities in the area of Corporate Governance in 2012 to comply with corporate governance principles and new regulations introduced by CMB Communiqué, Serial: IV, No: 56 and the new Turkish Commercial Code. The Ordinary General Assembly held in 2012 modified our Articles of Association as the Communiqué required. In addition, the procedures for designating independent candidates and making public disclosures were completed and candidates were elected according to regulations. The committees established under the BoD began functioning effectively. The remuneration policy for BoD members and senior management was established and announced at the General Assembly. The information that must accompany the disclosure document to be submitted to the General Assembly includes such standard documents as those indicating preferred shares, voting rights and organizational changes, as well as the CVs of BoD membership applicants, the remuneration policy for board members and senior managers, and the reports and announcements that need to be prepared for related party transactions, all of which were provided to our investors three weeks prior to the General Assembly. We announced all of our related party transactions to the BoD and it was decided to continue the procedures with the confirmation of independent BoD members. In addition, the Company's website and annual report were reviewed and revisions required to comply with the principles were made.

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

2. Shareholder Relations

The 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, road shows 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

CFO-Finance and Strategic Planning Group President:
Ahmet F. Ashaboğlu
Tel : +90 216 531 0401
Fax : +90 216 531 0099
E-mail : ahmeta@koc.com.tr

Investor Relations Coordinator: Funda Güngör Akpınar
Tel : +90 216 531 0535
Fax : +90 216 531 0099
E-mail : fundag@koc.com.tr

Investor Relations Associate: Neslihan Aycıl
Tel : +90 216 531 0516
Fax : +90 216 531 0099
E-mail : neslihana@koc.com.tr

IR attended 18 road shows and conferences in Turkey and abroad and held more than 500 meetings with existing and potential investors. To keep shareholders better informed of current trends and developments, the road show presentations were posted on the website. One-on-one interviews were held with analysts at 17 meetings. 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.

3. Use of Shareholders Rights to Obtain and Evaluate Information

Koç Holding does not discriminate among shareholders vis-à-vis their right to obtain and evaluate information and all information, except trade secrets are shared with the shareholders. Enquiries directed to IR, with the exception of information considered confidential or a trade secret, are answered in writing or by phone by the person authorized to respond on that particular issue. As explained in section 9 of this report, all information and announcements that may have an impact on the exercise of shareholder rights are posted on the website.

Though our Articles of Association does not govern the right of individual shareholders to demand a special auditor, under the Turkish Commercial Code Article 438, one can be requested from the General Assembly in order for certain events to be clarified even if the issue is not on the agenda. This request can be made provided a special auditor is necessary for every shareholder to be able to exercise his/her shareholder rights, and the right to receive and evaluate information concerning the events in question has previously been exercised. To date, no shareholder has submitted such a request. The Company's activities are audited by an Independent Auditor and Legal Auditors elected at the General Assembly.

4. General Assembly Meetings

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 2012. It was held on 10 April 2012 with 79.1% attendance. No agenda proposal for the meeting was made by the shareholders.

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 supervision of a government observer from the Ministry of Customs 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.com.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, Disclosure Policy, Dividend Distribution Policy, the CVs of all BoD-member candidates, including those of independent candidates, are posted on the Company website and at Koç Holding headquarters three 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.

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 with 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. No shareholders submitted a written question to the Investor Relations Department on the basis of not having received an answer at the General Assembly.

General Assembly meetings are held at Company Headquarters to facilitate attendance at meetings. Under conditions stipulated in the Articles of Association, meetings may be held in another place in the city upon the request of shareholders. The location of the General Assembly meeting is selected to enable easy access to all shareholders. Proxy forms were placed on our website and announced to shareholders in a newspaper for shareholders wishing to be represented through proxy at the meeting.

Minutes of the General Assembly meetings are available from the Public Disclosure Platform and our Company website, www.koc.com.tr. In addition, these minutes are made available to all shareholders for examination at the Company headquarters.

At the General Assembly meeting held in 2012, information concerning donations made and aid granted during 2011 was provided under a separate agenda heading; there were no changes in donations or grants.

5. Voting Rights and Minority Rights

Restrictions on the use of voting rights 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.

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

There are no restrictions or obligations in the Articles of Association concerning the representation of minority within the management.

6. Dividend 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.

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.

The dividend distribution policy and the dividend distribution proposal, as disclosed to shareholders at the General Assembly, are in the report. In addition, the policy and proposal are posted on the Company website, along with a short history of dividend distribution and detailed information about capital accumulation. In 2012, gross dividends of 12.67% were distributed to shareholders.

Dividend Distribution Policy

In determining the distribution of profit, our Group's long-term strategy, our Company's capital requirements, 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.

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

8. Disclosure Policy

Koç Holding Disclosure Policy encompasses what information, apart from that specified in regulations, shall be publicly disclosed; what method shall be followed to answer questions asked the Company; what the general policies are concerning special situation announcements; and how news about the company is to be handled when it appears in the media. The BoD is responsible for preparing, overseeing and updating the Disclosure Policy. The Disclosure Policy, which is approved by the BoD, is presented to the shareholders at the General Assembly Meeting and shared with the public on our website.

As explained in the Board of Governor's report, our Company's annual report, along with any information, predictions and data based on predictions, are disclosed together to the public. In addition, this information is provided in investor presentations. In the event that previously announced predictions and the grounds for them do not materialize or it is understood that they will not materialize, revised information is provided.

9. Company Website and Contents

Koç Holding's website (www.koc.com.tr) provides current and historical information in Turkish and English. There is an Investor Relations section to provide more comprehensive information to current and potential shareholders and brokerage houses. Complete information required by the CMB Corporate Governance Principles is available on our company website. Principles governing our website are contained in our Disclosure Policy. In addition, our e-mail address is printed on company letterhead.

10. Annual Report

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

SECTION III- STAKEHOLDERS

11. 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. 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.

12. 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.

13. 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.
- Implementing objective and transparent human resources systems.

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 Holding's human resources procedures are fully disclosed and conducted with employee participation. Koç Holding's Human Resources Department determines the strategies and basic policies and principles pertaining to these procedures and conducts relations with personnel. The Department consists of three units: System Development, Performance and Wage Management Coordination; Organizational Development, Training and Recruitment Coordination; and Industrial Relations Management.

Positions in the Human Resources Department:

Human Resources Director: Mert Ş. Bayram
System Development, Performance and Wage Management Coordinator: Özgür Burak Akkol
Organizational Development, Training and Recruitment Coordinator: Sertaç Erenmemişoğlu
Industrial Relations Manager: İlber Aydemir

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.

During recruitment, prospective employees are provided with detailed job descriptions and information on the human resources department's procedures. Human resources operations are conducted in an integrated fashion with the participation of employees once they have been hired. 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 through the electronic platform **koc@insan** the Human Resources Systems that have been prepared for the purpose of implementing these policies. This platform offers an open communication environment where the information of all our employees is managed, and makes policies and practices fair and transparent. Employees can thereby learn from the start about their development and assessment criteria. In addition, through this platform, employees have access to handbooks and announcements pertaining to human resources policy, procedure, directives and systems.

The **Performance Management System** is available electronically across the Group through koc@insan, thereby assuring the effective and transparent dissemination of the Company's objectives to employees and the measurement of employees' performance in achieving the objectives. Employees participate in the Performance Management System at the beginning of the year. Determining the extent to which the goals set have been reached, identifying factors positively or negatively affecting goal attainment and establishing what needs to be done to improve negative performance provides feedback to employees. In this way, employees know the criteria used to measure their performance.

The results of the Performance Management System are used in determining the salaries of employees in the new year and as input in career planning. Salary increase principles and the annual salary increase rates for the Company are shared with employees. In addition, an **Excellence in Performance and Special Commission Award** is bestowed annually to reward employees for their performance. At the end of each year, the performance of employees and how it has contributed or will contribute to the company as a whole is evaluated by company management.

A special Talent Management Program is conducted to identify talented leaders who we believe will play an important role in the future success of our Holding, and to ensure their development. Employees participating in this program are also included in our Corporate Coaching Program.

Koç Academy plays an important part in the Development Planning process as it enables employees to assess their own talents, plan their most suitable development program given those talents, and monitor their own progress.

In respect of development of a common culture, over the past ten years, 5,124 of our managers have attended the Group's **Leadership Development Program,** which aims to improve the competency of 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 addition to KoçKariyerim, Group companies collaborate with the Turkish Employment Agency to raise employment.

In line with the regulations, in workplaces with unionized workers including in collective bargaining agreements, there are designated union representatives that manage employee relations. The Koç Holding Human Resources Directorate works in cooperation with the human resources and industrial relations departments, and union representatives to ensure the sustainability of a peaceful business environment.

Our Holding aims to achieve full occupational health and safety in the work place and on the job. Employees behave according to and take measures necessary to comply with the regulations and directives imposed at Holding and company levels. 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, and identifying and eliminating risks in line with the targets set. Koç Holding's Occupational Health and Safety Committee meets regularly and reviews the overall occupational health and safety practices of the Holding, and it coordinates information and skills to get the good practices implemented throughout the Holding. Group companies provide on-the-job training in vocational health and safety, and on-site theoretical and practical training.

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.

14. Ethical Principles and 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's "Principles of Ethical Behavior and Praxis" are obligatory for all Group companies; they regulate relations between employees, customers, the state, shareholders, competitors, subcontractors, distributors, authorized dealers and services. All new employees are informed about these principles and praxis, which are an appendix to the personnel regulations; in addition, our employees can access this resource over the intranet portal. The Ethical Behavior Principles are not disclosed to the public on the Internet website. The application of the Ethical Behavior Principles and the monitoring of compliance with them are executed by separate Ethical Behavior Committees in each Koç Holding company. In the event of updating or, if necessary amending, the Holding's "Principles of Ethical Behavior," proposals for such changes are submitted to the Koç Holding BoD for approval.

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 thus far more than 500 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. Efforts that have continued since 2010 to extend nationwide the experience and results obtained from the "Vocational Education: A Crucial Matter for the Nation" project were intensified in 2012. Through the partnership with the Education Reform Initiative, set up for this purpose, national vocational education strategy recommendations were set forth. Through collaboration developed with the Private Sector Volunteers Association, the management of the Vocational High School Coaching Program was transferred to the Association so the program may draw on the support of non-Koç Holding companies.

"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 project focuses on a separate social need every two years. Between 2012 and 2013, it participated with the Alternative Life Association and the United Nations Development Program in a campaign entitled "For my Country: Barrier-Free Life." The objective of this campaign was to provide a role model for practices that support the improvement of the disabled in work and social life, and create social awareness and sensitivity of the disabled. In this "For my Country" project, since May 2012, awareness has been raised in 44 Koç Group companies, in employees, and in 20 provinces through our distributors serving as For our Country Ambassadors, to reach 37,980 persons. The "Right Approach to Disability" program trained 375 volunteer trainers and held 730 public training sessions. In addition, 55 mini-projects were undertaken to make our companies, distributorships and stores disability-friendly. Through this effort, action began in Koç Group companies to develop products and services for the disabled. Moreover, our companies continued to provide support to the project through NGOs and governmental agencies.

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

15. Structure and Formation of the Board of Directors

The structure of the Koç Holding BoD complies with CMB Corporate Governance Principles; its members are not involved in management or otherwise engaged in running the day-to-day operations of the Company. The CEO, Osman Turgay Durak, the chief executive, is not a member of BoD.

The information relating to our current BoD Members, none of whom holds an active management position and that were elected during our General Assembly dated 10 April 2012 to serve until the General Assembly where the activities of 2012 are discussed, is summarized in the table below; their CVs can be found on our website and in our annual report.

NAME SURNAME	POSITION	CURRENT POSITIONS HELD OUTSIDE THE PARTNERSHIP	INDEPENDENT BOD MEMBER?	COMMITTEES AND POSITION
Rahmi M. Koç	Honorary Chairman	BoD Member in companies within and outside the Group	Not independent Member	Executive Committee Chairman
Mustafa V. Koç	Chairman	BoD Member in companies within and outside the Group	Not independent Member	Executive Committee Member
Temel Kamil Atay	Vice-Chairman	BoD Member in companies within the Group	Not independent Member	Executive Committee Member; Risk Management Committee Member
Ömer M. Koç	Vice-Chairman	BoD Member in companies within the Group	Not independent Member	Executive Committee Member
Semahat S. Arsel	Member	BoD Member in Companies within the Group	Not independent Member	Executive Committee Member
Dr. Bülent Bulgurlu	Member	BoD Member in Companies within the Group	Not independent Member	Corporate Management Committee Member; Nomination and Remuneration Committee Member
İnan Kıraç	Member	Board Member in companies within and outside the Group	Not independent Member	
Ali Y. Koç	Member	BoD Member in companies within the Group	Not independent Member	Executive Committee Member
John H. McArthur	Member	BoD Member in companies outside the Group, University Faculty Member	Not independent Member	
Heinrich V. Pierer	Member	BoD Member in companies outside the Group	Not independent Member	
Sanford I. Weill	Member	BoD Member in companies outside the Group	Independent Member	
Peter Denis Sutherland	Member	BoD Member in companies outside the Group	Independent Member	Audit Committee Chairman
Kwok King Victor Fung	Member	BoD Member in companies outside the Group	Independent Member	
Muharrem Hilmi Kayhan	Member	Söktaş Tekstil ve Ticaret A.Ş. Chairman of BoD	Independent Member	Audit Committee Member; Risk Management Committee Chairman; Nomination and Remuneration Committee Chairman
Emine Feyhan Yaşar	Member	Hedef A.Ş. BoD Member, HDF FZCO BoD Chairman	Independent Member	Audit Committee Member; Corporate Governance Committee Chairman

The duties of the BoD Chairman and CEO are performed by separate persons. Attention should be paid to the allotment of time BoD members need for corporate business; there should be no restrictions on assuming other positions or duties outside the company. This is particularly the case for independent members, whose business and sectoral experience makes such a vital contribution to the BoD. Prior to the General Assembly, the CVs of the BoD independent members are provided to shareholders so that they can see what positions they hold outside the company.

Our Company's Corporate Governance Committee assumed the duties of the Candidate Nominating Committee until 17 July 2012, after which date the Candidate Nominating and Remuneration Committee performed these duties.

All the independent member candidates' candidacy declarations and CVs were submitted to the Corporate Governance Committee prior to the General Assembly held on 10 April 2012. They were evaluated at meetings of the Corporate Governance Committee and the BoD held on 14 March 2012, whereupon it was decided to name as independent member candidates all of the candidates whose names had been submitted. There were points in the independence declarations of the candidates that did not fully meet all of the criteria specified in the CMB Corporate Governance Principles. Upon receiving a favorable judgment from the CMB, an election was held at the General Assembly. The Capital Markets Board gave special permission at its meeting on 5 April 2012 to allow as independent members for one year Feyhan Yaşar (who did not meet the criteria for independence due to her direct and indirect shareholdings with her second degree relatives exceeds 10% in our subsidiary Altınyunus Çeşme Turistik Tesisleri A.Ş, in which 30% shareholding of Koç Holding 30% share only makes up 0.08% of the Holding's assets) and Sanford I Weill (who did not meet the condition imposed by CMB Communiqué Serial: IV, No: 56 that at least a half of independent BoD member shall be accepted as resident in Turkey, within the framework of the Income Tax Code). The independence declarations, containing all of the points mentioned above, of all of the BoD independent members were submitted to the Corporate Governance Committee and no condition eliminating independence appeared during the 2012 activity period.

16. BoD Operating Principles

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 390/IV, making disclosures to the BoD and ensuring the flow of communication.

The BoD meets as many times as business dictates. At meetings held in 2012, the Board made 33 decisions including four assessments of strategic issues. At least two independent members attended all of the meetings. For decisions involving related party transactions, a majority of independent members were present.

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 BoD 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.

All related party transactions in 2012, and the bases for making them, were submitted to the BoD. It has been unanimously resolved (with the votes of all independent members to bring the approval of the BoD any of the related party transactions in case a change occurs in the described terms and conditions and any related party transaction which will be performed after the date of this Board Resolution in case the amount of a single transaction exceeds 5.000.000- TL or the amount of ongoing and continuing transaction within an accounting period exceeds 10.000.000- TL, just before the last transaction which triggers to reach this limit and all other related party transactions under those limits to be performed by the company management under the current authorized signatory list. There were no new transactions exceeding these limits or having changed conditions subsequent to this decision. No related party transaction or important transaction which, in the absence of independent members' approval, required General Assembly approval in 2012.

17. Number, Structure and Independence of BoD Committees

Our Company has established committees to enable the BoD to perform its functions and meet its responsibilities fully. The activities of these committees are conducted under specified procedures. The decisions they reach are submitted to the BoD, where an ultimate decision is made. Members who serve on more than one committee facilitate communication and increase the opportunities for cooperation between committees handling related subjects. BoD declares that the committees had provided the expected contributions.

Audit Committee

Established by a BoD decision on 4 April 2003, the Audit Committee fulfills the functions stipulated in the Capital Market Regulations for audit committee.

The Company BoD decided on 15 May 2012 that the Audit Committee will consist of three independent members, with Peter Denis Sutherland as Chairman, and Emine Feyhan Yaşar and Muharrem Kayhan as members. The Committee, the operating principles of which are posted on our Company's website, meets regularly four times a year. It submits to the BoD a written report of its views on the choice of independent auditor, its assessments (alongside those of the responsible executives and of the independent auditors) of annual and interim financial statements in terms of their truth, accuracy, and compliance with the accounting principles adopted by the Company.

Corporate Governance Committee

The Corporate Governance Committee was established by the BoD on 29 March 2007 to monitor the Company's compliance with the Corporate Governance Principles. The Committee examines the reasons for cases of non-implementation of some of the principles and it makes recommendations to the BoD for the improvement of practices. The BoD decided on 15 May 2012 that the Corporate Governance Committee will consist of two members and to appoint the independent member Emine Feyhan Yaşar as its Chairperson and Bülent Bulgurlu as the member. The Company has posted the Committee's operating principles on our website. The committee convenes at least twice a year and evaluates corporate government practices and the Corporate Governance Compliance Report.

Nomination and Remuneration Committee

The BoD decided on 17 July 2012 to create a Nomination and Remuneration Committee that would be responsible for nominating people for BoD membership and determining senior managers' remuneration according to CMB Corporate Governance Principles. The BoD also decided that the Committee will consist of two members with independent member Muharrem Hilmi Kayhan as chairman and Dr. Bülent Bulgurlu as member. The Company has posted the Committee's operating principles on our website. The Committee convenes at least twice a year.

Risk Management Committee

The BoD decided on 17 July 2012 to create a Risk Management Committee to comply with Article 378 of Turkish Commercial Code No. 6102, which went into effect in July 2012, and to facilitate the effective operation of committees set up under the BoD through the early detection of risks to the Company's assets, development or existence; implement the measures necessary to deal with identified risks; and manage risk. The BoD also decided that the Committee will consist of two members with independent member Muharrem Hilmi Kayhan as Chairman and Temel Kamil Atay as member. The Company has posted the Committee's operating principles on our website. The Committee convenes at least six times a year.

Executive Committee

The BoD created its Executive Committee on 15 May 2012 to provide effective coordination between the BoD and other administrative units of the Company and thereby enhance the efficacy of the BoD, and to steer investments into more appropriate strategic goals and improve business development. BoD's non-executive members – Mustafa Rahmi Koç, Mustafa Vehbi Koç, Semahat Sevim Arsel, Mehmet Ömer Koç, Yıldırım Ali Koç and Temel Kamil Atay – were elected as members.

The Company has posted the Committee's operating principles on our website. The Committee convenes regularly at least once a month. The BoD is not always able to meet when it wants to or as often as it would like, so one of the functions of the Executive Committee is to monitor developments in the Company's sectors of operation and to keep the BoD informed of them. Another of its functions is providing coordination between the administrative structure of the Company and the BoD. It also makes recommendations for developing appropriate Company strategies and increasing the effectiveness of its operations.

18. Risk Management and Audit Mechanism

Risk Management and Reporting at Koç Holding is conducted under the Finance Department in coordination with other departments. Risks are investigated through periodically prepared reports and meetings and they are evaluated in detail. The main risks to which Koç Holding is exposed are monitored under four main headings: financial (foreign exchange, liquidity and capital, credit, counterparty and interest risks), strategic, operational and legal; information on these risks is supplied periodically to the Risk Management Committee and the BoD. Detailed information about risk management is contained in the relevant section of the annual report.

19. Company Strategic Goals

Koç Holding BoD manages and represents the Company through its strategic decisions, taking into consideration particularly long-term interests in light of keeping the company's risk-growth-profits balance at the most appropriate level through a rational and cautious risk management approach. Our BoD determines Koç Holding's strategic goals, identifies the human and financial resources needed to achieve them, and oversees the performance of management.

The BoD, through the strategic meetings it holds four times a year, compares the Holding's quarterly financial performance, monitors strategic developments and develops recommendations. Among the indicators the BoD examines in the end-of-year performance evaluation, it measures the extent to which the company's strategies have been implemented, thereby forming a basis for determining performance and rewards.

20. Financial Rights

The "Remuneration Policy for BoD Members and Senior Managers," which contains the remuneration principles and the criteria used in determining every right, benefit and remuneration given to BoD Members and Senior Managers, was posted on our website for inspection by our partners through the "Disclosure Document," published three weeks before the Ordinary General Assembly held on 10 April 2012, and it began to be implemented after the General Assembly. The total payments made within the framework of the "Remuneration Policy for BoD Members and Senior Managers" are assessed every year by the Nomination and Remuneration Committee and the BoD. The payments made to BoD members and senior managers are indicated in financial table's footnotes and explained to the public along with general practices. Koç Holding does not get involved in transactions that might lead to conflicts of interest such as extending loans to members of the BoD or executives, or providing collateral on their behalf.

Sophisticated risk assessment and management techniques

Koç Holding achieved long-term success through its cautious and robust approach toward risk management. In the future, it will increase its awareness of risk, transparency and financial discipline and conduct proactive risk management. Towards this end, it uses sophisticated risk assessment, modeling, reporting, and capital allocation techniques. These processes boost transparency and encourage the Company 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 was established to further develop the Group's risk policies, limits and review mechanisms. This risk function leverages the risk infrastructures in each of the Company's businesses, which have adopted an approach that is aligned with the Group's overall risk policies and limits.

Risks identified through risk management processes are prioritized depending on their probability and severity. It is ensured that the most important risks have business leaders at Company and/or Group level responsible. For managing risks, the Company has general response strategies, which identify categories according to whether it 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.

The Company's risk infrastructure is designed to identify, evaluate and mitigate risks within each of four main categories:

Financial Risks

Financial risks relate to the Company's ability to meet financial obligations and mitigate effects of market volatility. To keep financial risks under control, a variety of financial ratios, chiefly Net Financial Debt/EDITDA, Net Exchange Position/Equity and current ratio are monitored at the Company and consolidated level, and kept within particular limits. Financial risks are broken down into five categories:

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

Liquidity: The Company's policy is to continue to diversify its funding sources in a manner that they are compatible with the maturation of liabilities, to maintain a sufficient level of cash and cash equivalent assets. The Company also balances its cash and cash equivalent assets with the short-term liabilities to meet any sudden cash need. The rises of Turkey's credit rating and the fall in interest rates have made international bond financing advantageous. The first Koç Holding Company to take advantage of the diversification of these funding sources was Tüpraş and a Eurobond issuance of US$ 700 million took place.

Credit: The Company mitigates this risk with credit assessments, credit limits and by obtaining the highest possible guarantee. It also leverages 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.

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

Commodity price: The Company takes commodity exposures where they are part of its core business and avoid or reduce exposure where possible through a variety of hedging mechanisms.

Strategic Risks

Strategic risks relate to the demand for the Company's products and services, market regulations as well as factors that drive market share such as competition, technological changes, consumer trends and product innovation.

The most effective way to reduce sales risks is to diversify markets sectorally and geographically. To control long-term risks, Koç Holding is increasing both sectoral and geographical diversity. To control short term risks, macroeconomic and sector specific developments are monitored centrally by the president of each group. Koç Holding's strong presence and diversified business lines in the national economy enables it to recognize market changes early and coordinate responses rapidly.

Operational Risks

Operational risks include incidents that effect the Company's operations such as earthquakes, fires and environmental accidents, as well as the integrity of its internal systems and processes. Insurable risks are frequently re-assessed and transferred out of the Group based on a cost-benefit analysis. To ensure the proper operation of internal systems and processes, the Audit Group Presidency operates under the Chairman of the Board of Directors in accordance with the principle of separating administration and audit tasks. The Audit group presidency performs audits of financial and operational processes and for potential risks and frauds at Koç Group companies.

Legal Risks

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 sistem), legal compliance test (HUY) and contract audit system (LERİMAN), to name a few.

Risk Management Committee Activities

At the Koç Holding Board of Directors meeting on 17 July 2012, for the purpose of ensuring compliance with Article 378 of the Turkish Commercial Code, which went into effect on 1 July 2012, and the effective operations of the committees working under the Board of Directors, it was decided to form a Risk Management Committee to implement whatever measures are necessary for early detection of risks and to manage those risks; and to appoint Muharrem Hilmi Kayhan, an independent Board of Directors' member, as chairman and to appoint to Committee membership Temel Kamil Atay, a member of the Board of Directors.

The Committee has had three meetings since its establishment. It has evaluated the Koç Holding Risk Management System and the principles of risk reporting. Reporting practices and committee assessments are periodically provided to the Board of Directors.

Internal Control System and Internal Auditing Activities

The objective of the Company's Internal Control System is to ensure operational effectiveness and productivity, financial reporting system reliability and compliance with legal regulations.

The Internal Control System defines the workflows, standards and job descriptions, as well as the authorization process, policy and written procedures.

The system routinely evaluates the Internal Auditing Unit for effectiveness. Within the organizational structure, the Internal Auditing Unit is directly linked to the Chairman of the Board of Directors to safeguard the independent operation of the Unit.

Auditing Announcements

In 2012, the Ministry of Finance Tax Auditing Board reviewed Koç Holding A.Ş.'s 2010 accounting transactions concerning the exclusion of gains from the sale of subsidiaries and real estate. No objections arose from the conducted review.

Preparation of Consolidated Financial Table Declarations

Koç Holding sends its Group companies "Financial Reporting Directives" to guide them in the preparation of consolidated financial tables. According to the relevant Financial Reporting Directives, the Financial Reporting Unit examines financial data reported through the Hyperion Koç Reporting Application and, once checks have been made, this data is reflected to the consolidated financial tables. The Auditing and Internal Control Unit, as well as the independent external auditing company, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (a member firm of Ernst & Young Global Limited), inspect the consolidated financial tables.

KOÇ HOLDİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012
TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT

(CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

Güney Bağımsız Denetim ve
SMMM AŞ
Büyükdere Cad. Beytem Plaza
No:22 K:9-10, 34381 - Şişli
İstanbul - Turkey
Tel: +90 212 315 30 00
Fax: +90 212 230 82 91
www.ey.com

(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, 2012, 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 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, 2012, 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, 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 their voting power in respect of their shares held in the Group companies directly or through the companies controlled by them. 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, 2012 for the consolidated balance sheet, and the official EUR and USD average CBRT bid rates of the year 2012 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 8, 2013
Istanbul, Turkey

KOÇ HOLDİNG A.Ş.
CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2012 AND 2011

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

	Notes	2012 (*) EUR'000	2012 (*) USD'000	*Audited* 2012 TL'000	*Audited* 2011 TL'000
ASSETS					
Current assets:					
Cash and cash equivalents	6	4.453.895	5.875.813	10.474.225	6.796.244
Balances with central banks	7	2.113.583	2.788.350	4.970.513	4.524.256
Financial assets	8	394.995	521.098	928.909	1.223.670
Derivative financial instruments	10	86.255	113.792	202.845	210.768
Trade receivables	11	3.480.340	4.591.448	8.184.716	9.262.692
Receivables from finance sector operations	12	9.795.264	12.922.430	23.035.524	18.278.713
Inventories	13	2.830.709	3.734.421	6.656.979	6.790.072
Other current assets	23	1.073.979	1.416.850	2.525.676	2.315.485
Assets held for sale	24	10.839	14.300	25.491	6.160
Total current assets		**24.239.859**	**31.978.502**	**57.004.878**	**49.408.060**
Non-current assets:					
Financial assets	8	4.280.813	5.647.474	10.067.188	9.624.409
Investments accounted for using the equity method	9	45.158	59.574	106.197	101.795
Derivative financial instruments	10	26.204	34.570	61.625	167.588
Trade receivables	11	66.348	87.529	156.030	119.724
Receivables from finance sector operations	12	8.537.996	11.263.776	20.078.807	20.036.686
Investment properties	14	39.872	52.601	93.766	90.755
Property, plant and equipment	15	6.066.620	8.003.406	14.266.871	11.536.650
Intangible assets	16	798.007	1.052.772	1.876.672	1.736.815
Goodwill	17	1.629.903	2.150.254	3.833.043	3.761.648
Deferred tax assets	20	157.595	207.908	370.616	409.214
Other non-current assets	23	489.575	645.873	1.151.333	1.627.743
Total non-current assets		**22.138.091**	**29.205.737**	**52.062.148**	**49.213.027**
Total assets		**46.377.950**	**61.184.239**	**109.067.026**	**98.621.087**

(*) 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 2012, 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 2012 have been approved for issue by the Board of Directors ("BOD") on 8 March 2013 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.

KOÇ HOLDİNG A.Ş.
CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2012 AND 2011

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

	Notes	2012 (*) EUR'000	2012 (*) USD'000	Audited 2012 TL'000	Audited 2011 TL'000
LIABILITIES					
Current liabilities:					
Payables of finance sector operations	18	14.991.862	19.778.055	35.256.360	33.898.224
Financial liabilities	19	5.204.239	6.865.707	12.238.810	11.900.696
Derivative financial instruments	10	83.042	109.554	195.291	227.624
Trade payables	11	3.552.849	4.687.106	8.355.236	9.186.672
Other payables	21	841.571	1.110.245	1.979.123	1.932.771
Current income tax liabilities	20	87.180	115.013	205.022	210.909
Provisions for employee benefits	22	41.566	54.836	97.751	87.208
Other current liabilities	23	2.783.073	3.671.573	6.544.951	4.581.850
Liabilities held for sale	24	1.692	2.232	3.979	5.517
Total current liabilities		**27.587.074**	**36.394.321**	**64.876.523**	**62.031.471**
Non-current liabilities:					
Payables of finance sector operations	18	331.234	436.982	778.963	956.795
Financial liabilities	19	6.201.204	8.180.955	14.583.371	9.763.278
Derivative financial instruments	10	202.061	266.570	475.187	325.666
Provisions for employee benefits	22	373.303	492.481	877.897	791.701
Deferred tax liabilities	20	192.270	253.653	452.161	819.108
Other non-current liabilities	23	115.525	152.406	271.679	662.244
Total non-current liabilities		**7.415.597**	**9.783.047**	**17.439.258**	**13.318.792**
Total liabilities		**35.002.671**	**46.177.368**	**82.315.781**	**75.350.263**
Equity:					
Paid-in share capital	25	1.078.325	1.422.584	2.535.898	2.415.141
Adjustment to share capital	25	411.314	542.628	967.288	967.288
Total share capital		1.489.639	1.965.212	3.503.186	3.382.429
Share premium		3.949	5.209	9.286	9.286
Revaluation funds	25	101.596	134.031	238.923	(245.317)
Currency translation differences		45.220	59.657	106.344	142.563
Restricted reserves	25	993.465	1.310.632	2.336.332	2.309.638
Prior years' income		3.306.970	4.362.729	7.777.001	6.173.681
Profit for the period		984.343	1.298.598	2.314.880	2.124.469
Equity holders of the parent		6.925.182	9.136.068	16.285.952	13.896.749
Non-controlling interest		4.450.097	5.870.803	10.465.293	9.374.075
Total equity		**11.375.279**	**15.006.871**	**26.751.245**	**23.270.824**
Total liabilities and equity		**46.377.950**	**61.184.239**	**109.067.026**	**98.621.087**
Commitments and contingent liabilities	32				

(*) EUR and USD amounts presented above have been translated from TL for convenience purposes only, at the official TL bid rate announced by the CBRT on 31 December 2012, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

KOÇ HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

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

	Notes	2012 (*) EUR'000	2012 (*) USD'000	*Audited* 2012 TL'000	*Audited* 2011 TL'000
Revenue	26	33.645.304	43.255.567	77.535.603	68.969.387
Interest, fee, commission and similar income	5	3.166.730	4.071.257	7.297.729	5.973.720
Total revenue	5	**36.812.034**	**47.326.824**	**84.833.332**	**74.943.107**
Cost of sales (-)	27	(30.165.849)	(38.782.258)	(69.517.198)	(60.829.381)
Interest, fee, commission and similar expenses (-)		(1.571.414)	(2.020.264)	(3.621.323)	(2.953.838)
Total costs	5	**(31.737.263)**	**(40.802.522)**	**(73.138.521)**	**(63.783.219)**
Gross profit non-finance		3.479.455	4.473.309	8.018.405	8.140.006
Gross profit finance	5	1.595.316	2.050.993	3.676.406	3.019.882
Gross profit	5	**5.074.771**	**6.524.302**	**11.694.811**	**11.159.888**
Marketing, selling and distribution expenses (-)	27	(1.376.862)	(1.770.141)	(3.172.978)	(2.698.588)
General administrative expenses (-)	27	(1.449.457)	(1.863.472)	(3.340.274)	(2.981.145)
Research and development expenses (-)	27	(72.253)	(92.891)	(166.507)	(141.562)
Other income	28	117.170	150.638	270.018	599.119
Other expense (-)	28	(356.187)	(457.926)	(820.832)	(447.773)
Operating profit	5	**1.937.182**	**2.490.510**	**4.464.238**	**5.489.939**
Share of profit/loss of investments accounted for using the equity method	9	3.860	4.963	8.896	7.210
Financial income	29	995.310	1.279.606	2.293.693	2.403.540
Financial expense (-)	29	(976.059)	(1.254.856)	(2.249.329)	(3.193.221)
Profit before tax	5	**1.960.293**	**2.520.223**	**4.517.498**	**4.707.468**
Tax income/expense		**(180.426)**	**(231.962)**	**(415.791)**	**(857.115)**
- Current income tax expense (-)	20	(392.583)	(504.718)	(904.707)	(796.303)
- Deferred tax income/expense	20	212.157	272.756	488.916	(60.812)
Profit for the period		**1.779.867**	**2.288.261**	**4.101.707**	**3.850.353**
Attributable to:					
Non-controlling interest		775.364	996.835	1.786.827	1.725.884
Equity holders of the parent		**1.004.503**	**1.291.426**	**2.314.880**	**2.124.469**
Earnings per share (Kr)	35			**0,913**	**0,838**

(*) 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 2012, 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 HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

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

	2012 (*) EUR'000	2012 (*) USD'000	*Audited* 2012 TL'000	*Audited* 2011 TL'000
Profit for the period	**1.779.867**	**2.288.261**	**4.101.707**	**3.850.353**
Other comprehensive income:				
Financial assets fair value reserve				
Fair value gains/losses on financial assets	437.512	562.481	1.008.247	(185.814)
Reclassification to the statement of income	(3.148)	(4.048)	(7.255)	(421)
Tax effect	(86.708)	(111.475)	(199.819)	25.871
	347.656	**446.958**	**801.173**	**(160.364)**
Hedging reserve				
Cumulative gains/losses on hedging	(110.523)	(142.093)	(254.701)	(433.638)
Reclassification to carrying amount of hedged item (Note 3)	-	-	-	20.965
Reclassification to the statement of income	67.141	86.319	154.726	111.529
Tax effect	10.147	13.045	23.383	59.303
	(33.235)	**(42.729)**	**(76.592)**	**(241.841)**
Non-current assets revaluation fund				
Tax effect	183	235	422	423
	183	**235**	**422**	**423**
Currency translation differences	**(40.274)**	**(51.779)**	**(92.813)**	**245.087**
Other comprehensive income (after tax)	**274.330**	**352.685**	**632.190**	**(156.695)**
Total comprehensive income	**2.054.197**	**2.640.946**	**4.733.897**	**3.693.658**
Attributable to:				
Non-controlling interest	854.992	1.099.207	1.970.329	1.738.287
Equity holders of the parent	**1.199.205**	**1.541.739**	**2.763.568**	**1.955.371**

(*) 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 2012, 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 HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(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 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	-	-	-	-	-	-	-	-	-	(604.380)	(604.380)	(746.292)	(1.350.672)
Effects 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**
Balances at 1 January 2012	**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**
Transfers	-	-	-	-	-	-	-	26.694	(2.124.469)	2.097.775	-	-	-
Capital increases	-	-	-	-	-	-	-	-	-	-	-	95.136	95.136
Dividends paid (Note 25)	120.757	-	-	-	-	-	-	-	-	(493.568)	(372.811)	(963.904)	(1.336.715)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	(1.554)	(1.554)	(10.343)	(11.897)
Total comprehensive income	-	-	-	526.157	(38.015)	(3.902)	(36.219)	-	2.314.880	667	2.763.568	1.970.329	4.733.897
Balances at 31 December 2012	**2.535.898**	**967.288**	**9.286**	**521.913**	**(306.903)**	**23.913**	**106.344**	**2.336.332**	**2.314.880**	**7.777.001**	**16.285.952**	**10.465.293**	**26.751.245**

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

KOÇ HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

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

	Notes	2012 (*) EUR'000	2012 (*) USD'000	*Audited* 2012 TL'000	*Audited* 2011 TL'000
Operating activities:					
Profit before tax		1.960.293	2.520.223	4.517.498	4.707.468
Adjustments to reconcile net cash generated:					
Depreciation and amortisation	5	498.684	641.125	1.149.217	1.035.051
Changes in provisions	36	435.551	559.959	1.003.727	690.466
Net interest income	36	(909.996)	(1.169.922)	(2.097.085)	(1.715.750)
Finance sector interest received		1.888.270	2.427.625	4.351.518	4.003.683
Finance sector interest paid		(1.230.888)	(1.582.472)	(2.836.581)	(2.242.299)
Exchange losses on borrowings		(293.742)	(377.645)	(676.928)	1.150.754
Exchange gains on cash and cash equivalents		102.769	132.123	236.831	(475.193)
Gain on sale of subsidiaries (net)	28	1.604	2.062	3.697	(150.964)
Gain on sale of property, plant and equipment and scraps (net)	28	(8.315)	(10.691)	(19.163)	(102.991)
		2.444.230	**3.142.387**	**5.632.731**	**6.900.225**
Net changes in operating assets and liabilities	36	(570.367)	(733.284)	(1.314.411)	(9.779.286)
Income taxes paid		(395.137)	(508.002)	(910.594)	(795.261)
Cash flows from operating activities		**1.478.726**	**1.901.101**	**3.407.726**	**(3.674.322)**
Investing activities:					
Purchases of property, plant and equipment and intangible assets	5	(1.661.555)	(2.136.152)	(3.829.053)	(2.232.536)
Sale of property, plant and equipment and intangible assets		145.700	187.317	335.765	400.874
Cash outflow due to acquisition of subsidiary (net)	3	(88.121)	(113.291)	(203.074)	(502.400)
Cash inflow due to sale of subsidiaries (net)		-	-	-	236.037
Increase in financial assets		(3.465)	(4.455)	(7.986)	(22.769)
Non-finance sector interest received		124.414	159.951	286.712	371.621
Transactions with non-controlling interests (net)		(5.163)	(6.637)	(11.897)	(72.790)
Cash flows from investing activities		**(1.488.190)**	**(1.913.267)**	**(3.429.533)**	**(1.821.963)**
Financing activities:					
Share capital increases		41.283	53.074	95.136	11.882
Dividend payments		(580.046)	(745.727)	(1.336.715)	(1.350.672)
Increase in short-term borrowings (net)		300.779	386.692	693.145	2.402.902
Increase in long-term borrowings (net)		2.207.017	2.837.417	5.086.070	997.656
Non-finance sector interest paid		(231.978)	(298.239)	(534.593)	(389.950)
Cash flows from financing activities		**1.737.055**	**2.233.217**	**4.003.043**	**1.671.818**
Effects of foreign exchange rate changes on cash and cash equivalents		(102.769)	(132.123)	(236.831)	475.193
Net increase/(decrease) in cash and cash equivalents		1.624.822	2.088.928	3.744.405	(3.349.274)
Cash and cash equivalents at the beginning of the period		2.759.549	3.547.772	6.359.381	9.708.655
Cash and cash equivalents at the end of the period	36	**4.384.371**	**5.636.700**	**10.103.786**	**6.359.381**

(*) 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 2012, 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 HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(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 2012, the number of personnel employed by Koç Holding, Subsidiaries and Joint Ventures (collectively referred as the "Group") is 82.158 (31 December 2011: 80.987).

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 2012, the principal shareholders and their respective shareholding rates in Koç Holding are as follows:

	%
Companies owned by Koç Family members	42,69
Koç Family members	25,82
Vehbi Koç Vakfı	7,15
Koç Holding Emekli ve Yardım Sandığı Vakfı	1,99
Other	22,35
	100,00

Koç Holding is organized 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 Group mainly comprise of food, retail, tourism, information technologies and construction, none of which are of a sufficient size to be reported separately.

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

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
Karşıyaka Tankercilik A.Ş. ("Karşıyaka Tankercilik") (1)	Turkey	Petroleum Shipping
Kartal Tankercilik A.Ş. ("Kartal Tankercilik") (1)	Turkey	Petroleum Shipping
Kuleli Tankercilik A.Ş. ("Kuleli Tankercilik")	Turkey	Shipping
Kuzguncuk Tankercilik A.Ş. ("Kuzguncuk Tankercilik")	Turkey	Shipping
Maltepe Tankercilik A.Ş. ("Maltepe Tankercilik") (1)	Turkey	Petroleum Shipping
Mogaz Petrol Gazları A.Ş. ("Mogaz")	Turkey	LPG
Salacak Tankercilik A.Ş. ("Salacak Tankercilik") (1)	Turkey	Petroleum Shipping
Sarıyer Tankercilik A.Ş. ("Sarıyer Tankercilik")	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 Enerji Ltd. ("AES Enerji") (2)	AES Mont Blanc Holdings B.V.	Turkey	Power Generation
AES Entek Elektrik Üretimi A.Ş. ("AES Entek")	AES Mont Blanc Holdings B.V.	Turkey	Power Generation
Ayas Enerji Üretim ve Ticaret A.Ş. ("Ayas Enerji") (2)	Ordu Yardımlaşma Kurumu	Turkey	Power Generation
Cenay Elektrik Üretim, İnşaat, Sanayi ve Ticaret Ltd. ("Cenay Elektrik") (2)	AES Mont Blanc Holdings B.V.	Turkey	Power Generation
Eltek Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş. ("Eltek")	AES Mont Blanc Holdings B.V.	Turkey	Power Generation
Güney Tankercilik A.Ş. (Güney Tankercilik") (1)	Türk Hava Yolları	Turkey	Petroleum Products Trading
Kumköy Enerji Üretim A.Ş. ("Kumköy Enerji") (2)	AES Mont Blanc Holdings B.V.	Turkey	Power Generation
Kuzey Tankercilik A.Ş. (Kuzey Tankercilik") (1)	Türk Hava Yolları	Turkey	Petroleum Products Trading
Opet Gıda ve İhtiyaç Mad. Tur. San. İç ve Dış Ticaret A.Ş. ("Opet Gıda") (3)	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
Selen Elektrik Üretim A.Ş. ("Selen Elektrik") (2)	AES Mont Blanc Holdings B.V.	Turkey	Power Generation
Seymenoba Elektrik Üretim A.Ş. ("Seymenoba Elektrik") (1)	AES Mont Blanc Holdings B.V.	Turkey	Power Generation
THY Opet Havacılık Yakıtları A.Ş. ("THY Opet")	Türk Hava Yolları	Turkey	Petroleum Products Trading

(1) Established in 2012.
(2) Acquired in 2012 (Note 3).
(3) In the process of liquidation

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") (*)	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
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

(*) In the process of liquidation.

Platform Araştırma Geliştirme Tasarım ve Tic. A.Ş. ("Platform") was liquidated on 27 December 2012.

KOÇ HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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

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

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")	Taiwan	Procurement
Beko A and NZ Pty Ltd. ("Beko Australia")	Australia	Trading
Beko Cesko ("Beko Cesko") [1]	Czech Republic	Trading
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Trading
Beko Egypt Trading LLC ("Beko Egypt") [2]	Egypt	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
Beko Ukraina ("Beko Ukraina") [2]	Ukraina	Trading
Blomberg Werke GmbH ("Blomberg Werke") [1]	Germany	Production
Carron SA (Proprietary) Limited ("Defy Carron") [1]	Republic of South Africa	Trading
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales
Defy Appliances (Proprietary) Limited ("Defy")	Republic of South Africa	Production/Sales
Defy (Botswana) (Proprietary) Limited ("Defy Botswana")	Botswana	Trading
Defy (Namibia) (Proprietary) Limited ("Defy Namibia")	Namibia	Trading
Defy Trust Two (Proprietary) Limited ("Defy Trust Two")	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 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 Portuguesa Lda ("Grundig Portugal") [1]	Portugal	Trading
Grundig Slovakia s.r.o. ("Grundig Slovakia") [1]	Slovakia	Trading
Kindoc Park (Proprietary) Limited ("Defy Kindoc")	Republic of South Africa	Investment
Ocean Appliances Limited. ("Defy Ocean") [1]	Republic of South Africa	Trading
Raupach Wollert GmbH ("Raupach")	Germany	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales

Grundig Polska Sp. z o.o. ("Grundig Polska") and Grundig Italiana S.p.A. ("Grundig Italy") was liquidated in 2012.
Beko Deutschland and Blomberg Vertriebsgesellschaft GmbH ("Blomberg Vertrieb") legally merged in April 2012.

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 2012.

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 Finance Company ("Yapı Kredi SPC") (*)	UniCredit S.p.A.	Cayman Islands	Special Purpose Company
Yapı Kredi Emeklilik A.Ş. ("Yapı Kredi Emeklilik")	UniCredit S.p.A.	Turkey	Life Insurance
Yapı Kredi Faktoring A.Ş. ("Yapı Kredi Faktoring")	UniCredit S.p.A.	Turkey	Factoring
Yapı Kredi Finansal Kiralama A.O. ("Yapı Kredi Finansal Kiralama")	UniCredit S.p.A.	Turkey	Leasing
Yapı Kredi 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
Divan Turizm İşletmeleri A.Ş. ("Divan") (*)	Turkey	Tourism
Düzey Tüketim Malları Sanayi Pazarlama A.Ş. ("Düzey")	Turkey	Trading
Harranova Besi ve Tarım Ürünleri A.Ş. ("Harranova Besi")	Turkey	Agriculture and Food
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
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	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

(*) Palmira Turizm Ticaret A.Ş.'s trade name has been changed to Divan Turizm İşletmeleri A.Ş. ("Divan") in 2012.

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

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 Public Oversight of the Accounting and Auditing Standards Board (previously known as Turkish Accounting Standards Board), IAS/IFRS issued by the IASB shall be applied. Accordingly, the Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the Public Oversight of the Accounting and Auditing Standards Board 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.

Gross barge operator sales of Opet Singapore, a Joint Venture of the Group, has been deemed as intermediary trade and therefore eliminated in order to reflect the substance of the transaction more accurately. In this context, "revenue" and "cost of sales" has been decreased by TL797.754 thousand in the consolidated statement of income as of 31 December 2011.

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 2012 of TL2,3517 = EUR1 and TL1,7826 = 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 2012 of TL2,3045 = EUR1 and TL1,7925 = 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 2012 are consistent with the financial statements dated 31 December 2011 except for the new standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations summarised below.

Standards, amendments and interpretations effective as of 1 January 2012:

- IAS 12 Income Taxes-Recovery of Underlying Assets (Amended)
- IFRS 7 Financial Instruments: Disclosures-Transfers of Financial Assets (Amended)

The aforementioned amendments had no significant effect on the consolidated financial statements of the Group.

Standards, amendments and improvements issued but not yet effective and not early adopted:

Standards, amendments and improvements effective as of 1 January 2013,

- IAS 1 Presentation of Financial Statements (Amended)-Presentation of Items of Other Comprehensive Income
- IAS 19 Employee Benefits (Amended)
- IAS 27 Separate Financial Statements (Amended)
- IAS 28 Investments in Associates and Joint Ventures (Amended)
- IFRS 7 Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities (Amended)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements (*)
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
- Improvements to IFRSs (Annual Improvements to IFRSs – 2009-2011)

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

Amendments effective as of 1 January 2014,

- IAS 32 Financial Instruments: Presentation-Offsetting Financial Assets and Financial Liabilities (Amended)
- IFRS 10 Consolidated Financial Statements (Amended)

Standard effective as of 1 January 2015,

- IFRS 9 Financial Instruments-Classification and Measurement

The aforementioned amendments, standards and interpretations have not been early adopted by the Group. The Group has evaluated the effects of changes on the consolidated financial statements. The aforementioned amendments except for IFRS 11 will have no significant effect on the consolidated financial statements.

(*) According to the effective IFRS standards, companies that are preparing consolidated financial statements may apply proportionate consolidation method or equity method in accounting of their joint ventures. IFRS 11 "Joint Arrangements" Standard being effective as of 1 January 2013 requires to apply the equity method in accounting of joint ventures on consolidated financial statements.

In this context, had the Group early adopted the relevant standard and accounted all their proportionally consolidated Joint Ventures by applying the equity method; the Group's total consolidated assets in 2012 year-end would have decreased by approximately 55% (2011: 55%) , whereas total consolidated sales would have decreased by approximately 24% (2011: 25%). On the other hand, equity holders of the parent and net profit for the period attributable to equity holders of the parent would have remained same.

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 2012 are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2011, 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 2011.

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, TL51.123 thousand (31 December 2011: TL53.230 thousand) of income is recorded in other income/expense in the consolidated statement of income for the year ended 31 December 2012.

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	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
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	39,18	39,18	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	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Aygaz	40,68	40,68	40,68	40,68	10,53	10,53	51,21	51,21
Aygaz İletim (1)	40,53	40,30	100,00	100,00	-	-	100,00	100,00
Aygaz Toptan Satış (1)	40,36	40,30	100,00	100,00	-	-	100,00	100,00
Ayvalık Marina	48,41	48,41	95,57	95,57	4,43	4,43	100,00	100,00
Beko Australia	40,51	40,51	100,00	100,00	-	-	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 Egypt (2)	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
Beko Ukraine (2)	40,51	-	100,00	-	-	-	100,00	100,00
Beykoz Tankercilik	34,13	34,13	100,00	100,00	-	-	100,00	100,00
Bilkom (3)	82,28	82,27	99,94	99,94	0,06	0,06	100,00	100,00
Blomberg Vertrieb (4)	-	40,51	-	100,00	-	-	-	100,00
Blomberg Werke	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Damla Denizcilik	34,13	34,13	100,00	100,00	-	-	100,00	100,00
Demir Export	2,34	2,34	2,34	2,34	97,46	97,46	99,80	99,80
Defy	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Defy Botswana	40,51	-	100,00	-	-	-	100,00	-
Defy Carron	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Defy Kindoc	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Defy Namibia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Defy Ocean	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Defy Trust Two	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Ditaş	34,13	34,13	80,00	80,00	-	-	80,00	80,00
Divan (5)	11,79	9,63	25,46	20,78	74,54	79,22	100,00	100,00
Düzey	31,65	31,65	32,28	32,28	61,28	61,28	93,56	93,56
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

(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	2012	2011	2012	2011	2012	2011	2012	2011
Grundig Czech Republic	40,51	40,51	100,00	100,00	-	-	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 (6)	-	40,51	-	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 (6)	-	40,51	-	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
Harranova Besi	41,95	41,95	74,62	74,62	15,38	15,38	90,00	90,00
Kadıköy Tankercilik	34,13	34,13	100,00	100,00	-	-	100,00	100,00
Kandilli Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Karşıyaka Tankercilik (2)	34,13	-	100,00	-	-	-	100,00	-
Kartal Tankercilik (2)	34,13	-	100,00	-	-	-	100,00	-
Koç Finans	64,71	64,71	94,50	94,50	5,50	5,50	100,00	100,00
Koç Sistem (3)	41,14	41,11	41,18	41,11	53,17	53,17	94,35	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
Maltepe Tankercilik (2)	34,13	-	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
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	53,81	53,81	66,84	66,84	33,16	33,16	100,00	100,00
Salacak Tankercilik (2)	34,13	-	100,00	-	-	-	100,00	-
Sarıyer Tankercilik	34,13	34,13	100,00	100,00	-	-	100,00	100,00
Setur	46,32	46,32	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	50,48	50,48	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	100,00	100,00	-	-	100,00	100,00
Yalova Marina	46,63	46,64	100,00	100,00	-	-	100,00	100,00
Zer Ticaret	39,00	39,00	39,00	39,00	60,06	60,05	99,06	99,05

(1) Only Aygaz participated to the capital increase realised in 2012.
(2) Established in 2012.
(3) 0,07% percentage of the shares of Koç Sistem that the other shareholders hold were acquired by Koç Yapı Malzeme.
(4) Legally merged with Beko Deutschland in April 2012.
(5) 4,67% percentage of the shares held by other shareholders were acquired by Setur.
(6) Liquidated in 2012.
(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.

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.

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

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

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	2012	2011	2012	2011	2012	2011	2012	2011
AES Enerji Ltd. [1]	34,90	-	49,62	-	-	-	49,62	-
AES Entek	34,90	34,90	49,62	49,62	-	-	49,62	49,62
Arçelik LG Klima	23,23	23,23	50,00	50,00	-	-	50,00	50,00
Ayas Enerji [1]	17,45	-	49,62	-	-	-	49,62	-
Cenay Elektrik [1]	34,90	-	49,62	-	-	-	49,62	-
Eltek	34,90	34,90	49,62	49,62	-	-	49,62	49,62
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
Güney Tankercilik [2]	8,79	-	50,00	-	-	-	50,00	-
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
Kumköy Enerji [1]	34,90	-	49,62	-	-	-	49,62	-
Kuzey Tankercilik [2]	8,79	-	50,00	-	-	-	50,00	-
Netsel	27,76	27,76	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 [3]	-	37,21	-	37,86	-	-	-	37,86
Selen Elektrik [1]	34,90	-	49,62	-	-	-	49,62	-
Seymenoba Elektrik [2]	34,90	-	49,62	-	-	-	49,62	-
Stiching Custody	32,89	32,89	50,00	50,00	-	-	50,00	50,00
THY Opet [4]	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	32,88	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] Acquired in 2012.
[2] Established in 2012.
[3] Platform Araştırma Geliştirme Tasarım ve Tic. A.Ş. ("Platform") was liquidated on 27 December 2012.
[4] The consolidation rate is 25% since the company is a joint venture of Opet.

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	2012	2011	2012	2011	2012	2011	2012	2011
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.

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

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.

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 Assets and liabilities 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".

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

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.

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 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.

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

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

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). Depreciation is provided for investment properties on a straight-line basis over their estimated useful lives, ranging from 3-30 years.

Investment properties are reviewed for possible impairment losses and where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. Recoverable amount of the investment property is the higher of future net cash flows from the utilisation of this investment property or fair value less cost to sell.

2.4.14 Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. 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, generation licences 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.

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

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

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	5-42 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 investment properties or 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.

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 and 2012.

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

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-controlling interests are also recorded in equity.

2.4.18 Taxes on income

Taxes include current period income tax liabilities and deferred tax liabilities. A provision is recognised for the current period tax liability based on the period results of the Group at the balance sheet date.

Deferred income tax is provided for in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences (including unused incentive amounts and carried forward tax losses of prior years) 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.

Government grants allowing reduced corporate tax payment are evaluated within the scope of IAS-12 Income Taxes standard and are recognized as deferred tax asset by the qualified tax advantage amount, to the extent it is highly probable that future taxable profits will be available against which the unused investment tax credits 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 with the condition of being same taxpayer entity 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.

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

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. According to the Amendment of Social Insurance and General Health Insurance Law No. 6283 published in the Official Gazette dated 8 March 2012; Council of Ministers was authorized to increase the two-year extension period mentioned above to four years.

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 (which should not be less than SSI arrangements) 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.

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.

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

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. Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognized either in the period when the transaction is realized or deferred based on the type of the underlying transaction.

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. Government grants allowing reduced corporate tax payment are evaluated within the scope of IAS-12 Income Taxes standard (Note 2.4.18).

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.

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

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 using a recalculated effective interest rate. In the case of a fair value hedge of the interest rate exposure of a portfolio of financial assets or financial liabilities, the adjustment is amortised using a straight-line method.

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 attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

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

2.4.33 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.

2.4.35 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.

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

NOTE 3-BUSINESS COMBINATIONS

The business combinations of the Group realised in 2012 are as follows:

a) AES Entek, a Joint Venture of the Group which is controlled by 49,62%, has acquired 50% shares of Ayas Enerji Üretim ve Ticaret A.Ş. ("Ayas Enerji") for a consideration of USD74,1 million from Ordu Yardımlaşma Kurumu on 22 May 2012. As of the acquisition date, Ayas Enerji has not yet started its sales operations and continues its coal fired power plant investment in Adana.

The details of the goodwill calculation, total acquisition consideration and the net assets acquired are as follows:

Total consideration	66.977
Net assets acquired	(31.304)
Goodwill (Note 17)	**35.673**

The fair values of identifiable assets and liabilities, within the scope of IFRS 3, arising from the acquisition are as follows:

Cash and cash equivalents	142
Property, plant and equipment (Note 15)	11.935
Intangible assets (Note 16)	294
Other assets	19.081
Trade payables and other payables	(148)
Net assets acquired	**31.304**

The details of cash outflow due to acquisition are as follows:

Total consideration	66.977
Cash and cash equivalents-acquired	(142)
Cash outflow due to acquisition (net)	**66.835**

b) AES Entek, a Joint Venture of the Group which is controlled by 49,62%, has acquired all of the shares of AES Enerji Limited Şirketi ("AES Enerji") and its subsidiaries Cenay Elektrik Üretim, İnşaat, Sanayi ve Ticaret Limited Şirketi, Kumköy Enerji Üretim A.Ş. and Selen Elektrik Üretim A.Ş. for a consideration of TL294 million from AES Maastricht Holding B.V. and AES Mont Blanc Holdings B.V. on 20 December 2012.

Each subsidiary of AES Enerji, the parent company, individually operates a hydroelectric plant and is engaged in electricity generation.

The details of the goodwill calculation, total acquisition consideration and the net assets acquired are as follows:

Total consideration	145.887
Net assets acquired	(89.962)
Goodwill (Note 17)	**55.925**

The fair values of the identifiable assets and liabilities, within the scope of IFRS 3, arising from the acquisition, are as follows:

Cash and cash equivalents	9.648
Trade receivables	2.061
Property, plant and equipment (Note 15)	93.392
Intangible assets (Note 16)	73.217
Other assets	10.112
Financial liabilities	(74.245)
Trade payables and other payables	(510)
Tax provision and other provisions	(18.695)
Deferred tax liabilities (Note 20)	(4.358)
Other liabilities	(660)
Net assets acquired	**89.962**

The details of cash outflow due to acquisition are as follows:

Total consideration	145.887
Cash and cash equivalents-acquired	(9.648)
Cash outflow due to acquisition (net)	**136.239**

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

NOTE 3-BUSINESS COMBINATIONS (Continued)

The business combinations of the Group realised in 2011 are as follows:

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-cash	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**

b) According to the resolution of the Board of Directors of Aygaz, a Subsidiary of the Group, held on 30 November 2010, it was agreed 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. 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).

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

NOTE 3-BUSINESS COMBINATIONS (Continued)

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 (8,39%), Mogaz (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.

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:

	2012	2011
Current assets	38.629.709	31.790.297
Non-current assets	34.148.803	33.386.134
Total assets	**72.778.512**	**65.176.431**
Current liabilities	52.293.682	49.056.453
Non-current liabilities	9.091.414	6.893.040
Equity	11.393.416	9.226.938
Total liabilities and equity	**72.778.512**	**65.176.431**

	2012	2011
Revenue	23.261.389	21.398.611
Operating profit (net)	2.271.444	2.325.206
Profit for the period (net)	1.648.768	1.661.899

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

NOTE 5-SEGMENT REPORTING

Segment information, prepared under the managerial approach, is presented below:

	2012	2011
a) Revenue		
Energy	53.312.206	46.743.731
Automotive	9.836.498	10.233.258
Consumer durables	10.503.228	8.433.900
Finance	7.297.729	5.973.720
Other	3.883.671	3.558.498
	84.833.332	**74.943.107**
b) Operating profit		
Energy	1.246.189	2.413.864
Automotive	779.869	773.698
Consumer durables	785.900	665.306
Finance	1.503.669	1.517.780
Other	52.459	22.109
	4.368.086	**5.392.757**
Inter segment eliminations	96.152	97.182
	4.464.238	**5.489.939**
c) Depreciation and amortisation		
Energy	415.148	393.678
Automotive	258.475	225.813
Consumer durables	265.848	222.673
Finance	119.568	108.391
Other	90.178	84.496
	1.149.217	**1.035.051**
d) Profit before tax		
Energy	1.582.706	1.618.976
Automotive	727.367	780.732
Consumer durables	614.341	621.341
Finance	1.512.565	1.524.990
Other	80.519	161.429
	4.517.498	**4.707.468**
e) Capital expenditures		
Energy	2.076.891	946.052
Automotive	941.852	602.759
Consumer durables	484.526	367.253
Finance	159.563	126.096
Other	166.221	190.376
	3.829.053	**2.232.536**

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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

NOTE 5-SEGMENT REPORTING (Continued)

f) Assets and liabilities	2012	2011
Total assets		
Energy	23.176.929	21.739.483
Automotive	6.001.520	5.496.977
Consumer durables	9.104.837	8.359.661
Finance	67.117.597	59.449.650
Other	3.640.652	3.569.156
Segment assets	**109.041.535**	**98.614.927**
Assets held for sale (Note 24)	25.491	6.160
	109.067.026	**98.621.087**
Total liabilities		
Energy	14.304.288	13.216.092
Automotive	4.010.909	3.871.067
Consumer durables	5.916.597	5.172.083
Finance	56.306.794	51.211.406
Other	1.773.214	1.874.098
Segment liabilities	**82.311.802**	**75.344.746**
Liabilities held for sale (Note 24)	3.979	5.517
	82.315.781	**75.350.263**

g) Segment analysis

1 January-31 December 2012	Energy	Automotive	Consumer durables	Finance	Other	Inter segment elimination	Total
External revenue	53.312.206	9.836.498	10.503.228	7.297.729	3.883.671	-	84.833.332
Inter segment revenue	173.620	302.752	161.740	33.493	595.048	(1.266.653)	-
Total revenue	**53.485.826**	**10.139.250**	**10.664.968**	**7.331.222**	**4.478.719**	**(1.266.653)**	**84.833.332**
Total costs	**(50.900.621)**	**(8.773.040)**	**(7.577.670)**	**(3.750.969)**	**(3.452.905)**	**1.316.684**	**(73.138.521)**
Gross profit	**2.585.205**	**1.366.210**	**3.087.298**	**3.580.253**	**1.025.814**	**50.031**	**11.694.811**
Operating expenses							
Marketing, selling and distribution	(594.792)	(363.844)	(1.841.236)	(66.436)	(306.670)	-	(3.172.978)
General administrative	(745.464)	(190.125)	(398.441)	(1.442.366)	(621.276)	57.398	(3.340.274)
Research and development	(19.222)	(72.188)	(75.074)	-	(23)	-	(166.507)
Other income/expenses (net)(*)	20.462	39.816	13.353	(567.782)	(45.386)	(11.277)	(550.814)
Operating profit	**1.246.189**	**779.869**	**785.900**	**1.503.669**	**52.459**	**96.152**	**4.464.238**
Income from associates	-	-	-	8.896	-	-	8.896
Financial income/expense (net)	336.517	(52.502)	(171.559)	-	28.060	(96.152)	44.364
Profit before tax	**1.582.706**	**727.367**	**614.341**	**1.512.565**	**80.519**	**-**	**4.517.498**

(*) Provision for loan impairment in finance sector has been accounted for under "other expenses" (Note 28).

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

NOTE 5-SEGMENT REPORTING (Continued)

1 January-31 December 2011	Energy	Automotive	Consumer durables	Finance	Other	Inter segment elimination	Total
External revenue	46.743.731	10.233.258	8.433.900	5.973.720	3.558.498	-	74.943.107
Inter segment revenue	239.312	170.373	153.585	26.454	593.505	(1.183.229)	-
Total revenue	**46.983.043**	**10.403.631**	**8.587.485**	**6.000.174**	**4.152.003**	**(1.183.229)**	**74.943.107**
Total costs	**(43.675.338)**	**(9.028.735)**	**(5.992.900)**	**(3.077.474)**	**(3.255.768)**	**1.246.996**	**(63.783.219)**
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 (net)	(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 AES Entek shares of Aygaz, a Subsidiary of the Group, amounting to TL194.629 thousand and Tüpraş's scrap items (platinum) sales income, 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).

h) Finance sector operating results

	2012	2011
Net profit finance		
Interest income	2.360.033	1.774.479
Fee and commission income	964.474	1.063.511
Income from insurance business	108.705	78.683
Other operating income	243.193	103.209
	3.676.405	**3.019.882**
Inter segment eliminations	(96.152)	(97.182)
	3.580.253	**2.922.700**
Operating expenses		
Marketing, selling and distribution expenses	(66.436)	(55.343)
General administrative expenses	(1.442.366)	(1.263.151)
Provision for loan impairment (Note 28)	(429.446)	(173.914)
Other operating income/expenses (net)	(138.336)	87.488
	(2.076.584)	**(1.404.920)**
Operating profit	**1.503.669**	**1.517.780**

Details of the income from insurance business for the years ended 31 December 2012 and 2011 are as follows:

	2012	2011
Earned premiums (net of reinsurance)	512.327	409.567
Claims incurred (net of reinsurance)	(373.230)	(308.951)
Commissions, net	3.811	(4.706)
Other income/(expense), net	(34.203)	(17.227)
	108.705	**78.683**

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

NOTE 6-CASH AND CASH EQUIVALENTS

	2012			2011		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Cash in hand	773.387	2.216	775.603	516.510	3.654	520.164
Cheques received	78	62.529	62.607	86	39.750	39.836
Banks						
- Demand deposits	880.115	229.506	1.109.621	266.389	196.751	463.140
- Time deposits	1.425.756	5.029.600	6.455.356	913.635	3.545.820	4.459.455
- Reverse repo receivables	466.197	-	466.197	1.060.863	-	1.060.863
Bonds and bills	593.175	-	593.175	134.798	-	134.798
Money market placements	920.419	-	920.419	25.917	-	25.917
Other	-	91.247	91.247	-	92.071	92.071
	5.059.127	**5.415.098**	**10.474.225**	**2.918.198**	**3.878.046**	**6.796.244**

As of 31 December 2012, total blocked deposits amount to TL555.033 thousand (2011: TL477.484 thousand). TL480.809 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 (2011: TL397.725 thousand) (Note 23).

Group companies operating in the non-finance sector have deposit balances, amounting to TL2.623.668 thousand (2011: TL1.821.470 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

	2012	2011
Central banks		
-Reserve deposits	4.795.862	4.489.247
-Other balances	174.651	35.009
	4.970.513	**4.524.256**

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 2012, TL4.780.436 thousand of reserve deposits is held in CBRT (2011: TL4.356.392 thousand).

These funds cannot be used to finance the daily operations of the banks.

NOTE 8-FINANCIAL ASSETS

	2012			2011		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Financial assets at fair value through profit or loss	307.808	-	307.808	159.863	-	159.863
Available-for-sale financial assets	183.893	7.188.567	7.372.460	588.399	3.404.686	3.993.085
Held-to-maturity financial assets	35.617	2.878.621	2.914.238	136.406	6.219.723	6.356.129
Time deposits	401.591	-	401.591	339.002	-	339.002
	928.909	**10.067.188**	**10.996.097**	**1.223.670**	**9.624.409**	**10.848.079**

a) Financial assets at fair value through profit or loss

	2012			2011		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Debt securities:						
Government bonds	191.711	-	191.711	100.094	-	100.094
Eurobond	55.287	16.520	71.807	13.450	18.757	32.207
Investment funds	19.891	-	19.891	20.519	-	20.519
Other	6.860	-	6.860	7.043	-	7.043
	273.749	16.520	290.269	141.106	18.757	159.863
Equity securities:						
Listed	17.539	-	17.539	-	-	-
	291.288	**16.520**	**307.808**	**141.106**	**18.757**	**159.863**

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

NOTE 8-FINANCIAL ASSETS (Continued)

b) Available-for-sale financial assets

	2012			2011		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Debt securities:						
Eurobond	3.606.140	-	3.606.140	541.562	-	541.562
Goverment bond	3.257.486	-	3.257.486	2.572.305	-	2.572.305
Private sector bonds	315.485	-	315.485	698.593	12.943	711.536
Investment funds	40.470	-	40.470	43.710	-	43.710
Treasury bills	3.155	-	3.155	5.957	-	5.957
	7.222.736	**-**	**7.222.736**	**3.862.127**	**12.943**	**3.875.070**
Equity securities:						
Listed	-	35.792	35.792	-	37.803	37.803
Unlisted	12.537	101.395	113.932	11.934	68.278	80.212
	7.235.273	**137.187**	**7.372.460**	**3.874.061**	**119.024**	**3.993.085**

The list of equity securities and the shareholding rates are as follows:

	2012		2011	
		(%)		(%)
Listed:				
Altınyunus Çeşme Turistik Tesisler A.Ş.	35.792	30,00	37.803	30,00
	35.792		**37.803**	
Unlisted:				
Makmarin Kaş Marina İşletmeciliği Turizm ve Ticaret A.Ş.	23.642	50,00	-	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	17.579	88,00	16.421	88,00
Opet Fuchs Madeni Yağlar	14.464	25,00	1.987	25,00
Beldesan Otomotiv Yan San. ve Tic. A.Ş	13.066	91,82	13.066	91,82
Takas ve Saklama Bankası A.Ş.	6.190	2,43	6.190	2,43
Akdeniz Akaryakıt Dep. ve Nakliyat A.Ş.	5.239	16,67	6.385	16,67
Promena Elektronik Ticaret A.Ş.	5.000	50,00	5.000	50,00
Setair	4.037	70,00	1.950	70,00
Körfez Hava Ulaştırma A.Ş.	4.000	100,00	4.000	100,00
Ultra Kablolu Televizyon ve Telekom. San. ve Tic. A.Ş	1.604	50,00	1.857	50,00
Bozkurt Tarım ve Gıda San. ve Tic. A.Ş	911	83,89	911	83,89
Koç Bilgi ve Savunma Teknolojileri A.Ş.	-	92,23	5.180	92,23
Other	18.200	-	17.265	-
	113.932		**80.212**	

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 TL95.682 thousand as of 31 December 2012 (2011: TL104.065 thousand).

c) Held-to-maturity financial assets

	2012			2011		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Debt securities:						
Government bonds	1.669.792	-	1.669.792	1.824.982	-	1.824.982
Eurobond	1.213.284	-	1.213.284	4.530.909	-	4.530.909
Private sector bonds	31.018	-	31.018	-	-	-
Treasury bills	144	-	144	238	-	238
	2.914.238	**-**	**2.914.238**	**6.356.129**	**-**	**6.356.129**

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

NOTE 8-FINANCIAL ASSETS (Continued)

Movement of held-to-maturity financial assets is as follows:

	2012	2011
As of 1 January	**6.356.129**	**6.488.232**
Additions during the year	25.554	281.924
Disposals through sales and redemption (*)	(3.180.243)	(1.250.791)
Foreign exchange losses/gains arising on monetary assets	(287.202)	869.113
Provision for impairment	-	(32.349)
As of 31 December	**2.914.238**	**6.356.129**

(*) As per the legislation on capital adequacy (Basel II) effective from 1 July 2012, the risk weight of securities in foreign currencies issued by the Turkish Treasury increased from 0% to 50%. Accordingly, in the current period in accordance with the requirements of IAS 39, Yapı Kredi Bankası, a Joint Venture of the Group, sold part of its foreign currency securities issued by the Turkish Treasury with a total nominal value of USD189.200 thousand and classified to available for sale portfolio with a total nominal value of USD1.484.812 thousand from its held-to-maturity portfolio as a result of increase in the risk weights of held-to-maturity investments used for regulatory risk-based capital purposes.

d) Time deposits

	2012			2011		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Time deposits	395.209	6.382	401.591	317.250	21.752	339.002

NOTE 9-INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2012		2011	
		(%)		(%)
Banque de Commerce et de Placements S.A.	96.967	15,34	91.970	15,34
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. (*)	9.230	15,22	9.825	15,22
	106.197		**101.795**	

(*) 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 2012 and 2011 are as follows:

	2012	2011
As of 1 January	**101.795**	**47.087**
Share of income/loss	8.896	7.210
Dividends received	(1.035)	(1.245)
Currency translation differences (*)	(3.459)	48.743
As of 31 December	**106.197**	**101.795**

(*) 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:

	2012	2011
Banque de Commerce et de Placements S.A.	9.491	8.517
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	(595)	(1.307)
	8.896	**7.210**

Aggregated summary figures of the financial statements of investments accounted for using the equity method:

	2012	2011
Total assets	4.187.475	4.604.634
Total liabilities	3.486.261	3.923.926
Total revenues	219.259	208.456

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

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, 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:

	2012		2011	
	Asset	Liability	Asset	Liability
Derivatives held for trading	210.306	199.370	151.488	269.278
Derivatives held for hedging	54.164	471.108	226.868	284.012
	264.470	**670.478**	**378.356**	**553.290**

Finance:

	2012			2011		
	Contract	Fair values		Contract	Fair values	
	amount (*)	Asset	Liability	amount (*)	Asset	Liability
Derivatives held for trading:						
Currency swaps	13.359.853	97.026	66.461	9.545.990	6.764	47.272
Option agreements	7.018.460	15.665	21.825	5.372.624	29.774	29.929
Currency forwards	3.952.258	32.655	46.813	5.298.801	55.259	51.272
Interest rate swaps	1.847.886	32.553	29.330	2.289.675	39.902	135.362
Cross-currency interest rate swaps	937.147	19.339	23.795	22.803	923	967
Credit derivatives	844.074	10.237	4.951	823.223	3.749	4.125
	27.959.678	**207.475**	**193.175**	**23.353.116**	**136.371**	**268.927**
Derivatives held for hedging:						
Interest rate swaps	18.479.953	81	407.229	16.218.599	3.795	241.941
Cross-currency interest rate swaps	1.910.905	47.002	45.116	3.103.427	184.873	9.480
Currency swaps	317.895	-	2.410	594.882	16.474	-
Currency forwards	19.375	-	186	19.128	341	-
	20.728.128	**47.083**	**454.941**	**19.936.036**	**205.483**	**251.421**

(*) 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 2012 is an asset amounting to TL1.886 thousand (2011: TL175.393 thousand asset). 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 2012, the fair value difference of the hedged item against changes in market interest rates (fixed interest TL mortgage and car loans) is TL74.318 thousand (2011: TL53.602 thousand). The mark to market difference amounting to TL20.716 thousand (2011: TL58.613 thousand) is accounted for as an expense in the operating results of Finance segment. The ineffective portion of the related hedging relationship is TL2.845 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 2012, amounted to TL83.986 thousand (2011: TL74.398 thousand interest expense). Net interest expense after tax accounted for under "Cumulative gain/losses on hedging" in the statement of other comprehensive income of 2012 is TL210.126 thousand (2011: TL178.143 thousand interest expense). The net expense of the ineffective portion of the related hedging relationship is TL1.152 thousand (2011: TL538 thousand net expense).

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

NOTE 10-DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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 2012, amounted to TL12.278 thousand (2011: TL10.766 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 2012 is TL15.614 thousand (2011: TL13.252 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 2012 is EUR132 million (2011: EUR119 million). Foreign exchange gain after tax amounting to TL8.022 thousand (2011: TL35.583 thousand foreign exchange loss) on translation of the borrowing to TL is accounted for under "Cumulative gains/losses on hedging" in 2012 statement of comprehensive income.

Non-Finance:

	2012			2011		
	Contract	Fair values		Contract	Fair values	
	amount (*)	Asset	Liability	amount (*)	Asset	Liability
Derivatives held for trading:						
Currency forwards	895.100	393	4.645	958.706	11.617	148
Currency swaps	426.718	1.851	1.192	255.788	1.807	61
Option agreements	51.300	550	-	-	-	-
Interest rate swaps	43.292	-	36	-	-	-
Commodity futures	20.653	37	322	92.721	1.693	142
	1.437.063	**2.831**	**6.195**	**1.307.215**	**15.117**	**351**
Derivatives held for hedging:						
Interest rate swaps	1.107.839	-	16.167	1.425.283	-	32.591
Receivables from operating leases	212.723	7.081	-	220.520	21.385	-
	1.320.562	**7.081**	**16.167**	**1.645.803**	**21.385**	**32.591**

(*) 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 USD289.080 thousand (2011: USD356.040 thousand). Net interest expense after tax on the cash flow hedge, which is reclassified to the statement of income of 2012, amounted to TL14.250 thousand (2011: TL10.165 thousand interest expense). Net interest income after tax accounted for under "Cumulative gains/losses on hedging" in the statement of other comprehensive income of 2012 is TL2.690 thousand (2011: TL14.132 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 2012, amounted to TL16.117 thousand (2011: TL17.674 thousand foreign exchange losses). Net foreign exchange gains after tax accounted for under "Cumulative gains/losses on hedging" in the statement of other comprehensive income of 2012 is TL12.070 thousand (2011: TL70.929 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 2012, EUR328,8 million of bank borrowings was designated as a net investment hedging instrument (31 December 2011: EUR150 million). Net foreign exchange gains after tax accounted for under "cumulative gains/losses on hedging" in the statement of other comprehensive income of 2012 is TL127 thousand (2011: TL47.364 thousand foreign exchange losses).

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

NOTE 11-TRADE RECEIVABLES AND PAYABLES

Trade receivables	2012	2011
Trade receivables	6.336.076	7.247.319
Notes and cheques receivables	2.053.345	2.021.176
Less: Provision for doubtful receivables	(212.950)	(203.295)
Less: Unearned finance income	(31.440)	(51.145)
	8.145.031	9.014.055
Due from related parties (Note 30)	195.715	368.361
	8.340.746	**9.382.416**
Short-term trade receivables	8.184.716	9.262.692
Long-term trade receivables	156.030	119.724
	8.340.746	**9.382.416**

Tüpraş, a Subsidiary of the Group, has offset TL1.496.173 thousand (31 December 2011: TL149.223 thousand) from its trade receivables that are collected from factoring companies as a part of irrevocable factoring agreements as of 31 December 2012.

Movement in the provision for doubtful receivables is as follows:

	2012	2011
Beginning of the period-1 January	**203.295**	**214.900**
Increases during the period	45.993	43.692
Collections	(9.963)	(10.635)
Write-offs [1]	(24.645)	(46.328)
Acquisitions	-	241
Sale of subsidiary [2]	-	(6.112)
Currency translation differences	(1.730)	7.537
End of the period-31 December	**212.950**	**203.295**

[1] Doubtful receivables, for which no possibility of collection is foreseen, are written off from the records along with their related provisions.
[2] Due to the sale of Koçnet shares in 2011.

Trade payables	2012	2011
Trade payables	8.080.914	8.960.614
Less: Unearned finance expense	(8.556)	(18.548)
	8.072.358	8.942.066
Due to related parties (Note 30)	282.878	244.606
	8.355.236	**9.186.672**

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

NOTE 12-RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	2012			2011		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Loans and advances to customers	22.853.196	20.050.339	42.903.535	18.172.872	20.015.698	38.188.570
Receivables from insurance business	182.328	28.468	210.796	105.841	20.988	126.829
	23.035.524	**20.078.807**	**43.114.331**	**18.278.713**	**20.036.686**	**38.315.399**

Loans and advances to customers:

2012	Corporate and commercial loans	Consumer loans	Credit card receivables	Financial leasing receivables	Factoring receivables	Total
Performing loans	22.975.613	9.139.414	7.071.610	1.421.340	763.660	41.371.637
Watch listed loans	597.660	555.458	143.604	65.634	43.379	1.405.735
Loans under legal follow-up	748.225	330.157	214.273	125.717	31.023	1.449.395
Gross	**24.321.498**	**10.025.029**	**7.429.487**	**1.612.691**	**838.062**	**44.226.767**
Less: Provision for impairment	(770.285)	(249.397)	(195.188)	(78.890)	(29.472)	(1.323.232)
Net	**23.551.213**	**9.775.632**	**7.234.299**	**1.533.801**	**808.590**	**42.903.535**

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**

Movement of provision for impairment is as follows:

	2012	2011
Beginning of the period-1 January	**1.217.350**	**1.257.288**
Increase in provisions for loan impairment	601.205	467.735
Recoveries of amounts previously provisioned	(152.376)	(330.524)
Write-offs during the period as uncollectible [(*)]	(290.901)	(128.553)
Changes in estimates (Note 2.3)	(51.123)	(53.230)
Currency translation differences	(923)	4.634
End of the period-31 December	**1.323.232**	**1.217.350**

[(*)] Includes the releases from the provision due to the sale of non-performing loan portfolio.

Net investment in finance leases is as follows:

	2012	2011
Gross investment in finance leases	1.670.928	1.520.536
Less: Unearned finance income	(249.588)	(252.181)
	1.421.340	**1.268.355**

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

NOTE 12-RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

Leasing receivables consist of rentals over the terms of leases. The rentals according to their maturities are as follows:

	2012	2011
Less than a year	764.749	515.091
1-5 years	906.179	1.005.445
Less: Unearned finance income	(249.588)	(252.181)
	1.421.340	1.268.355

NOTE 13-INVENTORIES

	2012	2011
Raw materials and supplies	2.020.972	1.804.171
Finished goods	1.996.995	1.929.578
Merchandise	931.887	973.853
Goods in transit	931.641	1.265.365
Work in progress	761.252	829.713
Other inventories	87.297	60.742
Less: Provision for impairment	(73.065)	(73.350)
	6.656.979	6.790.072

Details of goods in transit are as follows:

	2012	2011
Raw materials and supplies	645.172	1.087.464
Work in progress	105.248	111.366
Merchandise	180.968	66.175
Other inventories	253	360
	931.641	1.265.365

Movement of provision for impairment on inventories is as follows:

	2012	2011
Beginning of the period-1 January	73.350	80.610
Increase during the period	8.393	5.754
Reversal of provisions due to sales of inventories	(6.861)	(13.822)
Write-offs	(1.261)	(1.565)
Acquisitions	-	802
Currency translation differences	(556)	1.571
End of the period-31 December	73.065	73.350

NOTE 14-INVESTMENT PROPERTIES

	2012	2011
As of 1 January		
Cost	171.482	126.844
Accumulated depreciation	(80.727)	(47.024)
Net book value	90.755	79.820
Net book value at the beginning of the period	90.755	79.820
Additions	1.281	8.453
Disposals	-	(539)
Transfers (*)	4.547	3.529
Currency translation differences	(258)	1.105
Current period depreciation	(1.618)	(1.613)
Provision for impairment	(941)	-
Net book value at the end of the period	93.766	90.755
As of 31 December		
Cost	175.824	171.482
Accumulated depreciation	(82.058)	(80.727)
Net book value	93.766	90.755

(*) Transferred from property, plant and equipment.

The fair values of investment properties have been determined as TL136.711 thousand as of 31 December 2012, according to the related valuations performed (2011: TL131.771 thousand).

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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

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 2012								
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**
Net book value at the beginning of the period	**2.531.916**	**1.391.214**	**5.232.703**	**917.368**	**482.638**	**745.290**	**235.521**	**11.536.650**
Acquisitions (Note 3)	54.061	6.736	32.377	76	141	11.936	-	105.327
Additions	60.349	21.966	422.985	590.108	141.462	2.220.623	48.740	3.506.233
Disposals	(1.393)	(9.337)	(17.554)	(258.640)	(1.470)	(13.241)	(3.016)	(304.651)
Transfers (*)	126.990	43.341	321.135	8.075	69.621	(222.400)	25.110	371.872
Currency translation differences	(227)	(4.779)	(6.884)	(461)	(1.190)	(2.502)	(357)	(16.400)
Current period depreciation	(70.008)	(69.408)	(536.276)	(75.412)	(136.478)	-	(44.578)	(932.160)
Net book value at the end of the period	**2.701.688**	**1.379.733**	**5.448.486**	**1.181.114**	**554.724**	**2.739.706**	**261.420**	**14.266.871**
31 December 2012								
Cost	3.126.416	2.751.683	11.669.607	1.610.645	1.586.223	2.739.706	517.879	24.002.159
Accumulated depreciation	(424.728)	(1.371.950)	(6.221.121)	(429.531)	(1.031.499)	-	(256.459)	(9.735.288)
Net book value	**2.701.688**	**1.379.733**	**5.448.486**	**1.181.114**	**554.724**	**2.739.706**	**261.420**	**14.266.871**

(*) Includes transfers amounting to TL437.700 thousand (Note 23.b) from other non-current assets, TL31.103 thousand (Note 16) to intangible assets, TL30.178 thousand (Note 24) to assets held for sale and TL4.547 thousand (Note 14) to investment properties.

	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 non-current assets.
(2) Due to the sale of Koçnet shares.

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

NOTE 16-INTANGIBLE ASSETS

	Rights	Brand	Development costs	Other	Total
As of 1 January 2012					
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**
Acquisitions (Note 3)	-	-	-	73.511	73.511
Additions	36.007	-	190.023	95.509	321.539
Disposals	(4.410)	-	(7.986)	445	(11.951)
Transfers [*]	8.760	-	45.274	(22.931)	31.103
Provision for impairment	-	-	-	(182)	(182)
Currency translation differences	(429)	(33.143)	-	(292)	(33.864)
Current period amortisation	(62.763)	(8.172)	(144.358)	(25.006)	(240.299)
Net book value at the end of the period	**485.407**	**456.662**	**739.070**	**195.533**	**1.876.672**
31 December 2012					
Cost	879.847	515.809	1.400.741	283.372	3.079.769
Accumulated amortisation	(394.440)	(59.147)	(661.671)	(87.839)	(1.203.097)
Net book value	**485.407**	**456.662**	**739.070**	**195.533**	**1.876.672**

[*] Includes transfers from property, plant and equipment.

Total research and development expenditures incurred in 2012 excluding amortisation amounts to TL281.660 thousand (2011: TL230.707 thousand).

The net book value of intangible assets with indefinite useful lives amounts to TL434.267 thousand and consists of brands (2011: TL467.410 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. The change in the net book value of the related brands arise only from currency translation difference. The original currency amounts of the related brands are identical with the prior year.

Brand impairment test

As of 31 December 2012, 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 1% to 3% 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 7,4% to 9,7% discount rates.

	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.

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

NOTE 17-GOODWILL

	2012	2011
Net book value at the beginning of the period- 1 January	**3.761.648**	**3.526.351**
Additions (Note 3)	91.598	226.472
Disposals	(1.116)	(757)
Change in contingent liabilities (*)	-	(1.596)
Currency translation differences	(19.087)	11.178
Net book value at the end of the period- 31 December	**3.833.043**	**3.761.648**

(*) 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 2011.

The allocation of the goodwill is as follows:

	2012	2011
Cash generating unit		
Tüpraş	2.736.463	2.736.463
Yapı Kredi Bankası	641.841	642.957
Defy Group (Note 3)	171.160	187.472
Opet	138.984	138.984
AES Entek (Note 3) (*)	138.675	47.077
Other	5.920	8.695
	3.833.043	**3.761.648**

(*) Includes the goodwill arisen from the acquisition of Ayas Enerji and AES Enerji in 2012.

Goodwill impairment tests:

The Group assesses goodwill allocated to cash-generating units for impairment annually or more frequently when there is an indication of impairment as indicated in Note 2.4.17. The recoverable amount of a cash generating unit is determined by calculating the value in use or fair value less costs to sell calculations.

As specified below in details, no impairment has been identified as of 31 December 2012 as a result of impairment tests made on the basis of cash generating units.

a) Tüpraş:

The recoverable amount of the cash generating unit is determined using discounted cash flow analyses based on fair value less costs to sell calculations. These fair value calculations include shareholders cash flow projections denominated in USD and are based on the financial plans approved by Tüpraş management covering fourteen years period. The Group considers analysis covering a period longer than five years is more appropriate as to evaluation of operating results and prospective assumptions in the sector and therefore impairment test is based on fourteen years plans. The cash flows for the periods beyond fourteen years are extrapolated using the long term growth rate of 2%.

Other key assumptions used in the fair value calculation model are stated below:

Gross profit margin	4,6%-8,1%
Discount rate (cost of equity)	8,8%-13,2%

b) Yapı Kredi Bankası:

The recoverable amount of the goodwill have been determined based on value in use calculations. Value in use has been calculated by discounting shareholders cash flows with cost of equity. The calculation of value in use is based on projections approved by management covering five years period. The calculation of value in use is most sensitive to net interest margin, discount rates, market share, projected growth rates and local economic indicators.

Discount rates used in the calculations reflect the current market assessment of the Bank's operations. The method for determining the pre-tax discount rate is to first calculate the value in use using post tax cash flows and discount rates, then solving for the pre-tax discount rate which gives the same value in use as in the post-tax calculation.

Discount rate (cost of equity) is assumed to be 13,75%. Terminal value is calculated with a fixed long term growth rate of 4%.

c) Defy Group:

The recoverable amount of the goodwill have been determined based on value in use calculations. Value in use is determined by discounting the expected future cash flows to be generated by the cash-generating unit. The projection period for the purposes of goodwill impairment testing is taken as 5 years between 1 January 2013 and 31 December 2017. Cash flows for further periods were extrapolated using a constant growth rate of 3,0% which does not exceed the estimated average growth rate of economy of the country. Weighted average cost of capital rate of 9%-9,5% is used as after tax discount rate in order to calculate the recoverable amount of the unit. The post-tax rate was adjusted considering the tax cash outflows, other future tax cash flows and differences between the cost of the assets and their tax bases.

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

NOTE 17 – GOODWILL (Continued)

d) Opet:

The recoverable amount of the cash generating unit is determined using discounted cash flow analyses based on fair value less costs to sell calculations. These fair value calculations include post-tax cash flow projections denominated in USD and are based on the financial plans approved by Opet management covering a 10 year period. The Group considers analysis covering a period longer than five years is more appropriate as to evaluation of operating results and prospective assumptions in the sector and therefore impairment test is based on ten years plans. The cash flows for the periods beyond 10 years are extrapolated using the long term growth rate of 2%.

Other key assumptions used in the fair value calculation model are stated below:

Gross profit margin	3,9%-5,4%
Discount rate (weighted average cost of capital rate)	8,9%

e) AES Entek:

The recoverable amount is determined using the value in use based on discounted cash flow analyses. Fair value calculations include post-tax cash flow projections denominated in USD are based on the financial plans approved by management and calculated over the lives of related assets (approximately between 20-40 years). Since related assets have definite lives and due to the dynamics of the electricity market, cash flow analysis is based on the related long-term plans.

The recoverable amount calculation is sensitive to the electricity price and discount rate assumptions. Electricity prices are assumed by taking market dynamics/expectations into consideration until the end of 2035, and the electricity prices for the following years are determined by using 1% long term growth rate. 9% weighted average cost of capital rate was used as the post-tax discount rate.

NOTE 18-PAYABLES OF FINANCE SECTOR OPERATIONS

	2012			2011		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Deposits	34.840.837	523.455	35.364.292	33.572.493	695.755	34.268.248
Insurance technical reserves	336.784	252.824	589.608	270.842	261.040	531.882
Other payables of insurance business	78.739	2.684	81.423	54.889	-	54.889
	35.256.360	**778.963**	**36.035.323**	**33.898.224**	**956.795**	**34.855.019**

Deposits:

	2012			2011		
	Demand	Time	Total	Demand	Time	Total
TL deposits						
Saving deposits	994.627	11.055.235	12.049.862	970.210	9.684.107	10.654.317
Commercial deposits	1.848.881	5.359.285	7.208.166	1.577.547	4.396.340	5.973.887
Deposits from banks	74.518	178.640	253.158	66.014	146.300	212.314
Funds deposited under repurchase agreements	-	855.504	855.504	-	451.878	451.878
	2.918.026	**17.448.664**	**20.366.690**	**2.613.771**	**14.678.625**	**17.292.396**
Foreign currency deposits						
Saving deposits	1.260.562	5.436.357	6.696.919	1.293.615	5.071.281	6.364.896
Commercial deposits	1.583.048	4.692.225	6.275.273	1.546.056	5.985.114	7.531.170
Deposits from banks	83.069	388.415	471.484	23.356	549.424	572.780
Funds deposited under repurchase agreements	-	1.553.926	1.553.926	-	2.507.006	2.507.006
	2.926.679	**12.070.923**	**14.997.602**	**2.863.027**	**14.112.825**	**16.975.852**
			35.364.292			**34.268.248**

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

NOTE 18-PAYABLES OF FINANCE SECTOR OPERATIONS (Continued)

Insurance technical reserves:

	2012	2011
Mathematical reserve	153.710	161.339
Reserve for unearned premiums	224.174	179.042
Profit share reserve	126.781	121.829
Outstanding claim reserve	68.712	56.897
Insurance IBNR reserve	16.231	12.775
	589.608	**531.882**
Insurance liabilities and reinsurance shares		
Gross insurance liabilities		
Life mathematical reserves	280.490	283.169
Reserve for unearned premiums	305.963	241.361
Claims provision	140.690	127.565
	727.143	**652.095**
Reinsurance shares		
Reserve for unearned premiums	(81.789)	(62.319)
Claims provision	(55.746)	(57.894)
	(137.535)	**(120.213)**
Net insurance technical reserves		
Life mathematical reserves	280.490	283.169
Reserve for unearned premiums	224.174	179.042
Claims provision	84.944	69.671
	589.608	**531.882**

NOTE 19-FINANCIAL LIABILITIES

	2012			2011		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Short-term financial liabilities:						
Bank borrowings	6.734.292	4.152.678	10.886.970	6.727.112	3.971.759	10.698.871
Debt securities in issue	1.084.425	56.217	1.140.642	1.197.198	-	1.197.198
Factoring payables	-	207.750	207.750	-	729	729
Financial leasing payables	-	3.448	3.448	-	3.898	3.898
	7.818.717	**4.420.093**	**12.238.810**	**7.924.310**	**3.976.386**	**11.900.696**
Long-term financial liabilities:						
Bank borrowings	4.788.025	6.774.324	11.562.349	3.174.071	5.515.965	8.690.036
Debt securities in issue	1.723.522	1.292.405	3.015.927	1.066.232	-	1.066.232
Financial leasing payables	-	5.095	5.095	-	7.010	7.010
	6.511.547	**8.071.824**	**14.583.371**	**4.240.303**	**5.522.975**	**9.763.278**
	14.330.264	**12.491.917**	**26.822.181**	**12.164.613**	**9.499.361**	**21.663.974**

Group companies operating in the Non-Finance sector have financial liabilities, amounting to TL448.433 thousand (2011: TL390.920 thousand) extended by Yapı Kredi Bankası, a Joint Venture of the Group, which are eliminated during the preparation of consolidated financial statements.

NOTE 19-FINANCIAL LIABILITIES (Continued)

Finance:

On 6 December 2012, Yapı Kredi Bankası, a Joint Venture of the Group, finalised a subordinated debt issuance of USD500 million with 10 years maturity and at a 5,50% coupon rate. The proceeds of the issuance have been qualified for Tier 2 capital treatment.

Yapı Kredi Bankası, obtained a syndication loan amounting to USD557.000.000 from participation of 37 international banks of 16 different countries, consisting 2 credit tranches with 1 year maturity; one tranche amounting to USD161.000.000 with total cost of Libor + 1,35% and other tranche amounting to EUR309.000.000 with total cost of Euribor + 1,35%. The agreement was signed on 27 September 2012.

Yapı Kredi Bankası, obtained a syndication loan amounting to USD703.000.000 from participation of 44 international banks of 21 different countries, consisting 2 credit tranches with 1 year maturity; one tranche amounting to USD132.000.000 with total cost of Libor + 1,45% and other tranche amounting to EUR432.250.000 with total cost of Euribor + 1,45%. The agreement was signed on 27 April 2012.

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 5 years, at an interest rate of 3 months Libor + 8,30%. Aforementioned loan has been restructured after the balance sheet date (Note 37).

On 8 February 2012, Yapı Kredi Bankası, finalised a bond issuance of USD250 million with 5 years maturity and a coupon rate of 6,75% managed by J.P. Morgan Securities Ltd., Standard Chartered Bank and UniCredit Bank AG.

The details of the bonds/bills issued in 2011 by Yapı Kredi Bankası 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.

The details of the bonds/bills issued in 2012 by Yapı Kredi Bankası are as follows:

- Domestic bills of TL269.299 thousand (nominal) with an interest rate of 9,95% and maturity of 161 days
- Bonds of TL75.000 thousand (nominal) with an interest rate of 10,50% with 374 days maturity
- Bonds of TL100.000 thousand (nominal) with an interest rate of 10,39% with 406 days maturity
- Domestic bills of TL408.265 thousand (nominal) with an interest rate of 10,38% and maturity of 175 days
- Domestic bills of TL100.000 thousand (nominal) with an interest rate of 8,81% and maturity of 179 days
- Domestic bills of TL75.000 thousand (nominal) with an interest rate of 7,25% and maturity of 172 days
- Domestic bills of TL253.610 thousand (nominal) with an interest rate of 6,36% and maturity of 178 days

These bonds and bills can be re-purchased and re-sold in compliance with the relevant legislation. Net outstanding balances are reflected on the balance sheet. In 2012, bonds with a nominal value of TL500.000 thousand, TL269.299 thousand and TL408.265 thousand and bills with a nominal value of TL75.000 thousand have been repaid.

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 EUR102.500.000, through 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 2006 and 2007, Yapı Kredi Bankası obtained 3 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 USD132.000.000 and EUR69.500.000. 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 5 years maturity and an interest rate of 5,19%.

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

NOTE 19-FINANCIAL LIABILITIES (Continued)

Non-Finance:

Tüpraş, a Subsidiary of the Group, signed three different loan agreements regarding the financing of the Fuel Oil Conversion Project in 2011. Tüpraş commenced to utilize the related loans in 2011 and continued to utilize in 2012. 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 (interest accruals of related loans are added on their principal balances) 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 2012, the amount of loan utilized within the scope of the total loan package for insurance payments and capital expenditures is USD1.085,4 million (31 December 2011: USD367,5 million).

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 USD666.323.088 as of 31 December 2012.

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 USD43.000.000 and EUR211.500.000, the total amount of the related loan has decreased to USD77.000.000 as of 31 December 2012. Interest rate for the remaining portion of USD loan was re-determined as Libor+2,25%.

The details of collaterals, mortgages and pledges given related to the loans of the Group are disclosed in Note 32.

The redemption schedule of long-term bank borrowings is as follows:

	2012	2011
1-2 years	2.696.665	3.221.698
2-3 years	2.865.345	1.794.711
3-4 years	1.618.991	1.963.052
4-5 years	1.892.124	1.597.367
5 years and over	5.510.246	1.186.450
	14.583.371	**9.763.278**

NOTE 20-TAX ASSETS AND LIABILITIES

	2012	2011
Current income tax liabilities		
Domestic	879.757	761.107
Foreign	24.950	23.715
Less: Prepaid income tax	(699.685)	(573.913)
Current income tax liabilities (net)	**205.022**	**210.909**
Deferred tax liabilities		
Domestic	329.990	691.763
Foreign	122.171	127.345
	452.161	**819.108**
Deferred tax assets		
Domestic	(304.460)	(363.107)
Foreign	(66.156)	(46.107)
	(370.616)	**(409.214)**
Deferred tax liabilities (net)	**81.545**	**409.894**

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.

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

NOTE 20-TAX ASSETS AND LIABILITIES (Continued)

Income tax expenses in the consolidated income statements are summarised as follows:

	2012	2011
Current period tax expense	904.707	796.303
Deferred tax expense/(income) (net)	(488.916)	60.812
	415.791	**857.115**
Profit before tax	**4.517.498**	**4.707.468**
Domestic tax rate	20%	20%
Tax calculated at domestic tax rate	903.500	941.494
Income not subject to tax	(124.807)	(207.598)
Investment tax credit (*)	(438.993)	(23.844)
Non-deductible expenses	82.666	79.347
Carry forward tax losses (net effect)	(16.411)	55.480
Tax rate differences	6.771	8.356
Other	3.065	3.880
Tax expense	**415.791**	**857.115**

(*) TL356.441 thousand and TL60.519 thousand investment tax credits of Tüpraş, a Subsidiary of the Group, and Ford Otosan, a Joint Venture of the Group, respectively; within the scope of investment incentives to be utilized in future periods, have been accounted for as deferred tax income under consolidated income statement in 2012.

"The Decree on Government Subsidies for Incentives" regulating investment incentives was published in the Official Gazette and became effective on 16 July 2009. Within the scope of this decree, Tüpraş, a Subsidiary of the Group, was granted a Large-Scaled Investment Incentive Certificate amounting to TL3.966.845 thousand for the Residuum Upgrading Project investment on 7 March 2011. According to the investment incentive regulations, related investment is located in the 1st Region and has a 30% rate of contribution to investment. Furthermore, the incentive requires a minimum expenditure of TL1 billion for refined petroleum products investment. Within this scope, as of 4th quarter of 2012, Tüpraş met the minimum level by investing an amount of TL1.188.137 thousand.

Additionally, Ford Otosan, a Joint Venture of the Group, was granted a Large-Scaled Investment Incentive Certificate amounting to TL550.847 thousand for the modernization of its Transit model on 13 December 2010 and for the new model investment in the lightweight commercial vehicle segment amounting to TL150.983 thousand on 31 December 2010. As of the balance sheet date, within the scope of related investment incentive certificates, an investment amounting to TL218.264 thousand has been realized.

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 Legislation.

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)	
	2012	2011	2012	2011
Property, plant and equipment and intangible assets	5.205.359	4.950.912	(1.057.104)	(1.012.501)
Investment incentives	(2.618.325)	(1.418.979)	492.298	122.437
Impairment provision for loans	(586.992)	(511.448)	116.716	101.677
Provision for employment termination benefits	(454.801)	(396.312)	91.197	79.605
Provision for the Pension Fund	(413.589)	(387.643)	82.718	77.529
Carryforward tax losses	(391.021)	(244.073)	80.079	55.332
Derivative financial instruments	(264.420)	(70.616)	55.010	13.673
Warranty and assembly provisions	(251.791)	(261.161)	50.684	52.119
Inventories	(111.236)	(122.614)	22.326	24.574
Provision for unused vacation	(97.267)	(85.997)	19.336	17.105
Impairment of financial assets	(61.955)	(88.908)	12.391	17.781
Expense accruals (net)	(47.487)	(57.427)	9.498	11.485
Provision for lawsuits	(41.444)	(41.261)	8.289	8.253
Deferred income	(22.543)	(13.133)	4.509	2.627
Provision for credit card bonus	(18.354)	(16.953)	3.671	3.391
Unearned finance income/expense (net)	22.973	26.510	(4.595)	(5.320)
Research and development incentives	-	(15.770)	-	3.154
Other (net)	350.869	(56.885)	(68.568)	17.185
Deferred tax assets/(liabilities) (net)			**(81.545)**	**(409.894)**

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.

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

NOTE 20-TAX ASSETS AND LIABILITIES (Continued)

The redemption schedule of carry forward tax losses which are not considered in deferred tax calculation is as follows:

	2012	2011
Up to 1 year	613.968	42.719
Up to 2 years	144.126	640.775
Up to 3 years	153.582	161.161
Up to 4 years	368.678	215.134
5 years and above	260.632	655.827
	1.540.986	**1.715.616**

The Group's investment incentives that can be utilised in the following periods but not considered in the deferred tax calculation amounts to TL300.791 thousand (subject to withholding) (2011: TL273.380 thousand) and TL1.101 thousand (not subject to withholding) (2011: TL1.074 thousand).

Movements in deferred tax assets/(liabilities) are as follows:

	2012	2011
Beginning of the period-1 January	(409.894)	(313.935)
Charge to the income statement	488.916	(60.812)
Charge to equity:		
- Financial assets fair value reserve	(199.819)	25.871
- Hedging reserve	23.415	47.462
- Non-current asset revaluation fund	422	423
Acquisitions (Note 3)	(4.358)	(84.927)
Sale of subsidiary (*)	-	(10.075)
Currency translation differences	19.773	(13.901)
End of the period-31 December	(81.545)	(409.894)

(*) Due to the sales of Koçnet shares in 2011.

NOTE 21-OTHER PAYABLES

	2012	2011
Taxes and duties payable	1.929.349	1.865.049
Social security premiums payable	49.653	67.621
Other	121	101
	1.979.123	**1.932.771**

NOTE 22-PROVISIONS FOR EMPLOYEE BENEFITS

Short-term employee benefits	2012	2011
Provision for unused vacation	97.751	87.208

Long-term employee benefits	2012	2011
Provision for employment termination benefits	464.308	404.058
Provision for the Pension Fund	413.589	387.643
	877.897	**791.701**

Provision for employment termination benefits:		
-Domestic	457.736	398.344
-Foreign	6.572	5.714
	464.308	**404.058**

Under Turkish Labour Law, Koç Holding 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 2012, the amount payable consists of one month's salary limited to a maximum of TL3.033,98 (2011: TL2.731,85) for each year of service.

The liability is not funded as there is no funding requirement.

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

NOTE 22-PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

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 TL3.129,25 effective from 1 January 2013 (1 January 2012: TL2.805,04) 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.

	2012	2011
Net discount rate (%)	3,86	4,65
Turnover rate to estimate the probability of retirement (%)	97,0	97,5

Movements in the provision for employment termination benefits are as follows:

	2012	2011
Beginning of the period-1 January	**404.058**	**369.839**
Interest expense	23.005	15.671
Actuarial losses	11.587	19.896
Increase during the period	108.270	68.374
Payments during the period	(82.293)	(70.236)
Currency translation differences	(319)	843
Acquisitions	-	747
Sale of subsidiary (*)	-	(1.076)
End of the period-31 December	**464.308**	**404.058**

(*) Due to the sales of Koçnet shares in 2011.

Provision for the Pension Fund:

Yapı Kredi Bankası, a Joint Venture of the Group, accounted for a provision amounting to TL413.589 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 (2011: TL387.643 thousand).

The amounts recognised in the income statement:

	2012	2011
Provision (expense)/income for the Pension Fund (Note 28)	(25.946)	31.375

Provision for the Pension Fund is determined as follows:

	2012	2011
Transferrable pension benefits	782.206	625.288
Transferrable post-employment benefits	(12.823)	21.266
Present value of funded obligations	769.383	646.554
Fair value of plan assets	(355.794)	(258.911)
	413.589	**387.643**

Movements in the provision for the Pension Fund are as follows:

	Pension benefit plans		Post-employment medical benefits	
	2012	2011	2012	2011
1 January	**625.288**	**591.766**	**21.266**	**48.017**
Service cost	39.679	35.696	26.792	24.140
Interest cost	61.278	57.993	2.084	4.706
Contributions by plan participants	33.667	30.288	17.861	16.093
Actuarial losses/(gains)	89.625	(22.179)	(63.775)	(68.406)
Benefits paid	(67.331)	(68.276)	(17.051)	(3.284)
31 December	**782.206**	**625.288**	**(12.823)**	**21.266**

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

NOTE 22-PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

Movements in the fair value of the Pension Fund assets are as follows:

	2012	2011
Beginning of the period-1 January	**258.911**	**220.765**
Return on plan assets	90.867	40.437
Employer contributions	39.680	35.697
Employee contributions	33.667	30.288
Benefits paid	(67.331)	(68.276)
End of the period-31 December	**355.794**	**258.911**

The fair value of pension assets are comprised as follows:	2012		2011	
	Amount	(%)	Amount	(%)
Government bonds and treasury bills	86.646	24	97.728	38
Property, plant and equipment	58.031	16	58.028	22
Bank placements	132.673	38	83.858	32
Short term receivables	9.500	3	9.684	4
Other	68.944	19	9.613	4
	355.794	**100**	**258.911**	**100**

The principal actuarial assumptions used are as follows:

	2012	2011
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 66 and 64, respectively, is 13 years for men and 18 years for women.

NOTE 23-OTHER ASSETS AND LIABILITIES

a) Other current assets	2012	2011
VAT receivables	518.247	506.772
Deposits and guarantees given	442.871	295.230
Prepaid expenses	305.624	245.481
Inter-banking clearing account	297.462	3.408
Advances given	273.013	307.668
Taxes and funds deductible	202.918	322.968
Precious metals	85.895	301.694
Assets obtained as loan and receivable collaterals (*)	84.264	62.380
Payments for credit card settlements	67.831	52.178
Biological assets	-	31.354
Other	247.551	186.352
	2.525.676	**2.315.485**

(*) Includes assets obtained in exchange of impaired loans and advances given to customers and trade receivables.

b) Other non-current assets	2012	2011
Prepaid expenses	447.963	481.288
Spare parts and other materials	374.591	339.490
Advances given (*)	274.487	726.746
Other	54.292	80.219
	1.151.333	**1.627.743**

(*) Advances given for constructions in progress of Tüpraş, a Subsidiary of the Group, amounting to TL437.700 thousand which was classified under advances given account as of 31 December 2011, were transferred to construction in progress account in 2012 (Note 15).

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

NOTE 23-OTHER ASSETS AND LIABILITIES (Continued)

c) Short-term provisions and other current liabilities

	2012	2011
Provisions:		
Cost accruals of construction contracts	294.786	240.836
Provision for warranty and assembly	231.470	239.407
Provision for lawsuits	136.735	113.835
Provision for losses related with loan commitments (Note 32.c)	136.635	107.944
Provision for Energy Market Regulation Authority participation share	19.241	18.495
Provision for credit card campaigns	18.354	16.953
Provision for the advertising publication agreement	8.259	8.547
Other	227.570	143.145
	1.073.050	**889.162**
Other current liabilities:		
Credit card payables	2.085.463	1.675.103
Inter-banking clearing account	652.208	128.033
Revenue share (*)	483.236	-
Expected receipt of bank transactions	411.520	104.327
Blocked accounts	317.515	291.903
Payables to personnel and premium accruals	301.067	274.840
Advances received	228.229	329.752
Deferred income	177.467	107.770
Accruals for sales and other marketing expenses	175.481	136.128
Import deposits and transfer orders	88.452	62.898
Transitory accounts	64.006	55.934
Collaterals obtained for derivative transactions	50.797	33.721
Deposits and guarantees received	41.776	33.611
Accruals for license expenses	24.255	21.621
Export commitment accruals	19.053	18.626
Other	351.376	418.421
	5.471.901	**3.692.688**
	6.544.951	**4.581.850**

(*) 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 short-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.

d) Long-term provisions and other non-current liabilities

	2012	2011
Provisions:		
Warranty provision	115.557	112.935
Other non-current liabilities:		
Deposits and guarantees received	74.464	70.981
Government grants	23.335	31.781
Revenue share (*)	-	400.086
Other	58.323	46.461
	271.679	662.244

(*) Following the "Draft Complementary Petroleum Stock Law" that is prepared in 2012 and will regulate the requirements to keep the national petroleum stocks; Tüpraş, a Subsidiary of the Group, classified the revenue share in other current liabilities as of balance sheet date, which was recorded under other non-current liabilities in prior period.

(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 2012:

	Provisions for warranty and assembly	Cost accruals of construction contracts	Provision for lawsuits
As of 1 January 2012	**352.342**	**240.836**	**113.835**
Additions	511.023	66.260	44.878
Disposals/Payments	(513.018)	-	(22.018)
Currency valuation	-	(12.310)	-
Currency translation differences	(3.320)	-	40
As of 31 December 2012	**347.027**	**294.786**	**136.735**
As of 1 January 2011	**275.269**	**146.382**	**285.380**
Additions	476.615	62.165	27.616
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**	**113.835**

(*) 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 24-ASSETS HELD FOR SALE

According to the resolution dated 29 June 2012 of the Board of Directors of Tat Konserve, a Subsidiary of the Group, Harranova Besi ve Tarım Ürünleri A.Ş., a subsidiary of the Company, decided to terminate purchasing livestock assets and to cease its livestock business. In accordance with the contract signed on 7 December 2012 between Tat Konserve and CMB licensed independent valuation company, a valuation has been performed regarding fixed assets of the livestock business and impairment amounting to TL15.187 thousand has been identified. Since the mentioned fixed assets are available for immediate sale and the sale is highly probable, the related assets were presented as assets held for sale as of the balance sheet date. The sale of the aforementioned assets was approved on 21 February 2013 by the Company's General Assembly and the Competition Authority subsequent to the balance sheet date (Note 37).

Due to the liquidation of Otoyol Sanayi, a Subsidiary of the Group, assets and liabilities of the related subsidiary have been classified as held for sale in accordance with IFRS 5 in the consolidated financial statements as of 31 December 2012 and 2011.

A summary of information regarding assets and liabilities held for sale is as follows:

Assets held for sale	2012	2011
Cash and cash equivalents	9.943	5.612
Trade receivables	248	93
Property, plant and equipment	30.178	44
Other assets	309	411
Provision for impairment	(15.187)	-
	25.491	**6.160**

Liabilities held for sale	2012	2011
Trade payables	185	183
Provision for employment termination benefits	111	92
Other liabilities	3.683	5.242
	3.979	**5.517**

(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:

	2012
Limit on registered share capital (historical)	3.000.000
Issued share capital in nominal value	2.535.898

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:

	2012		2011	
	Share %	Amount	Share %	Amount
Temel Ticaret ve Yatırım A.Ş.	42,59	1.079.984	42,39	1.023.794
Koç Family Members	25,82	654.608	26,02	628.196
Rahmi M. Koç ve Mahdumları Maden, İnşaat, Turizm, Ulaştırma, Yatırım ve Ticaret A.Ş.	0,10	2.659	0,10	2.532
Total Koç Family members and companies owned by Koç Family members	**68,51**	**1.737.251**	**68,51**	**1.654.522**
Vehbi Koç Vakfı	7,15	181.405	7,15	172.767
Koç Holding Emekli ve Yardım Sandığı Vakfı	1,99	50.452	1,99	48.049
Other	22,35	566.790	22,35	539.803
Paid-in share capital	**100,00**	**2.535.898**	**100,00**	**2.415.141**
Adjustment to share capital (*)		967.288		967.288
Total share capital		**3.503.186**		**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	67.877.342.230	678.773	Registered
B	185.712.462.770	1.857.125	Registered
	253.589.805.000	**2.535.898**	

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 are used in purchase of new shares issued for their own groups; however, 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:

	2012	2011
Financial assets fair value reserve	521.913	(4.244)
Hedging reserve:		
-Cash flow hedges	(248.540)	(205.197)
-Net investment hedges	(58.363)	(63.691)
Non-current assets revaluation fund	23.913	27.815
Total revaluation fund	**238.923**	**(245.317)**

The movements in the revaluation funds are presented in the statement of comprehensive income and statement of changes in equity.

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

NOTE 25-EQUITY (Continued)

Restricted Reserves

The details of the restricted reserves are as follows:

	2012	2011
Legal reserves	197.229	170.535
Special reserves	2.139.103	2.139.103
	2.336.332	**2.309.638**

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". As a result of the expiration of the five year period stated in the related exemption, TL394.334 thousand portion of the special reserves balance became distributable as of 31 December 2012.

Dividend Distribution

Listed companies are subject to dividend requirements regulated by the CMB as follows:

According to Article 19 of the Capital Market Law numbered 6362 effective from 30 December 2012, listed companies shall distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation. Regarding the profit distribution policies of listed companies, CMB may set different principles on companies with similar qualifications.

Unless setting aside the reserves required by law and the profit share for shareholders as determined in Articles of Association; no decision can be given to set aside profits for other reserves, to transfer profits to the following year or to distribute share from the profits to the holders of the usufruct right certificates, to the members of the board of directors or to the employees. Furthermore no dividend can be distributed to the members of the aforementioned group unless the determined dividend shares are paid.

In listed companies, dividend distribution is held evenly to all existing shares as of the date of dividend distribution without considering the dates of issuance and acquisition of the shares.

In accordance with the current regulations, profit distribution should be in accordance with Communiqué Serial: IV No:27 issued by CMB regarding allocation basis of profit of listed companies, the companies' Articles of Association and the publicly announced dividend distribution policy of the companies. Depending on the General Assembly's decision 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, 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.

As of 31 December 2012, 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 TL2.597.032 thousand.

It was resolved at Koç Holding's Ordinary General Assembly Meeting held on 10 April 2012 to distribute TL306.000 thousand of the total first level dividend amounting to TL419.589 thousand as cash; remainder of TL113.589 thousand and second level dividend amounting to TL7.168 thousand, together with a total amount of TL120.757 thousand, to be paid as bonus shares by increasing the share capital and to distribute TL7.500 thousand (gross=net) to Koç Holding Emekli ve Yardım Sandığı Vakfı and TL59.311 thousand to the holders of usufruct right certificates as cash dividends.

In accordance with the resolution of General Assembly, it was resolved at Koç Holding's Board of Directors Meeting held on 4 May 2012, to increase issued capital of TL2.415.141 thousand to TL2.535.898 thousand by adding TL120.757 thousand from 2011 current year profit to the capital and to distribute bonus shares to the shareholders at the rate of 5%.

Within the scope of the relevant resolutions, total TL372.811 thousand cash dividend payment were completed as of April 2012 and issued capital increase of Koç Holding from TL2.415.141 thousand to TL2.535.898 thousand were registered as of 1 June 2012.

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

NOTE 26-REVENUE

	2012	2011
Domestic revenue	56.283.320	52.359.052
Foreign revenue	23.851.635	18.719.300
Gross revenue	**80.134.955**	**71.078.352**
Less: Discounts	(2.599.352)	(2.108.965)
Revenue	**77.535.603**	**68.969.387**
Sales of goods	76.228.680	67.953.591
Sales of services	1.306.923	1.015.796
Revenue	**77.535.603**	**68.969.387**

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.

	2012	2011
Raw materials and supplies	54.177.587	47.704.633
Changes in work in progress, finished goods	1.044	(1.205.133)
Cost of merchandise sold	10.975.819	10.481.173
Personnel expenses	3.771.411	3.333.312
Depreciation and amortisation charges	1.149.217	1.035.051
Transportation, distribution and storage expenses	1.109.446	857.355
Energy and utility expenses	988.890	815.095
Warranty and assembly costs	508.985	487.595
Advertisement and promotion expenses	530.301	476.609
Rent expenses	440.401	429.804
Maintenance and repair expenses	365.600	309.046
Outsourcing expenses	281.436	230.940
Taxes, duties and charges	193.021	176.954
Litigation and consultancy expenses	118.397	126.378
Information systems and communication expenses	141.144	118.848
Insurance expenses	108.285	97.050
Travel expenses	110.196	93.393
Royalty and license expenses	85.799	68.692
Grants and donations	48.306	49.333
Sales, incentives and premium expenses	95.915	46.223
Other	995.757	918.325
	76.196.957	**66.650.676**

The functional breakdown of amortisation, depreciation and personnel expenses is as follows:

	2012	2011
Depreciation and amortisation charges		
Cost of sales	748.985	691.361
Marketing, selling and distribution expenses	75.326	61.015
General administrative expenses	250.036	231.595
Research and development expenses	74.870	51.080
	1.149.217	**1.035.051**

Total depreciation charges capitalised in 2012 is TL24.860 thousand (2011: TL17.314 thousand).

Personnel expenses		
Cost of sales	1.394.825	1.209.553
Marketing, selling and distribution expenses	546.969	450.616
General administrative expenses	1.777.638	1.621.786
Research and development expenses	51.979	51.357
	3.771.411	**3.333.312**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 28-OTHER INCOME/EXPENSES

	2012	2011
Other income		
Income from incentives	47.133	37.383
Gain on sale of property, plant and equipment and scraps	35.344	112.169
Reversal of provisions	22.810	49.043
Rent income	17.227	14.746
Gain on sale of subsidiary	-	194.629
Other	147.504	191.149
	270.018	**599.119**
Other expenses		
Provision for loan impairment	(429.446)	(173.914)
Provision for lawsuits and other provision expenses	(194.387)	(83.183)
Provision for Yapı Kredi Bankası Worldcard points	(66.369)	(55.521)
Provisions expenses for the Pension Fund (Note 22)	(25.946)	31.375
Loss on sale of property, plant and equipment	(16.181)	(9.178)
Provision for impairment on asset held for sale	(15.187)	-
Product recall expenses	(14.734)	(30.459)
Loss on sale of subsidiary	(3.697)	(43.665)
Competition authority penalty (Automotive segment)	-	(28.609)
Other	(54.885)	(54.619)
	(820.832)	**(447.773)**

NOTE 29-FINANCIAL INCOME/EXPENSES

	2012	2011
Financial income		
Foreign exchange gains	1.646.783	1.674.624
Interest income	288.715	353.228
Credit finance income	304.573	302.846
Gains on derivative financial instruments	49.505	68.307
Other financial income	4.117	4.535
	2.293.693	**2.403.540**
Financial expenses		
Foreign exchange losses	(1.470.899)	(2.580.837)
Interest expenses	(551.663)	(411.957)
Credit finance charges	(119.393)	(140.244)
Losses on derivative financial instruments	(78.854)	(34.765)
Other financial expenses	(28.520)	(25.418)
	(2.249.329)	**(3.193.221)**

NOTE 30-RELATED PARTY DISCLOSURES

a) Related party balances

	2012			2011		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Cash and cash equivalents	2.318.934	-	2.318.934	1.366.004	-	1.366.004
Trade receivables	152.319	43.396	195.715	351.733	16.628	368.361
Trade payables	233.613	49.265	282.878	205.802	38.804	244.606
Loans and advances to customers	34.574	22.655	57.229	44.726	17.495	62.221
Deposits	82.676	1.438.528	1.521.204	120.302	1.082.548	1.202.850
Financial liabilities	311.868	-	311.868	358.675	-	358.675

b) Related party transactions

	2012			2011		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Sales of goods and services	4.797.908	68.842	4.866.750	3.393.399	43.753	3.437.152
Purchases of goods and services	1.728.607	341.582	2.070.189	1.701.543	210.305	1.911.848
Interest income	113.602	-	113.602	101.361	-	101.361
Interest expense (-)	23.702	-	23.702	18.242	-	18.242

Presents post elimination balances and transactions with the “Joint Ventures” of the Group, which are accounted through proportionate consolidation.

As of 31 December 2012, 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. TL74.649 thousand of trade receivables is composed of post elimination balances due to the petroleum products sales of Tüpraş to Opet and THY Opet. TL177.526 thousand of trade payables is composed of post elimination balances due to vehicle purchases of Otokoç from Ford Otosan and Tofaş.

NOTE 30-RELATED PARTY DISCLOSURES (Continued)

TL4.327.153 thousand (2011: 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 2012. TL1.305.061 thousand (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 members of the Board of Directors (including the President) and Group Presidents. Total compensation provided to key management personnel of Koç Holding in 2012 amounted to TL66.097 thousand (2011: TL55.211 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) Corporate tax incentive within the scope of investment incentive exemption (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) Contingent Liabilities:

As a result of preliminary research conducted in the banking sector regarding the interest rates, an investigation process is initiated on some banks including Yapı Kredi Bankası, a Joint Venture of the Group, according to the Competition Board decision dated 2 November 2011 and numbered 11-55/1438-M to determine whether there is a violation of the article 4 of the Protection of the Competition Law No. 4054.

In addition, in the letter of Competition Board dated 11 July 2012 notified to Tüpraş, a Subsidiary of the Group, with reference to the decision taken by Competition Board dated 4 July 2012, numbered 12-36/1040-M(2), it is stated that an investigation process has been initiated on Tüpraş and Opet, a Joint Venture of the Group, to determine whether there is a violation of articles 4 and 6 of the Protection of Competition Act, No. 4054.

As of 8 March 2013, Competition Board has not yet resolved any penal sanction within the scope of related investigations.

b) Guarantees:

Finance:

The debt securities subject to repurchase agreements:

As of 31 December 2012, debt securities subject to re-purchase agreements total TL2.812.791 thousand (31 December 2011: TL3.586.563 thousand).

Debt securities pledged as collateral:

As of 31 December 2012, debt securities, amounting to TL1.464.588 thousand (2011: TL1.686.325 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:

	2012	2011
Letters of guarantee (*)	2.412.499	2.131.902
Letters of credit	1.479.065	2.665.571
Equity shares (**)	159.314	202.714
Guarantee notes	137.260	408.384
Other	8.255	65.698
	4.196.393	**5.474.269**

(*) The amount of letters of guarantee given in connection with the bank borrowings of Ford Otosan, a Joint Venture of the Group and Arçelik, a Subsidiary of the Group is TL281.360 thousand and TL161.265 thousand, respectively.

(*) The Group's equity shares in Arçelik and Tüpraş with a nominal value of TL31.600 thousand and TL127.714 thousand, respectively, (2011: TL75.000 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:

	2012	2011
Letter of guarantee	3.571.897	3.297.857
Mortgages	2.071.880	1.884.363
Direct crediting limit	813.655	674.203
Bill of guarantees	326.522	320.159
Guarantee notes	249.313	261.516
Other commitments	204.610	202.725
	7.237.877	**6.640.823**

Collaterals/pledges/mortgages ("CPM") of the Group, except finance sector, as of 31 December 2012 and 2011 are as follows (Total amounts in the table below also contains TL denominated CPM balances. Foreign currency CPMs are presented by their TL equivalents):

	2012	2011
A. Total amount of CPM's given in the name of its own legal personality	4.027.157	5.014.955
-TL	867.792	1.591.906
-USD	2.346.272	2.769.219
-EUR	803.309	603.276
-Other	9.784	50.554
B. Total amount of CPM's given on behalf of the fully consolidated companies (*)	58.714	263.990
-TL	381	36.339
-USD	57.935	70.834
-EUR	398	156.817
C. Total amount of CPM's given on behalf of third parties for ordinary course of business (*)	110.522	195.324
-USD	110.522	117.122
-EUR	-	78.202
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.	-	-
	4.196.393	**5.474.269**

(*) As of 31 December 2012, TL137.260 thousand (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).

c) 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 2012, the Group has custody accounts amounting to TL12.268.171 thousand (2011: TL15.662.739 thousand).

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

NOTE 32-COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Credit related commitments:

	2012	2011
Letters of guarantee		
-TL	5.636.169	4.971.996
-Foreign currency	4.674.000	4.435.575
Letter of credits	2.891.963	2.503.492
Acceptance credits	60.661	79.458
Other	1.059.600	1.195.949
	14.322.393	13.186.470
Less: Provisions (Note 23.c)	(136.635)	(107.944)
	14.185.758	**13.078.526**

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, committed to deposit its proceeds on exports by the amounts of EUR61.560.000, EUR8.208.000, EUR24.624.000 and EUR15.595.200 through deposit accounts at Garanti Bankası A.Ş., TC. Ziraat Bankası A.Ş., Vakıflar Bankası T.A.O. and Türkiye İhracat Kredi Bankası A.Ş. ("Eximbank") , respectively. The Company has fulfilled these commitments as of 31 December 2012. Additionally, Ford Otosan committed to realize an export of EUR15.595.200 in connection with the 4 months-term borrowing agreement amounting to EUR15.361.272 obtained from Eximbank in November 2012.

ii) As of 31 December 2012, Tofaş, a Joint Venture of the Group, carried out an export sales amounting to USD291.356.552 within the scope of an export incentive certificate, requiring an export commitment of USD569.793.000 to be fulfilled by 15 March 2013 (By 2011, Group carried out an export transaction 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.)

Consumer durable

i) Arçelik, a Subsidiary of the Group, has export commitments of USD968.510.365 (2011: USD1.244.265.732) within the context of the export incentive certificates as of 31 December 2012.

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 fulfill 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.

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

NOTE 33-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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.

Corporate and commercial credit customers are followed up by the related system of Yapı Kredi Bankası 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 2012	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)	**8.340.746**	**42.903.535**	**9.698.622**	**10.828.834**	**264.470**
A. Net book value of neither past due nor impaired financial assets [*]	7.292.445	40.124.108	9.698.622	10.828.834	264.470
B. Net book value of restructured financial assets	30.392	204.301	-	-	-
C. Net book value of past due but not impaired financial assets	958.065	2.448.963	-	-	-
D. Net book value of impaired assets	59.844	469.372	-	-	-
- Past due	59.844	469.372	-	-	-
- Gross amount	266.048	1.449.395	-	-	-
- Impairment	(206.204)	(980.023)	-	-	-
- Secured with guarantees	*59.005*	*235.102*	-	-	-
- Not past due	-	-	-	-	-
- Gross amount	6.746	-	-	-	-
- Impairment	(6.746)	-	-	-	-
- Secured with guarantees	-	-	-	-	-
E. Collective provision for impairment (-)	-	(343.209)	-	-	-

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**	**6.276.080**	**10.730.064**	**378.356**
A. Net book value of neither past due nor impaired financial assets [*]	8.046.407	36.061.293	6.276.080	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)	-	-	-

[*] Includes receivables from related parties.

As of 31 December 2012 the Finance segment is exposed to credit risk arising from credit related commitments in the amount of TL14.322.393 thousand (2011: TL13.186.470 thousand) (Note 32). By taking the related risk into consideration, the maximum credit risk amount, to which the Group is exposed, is TL86.358.600 thousand (2011: TL78.141.956 thousand).

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

NOTE 33-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Trade receivables

a) Details of neither past due nor impaired or restructured trade receivables' credit quality:

	2012	2011
New customers (less than 3 months)	402.479	539.803
Public institutions and corporations	115.895	148.976
Other customers with no payment defaults	6.490.868	7.177.636
Customers with prior collection delays	283.203	179.992
	7.292.445	**8.046.407**

As of 31 December 2012, trade receivables that are not due and not impaired amounting to TL4.473.504 thousand are secured with guarantees (2011: TL4.488.933 thousand).

b) Analysis of past due trade receivables:

Not impaired	2012	2011
Past due up to 1 month	306.221	356.861
Past due 1-3 months	554.280	806.081
Past due 3-12 months	72.679	35.093
Past due over 1 year	24.885	20.502
	958.065	**1.218.537**

As of 31 December 2012, past due but not impaired trade receivables amounting to TL554.380 thousand are secured by guarantee (2011: TL176.564 thousand).

Major portion 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	2012	2011
Past due up to 3 months	31.766	27.927
Past due 3-6 months	12.744	13.663
Past due over 6 months	221.538	215.303
Less: Impairment	(206.204)	(194.867)
	59.844	**62.026**

As of 31 December 2012, impaired receivables amounting to TL59.005 thousand are secured by guarantees (2011: TL62.026 thousand).

Loans and advances to customers

a) As of 31 December 2012, 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	43,7%
Average	5+-6	49,4%
Below average	7+-9	6,9%

b) Details of past due but not impaired loans and advances to customers:

31 December 2012	Corporate and commercial loans	Consumer loans	Credit card receivables	Factoring receivables(*)	Financial leasing receivables	Total
Past due up to 1 month	776.841	424.000	288.142	230.454	3.663	1.723.100
Past due 1-2 months	230.398	143.909	103.146	34.130	2.677	514.260
Past due 2-3 months	105.261	56.102	35.564	9.250	5.426	211.603
Total	**1.112.500**	**624.011**	**426.852**	**273.834**	**11.766**	**2.448.963**

31 December 2011	Corporate and commercial loans	Consumer loans	Credit card receivables	Factoring 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
Total	**1.438.633**	**114.912**	**392.243**	**-**	**10.601**	**1.956.389**

(*) Factoring receivables was included in the related analysis beginning from 2012.

(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:

	2012	%	2011	%
Production	8.498.143	20	8.369.849	22
Consumer loans	9.775.632	23	8.537.709	22
Credit card receivables	7.234.299	17	5.183.373	14
Food and retail	2.057.787	5	1.647.941	4
Public sector	576.953	1	735.686	2
Financial institutions	1.313.072	3	514.901	1
Real estate	218.257	1	209.224	1
Other sectors	13.229.392	30	12.989.887	34
	42.903.535	**100**	**38.188.570**	**100**

Cash and cash equivalents

As of 31 December 2012 and 2011, 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 2012, total debt securities classified under financial assets are neither past due nor impaired (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).

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:

	2012	2011
Assets	34.510.986	31.890.331
Liabilities	(42.966.093)	(40.639.404)
Net balance sheet position	**(8.455.107)**	**(8.749.073)**
Off-balance sheet derivative instruments net position	**2.613.518**	**3.121.175**
Net foreign currency position	**(5.841.589)**	**(5.627.898)**

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 2012, Tüpraş has raw materials and petroleum products amounting to TL3.049.562 thousand (2011: TL3.409.851 thousand).

In addition, Tüpraş has USD1.085 million outstanding borrowing regarding the financing of the ongoing Fuel Oil Conversion Project (Note 19), for which finance costs (including also foreign exchange losses to a certain extent) are capitilized.

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 TL378.995 thousand when assessing foreign exchange risk (2011: TL492.825 thousand).

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

NOTE 33-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2012 and 2011, if EUR and USD had appreciated/depreciated by 10% against TL with all other variables held constant, profit before tax would have been TL546.259 thousand (2011: TL513.507 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 TL191.000 thousand.

The impact of 10% exchange increase in income statement (pre-tax profit):

	USD	EUR	Other	Total
31 December 2012				
Foreign currency net position (*)	(546.335)	(28.556)	28.632	(546.259)
31 December 2011				
Foreign currency net position (*)	(557.861)	24.389	19.965	(513.507)

(*) 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 2012				
Hedged items (*)	(6.952)	(154.720)	-	(161.672)
31 December 2011				
Hedged items (*)	(8.141)	(137.284)	-	(145.425)

(*) 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 2012			
	USD (*)	EUR (*)	Other (TL Equivalent)	Total (TL Equivalent)
Assets:				
Cash and cash equivalents	3.706.666	1.086.752	1.043.913	10.207.130
Financial assets	2.686.235	143.658	115.025	5.241.349
Trade receivables	288.872	719.212	720.270	2.926.585
Receivables from finance sector operations	5.129.528	2.248.513	520.882	14.952.607
Inventories	45.747	40.121	1.251	177.151
Other assets	350.747	97.621	151.347	1.006.164
Total assets	**12.207.795**	**4.335.877**	**2.552.688**	**34.510.986**
Liabilities:				
Payables from finance sector operations	5.857.801	2.246.228	1.040.979	16.765.550
Financial liabilities	6.406.754	3.546.494	336.348	20.097.318
Trade payables	1.979.408	371.281	17.228	4.418.862
Other liabilities	560.624	278.597	29.818	1.684.363
Total liabilities	**14.804.587**	**6.442.600**	**1.424.373**	**42.966.093**
Net balance sheet position	**(2.596.792)**	**(2.106.723)**	**1.128.315**	**(8.455.107)**
Derivative financial assets	7.131.403	3.123.831	584.265	20.643.019
Derivative financial liabilities	(7.599.429)	(1.299.698)	(1.426.259)	(18.029.501)
Off-balance sheet derivative instruments net position	**(468.026)**	**1.824.133**	**(841.994)**	**2.613.518**
Net foreign currency position	**(3.064.818)**	**(282.590)**	**286.321**	**(5.841.989)**
Net foreign currency position of monetary items	(3.110.565)	(322.711)	285.070	(6.018.740)
Fair value of derivative instruments held for hedging	(118.920)	(19.577)	-	(258.026)

(*) 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 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
Other assets	325.157	111.098	310.768	1.196.456
Total assets	**9.855.379**	**4.653.292**	**1.902.792**	**31.890.331**
Liabilities:				
Payables from finance sector operations	6.467.907	2.049.927	1.003.398	18.230.237
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
Other liabilities	485.583	198.524	11.423	1.413.793
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.

Import and export details (TL Equivalent)

Export	**2012**	**2011**
USD	11.478.615	8.929.752
EUR	7.116.546	6.715.770
Other	1.210.886	930.288
	19.806.047	**16.575.810**
Import		
USD	42.945.373	35.718.777
EUR	4.807.653	5.050.652
Other	35.583	57.461
	47.788.609	**40.826.890**

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.

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

NOTE 33-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The weighted average effective annual interest rates (%) for the financial assets and liabilities of the Group are as follows:

	2012			2011		
	USD	EUR	TL	USD	EUR	TL
Assets						
Cash and cash equivalents	2,56	1,25	7,61	5,00	2,52	11,11
Financial assets						
-At fair value through profit or loss	4,30	0,88	6,81	8,00	5,75	8,32
-Available-for-sale financial assets	7,05	4,49	9,20	6,80	5,83	9,84
-Held-to-maturity financial assets	5,50	4,68	8,97	6,70	4,70	9,92
Loans and advances to customers	5,23	5,41	12,52	5,04	5,87	13,72
Liabilities						
Financial liabilities	3,34	2,67	8,57	2,49	3,05	9,35
Deposits	2,71	3,88	8,19	4,13	3,88	10,72

Group's financial assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates are as follows:

31 December 2012	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	8.498.709	-	-	-	1.975.516	10.474.225
Balances with Central Banks	-	-	-	-	4.970.513	4.970.513
Financial assets						
-At fair value through profit or loss	37.620	47.073	39.926	145.759	37.430	307.808
-Available-for-sale financial assets	1.054.719	1.227.707	1.600.761	3.339.549	149.724	7.372.460
-Held-to-maturity financial assets	816.347	731.087	163.440	1.203.364	-	2.914.238
-Time deposits	-	283.136	118.455	-	-	401.591
Loans and advances to customers	18.949.322	10.922.156	9.126.944	2.434.980	1.470.133	42.903.535
	29.356.717	**13.211.159**	**11.049.526**	**7.123.652**	**8.603.316**	**69.344.370**
Liabilities						
Deposits	26.877.170	2.206.496	397.343	37.711	5.845.572	35.364.292
Financial liabilities	11.830.442	6.252.867	6.188.263	2.532.163	18.446	26.822.181
	38.707.612	**8.459.363**	**6.585.606**	**2.569.874**	**5.864.018**	**62.186.473**

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	1.204.744	894.345	1.358.180	118.015	3.993.085
-Held-to-maturity financial assets	1.048.324	606.225	1.360.692	3.340.888	-	6.356.129
-Time deposits	-	339.002	-	-	-	339.002
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**	**14.291.071**	**11.807.442**	**7.028.098**	**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**

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

NOTE 33-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The interest rate position is as follows:

Fixed interest rate financial instruments	2012	2011
Financial assets		
Cash and cash equivalents	7.873.608	5.065.591
Financial assets at fair value through profit or loss	262.681	116.903
Available for sale financial assets	5.119.203	3.190.473
Loans and advances to customers	29.112.857	28.458.863
	42.368.349	**36.831.830**
Financial liabilities		
Deposits	29.375.917	28.202.380
Financial liabilities	9.548.510	5.219.609
	38.924.427	**33.421.989**
Floating interest rate financial instruments		
Financial assets		
Cash and cash equivalents	625.101	619.421
Financial assets at fair value through profit or loss	7.697	22.471
Available for sale financial assets	2.103.533	684.597
Loans and advances to customers	12.320.545	8.475.601
	15.056.876	**9.802.090**
Financial liabilities		
Deposits	142.803	589.077
Financial liabilities	17.255.225	16.423.638
	17.398.028	**17.012.715**

As of 31 December 2012, 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 TL12.471 thousand (2011: TL1.969 thousand) and due to its direct effect on equity, equity would be TL245.984 thousand (2011: TL82.168 thousand) lower/higher.

c) Liquidity Risk

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed in illiquid markets. In the framework of liquidity risk management, funding sources are being diversified and sufficient cash and cash equivalents are held. In order to meet instant cash necessities it is ensured that the 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 2012 and 2011 are as follows:

31 December 2012	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	26.822.181	29.457.310	4.046.515	9.030.314	11.403.104	4.977.377
Deposits	35.364.292	35.850.665	33.253.239	1.608.052	515.668	473.706
Trade payables	8.355.236	8.365.684	7.778.664	587.020	-	-
Derivative financial instruments:						
Cash inflows	-	27.584.161	9.489.777	6.460.109	10.814.002	820.273
Cash outflows	-	(28.555.785)	(9.483.792)	(6.424.092)	(11.685.402)	(962.499)

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	31.936.354	2.375.592	680.884	72.515
Trade payables	9.186.672	9.199.509	9.018.586	180.923	-	-
Derivative financial instruments:						
Cash inflows	-	25.478.732	7.669.981	3.660.338	13.385.214	763.199
Cash outflows	-	(25.991.221)	(7.662.152)	(3.630.924)	(13.869.059)	(829.086)

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

NOTE 33-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The redemption schedule of Finance sector's credit related commitments according to their original maturities are as follows:

31 December 2012	Indefinite	Up to 1 year	1-5 years	5 years and over	Total
Letters of guarantee (*)	4.809.717	1.675.578	3.298.374	526.500	10.310.169
Letters credit	1.684.577	1.102.064	105.322	-	2.891.963
Acceptance credits	60.661	-	-	-	60.661
Other	125.932	407.431	442.230	84.007	1.059.600
	6.680.887	**3.185.073**	**3.845.926**	**610.507**	**14.322.393**

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**

(*) Letters of guarantees are presented above based on contractual expiry dates and can be called at an earlier date.

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 2012 and 2011 is as follows:

	2012	2011
Total financial liabilities	26.822.181	21.663.974
Cash and cash equivalents	(9.919.192)	(6.318.760)
Net financial debt	16.902.989	15.345.214
Equity	26.751.245	23.270.824
Net financial debt/total equity ratio	**63%**	**66%**

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, judgment 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.

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

NOTE 34-FINANCIAL INSTRUMENTS-FAIR VALUE DISCLOSURES (Continued)

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 2012 and 2011 are presented in the following table:

	2012		2011	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Cash and cash equivalents	10.474.225	10.474.225	6.796.244	6.877.276
Held-to-maturity financial assets (*)	3.315.829	3.562.815	6.695.131	6.840.434
Loans and advances to customers	42.903.535	43.704.530	38.188.570	39.224.870
Liabilities				
Deposits	35.364.292	35.553.227	34.268.248	34.430.757
Financial liabilities	26.822.181	26.903.754	21.663.974	21.640.877

(*) Includes time deposits with a maturity of over 3 months.

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 2012 and 2011 are as follows:

31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	300.948	6.860	-	307.808
Available-for-sale financial assets				
-Debt securities	6.401.852	820.884	-	7.222.736
-Equity securities	35.792	-	-	35.792
Derivative financial instruments	-	264.470	-	264.470
Total assets	**6.738.592**	**1.092.214**	**-**	**7.830.806**
Derivative financial instruments	-	670.478	-	670.478
Total liabilities	**-**	**670.478**	**-**	**670.478**

31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	152.820	7.042	-	159.863
Available-for-sale financial assets				
-Debt securities	3.054.500	820.570	-	3.875.070
-Equity securities	37.803	-	-	37.803
Derivative financial instruments	-	378.356	-	378.356
Total assets	**3.245.123**	**1.205.968**	**-**	**4.451.092**
Derivative financial instruments	-	553.290	-	553.290
Total liabilities	**-**	**553.290**	**-**	**553.290**

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

NOTE 35-EARNINGS PER SHARE

	2012	2011
Earnings per share:		
Profit for the period	4.101.707	3.850.353
Profit attributable to non-controlling interest	(1.786.827)	(1.725.884)
Profit attributable to equity holders of the parent	2.314.880	2.124.469
Weighted average number of shares with nominal value Kr 1 each	253.589.805.000	241.589.805.000
Earnings per share (Kr)	**0,913**	**0,838**

NOTE 36-SUPPLEMENTARY CASH FLOW INFORMATION

As of 31 December 2012 and 2011, supplementary information for the details included in the consolidated cash flow statements:

	2012	2011
Changes in provisions:		
Provision for lawsuits	22.900	41.882
Provision for warranty and assembly	(5.315)	54.220
Cost accruals for construction contracts	53.950	62.165
Insurance technical reserves	57.726	66.714
Provision for loans and doubtful receivables	647.198	511.427
Provision for employment termination benefits and Pension Fund	86.196	2.844
Provision for impairment on inventories	(285)	(7.260)
Provision for impairment on property, plant and equipment	1.123	(50.989)
Provision for impairment on assets held for sale	15.187	-
Other provisions	125.047	9.463
	1.003.727	**690.466**
Add back net interest income:		
Interest income from non-finance sector (Note 29)	(288.715)	(353.228)
Interest income from finance sector (Note 5)	(5.278.570)	(4.123.943)
Interest expense from non-finance sector (Note 29)	551.663	411.957
Interest expense from finance sector (Note 5)	2.918.537	2.349.464
	(2.097.085)	**(1.715.750)**
Net changes in the operating assets and liabilities:		
Finance:		
Reserve deposits with central banks	(306.615)	(1.861.631)
Receivables from finance sector operations	(4.473.085)	(8.984.211)
Payables from finance sector operations	1.040.622	7.356.531
Financial assets	855.539	(736.818)
Associates	(4.402)	(54.708)
	(2.887.941)	**(4.280.837)**
Non-Finance:		
Inventories	133.378	(2.502.091)
Trade receivables	997.583	(4.119.275)
Other assets	(216.921)	(1.295.204)
Trade payables	(832.083)	1.552.114
Other liabilities	1.534.553	1.005.580
	1.616.510	**(5.358.876)**
Currency translation differences	**(42.980)**	**(139.573)**
	(1.314.411)	**(9.779.286)**
Cash and cash equivalents:		
Cash and cash equivalents (Note 6)	10.474.225	6.796.244
Other balances with Central Banks (Note 7)	174.651	35.009
Cash and cash equivalents held for sale (Note 24)	9.943	5.612
Less: Blocked deposits (Note 6)	(555.033)	(477.484)
	10.103.786	**6.359.381**

NOTE 37-EVENTS AFTER THE BALANCE SHEET DATE

i) In relation to the authorization granted with the article 17 of the Articles of Association of Koç Holding, on 1 March 2013, the Board of Directors of the Company has resolved to issue bonds, financial bills or similar debt instruments for a total amount up to USD1 billion or an equivalent foreign currency or equivalent Turkish Lira amount within one year, and to be sold to real or legal entities established outside Turkey through one or more issuance. It is also resolved to authorize Company Management for making related applications to the Capital Markets Board and other authorities; determining the sale, the currency, Turkish Lira and/or foreign currency amounts, the terms and interest rates of the debt instruments to be issued according to the market conditions as of the date of issuance that will be realized within one year following the date of the approval of CMB; and completing all necessary domestic and overseas actions including the listing on foreign markets.

ii) Arçelik, a Subsidiary of the Group, applied to Capital Markets Board of Turkey on 24 January 2013 for an approval of a bond issuance, up to USD1 billion or its equivalent in any other foreign currency to be sold to investors in financial markets outside of Turkey. The application for the related bond issuance is approved by the Board.

iii) The merger of Aygaz, a Subsidiary of the Group, with its 100% owned subsidiary Mogaz Petrol Gazları A.Ş., by transferring all assets and liabilities based on closing balance sheet dated 30 June 2012, was registered on 22 January 2013 and the merger process has been completed.

iv) On 22 January 2013, Yapı Kredi Bankası, a Joint Venture of the Group, issued Eurobond for non-Turkish resident real person and corporate entities amounting to USD250 million nominal value with a semiannual coupon payment at an interest rate of 4% and with a maturity of 22 January 2020.

v) By utilizing its early payment option, Yapı Kredi Bankası, a Joint Venture of the Group, repaid the subordinated loan amounting to USD292,5 million on 9 January 2013 which was obtained from UniCredit Bank Austria AG on 22 February 2012; and obtained a new subordinated loan from UniCredit Bank Austria AG amounting to USD 292,5 million with 10 years maturity and 5,5% fixed interest rate and a repayment option by the borrower at the end of 5 years.

vi) In accordance with the resolution of the Board of Directors of Tat Konserve, a Subsidiary of the Group, dated 3 January 2013; due to cessation of livestock business, the related fixed assets of Harranova Besi were decided to be sold to Namet Gıda Sanayi ve Ticaret A.Ş. for a consideration of TL15.500 thousand. The transaction was approved by the General Assembly and Competition Authority on 21 February 2013.

KOÇ HOLDING A.Ş. BALANCE SHEET AND INCOME STATEMENT

INFORMATION DOCUMENT OF THE GENERAL ASSEMBLY

KOÇ HOLDİNG A.Ş.
Balance Sheet At 31 December 2012 Issued According to the Legal Records
(Convenience Translation into English of Balance Sheet Originally Issued in Turkish)

ASSETS			2012			2011
CURRENTS ASSETS			1,539,250,957.13			1,439,876,272.37
Cash and Cash Equivalents		1,462,953,103.87			1,355,727,974.28	
Cash	200.00			1,000.00		
Banks	1,462,952,903.87			1,355,726,974.28		
Securities		20,515,562.58			21,738,946.57	
Public Sector Bonds, Notes and Bills	20,515,562.58			21,738,946.57		
Trade Receivables		32,720,415.80			18,426,846.36	
Customers	32,720,415.80			18,426,846.36		
Doubtful Receivables	542,008.80			542,008.80		
Provision for doubtful receivables	-542,008.80			-542,008.80		
Other Trade Receivables		-			4,089.21	
Receivables from Shareholders	-			4,089.21		
Other Current Assets		23,061,874.88			43,978,415.95	
Prepaid Tax and Funds	-			24,905,423.91		
Other Current Assets	23,061,874.88			19,072,992.04		
NON-CURRENT ASSETS			6,606,075,175.60			6,506,407,427.22
Trade Receivables		10,386.83			6,786.83	
Deposits and Guarantees Given	10,386.83			6,786.83		
Other Receivables		32,750,000.00			-	
Receivables form Associates	32,750,000.00			-		
Financial Non-Current Assets		6,312,483,987.37			6,236,643,015.49	
Associates	3,626,907,094.70			3,550,493,825.89		
Capital Commitment to Associates	-2,414,296.93			-		
Subsidiaries	2,687,991,189.60			2,686,149,189.60		
Property, Plant and Equipment		260,736,609.79			266,313,380.43	
Lands	32,967,975.16			32,967,975.16		
Land Improvements	8,167,536.74			8,167,536.74		
Buildings	159,446,030.83			159,446,030.83		
Motor Vehicles Equipment	160,020,231.51			138,595,347.59		
Furnitures and Fixtures	8,732,758.43			8,028,230.13		
Accumulated Depreciation	-160,016,180.05			-173,851,293.95		
Constructions in Progress	45,937,083.53			45,937,083.53		
Advances Given	5,481,173.64			47,022,470.40		
Intangible Assets		91,794.18			3,441,565.67	
Rights	2,720,968.97			2,640,433.95		
Leasehold Improvements	5,100,886.32			5,100,886.32		
Other Intangible Assets	-			3,318,738.22		
Accumulated Depreciation	-7,730,061.11			-7,618,492.82		
Other Non-Current Assets		2,397.43			2,678.80	
Other Non-Current Assets	2,397.43			2,678.80		
TOTAL ASSETS			8,145,326,132.73			7,946,283,699.59
LIABILITIES			2012			2011
CURRENT LIABILITIES			242,325,259.46			196,820,155.89
Financial Liabilities		134,805,717.51			142,844,451.83	
Bank Loans	134,805,717.51			142,844,451.83		
Trade Payables		3,382,132.42			2,813,788.48	
Suppliers	3,375,144.22			2,798,488.39		
Deposits and guarantees received	6,988.20			15,300.09		
Other Currents Liabilities		98,603,648.20			48,002,098.35	
Liabilities to Shareholders	384,948.17			318,421.89		
Liabilities to Associates	10,459,177.00			12,089,173.00		
Liabilities to Subsidiaries	12,409,340.02			12,409,340.02		
Taxes and Duties Payable	30,527,948.04			10,020,814.78		
Other Debts	44,822,234.97			13,164,348.66		
Provision for Debts and Expenses		5,533,761.33			3,159,817.23	
Other Provision for Debts and Expenses	5,533,761.33			3,159,817.23		
NON-CURRENT LIABILITIES			4,549,607.30			146,742,780.97
Financial Liabilities		-			142,844,451.81	
Bank Loans	-			142,844,451.81		
Provision for Debts and Expenses		4,549,607.30			3,898,329.16	
Provision for Employment Termination Benefits	4,549,607.30			3,898,329.16		
EQUITY			7,898,451,265.97			7,602,720,762.73
Total Share Capital		2,507,888,937.81			2,387,131,887.81	
Paid-in Share Capital	2,535,898,050.00			2,415,141,000.00		
Adjustment to share capital - Positive	34,548,215.22			34,548,215.22		
Adjustment to share capital - Negative	-62,557,327.41			-62,557,327.41		
Issue Premium		9,705,724.30			9,705,724.30	
Capital Reserves		321,851,321.67			321,101,511.56	
Other Capital Reserves	321,851,321.67			321,101,511.56		
Reserves		4,222,490,548.05			4,176,012,416.46	
Legal Reserves	311,500,019.93			284,805,553.10		
Extraordinary Reserves	1,765,748,178.80			1,752,120,883.57		
Special Funds	2,145,242,349.32			2,139,085,979.79		
Prior years' income-Inf.Adj.Profit-2004		174,879,886.04			174,879,886.04	
Profit for the Period		661,634,848.10			533,889,336.56	
TOTAL LIABILITIES AND EQUITY			8,145,326,132.73			7,946,283,699.59

KOÇ HOLDİNG A.Ş.
Income Statement For The Years Ended 31 December 2012 and 2011 Issued According to the Legal Records (Convenience Translation into English of Income Statement Originally Issued in Turkish)

		2012		2011
GROSS REVENUES		83,689,129.15		63,932,625.69
Domestic Revenues	83,689,129.15		63,932,625.69	
OPERATING EXPENSES		-197,376,606.59		-113,870,756.49
General Administrative Expenses	-197,376,606.59		-113,870,756.49	
ORDINARY INCOME AND PROFIT FROM OTHER OPERATIONS		841,328,083.66		910,388,397.22
Dividend Income from Associates	647,032,423.18		556,893,128.23	
Dividend Income from Subsidiaries	20,420,438.81		34,091,097.40	
Interest Income	113,364,603.57		94,289,977.61	
F/X Income	42,179,874.87		209,320,382.10	
Profit on Sale of Marketable Securities	1,719,947.39		1,699,795.11	
Other Ordinary Income and Profit	16,610,795.84		14,094,016.77	
ORDINARY EXPENSES AND LOSSES FROM OTHER OPERATIONS		-68,630,846.64		-111,543,790.75
Provision Expenses	-651,278.14		-312,927.72	
F/X Losses	-64,660,830.28		-107,912,124.79	
Other Ordinary Expenses and Losses	-3,318,738.22		-3,318,738.24	
FINANCIAL EXPENSES		-3,767,710.70		-6,586,704.54
Short Term Borrowing Expenses	-3,767,710.70		-6,586,704.54	
EXTRAORDINARY INCOME AND PROFIT		6,392,799.22		8,342.10
Other Extraordinary Income and Profit	6,392,799.22		8,342.10	
EXTRAORDINARY EXPENSES AND LOSSES		-		-208,438,776.67
Other Extraordinary Expenses and Losses	-		-208,438,776.67	
PROFIT FOR THE PERIOD		661,634,848.10		533,889,336.56
TAXES PAYABLES AND OTHER LEGAL LIABILITIES		-		-
NET PROFIT FOR THE PERIOD		661,634,848.10		533,889,336.56

INFORMATION DOCUMENT REGARDING THE ORDINARY GENERAL ASSEMBLY MEETING OF KOÇ HOLDİNG A.Ş. DATED 10 APRIL 2013

Our Company's Shareholders General Assembly Meeting concerning 2012 year will be held on 10 April 2013, Wednesday at 4pm at the address of the Company as Nakkaştepe Azizbey Sokak No:1 Kuzguncuk/Üsküdar İstanbul 34674 Turkey.

The Board of Directors and Auditing Board Reports, the Financial Statements and Independent Audit Report, the Amendment to the Articles of Association, the dividend distribution proposal and Corporate Governance Alignment Report in addition with Annual Report for the 2012 activity year and this detailed information document are made available for the shareholders examination at the Company Headquarters, at its branches, at the company web site addressed www.koc.com.tr and at the Electronic General Assembly system of the Central Registry Agency 3 weeks before the meeting.

The right to participate in the general assembly meeting and voting right shall not be laid share certificate allocation down as a condition regarding the 4th subsection of 415th article of New Turkish Commercial Code numbered 6102 and 1st subsection of 30th article of Capital Markets Law numbered 6362. Within this context, it is not necessary to make blockage for our shareholders who request to attend the general assembly meeting. However, incase our shareholders whose ID's and shares in their accounts cannot be seen by our company upon their demand, requests to attend the general assembly meeting, shall apply to their broker company and shall remove the restriction concerning their ID and shares in their account until 4.30pm before the general assembly date at the latest.

All our shareholders who request to use their votes through Electronic General Assembly System are kindly requested to get information from Central Registry Agency, our company's web site addressed www.koc.com.tr and our Company's Headquarters (Tel: 0216 531 00 00) in order to fulfill the obligations within the context of related legislation and communique.

Our shareholders, who cannot physically attend the meeting, without prejudice to the obligations and rights of shareholders who will attend electronically, shall prepare their proxies in line with the template published at our web site or get the template from Yapı Kredi Yatırım Menkul Değerler A.Ş. (Yapı Kredi Plaza / Levent-İstanbul) or our company's website addressed www.koc.com.tr and shall submit the notarized proxies after fulfill the issues stated at the Capital Markets Board communique serial IV no 8. It is not necessary to present the proxy for the representative who registered through Electronic General Assembly System.

Open ballot voting shall be used in the General Assembly for voting for Agenda articles simply by raising hands, without prejudice to the obligations of voting electronically concerning the agenda items.

All the beneficiaries and the stakeholders and the media representatives (press and media organizations) are invited to our general assembly meeting.

ADDITIONAL EXPLANATIONS WITHIN THE CONTEXT OF CAPITAL MARKETS BOARD REGULATIONS

Within the context of Capital Markets Board communiqué serial IV no 41, regarding "The Principles for the Corporations Subjected to Capital Markets Law" and communiqué serial IV no 56 regarding "Definition and the Enforcement of the Corporate Governance Principles"; the additional information concerning the agenda article has been presented below. General information has been presented to your information in this section.

1. Shareholder structure and voting rights
Our company's shares divided into two groups, A and B. Each A group registered shares has 2 voting right at general assembly. Considering the privileged shares, our shareholders' voting right has been presented below:

Shareholder	Amounts (TL)	Share Stake (%)	Voting Right	Voting Right Stake (%)
Koç Family	654,607,780	25.82%	65,460,778,117	20.36%
Temel Ticaret ve Yatırım A.Ş. (B Group)	401,210,786	15.82%	40,121,078,570	12.48%
Temel Ticaret ve Yatırım A.Ş. (A Group)	678,773,422	26.77%	135,754,684,460	42.23%
Koç Holding Emekli ve Yardım Sandığı Vakfı	50,451,548	1.99%	5,045,154,800	1.57%
Vehbi Koç Vakfı	181,405,360	7.15%	18,140,536,000	5.64%
Rahmi M.Koç ve Mahdumları A.Ş.	2,658,789	0.10%	265,878,900	0.08%
Free Float	566,790,365	22.35%	56,679,036,452	17.64%
Total	**2,535,898,050**	**100.00%**	**321,467,147,299**	**100.00%**

The majority of shares of Temel Ticaret ve Yatırım A.Ş. are owned by Koç Family members.

2. Information about the management and operational changes that can affect our company's or subsidiaries operations
In 2012, our Company and our important subsidiaries did not manage any kind of operation that can cause management and operational change.

3. Information about the demands of shareholders, Capital Markets Board or other public authority for adding new article to agenda
Any kind of demand has not been received for the ordinary general assembly meeting for 2012 year.

EXPLANATORY NOTES ON THE GENERAL ASSEMBLY AGENDA OF ORDINARY GENERAL ASSEMBLY MEETING DATED 10 APRIL 2013

1. **Opening and election of the Chairmanship Committee**
   The President and Members of the Chair to govern the general assembly meeting within the framework of the provisions of the "Turkish Commercial Code numbered 6102" (TCC) and the "Regulation on the General Assembly Meetings of the Capital Companies and Agents of the Ministry of Industry and Trade to attend these Meetings" (Regulation) shall be elected.

2. **The reading of the 2012 Activity Annual Report and Board of Directors Report prepared by the Board of Directors**
   Information about the 2012 year Annual Report including corporate governance adoption report will be obtained and the report will be made available at the company headquarters, Electronic General Assembly System of Central Registry Agency and the company web site addressed www.koc.com.tr 3 weeks before the general assembly meeting and presented to the consideration and approval of our shareholders according to the provisions of Turkish Commercial Code and the Regulation.

3. **The reading of the Statutory Auditor's Report and the summary of the independent audit report**
   The Audit Report prepared by the legal auditors selected in line with Turkish Commercial Code, to audit 2012 year activities and the Independent Audit Report prepared in line with Capital Markets Board legislations have been made available at the company headquarters, Electronic General Assembly Portal of Central Registry Agency and the company web site addressed www.koc.com.tr, 3 weeks before the general assembly meeting. The information about these reports will be obtained to general assembly and reports in question will be presented to the consideration and approval of our shareholders.

4. **The reading, discussion and approval of the 2012 financial statements**
   The financial statements and legal financial reports have been made available at the company headquarters, Electronic General Assembly Portal of Central Registry Agency and the company web site addressed www.koc.com.tr, 3 weeks before the general assembly meeting, within the context of TCC, legislation and Capital Markets Law. The information about these reports will be obtained to general assembly and reports in question will be presented to the consideration and approval of our shareholders.

5. **Approval of the changes at the Board membership made during the year under article 363 of the Turkish Commercial Code**
   The Board of Directors resolved on 14 September 2012 (in compliance with Article 25, entitled "Board of Directors," of Law No. 6103 pertaining to the Execution and Implementation of the Turkish Commercial Code) to accept with immediate effect the resignations of Temel Kamil Atay, İnan Kıraç and Bülent Bulgurlu, who represented Temel Ticaret ve Yatırım A.Ş. at our Company's General Assembly Meeting on 10 April 2012, and Prof. John Hector McArthur and Prof. Heinrich Karl Friedrich and Eduard Pierer Von Esch, who represented the Vehbi Koç Foundation at the same meeting. In compliance with the Turkish Commercial Code No. 6102, Article 363, their resignations and vacated memberships were subject to confirmation by the next General Assembly. It was resolved to appoint these same persons as Members of the Board of Directors to replace vacated positions and complete the remaining term of their predecessors. This appointment is valid until the first meeting of the General Assembly to be held, and, pursuant to the approval of shareholders at that General Assembly meeting.

   The CVs of the aforementioned members to be appointed within the year will be posted on our website and in our annual report.

6. **Release of the members of the Board of Directors and the statutory auditors from liability with regard to the 2012 activities and accounts of the Company**
   Release of the members of the Board of Directors and the Statutory Auditors according to the provisions of TCC and the Regulation from the activities, procedures and accounts of 2012 shall be presented to the approval of the general assembly

7. **Presentation to General Assembly Profit Distribution Policy of the Company in accordance with Capital Markets Board legislation**
   Our company's Dividend Policy presented in Appendix 2 and in addition it will be presented to general assembly information and also announced at our company's headquarters, Electronic General Assembly portal of Central Registry Agency and Investor Relations part of web page addressed www.koc.com.tr, 3 weeks before the general assembly.

8. **Approval, approval with modifications, or disapproval of the Board of Directors' proposal on distribution of the year 2012 profits and distribution date**
   Consolidated Net Profit attributed to equity holders of the parent for the period in the amount of TL 2,314,880,000 is obtained according to our financials for the accounting period 1 January 2012 - 31 December 2012 prepared by our Company in compliance with the International Financial Reporting Standards as per the Circular of the Capital Markets Board with the serial XI, number 29 and audited by Güney Bağımsız Denetim and Serbest Muhasebeci Mali Müşavirlik A.Ş (a member of firm of Ernst & Young Global Limited), and table regarding profit distribution proposal which is prepared according to profitability and cash position is presented in Appendix 2.

9. **As per the proposal of the Board of Directors' regarding the Amendment to the Articles of Associations in order for the compliance with the Turkish Commercial Code and in view of the Company's requirements and subject to the required approvals from the Capital Markets Board and Ministry of Customs and Trade: approval, approval with amendment or rejection of the amendments and or deletion of the proposed changes mentioned below: Amending all the articles outside of Article 1-Establishment and to cancel, Article 22-General Assembly, Article 24-Notification to the Ministry and Commissioner, Article 25-Voting Right, Article 26-Representation by Proxy, Article 27-Presiding Committee of the General Assembly, Article 28-Voting Procedure, Article 29-Amendment to The Articles of Association, Article 30-Annual Reports, Article 31-Annual Accounts, Article 32-Distribution of Profit, Article 33-Amount and Supply of the Reserve Fund, Article 34-Termination and Dissolution, Article 35-Announcements, Article 36-General and Legal Provisions, Article 37-Compliance with Corporate Governance Principles**
   The amendments to the articles of association that are presented in Appendix 3, and done for complying with TCC numbered 6102 and Capital Markets Law numbered 6362, will be presented to the approval of General Assembly. Receiving Capital Markets Board and Ministry of Customs and Trade's approval for the amendments to the articles of assocaciation be aimed before the general assembly meeting.

10. **Determination of the number of Board members and their term of office, and election of members in accordance with the number determined and determination of independent Board members**
    Members of the board of directors shall be elected on the basis of the matters specified in the articles of association related to the election of the board of directors as per TCC and the Regulation. In addition, independent board member selection will be performed to comply with Capital Markets Board communiqué serial IV no 56.

In accordance with 18th article of our articles of association, the procedures and management of the company shall be executed by a Board of Directors comprised of 9-15 members to be elected by the General Assembly for maximum 3 years. The General Assembly may replace a board member at any time in case the task period of the member has not expired.

It is mandatory that 5 members of proposed 15 members of Board of Directors have independent criteria defined in Capital Markets Board Mandatory Corporate Governance Principles.

Upon the recommendation of the Corporate Governance Committee, which assessed the candidates submitted to it, the Board of Directors resolved to nominate Muharrem Kayhan, Kutsan Çelebican, Sanford I. Weill, Peter D. Sutherland and Dr. Victor K. Fung as independent members of the Board of Directors. To comply with the requirement that at least half of the Boards independent members reside in Turkey, a request was made to the Capital Markets Board (CMB) for Dr. Victor K. Fung to be accepted as the third foreign independent member of the Board of Directors, which requires five independent members. The CMB assented to this request on 6 March 2013 at its meeting No. 7/263. Our other candidates were fully in accord with the CMB's criteria for independence. An unfavorable judgment was not reported by the CMB for the independent candidacy of Muharrem Kayhan, Sanford I. Weill and Peter D. Sutherland, and this decision was communicated to our Company. We have not yet received a decision regarding our application to the CMB for Kutsan Çelebican to become an independent member.

The resumes of the board member nominees are presented in Appendix 4.

11. **Presentation to the General Assembly relating to the "Remuneration Policy" determined for the members of the Board of Directors and senior executives in accordance with the Corporate Governance Principles**
According to mandatory corporate governance principles of Capital Markets Board numbered 4.6.2, remuneration principals for board member and top management shall be written and presented to the information of shareholders as separate article during the general assembly in order to enable them to express their opinions. Remuneration Policy that has been prepared for this purpose is presented in Appendix 5. Reference to the 30th footnote of financial statements for the year 2012, our company provided benefits to top management TL 66,097,461 in 2012.

12. **Determination of monthly gross fees to be paid to the members of the Board of Directors**
Within the context of the Remuneration Policy presented to the approval of shareholders through 12th agenda item, the gross monthly pay of the board members in 2013, shall be identified by our shareholders.

13. **Approval of the appointment of the independent audit firm, elected by the Board of Directors, in accordance with Turkish Commercial Code and Capital Markets Board regulations**
In line with TCC and Capital Markets Board legislation, during the board of directors meeting dated 19.02.2013, obtaining the opinion of the Audit Committe, it has been resolved Güney Bağımsız Denetim and S.M.M.M. A.Ş. (A member firm of Ernst & Young Global Limited) will be assigned to audit corporate accounts for the 2013 accounting period, and this decision will be presented to confirmation of General Assembly.

14. **Approval, approval with amendment or rejection of the Board of Directors' proposal on the "The General Assembly Internal Directive" relating to the working rules and principles for the General Assembly**
Reference to the 419/2nd article of TCC, the Internal Directive including the General Assembly performance procedure and principles in line with minimum factors determined by the 41st article of General Assembly Legislation published by the Ministry, shall be prepared by the board of directors of the company and shall be presented to the approval of general assembly. The internal directive shall be registered at Trade Registry and published at Trade Registry Gazette. The Internal Directive approved by our company's board is presented in the Appendix 6 and will be presented to the approval of general assembly.

15. Presentation to the General Assembly Information Policy in accordance with the Capital Markets Board legislation

As per the 23rd article of Capital Markets Board communiqué serial VIII no 54, companies should prepare "Information Policy" and inform their shareholders by adding an article to meeting agenda. Our company's Information Policy is presented in Appendix 7, and also announced at company's headquarters, Electronic General Assembly portal of Central Registry Agency and Investor Relations part of web page addressed www.koc.com.tr, 3 weeks before general assembly.

16. Presentation to the General Assembly guarantees, pledges, mortgages and suretyships given in favor of third parties by the Company

Pursuant to Capital Markets Board Resolution No. 28/780 dated 9 September 2009, the guarantees, indemnities, mortgages and pledges as assurance against third party liabilities is indicated in footnote No. 32 of our Financial Statement of 31 December 2012.

17. Presentation to the General Assembly, regarding the donations and contributions made by the Company to foundations and associations for social charity purposes in 2012, in accordance with the Capital Markets Board regulations and determination of an upper limit for donations to be made in 2013

Pursuant to the Capital Markets Board Communiqué, Series IV, No. 27, Article 7, donations made during the year must be disclosed to the General Assembly. The amount the Company gave to foundations and associations in 2012 was TL 212,215.

In addition, Capital Markets Law No. 6362, Article 19, clause 5 requires the General Assembly to set the limit to donations made in 2013.

18. Under articles 395 and 396 of the Turkish Commercial Code and the regulations of the Capital Markets Board, authorizing shareholders with management control, members of the Board of Directors who are also a shareholder, senior executives and their spouses and relatives related by blood or affinity up to the second degree to enter into transactions with the Company or its subsidiaries; and also informing the shareholders regarding the transactions made to this extent in 2012 pursuant to the Corporate Governance Principles

The members of our Board of Directors can do business as stipulated in the 1st subsection of 395th and 396th articles of TCC entitled "Ban to Enter into Business with the Company and Borrowing" and "Competition Ban" of TCC, only with the approval of the general assembly.

Reference to the mandatory article of Capital Markets Board Corporate Governance Principles numbered 1.3.7, the general assembly shall be informed incase the shareholders having managerial control, shareholder board members, top managers and up to the second degree blood or affinity relatives so that they involved in business activities may cause conflict of interest with the company or its subsidiaries, competed with the company, dealt with the company on their own name or in the name of others, involved in business activities related to the company's subject of activity on their own name or in the name of others and had shareholding in the companies engaged in same business as unlimited partner and carried out other transactions.

In order to fullfill the necessity of these regulations, the granting of this permit shall be presented to our shareholders' approval at the General Assembly meeting and the information shall be given that any kind of this transaction has been realized in 2012.

19. Wishes and opinions.

APPENDIX:

APPENDIX/ 1 DIVIDEND POLICY

See the page 20

APPENDIX/2 DIVIDEND PROPOSAL

See the page 21

APPENDIX/3 AMENDMENT OF ARTICLES OF ASSOCIATION

See the page 22

APPENDIX/4 RESUMES OF BOARD OF DIRECTORS' CANDIDATES

See the page 40

APPENDIX/5 REMUNARATION POLICY OF BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

See the page 41

APPENDIX/6 INTERNAL DIRECTIVE OF THE GENERAL ASSEMBLY

INTERNAL DIRECTIVE ON WORKING PRINCIPLES AND PROCEDURES OF THE GENERAL ASSEMBLY OF KOÇ HOLDİNG A.Ş.

PART ONE
Purpose, Scope, Basis and Definitions

Purpose and Scope:
ARTICLE 1 -

(1) The purpose of this Internal Directive is to determine the working principles and procedures of the General Assembly of Shareholders of Koç Holding A.Ş. in accordance with the Law, applicable legislation and the provisions of its Articles of Association. This Internal Directive shall apply to all ordinary and extraordinary meetings of the General Assembly of Shareholders of Koç Holding A.Ş.

Basis:
ARTICLE 2 -

(1) This Internal Directive has been issued by the Board of Directors pursuant to the provisions of the Regulation on the Principles and Procedures of the General Assembly Meetings of the Joint Stock Companies and the Representatives of the Ministry of Customs and Trade Attending These Meetings.

Definitions:
ARTICLE 3 -
(1) In this Internal Directive, the following terms shall have the following meanings:
- **a)** Session: One working day of the General Assembly meeting,
- **b)** Law: Turkish Commercial Code no. 6102 dated January 13, 2011,
- **c)** Sitting: Each and every part of the session interrupted due to coffee breaks, lunch breaks, etc.
- **d)** Meeting: Ordinary and extraordinary General Assembly meetings,
- **e)** Chairmanship of the Meeting: The board consisting of the chairman of the meeting elected by the General Assembly to moderate the meeting in accordance with article 419/ 1 of the Law, the vice chairman of the meeting elected by the General Assembly if deemed necessary, the secretary appointed by the chairman of the meeting and sufficient number of vote collectors.

PART TWO
Working Principles and Procedures of the General Assembly

Rules of Procedure:
ARTICLE 4 -
(1) The General Assembly shall convene in a meeting pursuant to the provisions of the Law, the applicable legislation and the Articles of Association pertaining to the General Assembly.

Access to the Meeting Venue and Preparations:
ARTICLE 5 -
(1) The shareholders or their representatives listed on the Attendance List prepared by the Board of Directors, members of the Board of Directors, the auditor, other officers of the Company, persons in charge of the Electronic General Assembly System, members of the media, Representative of the Ministry and persons to be elected or appointed to the Chairmanship of the meeting shall be authorized to enter the meeting venue.
(2) The real person shareholders and the representatives appointed via electronic general assembly system pursuant to article 1527 of the Law are obliged to submit their identification documents; and the proxies of the real person shareholders are obliged to submit their identification documents along with their power of attorney; and the proxies of the legal person shareholders are obliged to submit their power of attorney and sign in the Attendance List as appropriate while entering the meeting venue. The check- in procedures are carried out by either the Board of Directors, one or more members of the Board of Directors or other person(s) appointed by the Board of Directors. The Attendance List shall be signed by the Chairman of the Board or any other member of the Board of Directors in the absence of the Chairman of the Board.
(3) The Board of Directors shall be responsible for organizing a meeting venue convenient for participation of all of the shareholders and providing all documents, stationary and other equipment required for the meeting. Save for the provisions of the related regulation for the Electronic General Assembly System, the audio visual recording of the meeting may be permitted.

Opening of the Meeting:
ARTICLE 6 -
(1) The meeting shall be convened in the headquarters of the Company or in a convenient place in Ankara, İstanbul or İzmir, on the date previously announced, and shall be opened pursuant to the written confirmation of the Chairman or the Vice Chairman or any other member of the Board of Directors stating that the quorum stipulated in the Articles of Association is present.

Setting up the Chairmanship of the Meeting:
ARTICLE 7 -
(1) As per article 6 of this Internal Directive and under the supervision of the person who has opened the meeting, firstly, one of the shareholders from among the nominees shall be elected as the Chairman responsible for monitoring the General Assembly meeting. If necessary, a Vice Chairman shall also be elected in the same manner.

(2) At least one secretary and sufficient number of vote collectors shall be appointed by the Chairman. Experts may be assigned by the Chairman of the meeting for technical support of the Electronic General Assembly System during the meeting.
(3) The Chairmanship of the meeting shall be authorized to sign the minutes and other related documents.
(4) The Chairman of the meeting shall carry out its duties in compliance with the provisions of the Law, Articles of Association and this Internal Directive.

Powers and Duties of the Officers of the Meeting:
ARTICLE 8 -
(1) The Chairmanship of the meeting shall carry out the following duties under the presidency of the Chairman:
- **a)** To ensure whether the meeting is held at the announced address and the meeting venue complies with the related provisions of the Articles of Association.
- **b)** To check whether the General Assembly is summoned in accordance with the provisions of the Articles of Association and with an announcement, posted on the website of the company if the company is obliged to set up a website and published in the Turkish Trade Registry Gazette; to check whether such call is made three weeks prior to the planned meeting date excluding the day of announcement and the meeting; to ensure whether the notification of the meeting date and the copies or the names of the journals the announcement and the agenda have been published or to be published are delivered by registered mail to the shareholders listed in the share ledger or which have notified to the Company their addresses along with their share certificates or other documents verifying their shareholding; and to make an entry in the minutes accordingly.
- **c)** To check whether any person without a clearance has accessed the meeting venue and whether the duties of the Board of Directors regarding the rules of access to the meeting venue as set forth in the 2nd paragraph of article 5 of this Internal Directive, have been performed properly.
- **d)** To check whether the Articles of Association, share ledger, annual report of the board of directors, audit reports, financial statements, agenda, draft amendments to the Articles of Association as proposed by the Board of Directors if included in the agenda, consent of the Capital Markets Board and other relevant authorities together with the necessary permit obtained from the Ministry of Customs and Trade of the Republic of Turkey and the draft amendments attached thereto, the Attendance List issued by the Board of Directors, the related minutes of the adjourned meeting if the General Assembly is summoned pursuant to a adjourned meeting, and other documents required are in order and present at the meeting venue; and to make an entry in the minutes accordingly.
- **e)** In case of any objection or if necessary, to check the identification documents and the accuracy of the power of attorney of the participants who attend the General Assembly either in person or by proxy through signing the Attendance List.
- **f)** To check whether the executive directors, at least one member of the Board of Directors and the Independent Auditor are present at the meeting; and to make an entry in the minutes accordingly.
- **g)** To moderate the proceedings of General Assembly keeping the meeting on track with the scope of its agenda except for the matters permitted by Law; to maintain a sense of order; and to take necessary measures to this effect.
- **h)** To open and close the sessions and sittings and to close the meeting.
- **i)** To read or cause someone to read the documents regarding the issues debated such as resolutions, proposals, minutes, reports, recommendations or their abstracts and to give the floor to the participants upon request.
- **j)** To decide when an issue is to be voted on and announce the results of the votes.
- **k)** To check whether the minimum quorum required is present at the beginning, during and at the end of the meeting and whether the resolutions are adopted in compliance with the quorum stipulated in the Law and in the Articles of Association.
- **l)** To announce the notifications served by the representatives as set forth in article 429 of the Law to the General Assembly.

m) To take necessary measures to prevent the participants who are not entitled to cast votes as per article 436 of the Law from casting votes on the issues stipulated in the related article; and to ascertain any kind of restrictions imposed on the right to vote and privileged votes by the Law and the Articles of Association.

n) Upon the request of shareholders holding one twentieth of the share capital of a public company, to adjourn the debate regarding the financial statements and any other related issues and resume it in the next meeting to be held in one month without a need to obtain the approval of the General Assembly.

o) To keep the minutes of proceedings of the General Assembly, make entries to the minutes regarding the objections raised, to sign the resolutions and the minutes, to record clearly in the minutes all the votes casted for and against.

p) To deliver the minutes of the meeting, annual report of the Board of Directors, audit reports, financial statements, the Attendance List, the agenda, motions, ballot papers if any and protocols of the votes and all other related documents to one of the Board of Directors members at the end of the meeting with a receipt.

Procedures Prior to Opening the Agenda Items to Discussion:
ARTICLE 9 -

(1) The Chairman of the meeting shall read or cause to be read the agenda to the General Assembly and ask whether there is any proposal to change the order of the items of the agenda. If any participant makes a motion in this respect, the Chairman submits the proposal to the General Assembly for its approval. The order of the items of the agenda may be resolved to be changed by a quorum pursuant to the related provisions of the Articles of Association.

The Agenda and the Discussion of the Agenda Items:
ARTICLE 10 -

(1) Ordinary General Assembly agenda shall mandatorily consist of the following items:

a) The opening of the meeting and the election of the Chairmanship of the meeting,
b) Presentation, discussion and adoption of the Annual Report issued by the Board of Directors of the Company,
c) Presentation of the Executive Summary of the Independent Audit Report for the related fiscal year,
d) Presentation, discussion and adoption of the Financial Statements of the related fiscal year,
e) Acquittal of each member of the Board of Directors,
f) Acquittal of each of the auditors,
g) Determining the number and the term of office of the members of the Board of Directors, election of the members of the Board of Directors accordingly, election of the Independent Board Members,
h) Pursuant to the Turkish Commercial Code and the Capital Markets Board regulations, approval of the Independent Audit Firm and the Group Auditor appointed by the Board of Directors,
i) Presentation and approval of the remuneration policy and the payments made to the members of the Board of Directors and top management pursuant to the Capital Markets Board regulations,
j) Determination of the gross monthly remuneration of the Board members,
k) Determination of the method of utilization of profit, distribution of profit and the dividends,
l) Discussion of the proposed amendments to the Articles of Association, if any,
m) Any other business as necessary
n) Any other matter to be discussed and adopted as per the Capital Markets Board regulations and the requirements of the relevant Governmental Authorities.

(2) The agenda of the extraordinary general assembly meeting shall consist of the specific matters which require an extraordinary meeting to be convened.

(3) The items which are not included in the agenda cannot be discussed or adopted, except for the ones listed below:

a) If all of the shareholders are present at the meeting, new items can be added to the agenda by upon unanimous approval of such shareholders.

b) Pursuant to article 438 of the Law, a demand for a special audit of a shareholder shall be adopted by the General Assembly, regardless of being included in the agenda.
c) The replacement of the members of the Board of Directors shall be regarded as a part of the adoption of the year-end financials, hence such decisions shall be resolved regardless of being included in the agenda.
d) If there is just cause such as corruption, incapability, breach of duties of commitment, difficulty in performing duties due to multiple membership in numerous companies, incompatibility or fraud, the replacement of the members of the board of directors shall be resolved to be included in the agenda by a quorum stipulated in the Articles of Association.

(4) Any item already adopted in the General Assembly cannot be renegotiated unless the participants decide otherwise with unanimity.
(5) Any matter required by the Ministry to be discussed in the General Assembly as a result of any audit conducted or otherwise shall be added to the agenda.
(6) The scope of the agenda is set forth by the party who summons the General Assembly meeting.

Taking the Floor in the Meeting:
ARTICLE 11 -
(1) Shareholders or others who wish to take floor shall notify the Chairmanship of the meeting accordingly. The Chairmanship announces the names of such participants to the General Assembly and gives the floor according to the order of filing a request. Save for the regulations of the Electronic General Assembly, those who are not present at the meeting venue when it is their turn to take the floor, shall lose their right to take the floor. Speeches shall be delivered addressing the General Assembly from the space allocated. Speakers may change their order to take the floor if agreed among them. In case a limit is set for duration of each speech, the speaker may only continue to speak with the consent of the next speaker after the expiry of its own time, provided, however the additional time granted cannot exceed the duration of the next speaker. Otherwise, the duration of the speech shall not be prolonged.
(2) The Board members and the auditors who wish to give additional information or make explanations on the matter being discussed shall be given the floor by the Chairman of the meeting, regardless of the order of request.
(3) Duration of the speeches shall be set by the General Assembly, upon the proposal of the Chairman or the shareholders, depending on the intensity of the agenda, the total number of agenda items and the significance of the matter and also the number of people demanding to take the floor.
(4) The procedures and principles stated in article 1527 of the Law and the related secondary legislation shall apply to the submission of motion by the shareholders or their representatives participating in the General Assembly electronically pursuant to the related article of the Law.

Voting and Voting Procedures:
ARTICLE 12 -
(1) Before the voting starts, the Chairman of the meeting shall announce the agenda item to be voted to the General Assembly. If a draft resolution to be voted on, the voting can start only after it is recorded in writing and announced. Once it has been announced that the voting is about to begin, a participant can take the floor only to speak about the procedural issues. In the mean time, if there are any shareholders who have yet to be given the floor, they may use their right to take the floor upon notifying a reminder yet subject to the confirmation of the Chairman. Once the voting begins, no one shall be given the floor.
(2) The votes on the discussed matters shall be casted by way of raising hands, standing up or by stating agreed or objected for each item separately. Votes shall be counted by the Chairmanship of the Meeting. When needed, the chairmanship may assign sufficient number of people to assist the counting process. Those who do not raise a hand or stand up or make a statement shall be considered to cast a negative vote and such votes shall be regarded to be in objection.
(3) The procedures and principles stated in article 1527 and the related secondary legislation shall apply to the voting procedures of the shareholders or their representatives participating in the General Assembly electronically as per the said article.

Preparing the Minutes of the Meeting:
ARTICLE 13 -

(1) Attendance List showing each of the shareholders or their representatives, their shares, share groups, number and nominal value of the shares shall be signed by the Chairman of the meeting. The summary of the questions and answers raised during the meeting, the decisions adopted and the number of affirmative and negative votes casted for each decision shall explicitly be indicated in the minutes and the minutes shall be issued in accordance with the relevant provisions of the Law and the applicable legislation.

(2) The minutes of the General Assembly meeting shall be either typed by using a typewriter or computer or shall legibly be handwritten with a pen at the meeting venue during the meeting. If minutes to be typed with a computer, a printer for taking any print out, shall be provided at the meeting venue.

(3) The minutes shall be issued in two copies and each page shall duly be signed by the chairmanship of the meeting and the Representative of the Ministry.

(4) The commercial title of the Company, the date and the venue of the meeting, total nominal value and the number of shares representing the share capital of the company , total number of shares represented in the meeting in person or by proxy , full name of the representative of the Ministry and the date and number of the assignment note of this representative, the means of announcement if the convocation of the meeting is announced or if not announced a note in this respect shall mandatorily be indicated in the minutes.

(5) The number of the votes relating to each decision adopted in the meeting shall be stated in the minutes explicitly both numerically and alphabetically to ensure clarity.

(6) The full names of those casting negative votes against the decisions adopted in the meeting and their reasons for the dissenting opinion, if so requested, shall be reported in the minutes.

(7) In the event of written delivery of the reasoning for the dissenting opinion, this note shall be attached to the minutes. The full name of the shareholder or its representative submitting dissenting opinion shall be mentioned in the minutes and a reference shall be made to the attached note containing the dissenting opinion. The dissenting opinion note attached to the minutes shall be signed by the chairmanship of the meeting and the Ministry representative, if any.

Procedures to be Followed after the Closing of the Meeting:
ARTICLE 14 -

(1) The chairman of the meeting shall deliver one copy of the meeting minutes and all other related documents to one of the members of the Board of Directors present in the meeting.

(2) Save for the longer periods set forth in the Law for specific transactions, the Board of Directors shall be obliged to deliver a notarized copy of the minutes to the trade registry in fifteen days following the date of the meeting at the latest and to cause the matters indicated in the minutes which are required to be registered and announced to be registered and announced accordingly.

(3) The minutes shall immediately be posted on the website, the Public Disclosure Platform and the Electronic General Assembly System.

(4) The chairman of the meeting shall immediately deliver a copy of the Attendance List, the agenda and the minutes of the General Assembly meeting to the representative of the Ministry.

Attending the Meeting Electronically:
ARTICLE 15 -

(1) In the event of electronic participation to the General Assembly meeting as per h article 1527 of the Law, the related procedures shall be followed by the board of directors and the chairmanship of the meeting in accordance with the article 1527 of the Law and the related legislation.

PART THREE

Miscellaneous Provisions

Attendance of the Representative of the Ministry and the Documents Related to the General Assembly Meeting:
ARTICLE 16 -
(1) For the meetings where the attendance of the Representative of the Ministry is compulsory, the provisions of the Regulation on Principles and Procedures of General Assembly Meetings of Joint Stock Companies and the Representatives of the Ministry of Customs and Trade Attending These Meetings shall apply for the matters related to summon of such a representative and the functions and powers of this representative.

(2) With regards to the preparation of the list who are entitled to participate in the General Assembly meeting, the Attendance List, the representation certificates and the meeting minutes, it is mandatory to comply with the provisions of the Regulation stated in the 1st paragraph and the provisions of this General Assembly Internal Directive to be used in the general assembly.

Other Issues:
ARTICLE 17 -
(1) If any other issue which has not been included in this Internal Directive arises during the meeting, it shall be resolved by the General Assembly in accordance with the applicable legislation.

Approval of the Internal Directive and the Amendments:
ARTICLE 18 -
(1) This Internal Directive shall, upon ratification of the General Assembly of Koç Holding A.Ş., be given effect, registered and announced by the Board of Directors. The amendments to the Internal Directive shall be subject to the same procedure.

Effectiveness of the Internal Directive:
ARTICLE 19 -
(1) This Internal Directive has been adopted in the Ordinary General Assembly meeting of KOÇ HOLDING ANONİM ŞİRKETİ on the date of April 10, 2013 and shall come into force on the date it is published in the Turkish Trade Registry Gazette.

APPENDIX/7 DISCLOSURE POLICY

OBJECTIVE
The purpose of the disclosure policy is to share information concerning Koç Holding A.Ş.'s past performance, future expectations, strategies, targets and vision, excluding any trade secrets, in light of the Group strategy, equally with the relevant authorities, current and potential investors and stakeholders. The policy aims at announcing Koç Holding A.Ş.'s financial statements in an accurate, fair, timely and detailed manner as per the generally accepted accounting principles and Capital Markets Regulations and providing a constant, efficient and open communication platform through the investor relations and corporate communications departments.

Koç Holding A.Ş. applies an active and transparent disclosure policy and acts in compliance with Capital Markets Board (CMB) and Istanbul Stock Exchange (ISE) Regulations in matters relating to informing the public and aims at implementing the most efficient disclosure policy within the scope of CMB Corporate Governance Principles.

RESPONSIBILITY
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.

TOOLS USED IN COMMUNICATING WITH THE INVESTORS

Methods and Tools

Within the framework of CMB and ISE Regulations and provisions of the Turkish Commercial Code, Koç Holding A.Ş. uses the following methods and tools for informing the public and defining its disclosure policy:

- Material disclosures sent to the ISE
- Periodic financial statements sent to the ISE
- Annual reports and interim reports
- Corporate website (www.koc.com.tr)
- Informatory documents and presentations prepared for the investors
- Investor meetings
- Prospectus, circular, announcements and other documents that are required by the Capital Markets Regulations
- Press releases in the printed or visual media
- Announcements and notices that are published in the Turkish Commercial Registry Gazette and daily newspapers

Spokespersons

In principle, with the exception of the forms, declarations and reports signed in accordance with the signature circular, the announcements and disclosures on behalf of Koç Holding A.Ş. using the above stated methods and tools can be made by the Members of the Board of Directors, CEO, CFO, the President of Corporate Communications and Information Technology Group or the President of Strategic Planning Group.

In addition, the Investor Relations Department can communicate on behalf of Koç Holding A.Ş. in promoting Koç Holding vis-à-vis current and potential individual and institutional investors and intermediary institutions both in Turkey and abroad; responding to information requests coming from analyst and research staff and answering questions received within the scope of investor relations.

Information and Promotion Documents Prepared for the Investors

An Investor Relations Department has been established under the Strategic Planning Group at Koç Holding A.Ş. to manage the relations with both current and potential investors and analysts, respond to investor inquiries in the most efficient manner and carry out activities to reach the fair value. Relations with the stakeholders are carried out in coordination with the Investor Relations Department.

The Executive Management of Koç Holding A.Ş. and Investor Relations Department meet frequently with intermediary institutions, analysts and investors to promote Koç Holding A.Ş.'s operational and financial performance; vision, strategy and goals and the value Koç Holding creates for its investors, in the best possible manner.

Investor Relations Department aims to inform investors in the best possible way through investor tools such as presentations, investor bulletins, Q&A documents, company website, annual report, teleconferences and web-casts, investor meetings, etc. and ensures that all such tools are prepared, published and updated in compliance with the legislation.

Investor Relations officers endeavor to facilitate all meeting requests received during the year, regularly attend conferences organized in Turkey and abroad and hold one-on-one meetings with investors. These meetings are also attended by the President of Strategic Planning Group, CEO and CFO periodically, enhancing the communication between shareholders and potential investors and our Executive Management. In order to ensure effective financial communication, presentations are prepared on a quarterly basis on the financial results and analyst meetings or teleconferences and web-casts are organized with the attendance of the Investor Relations Coordinator, President of Strategic Planning Group, CFO and from time to time the CEO to answer the questions received from investors and analysts.

The company website, which is updated regularly, and the informative documents shared with the stakeholders through the website aim to facilitate easy access to investor relations tools and the close monitoring of the developments in the Turkish economy and Koç Group by the stakeholders and the analysts. Detailed information has been provided below on the annual reports and the website contents.

From time to time, analyst reports are shared on the website, with the prior consent of the relevant analyst, to provide investors with a different viewpoint. Koç Holding A.Ş. is not in a position to review, verify or approve analyst reports or models. However, if requested, in order to avoid misinforming the public, Koç Holding A.Ş. can control the analyst reports before they are published to ensure that historical and public information used in the reports are correct.

The foremost objective of the Investor Relations Department is to carry out the mutual relationship between the company and stakeholders in the most efficient manner. Within this context, the Investor Relations Department assumes a bridge function between the Executive Management and stakeholders. The Department conveys Koç Holding A.Ş.'s investment messages to the investors while providing periodic reporting to the Executive Management on the evaluations and feedback received from the stakeholders, thereby facilitating a two-way communication.

POLICIES PERTAINING TO MATERIAL DISCLOSURES

Responsibility

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.

List of Individuals with Administrative Responsibility

Members of Koç Holding A.Ş.'s management and audit organs; individuals who are directly or indirectly in a position to have consistent access to insider information on Koç Holding A.Ş. and who, at the same time, have the authority to make administrative decisions on Koç Holding A.Ş.'s future development and commercial objectives are on the list of individuals with administrative responsibility. Individuals who have consistent access to insider information and who, at the same time, are authorized to make administrative decisions are the members of the Board of Directors, Legal Auditors, Presidents, Directors and the General Secretary.

Up-to-date information on these individuals is provided on Koç Holding A.Ş.'s website.

Procedure to be Followed in Case of Press News

Tracking Mechanism:
Koç Holding A.Ş. tracks news that is published on Koç Group in important national media through a media tracking agency. Within this context, every morning, the news is distributed to Koç Groups's senior management, investor relations departments and corporate communications departments. In addition, news published on Koç Group in Reuters is monitored.

Performing the Liability to Validate:
In the case of news appearing in public or the press about Koç Holding A.Ş., which are not sourced by persons who are authorized to represent the company, that may potentially affect the investment decisions or the price of the capital market instruments, an announcement is made as to whether this information is correct or sufficient.

If the news does not have significance in terms of insider information, in principle no announcement is issued. However, Corporate Communications Department evaluates whether there is value added in making an announcement on such a subject, which does not require the issuance of a material disclosure as per the Communiqué.

Unfounded News and Rumors:
In principle, Koç Holding A.Ş. does not comment on news that clearly appear not to be sourced from Koç Holding A.Ş., or that clearly appear to be gossip, rumor and unfounded. However, if deemed necessary, Koç Holding A.Ş. may decide to comment on such unfounded news in order to protect the interest of the shareholders.

News Pertaining to Information Whose Announcement is Postponed:
In principle, if there is news appearing on the media on information, the announcement of which is postponed to protect the lawful interests of Koç Holding A.Ş., despite all measures that have been taken to protect the confidentiality of the subject information, Koç Holding A.Ş. remains silent. However, Koç Holding A.Ş. may decide to make an announcement if deemed necessary to protect the interest of the company and the investors.

In the postponement stage, no further comments are made and no statements are issued that contradict the information. It may be expressed that no information will be provided on the process and that the public will be informed when the developments are clarified.

Measures to Protect Insider Information until Public Announcement:
Koç Holding A.Ş. employees who are in a position to have insider information and the other relevant parties are informed about their liability to protect insider information between the time when the information subject to a material disclosure develops until it is announced to the ISE.

As a general principle, Koç Holding A.Ş. and the persons who work in the name and on account of Koç Holding A.Ş. cannot, by any means, share information that is not publicly available and that may qualify for a material disclosure, with third parties. If it is determined that insider information has unintentionally been shared by these people with third parties, if it is concluded that the confidentiality of the information cannot be protected, within the scope of Capital Market legislation, then a material disclosure is made.

If the public disclosure of such information is postponed, a list is drawn up including the names of the persons who have access to the subject information at the time of postponement and "Koç Holding A.Ş.'s List of Individuals Who Have Access to Insider Information" is updated accordingly. The necessary work is completed to inform these people and the other parties who have access to the subject information and reasonable precautions are implemented.

PUBLIC DISCLOSURE OF FINANCIAL STATEMENTS

Koç Holding A.Ş.'s financial statements are prepared in accordance with International Financial Reporting Standards within the scope of CMB regulations. As per the International Audit Standards, annual and semi-annual financial statements are independently audited and publicly announced.

Prior to public disclosure, financial statements and footnotes, prepared according to CMB regulations are approved by the Audit Committee and submitted to the Board of Directors for approval. After the attestation has been signed, the financial statements, footnotes and the independent auditor's report are submitted to the ISE in accordance with the Capital Markets Law and ISE regulations. Historic financial statements and footnotes are available on Koç Holding A.Ş. Investor Relations website.

ANNUAL REPORT

The contents of the annual report are prepared as per international standards, CMB regulations and CMB corporate governance principles. Following preparation by the Investor Relations Department, the annual report is submitted to the Board of Directors for approval and publicly disclosed on the website at the latest three weeks prior to the General Assembly Meeting. The annual report is available on the website in Turkish and English. Printed copies may also be obtained from Koç Holding A.Ş. Corporate Communications and Investor Relations departments.

In addition, the quarterly interim reports are publicly disclosed via the ISE and shared with the investors on the website.

CORPORATE WEB SITE

Corporate Communications Department is responsible for coordinating the preparation of Koç Holding A.Ş.'s website. The content of the website is prepared in a way to provide various information that all stakeholders will find useful. A separate section is available for stakeholders and investor relations, the content of which is defined by the Investor Relations Department. This sections functions as a platform where detailed, comprehensive and up-to-date information used by the investors, shareholders and analysts in conducting company valuations and monitoring the company and share price performance can be accessed.

Investors can track the upcoming conferences and investor meetings that Koç Holding A.Ş. will attend on the website and the investor presentation that will be used in the meetings is published on the website on the day the conference starts, to ensure simultaneous information sharing with all parties. Furthermore, teleconferences are aired via web-casting to facilitate a wide participation and the replay and full transcript, including the Q&A session, is made available on the website thereafter. Most of the information on the website is available in both Turkish and English. In addition to current information, analyses, evaluations and historic information and statistics are also available.

ANNOUNCEMENTS PERTAINING TO THE EXERCISE OF SHAREHOLDER RIGHTS

Within the scope of Capital Markets regulations, shareholders are informed about the general assembly meetings, capital increases, dividend payments, mergers and split-offs through the use of prospectus and announcements. The subject documents are published on Koç Holding A.Ş. website, in addition to the media foreseen in the regulations, to facilitate easy access to investors.

MILESTONES

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 at 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 the Koç Group.

1930s

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.

1940s

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.

1950s

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. An agreement is made with Ford, which will evolve into the Ford-Otosan partnership in the coming years.

1960s

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.

1970s

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.

1980s

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.

1990s

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.

2000s

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.

2005

Large investments in energy and finance

While continuing its path of sustainable growth, Koç Group acquires a 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

Profitability focused growth strategy

As part of its focused growth strategy that aims to increase efficiency, profitability and shareholder value, Koç Holding decides to focus on **organic and inorganic growth opportunities.**

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

The 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

85th year

As a holding that makes a difference at every stage of its business programs, values innovation, takes risks but also manages risks well, and aims to offer the best products and services, Koç Holding has successfully completed its 85th year in business.

2012

Turkey's largest...

Koç Holding is **Turkey's leading investment holding company** and the Koç Group is Turkey's largest industrial and services group in terms of its revenues, exports, share of the Istanbul Stock Exchange market capitalization and employment generation. Awarded nationally and internationally, Koç Holding is the Turkish economy's driving force and it continually consolidates its global position. The Holding is today the **222nd largest company in the world.** 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.

2013

We are the Key!

Koç Holding has defined its slogan for 2013 **"We are the Key"**; throughout its 87-year history, it has played a key role in many breakthroughs in Turkey, from the country's industrialization to its globalization. Today, as Turkey's largest Group of Companies, it will continue to create value for all its shareholders.

AWARDS AND ACHIEVEMENTS

Koç Holding is the **only Turkish company** in **"Fortune Global 500"** list (the 222^{nd} largest according to the 2011 financial results).

Koç Holding is the **only Turkish company** in the list of the **"World's Most Admired Companies"** in the energy sector in **Fortune**'s 2013 rankings.

Koç Group remains Turkey's largest industrial group. According to **Istanbul Chamber of Industry's** "Turkey's Top 500 Industrial Enterprises 2011" ranking, **five of the top ten companies are Koç Group companies.**

Four of the top ten companies in **Turkish Exporters' Assembly**'s ranking of "Top 1,000 Exporters of Turkey" in 2011 are Koç Group companies (1^{st}, 2^{nd}, 5^{th} and 6^{th}).

Koç Holding is **one of only three Turkish companies** on the Boston Consulting Group's (BCG) **"2013 BCG 100: Rising Stars" list.**

Koç Holding was listed among the **world's top companies by R&D investment** according to the **"EU Industrial R&D Investment Scoreboard"** for 7 consecutive years rising to 485^{th} place in 2012. Of the five Turkish companies on the list, two are Koç Group companies.

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 society.

Koç Holding took 354^{th} place in **Newsweek's Green Rankings 2012: Global Companies,** which evaluates the environmental performance of the world's largest 500 companies.

Koç Holding won the **UNDP Special Award** at the Turkish Public Relations Association's (TÜHİD) Gold Compass Awards for the general implementation approach of **For My Country** project.

Koç Holding's **"Vocational Education: a Crucial Matter for the Nation"** project, conducted in collaboration with the Vehbi Koç Foundation and the Ministry of Education, was chosen by the Youth Employment Program, an affiliate of the International Labor Organization, as **exemplary practice** supporting the employment of young people in the European region.

At the MarCom Awards, held under the supervision of the American-based Association of Marketing & Communication Professionals, Koç Holding garnered the Platinum Award, the **most prestigious of the prizes,** in 2012 for **Koç Fest.** This award emphasizes "high professional performance" in **five categories** related to communication in local and national media: "Promotion Campaign", "Written Media Visibility", "Media Communication", "Communication Program" and "Communication Plan".

In the "Best of the Year" contest, held under the auspices of the Kabataşlılar Association, with the participation of Kabataş Erkek Lisesi teachers, students and graduates, Koç Holding was the **"Best Advertisement in 2012"** for its **10 November advertisement.**

Koç Holding Annual Report was awarded **"Best Holding Annual Report in the World",** making it worthy of the gold prize in the "MerComm Galaxy Awards" in 2012.

Identity

Trade Name	Koç Holding A.Ş.
Address	Nakkaştepe, Azizbey Sokak No:1 Kuzguncuk 34674 Üsküdar / İstanbul
Trade Registry and Number	İstanbul Ticaret Sicili / 85714
Web Site Address	www.koc.com.tr
Registered Capital Ceiling	TL 3,000,000,000
Paid-in Capital	TL 2,535,898,050z

Disclaimer

The Board of Directors' Report, Auditors' Report, Consolidated Financial Statements and Independent Audit Report regarding the operations and financials of the year 2012, included in this Annual Report ("Report"), are prepared in accordance with the legal requirements for the Ordinary General Assembly, which will be held on Wednesday, 10 April 2013 at 4.00pm, at Koç Holding headquarters, Nakkaştepe, Azizbey Sokak No: 1 Kuzguncuk 34674, Istanbul.

This Report is prepared only to provide 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 solely reflecting the Company management's views with respect to certain future events; thus the actual results and developments may differ from these estimates depending on the variables and assumptions. Accordingly, neither Koç Group nor its 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 on 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 accepts no responsibility for any spelling or printing errors that may occur during its preparation.

For further information

Phone: +90 216 531 0000
Fax : +90 216 531 0099
E-mail : iletisim@koc.com.tr

Corporate Communication

Oya Ünlü Kızıl, Director
E-mail : oyau@koc.com.tr
Phone: +90 216 531 0381
Fax : +90 216 343 1537

Investor Relations

Funda Güngör Akpınar, Coordinator
E-mail : fundag@koc.com.tr
Phone: +90 216 531 0535
Fax : +90 216 531 0099

This report has been published using recycled paper and environment-friendly technologies.

PRODUCED BY FINAR KURUMSAL © 2013
WWW.FINARKURUMSAL.COM • TEL +90 212 269 37 20

The largest investment holding company in Turkey

Best proxy to the Turkish market

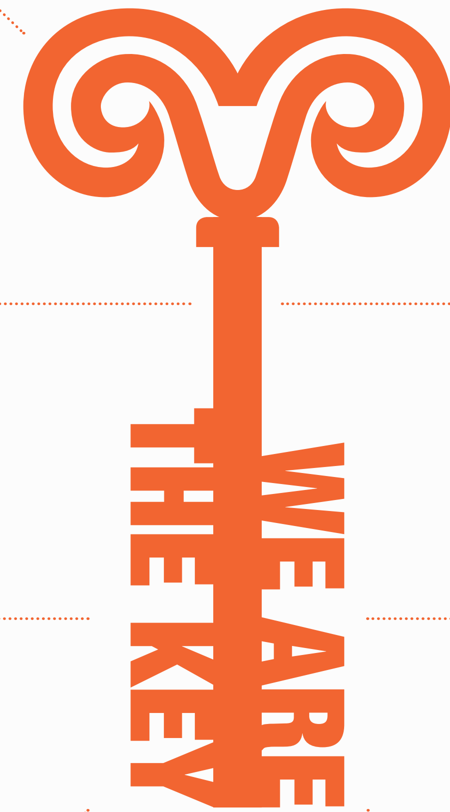
The **only Turkish company** in Fortune 500

Leader in Production

According to İstanbul Chamber of Industry's rankings, 5 of the top 10 companies are Koç Group companies (as the 1^{st}, 2^{nd}, 5^{th}, 6^{th} and 10^{th})

Leader in Export

12% of Turkey's exports



Leader in R&D

Largest Turkish company in the world's top companies by R&D investments

Leader in Energy

Turkey's sole refining company and leader distribution companies

Leader in Automotive

50% of Turkey's automotive production and 47% of automotive exports

Leader in Consumer Durables

Leading company with over 50% domestic market share

Leader in Innovation

Largest patent applications in Turkey

Leader

in sustainable and lucrative areas of banking

The Key to strong partnerships and collaboration

www.koc.com.tr