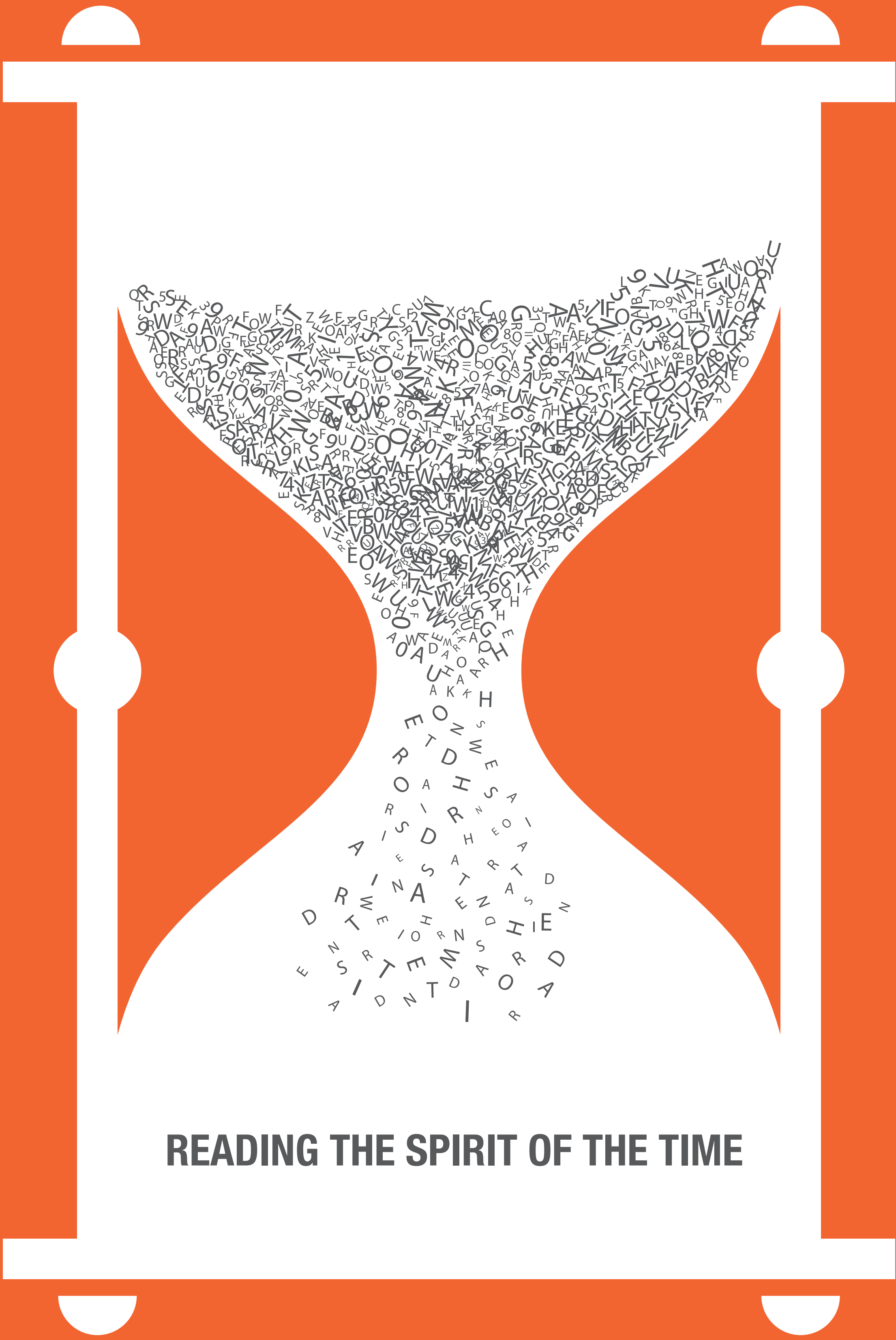
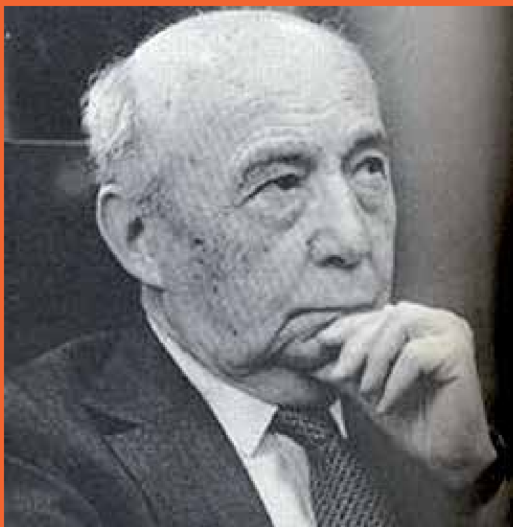
KOÇ HOLDİNG ANNUAL REPORT 2013



READING THE SPIRIT OF THE TIME



CORPORATE VALUES

THE CORPORATE VALUES SET BY OUR FOUNDER VEHBI KOÇ WILL CONTINUE TO INSPIRE OUR GROUP IN THE FUTURE, JUST AS THEY HAVE IN THE PAST.

THE CUSTOMER IS THE FOCUS OF EVERYTHING WE DO.

TO BE “THE BEST” IS OUR ULTIMATE GOAL.

OUR MOST IMPORTANT ASSET IS OUR PEOPLE.

CREATION OF WEALTH FOR CONTINUOUS DEVELOPMENT IS OUR KEY OBJECTIVE.

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

VEHBİ KOÇ
FOUNDER

KOÇ HOLDİNG: TURKEY'S LEADING INVESTMENT HOLDING COMPANY

KOÇ HOLDİNG IS TURKEY'S LEADING INVESTMENT HOLDING COMPANY AND THE KOÇ GROUP IS TURKEY'S LARGEST INDUSTRIAL AND SERVICES GROUP IN TERMS OF REVENUES, EXPORTS, TAXES, SHARE IN BORSA İSTANBUL'S MARKET CAPITALIZATION AND EMPLOYMENT GENERATION.

LEADER AND GLOBAL PLAYER

KOÇ GROUP FOCUSES ON SUSTAINABLE AND PROFITABLE GROWTH WITH CONSISTENT LEADERSHIP POSITIONS IN TURKEY AS WELL AS IN THE REGION WITH THE INTENTION OF BEING AN IMPORTANT PLAYER WORLDWIDE.

CREATING VALUE FOR ITS STAKEHOLDERS FOR 88 YEARS

BECOMING EVER STRONGER OVER THE PAST 88 YEARS DESPITE ECONOMIC VOLATILITY IN TURKEY, KOÇ HOLDİNG'S CENTRAL OBJECTIVE IS TO CREATE VALUE FOR ITS STAKEHOLDERS.

OUR STRATEGY

BE ACTIVE IN THOSE SECTORS WHERE WE CAN CREATE DIFFERENTIATION AND HAVE A COMPETITIVE ADVANTAGE

EXECUTION POWER

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

MINIMIZE SECTOR AND GEOGRAPHIC RISKS THROUGH A DIVERSIFIED PORTFOLIO STRUCTURE

RISK MANAGEMENT

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

SECTORS	SHARE IN COMBINED SALES	SHARE IN COMBINED OPERATING PROFIT
ENERGY	53%	7%
Refinery		
Fuel Distribution		
LPG Distribution		
Power Generation		
Natural Gas		
Other		
AUTOMOTIVE	20%	25%
Automotive		
Passenger Cars		
Commercial Vehicles		
Farm Tractors		
Defense Industry		
CONSUMER DURABLES	10%	17%
White Goods & Consumer Electronics		
Air Conditioner		
FINANCE	11%	49%
Banking		
Leasing		
B-Type Investment Trust		
Real Estate Investment Trust		
Factoring		
Brokerage		
Asset Management		
Consumer Finance		
OTHER LINES OF BUSINESS	6%	2%
Food Production		
Food Product Distribution		
DIY Retailing		
Tourism		
Marina Operations		
IT		
Ship & Yacht Construction		

(1) Publicly traded companies.
(2) Private sector asset size. (3) Credit card balances. (4) Tomato paste, tomato products, ketchup, premium pasta and pasteurized milk.

MAKE THE MOST OUT OF OUR BRAND STRENGTHS AND TECHNOLOGICAL COMPETENCE

DERIVE MAXIMUM BENEFITS FROM ECONOMIES OF SCALE BY BEING THE MARKET LEADER OR A CLOSE SECOND IN EVERY BUSINESS WE OPERATE

SUSTAINABLE GROWTH

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

LEADERSHIP

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

COMPANIES / INTERNATIONAL PARTNERSHIPS	MARKET POSITION
Tüpraş[1]	Sole & Leader
Opet	2nd- 19%
Aygaz[1]	Leader - 29%
AES Entek / AES Corporation	
Aygaz Doğal Gaz	
Akpa, Demir Export	
Ford Otosan[1] / Ford Motor Co. Tofaş[1] / Fiat Auto S.p.A.	Leader - 25%
	Leader - 17%
	Leader - 47%
TürkTraktör[1] / Case New Holland	Leader – 49%
Otokar[1]	Leader
Arçelik[1]	Leader
Arçelik LG Klima / LG Electronics	Leader
Yapı Kredi Bankası[1] / UniCredit	4th[2], Leader[3] - 21%
Yapı Kredi Leasing[1]	Leader - 15%
Yapı Kredi Yatırım Ortaklığı[1]	2nd
Yapı Kredi Koray[1]	
Yapı Kredi Faktoring	Leader - 17%
Yapı Kredi Yatırım Menkul Değerler	3rd
Yapı Kredi Portföy Yönetimi	2nd
KoçFinans	Leader
Tat Gıda[1] / Kagome, Sumitomo	Leader[4]
Düzey	
Koçtaş / B&Q	Leader
Setur, Divan, Mares[1]	
Setur Marinaları	Leader
Koç Sistem, Bilkom	
RMK Marine	

MAIN COMPETITIVE ADVANTAGES

- WE LEAD IN SECTORS WITH HIGH GROWTH POTENTIAL
- 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

CONTENTS

AGENDA OF THE ORDINARY GENERAL ASSEMBLY

1. Opening and election of the Chairmanship Committee.
2. Presentation for discussion and approval of the Annual Report of the Company for the year 2013 as prepared by the Board of Directors.
3. Presentation of the summary of the Independent Audit Report for the year 2013.
4. Presentation for discussion and approval of the Financial Statements of the Company for the year 2013.
5. Release of each member of the Board of Directors from liability for the affairs of the Company for the year 2013.
6. Presentation for discussion and approval, to the shareholders, of the Profit Distribution Policy of the Company for 2013 and the subsequent years in accordance with the Capital Markets Board legislation.
7. Approval, approval with modifications, or disapproval of the Board of Directors' proposal on distribution of profits for the year 2013 and the distribution date.
8. Resolution of the number of the members of the Board of Directors and their terms of office, and election of the members of the Board of Directors in accordance with the resolved number and election of the Independent Board Members.
9. In accordance with the Corporate Governance Principles, presentation to the shareholders and approval by the General Assembly, of the "Remuneration Policy" for the members of the Board of Directors and the Senior Executives and the payments made thereof.
10. Resolution of the monthly gross salaries to be paid to the members of the Board of Directors.
11. Approval of the appointment of the Independent Audit Firm as selected by the Board of Directors, in accordance with the provisions of the Turkish Commercial Code and the Capital Markets Board regulations.
12. Presentation to the shareholders, of the donations made by the Company in 2013, and resolution of an upper limit for donations for the year 2014.
13. In accordance with the Capital Markets Board legislation, presentation to the shareholders, of the securities, pledges and mortgages granted in favor of the third parties in the year 2013 and of any benefits or income thereof.
14. Authorization of the shareholders with management control, the members of the Board of Directors, the senior executives and their spouses and relatives related by blood or affinity up to the second degree as per the provisions of articles 395 and 396 of the Turkish Commercial Code and presentation to the shareholders, of the transactions carried out thereof in the year 2013 pursuant to the Corporate Governance Communique of the Capital Markets Board.
15. Wishes and opinions.

INDEPENDENT AUDITOR'S REPORT ON ANNUAL REPORT

To the Board of Directors of
Koç Holding Anonim Şirketi

As part of our audit, we have assessed whether the financial information and the assessment and explanations of the Board of Directors presented in the annual report of Koç Holding Anonim Şirketi ("Koç Holding" or "the Company"), its subsidiaries and its joint ventures (together will be referred to as the ''Group") prepared as of 31 December 2013 are consistent with the audited financial statements as of the same date.

Management is responsible for the preparation of the annual report in accordance with "the Communique related to the Determination of the Minimum Content of the Companies' Annual Report."

Our responsibility as independent auditors is to express an opinion on whether the financial information provided in the annual report is consistent with the audited financial statements on which we have expressed our opinion dated 21 February 2014.

Our assessment is made in accordance with the principles and procedures for the preparation and issuing of annual reports in accordance with Turkish Commercial Code No. 6102 ("TCC"). Those principles and procedures require that the audit is planned and performed to obtain reasonable assurance whether the financial information provided in the annual report are free from material misstatement regarding the consistency of such information with the audited financial statements and the information obtained during the audit.

We believe that the assessment we have made is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial information and the assessment and explanations of the Board of Directors in the accompanying annual report of Koç Holding Anonim Şirketi, its subsidiaries and its joint ventures are consistent with the audited financial statements as at 31 December 2013.

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

Ethem Kutucular, SMMM
Partner

Istanbul, 7 March 2014

KOÇ HOLDİNG UTILIZES ITS YEARS OF EXPERIENCE AND ITS ORGANIZATIONAL TRADITION TO METICULOUSLY ANALYZE THE PRESENT. IT EVALUATES CURRENT DATA IN LIGHT OF HISTORICAL EXPERIENCES AND IT STRIVES TO MAKE THE BEST DECISIONS BY DRAWING ON LESSONS FROM THE PAST.

Dear Shareholders,

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

The crisis that hit US financial markets in 2008 grew quickly to encompass the entire world. European markets, where we have extensive business, have suffered severely from the crisis. While these markets have improved some since then, they are not yet completely stable.

The upheavals in the US and Europe also impacted other regions around the world. Economic balances of power that had been static for years shifted. The economic growth of developing countries, once seen as the locomotive of the global economy, began to slow with double-digit growth rates falling to single-digits, which weakened optimism. Nevertheless, there are signs of recovery in developed countries, albeit slow, with the most positive of these being the effective management of the US economy.

Unrest in the global arena has yet to die down

Countries' domestic and foreign policies now play a leading role in determining international balances, having usurped that position from the financial movements or economic ratios of the recent past. The social, economic and political unrest in some Middle Eastern countries have brought changes in government. In addition, fluctuations in domestic and foreign policies have prompted polarizations in the global arena. The importance of the region as a major source for world oil adds to the reasons for concern. This unrest has yet to die down. While there is an emerging source of energy in shale gas, no practical way of substituting it for oil has been found yet. The United States is rich in this resource so it promises to remain an economic and political power for a long time.

Turkey faces more difficulties than other economies

Turkey is faced with even more difficult conditions than other economies due to its location. On the one hand, we are surrounded by many countries with serious problems and with which we have to maintain political and economic relations. On the other hand, we have extensive relations with Europe, which is experiencing major financial upheavals. The ensuing economic developments are impacting our financial system and the real economy. While many of our economic ratios may appear positive at first glance, a lasting solution to the current account deficit, our weakest point, has yet to be found. This is perceived as a risk factor for Turkey. Moreover, the elections scheduled to take place in the near term in Turkey sharpens the perception of risk.

We have full confidence in Turkey's potential

Koç Holding takes stock of its experience and organizational traditions while carefully analyzing current conditions. We superimpose our data on the present facts to gain insights that can help us in the present and guide us toward the best decisions. However, independent of everything else, is our confidence in Turkey's great potential, the industriousness and creativity of its young people, and the management skills of its business people.

This not only applies to our holding, but to the private sector as a whole, which has overcome past crises through skilled management. Our banking sector, in particular, is better equipped in terms of capital adequacy and foreign exchange exposure to handle diverse financial risks than those of many other countries.

Recent fluctuations in interest and foreign exchange rates may have a negative impact on balance sheets and ratios. Being sufficiently prepared beforehand and implementing alternative management policies can minimize damage during this period.

Our investments are rapidly materializing

Dear Shareholders,

As you know, Koç Holding has continued its investments without interruption during this turbulent period. It has allocated billions of dollars for global and technological projects. We have always made sustainable and profitable growth a priority. These investments will bring in billions of dollars, which will improve Turkey's foreign exchange balance, open new job opportunities for thousands of our young people, and bring advanced technology to the industries we have invested in.

We give risk management and high returns equal importance

The main principle of our management policy is treating potential returns and risks equally when it comes to correctly assessing and taking necessary precautions. Since 2008, when the crises emerged, in the face of fluctuating interest rates, liquidity and foreign exchange rates, we have set certain parameters - specific borrowing limits, foreign currency exposures, liquidity ratios and the like - for our companies. By strengthening Koç Holding's balance sheet, we raised our net cash position to US$ 800 million and our gross cash position to US$ 1.5 billion. In April, Koç Holding was only one of two companies in Turkey to be assigned an investment grade credit rating by both Moody's and Standard & Poor's. Because of this, we successfully issued a Eurobond under the most favorable conditions possible at the time.

Our enduring priority: Highest quality products and services

Our priority is to maintain the quality of our companies' products and services at the highest possible level. You see in the news that many of our companies have received awards for their performance in this area from national and international organizations. However, having superior quality is not sufficient; our products and services must also be competitive under free market conditions. Therefore, we are continuing to push technology development while keeping costs under control and economizing.

The theme for this year's Traditional Executive Managers Meeting was "Reading the Spirit of the Time." This theme not only encompasses the work I have mentioned, but it is also more meaningful in the context of today's economic and political environment. We must be more proactive than ever today, when there is rapid change and transformation in every field.

At home and abroad, we are tirelessly working to increase the market share of our products, to raise our brand values, and to assess emerging commercial and investment opportunities. You will see the positive results of these efforts in the media and in our annual report.

Our social responsibility projects continue to benefit society

We continually add to our social responsibility projects, which we have made a vital part of our business life. Our work in the areas of education, health and culture is undiminished.

At this meeting, just one step closer to our 90th year of business, I would like to extend my sincere thanks to our shareholders, customers, distributors, subcontractors, suppliers, unions, managers, and employees, who are resolute in their belief in the added value we create for Koç Group and for Turkey. I am confident that the current difficult period will pass and stability will return. I hope that we will have the opportunity to be together once again next year.

Rahmi M. Koç
Honorary Chairman

OUR GOAL IS TO CARRY KOÇ GROUP EVER FORWARD BY CAPITALIZING ON ITS EXISTING STRENGTHS, ACCURATELY READING THE SPIRIT OF THE TIME AND TURNING CHANGE INTO OPPORTUNITY.

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

The crisis that erupted five years ago and has since destabilized the world is continuing, albeit changing its form as it goes. What started out as a financial crisis developed into national debt crises, which paved the way for economic stagnation accompanied by rising unemployment and social conflicts.

The most significant development concerning the global economy in 2013 was probably Fed Chairman Ben Bernanke's 22 May announcement that he would start tapering bond purchases if stable economic growth were achieved in the US. In this event, developing countries experienced international capital outflows, bond rates rose and national currencies lost value. The Fed took its first step in this direction in December.

Accordingly, we see that investors are redefining their positions in global financial markets. The appeal of developing countries, which had attracted significant foreign investment, waned and investors shifted their attention back to countries they had previously turned away from.

Turkey, which had attracted hefty foreign portfolio investment under conditions of abundant, cheap global liquidity, was significantly affected by this new reality. Therefore, we can look at 2013 as consisting of two, distinct periods each with its own macroeconomic characteristics. The period preceding the Fed's May announcement was quite favorable; the period beginning in June was marked by operational uncertainty.

Casting an eye over our sectors of operation, we see that this situation affected virtually each of them in a different way. However, overall as a Group, we managed to have a successful year in 2013.

A robust structure based on sustainability

Koç Holding has been successful for 88 years because it accurately reads the spirit of the times, takes prompt action and adapts accordingly. For a long time, we have read sustainability as one of the important features of the spirit of our times. Sustainable companies and brands can be created only through a holistic, long-term strategic perspective.

We believe that our Companies can be competitive by focusing on long-term strategies and protecting the interests of all stakeholders while managing risks effectively and shaping strategies according to sustainable growth targets.

Within our framework of sustainable growth strategies, alongside financial robustness, we take into consideration such elements as lasting satisfaction of customers, employees and all stakeholders, brand value, technological strength, and social investments as a whole.

Taking a long-term, strategic view, the investments our companies make in new products, brands and R&D are continuing apace, and the awards they receive at home and abroad are very gratifying.

We compete against ourselves by raising the bar ever higher. Strong financial statements, sound cash flow and effective risk management capable of supporting this high level of performance are indispensable components of a sustainable business model. Moreover, a sturdy shareholder structure and solid management team are essential for a robust financial structure.

Therefore, a sustainable business model requires an appropriate corporate infrastructure, a clear and correct set of corporate values and policies, and full integration of the transparency, equality, accountability and responsibility that are needed for sound corporate governance.

The Koç Group has been growing in size and strength for 88 years. Throughout this time, it has contributed great value to society. We owe this success to continually searching out best practices globally, effectively integrating them into Group practices at every level, from production to marketing, and devising strategies that serve to create even better practices.

This management approach has transformed a small company into a holding that is leader in its sectors of operation - energy, automotive, banking, consumer durables, tourism, food, retail and defense - and it creates enormous value for the country's economy. As an exemplary Turkish company at home and abroad, Koç Group has become an important ambassador of Turkey's values to the rest of the world.

One of the international financial markets' most trusted addresses in Turkey

We are proud that Koç Holding is one of the international financial markets' most trusted addresses in Turkey. In 2013, S&P and Moody's assigned Koç Holding their investment grade long-term corporate credit rating, the first time a Turkish holding company has ever received this status.

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 to the net asset value.

While the average value of the Borsa Istanbul's 30 Index increased by 23% over the preceding year, Koç Holding's average market value rose by 39%. Koç Holding's average volume of free float shares held by foreign investors was 78%, above Borsa Istanbul average. While Turkish holding companies traded at a mean discount of 34% compared to the value of their net assets, Koç Holding traded at only 3%.

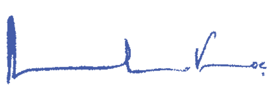
Leader in social investments and strategic philanthropy

Acting upon the "I live and prosper with my country" philosophy of our founder, Vehbi Koç, Koç Holding has become the leader in private-sector social investments and strategic philanthropy in Turkey. Social responsibility - the spirit of the time - is the backbone of sustainability.

Koç Holding takes a two-pronged, long-term strategic approach to social investments. The first involves the investments it carries out through the Vehbi Koç Foundation. One of the largest foundations in Europe in terms of resource allocations, the Vehbi Koç Foundation expresses our sense of responsibility towards Turkey and Turkish society. The second involves our social responsibility projects, the dimensions of which are nearly as great as those of an NGO. We take pride in the lasting solutions we have created for Turkey through projects such as: A Crucial Matter for the Country and the For My Country projects, implemented through the efforts of our employees and dealers.

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 made our economic and social achievements sustainable.

Sincerely,



Mustafa V. Koç
Chairman of the Board

Esteemed Shareholders,

Welcome to Koç Holding's 50th General Assembly Meeting.

We hereby present for your evaluation Koç Holding's 2013 Annual Report. The first section of the report provides general information about Koç Holding, its goals, strategies and operations in 2013, while the 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 2013, and other disclosures required by the Capital Markets Board (CMB).

The financial results presented in this report have been prepared on a consolidated basis according to "Communique Regarding Capital Market Financial Reporting Rules nr.II.14.1." in compliance with CMB's Turkish Accounting Standards/Financial Reporting Standards ("TMS/TFRS") and the formats specified by CMB. Apart from the items in the income statement already denominated in foreign currencies, such as exports, all other items in foreign currency have been converted using the yearly exchange rate averages. The balance sheet conversions use end-of-year 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 2013.

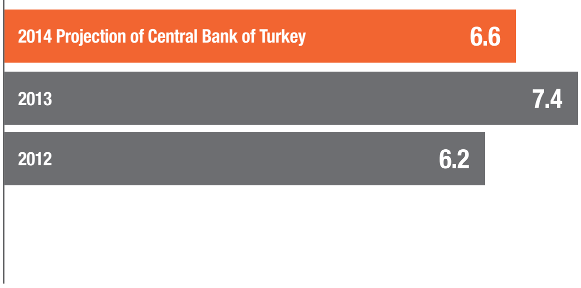
Economic Developments

Overview of 2013 and Expectations for 2014

Weakness in the global economy continued in 2013. Regardless of the recovery observed in the economic activity in developed nations in the second half of the year, disappointing growth rates in developing countries, particularly in China, caused the global growth in 2013 to drop to an estimated 3% YoY, the lowest rate in the last four years. One of the most important developments in global markets in 2013 was Fed Chairman Bernanke's announcement in May that they would reduce in stages the amount of liquidity provided to the market through bond purchases. The strong risk appetite for developing countries seen prior to this announcement began to waver in June, resulting in a decrease in capital flows to these markets and even from time to time capital outflows from these countries. Even though a short lived reprieve was experienced after bond purchases remained steady at the Fed's September meeting, the decrease in bond purchases by US$ 10 billion at the December meeting led to a more troubled beginning to 2014.

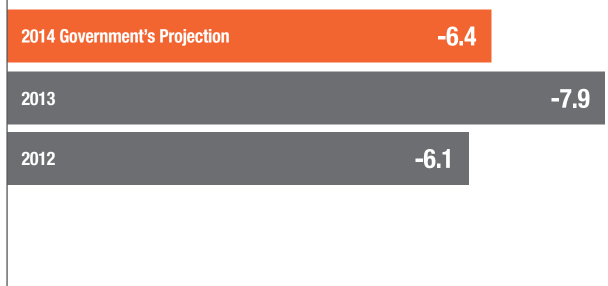
INFLATION (CPI)

(%)



CURRENT ACCOUNT DEFICIT/GDP

(%)



Turkey lived through two different periods in 2013. From the beginning of the year to Bernanke's announcement on May 22nd, both financial markets and real economic activity demonstrated a highly positive outlook. In this period, Turkey's credit rating increased to investment grade for the first time since 1994 and with the influence of the positive sentiment abroad, strong capital inflows were witnessed, interest rates dropped to historic lows and the stock exchange rose to record levels.

At almost the same time as Bernanke's announcements, street demonstrations began, igniting political tensions and creating a less than positive atmosphere. Turbulence in financial markets as well as weakening in consumer and business confidence limited economic growth in the second half of the year to a significant degree. Rising political tension in the last month of the year together with the Fed's decision to taper bond purchases in December put the Turkish economy and markets under pressure in the final days of 2013.

Turkey began 2014 with the uncertainty of how and when critical domestic problems would be solved. In addition, from the beginning of 2014, the deterioration in the risk perception towards developing countries in the international markets increased the challenges for Turkey.

In such a climate, it is possible that a more negative view of 2014 economic expectations than previously envisioned will emerge. In this context, GDP, which is expected to increase by 3.5-4% YoY in 2013, may grow at a slower pace in 2014. Consumer price inflation, which reached 7.4% in 2013, is forecast to increase to higher levels in 2014. Interest rates, which declined to very low levels in the first half of 2013 and then began to rise at the end of June, are expected to increase further in 2014. It will not be a surprise if the Turkish Lira, which came under intense pressure in the last months of 2013 and rapidly lost value, remains under pressure in 2014. On this issue, in the event that the Central Bank implements a tighter monetary policy, it is possible that the devaluation of the TL will be partially compensated. While it is expected that economic growth will slow and that the current account deficit will narrow in light of a decline in imports due to the weakness of the TL, it is still possible that an increase in exchange rates and higher growth rates in the global economy in 2014 will propel exports higher and support an improvement in the current account balance.

THE TURKISH ECONOMY: SIGNIFICANT INDICATORS

	2012	2013	2014[2] Government's Projections
GDP (US$ billion)	786	818[1]	867
Growth (%)	2.2	3.5[1]	4.0
Inflation (CPI, %)	6.2	7.4	6.6[3]
Budget Deficit / GDP (%)	-2.1	-1.2	-1.9
Exports (US$ billion)	152.2	151.9	166.5
Imports (US$ billion)	236.5	251.7	262.0
Current Account Deficit/GDP (%)	-6.1	-7.9	-6.4

[1]Projections of Koç Holding
[2]2014-2016 Medium Term Program of the Government
[3]Projection of Central Bank of Turkey

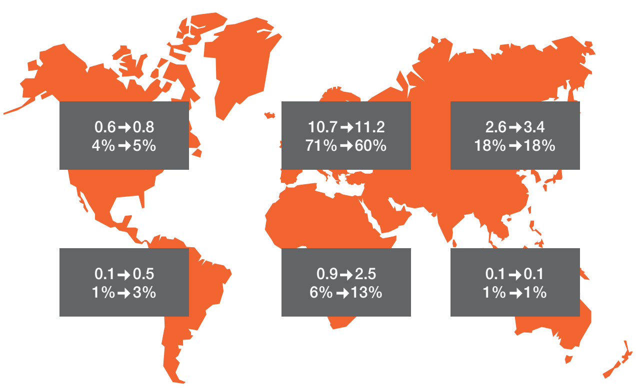
Koç Group and Koç Holding

General Assessment of 2013

With its strong domestic and international position, Koç Holding is among the leading companies globally. According to 2012 year-end figures, it was ranked 217th in a listing of the world's largest 500 companies.

Koç Group's combined revenues are equal to 8% of Turkey's GDP, while our listed subsidiaries make up 16% of Borsa Istanbul's market capitalization. The total combined exports of our subsidiaries and our business partners make up nearly 10% of Turkey's total exports. Not only have we increased our share of our existing markets, but also moved into new geographies. Through our strategy of diversifying and expanding our global reach, our international revenues have grown steadily, rising by an annual average of 4.4% over the past five years.

2008 → 2013
Regional Distribution of Overseas Revenues (US$ billion)

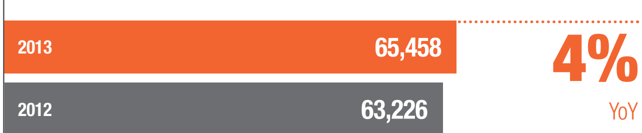


COMBINED INTERNATIONAL REVENUES (US$ BILLION)

4.4% CAGR 2008: 15.0 2013: 18.6

In 2013, the main activities achieved in our sectors were as follows:

REVENUES OF ENERGY COMPANIES
(COMBINED-TL MILLION)



Our energy companies increased combined sales revenue to TL 65.5 billion, an improvement of 4% over the previous year.

- √ In 2013, as a result of Tüpraş's optimum production policy and effective use of conversion units, the white product yield in Tüpraş improved by 2%. At the end of 2013, the total investment in the Fuel Oil Residuum Upgrade Project came to US$ 2.2 billion with a completion ratio of 91.3%.
- √ Opet, despite limited growth in domestic white products market, raised its sales volume by 10% over 2012 and increased its market share to 19.1%.
- √ Aygaz maintained leadership of the Turkish LPG market. It renewed the brand and positioning of products in the autogas segment. Opet and Aygaz adopted a strategy of ownership of stations in key locations, in order to strengthen the competitive power of their brands and established Opet-Aygaz Gayrimenkul A.Ş., a 50%-50% joint venture, for this purpose.
- √ AES Entek increased sales revenue by 11% YoY, reflecting the contribution of Damlapınar, Kepezkaya and Kumköy hydroelectric power plants with a total installed capacity of 62 MW.

EXPORTS OF AUTOMOTIVE COMPANIES
(COMBINED-US$ MILLION)

Our automotive companies, despite a sense of crisis in export markets, succeeded in raising exports by 11% YoY in 2013. Our companies maintained their leadership positions in the Turkish automotive market which expanded by 9% YoY in 2013.

- √ Production of the Group's automotive companies totaled 531,000 vehicles - 47% of all domestic production.
- √ We exported 370,000 vehicles - 45% of Turkish automotive exports.
- √ Koç Group Companies accounted for 24.5% of domestic sales, with Ford Otosan as the leader and Tofaş in 4th place.

- Ford Otosan introduced the new Ford Fiesta and Ford Kuga as well as the newly manufactured Ford Cargo pickup models. It achieved record levels of exports, equal to 61% of Turkey's total commercial vehicle exports. It completed the Yeniköy Plant in a record 16 months and commenced trial production.
- Tofaş increased export volume by 3% due to a strategy of diversifying export markets in light of the shrinkage of European automotive markets. It committed itself to new investment projects totaling US$ 880 million, including facelift of Doblo as well as manufacturing a new passenger car. Tofaş received investment incentives for these projects. In addition, it became the first Fiat factory worldwide to reach "Gold Level" in the World Class Manufacturing Program (WCM), which started in 2006.
- Otokar celebrated its 50th anniversary in 2013. Sales revenue jumped 40% YoY to TL 1.4 billion. The Company devoted 5% of its revenue to R&D activities and broadened its product range with new models.
- With a 49% market share, TürkTraktör maintained its clear leadership in the Turkish tractor market. In 2013, the Company took over the distribution for New Holland and Case construction equipment and laid the foundation for a new factory in Adapazarı.

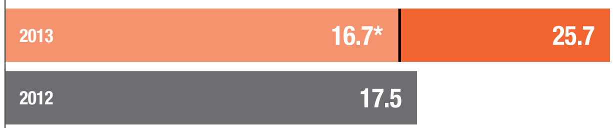
EBITDA MARGIN OF ARÇELİK (%)*

** The effects of foreign exchange gains and losses arising from trade receivables and payables and credit finance income and charges are deducted from operating profit and the effects of income and expenses from sale of property plant and equipment are added to operating profit in order to maintain consistency in the presentation with prior years EBITDA calculation.*

Despite challenging conditions in both local and export markets, Arçelik increased its EBITDA margin from 9.6% in 2012 to 10.4% at the end of 2013. In addition to its strong leadership in the Turkish market, Arçelik continued to raise its market share in many international markets.

- The Turkish white goods market grew by close to 6% YoY in 2013 and reached 6.85 million units.
- Arçelik retained its clear market leadership in Turkey, Romania and South Africa and increased its market share in many other countries.
- The Beko brand became the second largest in the Western European white goods market.
- Refrigerator production capacity of the Arctic factory in Romania increased by 25% to 2.5 million units per year with the addition of a new production line.
- Beko developed a cash register POS device that complies with the New Generation Cash Register regulations and introduced it to the market.
- Arçelik-LG Klima continued to lead the Turkish air-conditioning market with a 50% market share. It designed and started manufacturing new inverter models in line with regulations for residential air conditioning units that will come into force in Turkey as of January 1, 2014, parallel to the European Union.

RETURN ON AVERAGE TANGIBLE EQUITY OF YAPI KREDİ BANK (%)



** Excluding revenue from the sale of Yapı Kredi Sigorta*

Yapı Kredi achieved return on average tangible equity (ROATE) of 25.7% in 2013 by focusing on business areas with high growth potential and profitability. The ratio stood at 16.7% when revenue from the sale of Yapı Kredi Sigorta is excluded.

- The Bank pursued its "Smart Growth" strategy by focusing on delivering the right product to the right customer at the right price and through the right channels. The loan/asset ratio, an indicator of customer-focused banking, rose to 62%.
- Its deposit base increased by 24% YoY to TL 88.5 billion, driven by the expansion of foreign currency deposits.
- In 2013, the Bank opened 21 new branches to increase the number of branches to 949. It served its 9.7 million customers through ATMs, Call Centers, Internet and mobile banking channels in addition to the branch network.
- In July, Yapı Kredi sold its insurance subsidiary for TL 1.3 billion. Parallel to the sale of shares, it signed an exclusive 15-year bank-assurance partnership agreement which ensures that insurance and pension products will continue to be marketed and sold through YKB's distribution network.

As for the other sectors in which we operate; Koçtaş, sector leader with 41 stores and 218,000 m^2 of sales area, opened five new stores in 2103, spreading its presence to 21 provinces to serve more than 10 million customers.

Tat maintained its market lead in tomato paste, tomato products, ketchup, pasteurized milk and premium pasta and introduced a total of 36 new products to the market under the Tat, SEK, Maret and Pastavilla brands.

KOÇ HOLDİNG CONSOLIDATED FINANCIAL STATEMENTS (TL MILLION)	2013	2012	CHANGE %
Revenues (net)	66,182	65,666	1
Operating Profit	3,727	3,811	-2
Profit before tax	3,055	3,778	-19
Profit for the year	4,000	3,744	7
Profit for the year attributed to equity holders of the parent	2,680	2,324	15
Earnings per share (Kr)	1.057	0.916	15
Earnings before interest, taxes, depreciation and amortization - EBITDA	4,597	4,586	0.2
Operating profit/Revenues (%)	5.6	5.8	-0.2[1]
Total assets	58,790	48,688	21
Total liabilities	32,599	24,427	33
Total equity	26,191	24,261	8
Shareholders' equity	18,035	16,286	11
Capital expenditures	4,422	3,111	42
Depreciation and amortization	871	776	12
Revenues/Total assets (%)	1.13	1.35	-0.22[1]
Operating profit/Total assets (%)	6.3	7.8	-1.5[1]
Return on equity (%)	17.5	16.6	0.8[1]
Current ratio	1.35	1.37	-0.02[1]
Total liabilities/Total equity	1.2	1.0	0.2[1]

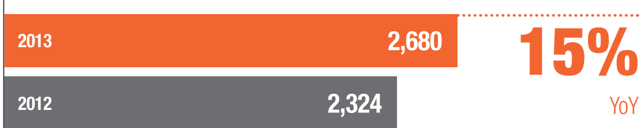
[1] *The changes in ratios are given as percentage point differences.*

Financial and Operational Results

Valued shareholders,

Our Company strengthened its financial position and continued to achieve successful results in all areas of operation in 2013 due to a diversified and balanced portfolio structure, strong cash position, prudent risk management and productivity-raising practices.

KOÇ HOLDİNG CONSOLIDATED NET PROFIT
(ATTRIBUTED TO EQUITY HOLDERS OF THE PARENT-TL MILLION)



Koç Holding's combined revenues increased by 6% YoY to TL 123,478 million in 2013. After TL 3,154 million is deducted for consolidation eliminations and adjustments in accordance with international accounting standards and TL 54,142 million is deducted due to accounting according to joint ventures' equity methods, net consolidated sales revenue of Koç Holding amounted to TL 66,182 million.

Koç Holding's consolidated operating profit stood at TL 3,727 million, with consolidated profit before tax of TL 3,055 million.

Consolidated net profit for 2013 rose 7% to TL 4,000 million. Profit attributed to equity holders of the parent grew 15% YoY to TL 2,680 million.

At end-2013, Koç Holding's total consolidated assets were up by 21% YoY to TL 58.8 billion. Total consolidated shareholder equity of the parent company increased 11% YoY to TL 18 billion by the end of the year as a result of profits earned and capital movements.

Capital expenditures for the year reached TL 4.4 billion on a consolidated basis and TL 6.4 billion on a combined Group basis (excluding advances payments). Majority of capex was diverted to the energy sector for projects related to energy efficiency, operational efficiency and profitability enhancement as well as environmental investments and fuel station investments. Automotive follows energy with new model and fleet investments. Consumer durables was third with investments in new models and technologies that are environmentally-friendly.

Group companies generated combined international sales of US$ 18.6 billion.

The Company's capital was reviewed under Article 376 of the Turkish Commercial Code to determine the extent to which it is unsecured. It was ascertained that of Koç Holding's TL 2.5 billion in issued capital is more than indemnified with its TL 18 billion total equity attributable to the equity holders of the parent as of 31 December 2013 and that the Company's net financial debt/total equity multiple of 0.33 was sufficient to continue operations in a healthy manner.

Employment and union relations

Koç Holding's employees, including its subsidiaries and joint ventures, numbered 80,996 at the end of 2013. On a sector basis, the highest number of employees was in the consumer durables sector, with 30% of total employees. The automotive sector employed 28% of the Group total, while the finance sector employed 21% of the total.

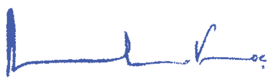
2013 was a buoyant year in many main sectors and Group companies in terms of industrial relations. Collective Bargaining Agreements at Arçelik, Arçelik-LG, Aygaz, Ford Otosan, Otokar, Tofaş and TürkTraktör expired on 31 August 2012 but talks to reach new agreements were postponed due to the November 2012 enactment of the Unions and Collective Bargaining Law. Negotiations between the Turkish Employer's Association of Metal Industries (MESS) and the respective labor unions began later and were finalized during 2013. Similarly, separate collective bargaining agreements at some of the workplaces of Tüpraş, Yapı Kredi, Tat, Ditaş and Aygaz were renewed in 2013 without any difficulty.

Dear Shareholders,

On behalf of our Board of Directors, I would like to express our appreciation to our valued shareholders, customers, suppliers, industry and business partners, and unions, for your continued trust and support, and my thanks to our employees for their dedication and outstanding contribution.

In 2014, 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.

With sincere respects to our valued shareholders and their representatives,



Mustafa V. Koç
Chairman of the Board of Directors

INDEPENDENT AUDITOR'S REPORT

Introduction

We have audited the accompanying consolidated balance sheet of Koç Holding Anonim Şirketi ("the Company"), its subsidiaries and its joint ventures (together will be referred to as the "Group") as of 31 December 2013 and the related consolidated statement of income, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year-end and a summary of significant accounting policies and explanatory notes.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Koç Holding Anonim Şirketi, its subsidiaries and its joint ventures as of 31 December 2013 and their financial performance and cash flows for the year-end in accordance with the TAS (Note 2).

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

Ethem Kutucular, SMMM
Partner

21 February 2014
Istanbul, Turkey

KOÇ HOLDİNG A.Ş. CONSOLIDATED BALANCE SHEET

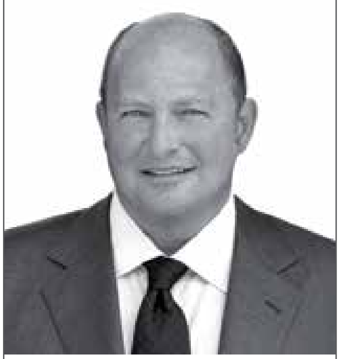
000 TL	2013	*RESTATED* 2012
Total Current Assets	25,857,067	21,645,092
Total Non-current Assets	32,932,893	27,042,686
TOTAL ASSETS	**58,789,960**	**48,687,778**
Total Short Term Liabilities	19,182,420	15,816,621
Total Long Term Liabilities	13,416,947	8,609,900
TOTAL LIABILITIES	**32,599,367**	**24,426,521**
TOTAL EQUITY	**26,190,593**	**24,261,257**
TOTAL LIABILITIES & EQUITY	**58,789,960**	**48,687,778**

KOÇ HOLDİNG A.Ş. CONSOLIDATED INCOME STATEMENT

000 TL	2013	*RESTATED* 2012
Total Revenue	66,181,791	65,665,735
Total Costs	-59,176,289	-59,076,782
Gross Profit	7,005,502	6,588,953
Operating Profit	3,726,594	3,810,538
Profit Before Tax	3,055,034	3,777,764
Tax Income / Expense	945,275	-33,941
Profit for the Period	4,000,309	3,743,823
Equity Holders of the Parent	2,679,713	2,324,150
Earnings per Share (Kr)	1.057	0.916

2013 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 and 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. Rahmi M. Koç has no executive responsibilities as per the CMB Corporate Governance Principles and he is not a Koç Group independent member. Rahmi M. Koç is a controlling shareholder of the Koç Group and currently serves on the Boards of Directors of Group companies, as he has done for the past ten years.



Mustafa V. Koç, *Chairman*
Mustafa V. Koç graduated with a B.A. degree in Business Administration from George Washington University in 1984. At the same year, he joined Koç Group in Tofaş and later he served as the Sales Manager and Assistant General Manager of Ram Dış Ticaret. 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 has been Chairman of Koç Holding Board of Directors since 2003. Mr. Koç is Honorary Chairman of the Turkish Industrialists and Businessmen's High Advisory Council and Honorary Consul General of Finland in Istanbul. He is also a member of the Rolls Royce International Advisory Board, the JP Morgan International Council, the Global Advisory Board of the Council on Foreign Affairs, and the Steering Committee of the Bilderberg Meetings. 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. Mr. Koç is also a member of the Board of Vehbi Koç Foundation and Board of Trustees of Turkish Volunteers for Education Foundation, which are his family's philanthropic foundations. His family attaches great importance to the economic and social development, whose excellence has been recognized internationally by, among others, the World Monuments Fund, the Carnegie Foundation, and BNP Paribas. Mustafa V. Koç has no executive responsibilities as per the CMB Corporate Governance Principles and he is not a Koç Group independent member. Mustafa V. Koç is a controlling shareholder of the Koç Group and currently serves on the Boards of Directors of Group companies, as he has done for the past ten years.

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 and 2001. He has been a member of the Board of Directors since 1996 and was named Vice Chairman in 1998. Temel Atay has no executive responsibilities as per the CMB Corporate Governance Principles and he is not an independent member. Temel Atay currently serves on the Boards of Directors of Group companies, which he has done for the past ten years.

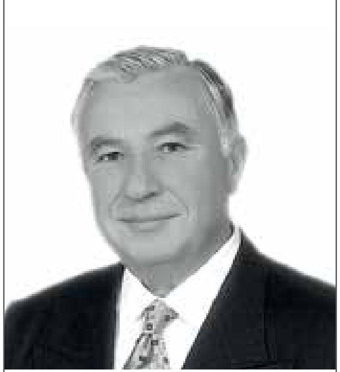
Ömer M. Koç, *Vice Chairman*
He received his B.A. degree from Columbia University in 1985. He worked at Kofisa Trading for one year. After completing his MBA at Columbia University in 1989, he worked at Ramerica International Inc. He joined Koç Group in 1990 and worked at Gazal A.Ş. He held various senior 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 the Turkish Educational Foundation and Geyre Foundation and Chairman of Yapı Kredi Kültür Sanat Yayıncılık Board of Directors and Tüpraş Board of Directors. Ömer M. Koç has no executive responsibilities as per the CMB Corporate Governance Principles and he is not a Koç Group independent member. Ömer is a controlling shareholder of the Koç Group and currently serves on the Boards of Directors of Group companies, as he has done for the past ten years.

** For 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 3.14 in the Information Document (page 213).*

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 Divan 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. Semahat Arsel has no executive responsibilities as per the CMB Corporate Governance Principles and she is not a Koç Group independent member. Semahat Arsel is a controlling shareholder of the Koç Group and currently serves on the Boards of Directors of Group companies, as she has done for the past ten years.

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 and 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. İnan Kıraç has no executive responsibilities as per the CMB Corporate Governance Principles and he is not an independent member. Kıraç currently serves on the Boards of Directors of Group companies, which he has done for the past ten years.

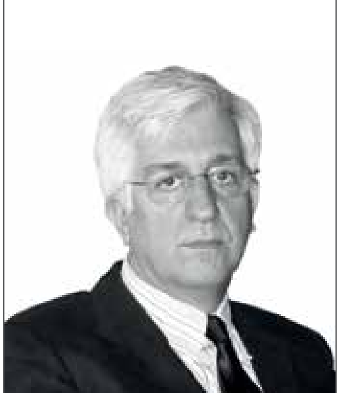
Ali Y. Koç, *Member*
He graduated from Rice University in Business Administration and completed his MBA degree at Harvard Business School. He attended the American Express Bank Management Trainee program between 1990 and 1991 and worked as an analyst at Morgan Stanley Investment Bank between 1992 and 1994. He held various senior positions at Koç Holding such as the New Business Development Coordinator and President of the Information Technology Group between 1997 and 2006. He was the President of the Corporate Communications and Information Technology Group between 2006 and 2010. He was appointed as a member of Koç Holding Board of Directors on January 30, 2008. Ali Y. Koç has no executive responsibilities as per the CMB Corporate Governance Principles and he is not a Koç Group independent member. Ali Y. Koç is a controlling shareholder of the Koç Group and currently serves on the Boards of Directors of Group companies, as he has done for the past ten years.



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, General Manager and Executive Director at Garanti-Koza. 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 and April 2010. He is a Member of Koç Holding Board of Directors since May 2007. He is also a member of the Turkish Industrialists' and Businessmen's Association, TURMEPA (Turkish Marine and Environment Protection Association). Dr. Bülent Bulgurlu has no executive responsibilities as per the CMB Corporate Governance Principles and he is not an independent member. Bulgurlu currently serves on the Boards of Directors of Group companies, which he has done for the past ten years.

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 and 1995. He currently chairs the Asia Pacific Foundation of Canada and is a member of the Board of Directors of Duke University Health Systems, Stemnion, Inc., Aileron Therapeutics, 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. Prof. Dr. McArthur has no executive responsibilities and he is not an independent member as per the CMB Corporate Governance Principles. Apart from membership of Koç Holding A.Ş. Board of Directors and Koç University Advisory Board, he has no relationship with Koç Holding A.Ş. and its related parties.

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 and 2005 and the Chairman of the Supervisory Board of Siemens AG between 2005 and 2007. He served as Chairman of the Asia-Pacific Committee of German Business between 1993 and 2006. Prof. Dr. Heinrich V. Pierer is an Honorary Professor at the Friedrich Alexander University Erlangen-Nuremberg, Department of Economics and Sociology, Industrial Economics. He has been a member of Koç Holding Board of Directors since 2008. Prof. Dr. V. Pierer has no executive responsibilities and he is not an independent member as per the CMB Corporate Governance Principles. Apart from membership of Koç Holding A.Ş. Board of Directors, he has no relationship with Koç Holding A.Ş. and its related parties.



Muharrem Hilmi Kayhan, *Independent Member*
Muharrem Kayhan received education 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 and 1999, and is now one of its Honorary Chairman. Muharrem Kayhan serves on the Board of Trustees of Robert College, 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). Muharrem Hilmi Kayhan, member of the Board of Directors since 2012, has the qualifications of independent member according to CMB Corporate Governance Principles. He has not been employed by Koç Holding or its subsidiaries in the last five years. He does not have any relationship with the top management of Koç Holding, direct or indirect share more than 1% in Koç Holding's capital, any commercial relationship with Koç Holding and with its subsidiaries, and he is not an employee representative.

Kutsan Çelebican, *Independent Member*
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 and 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. Kutsan Çelebican has been an Independent Member of the Board of Directors as per CMB Corporate Governance Principles since 2013. He was Koç Holding's statutory auditor between April 2008 and April 2012. He resigned from this position when he began to serve as an Independent Member of Koç Group companies' Boards of Directors. He has been serving as an independent member of the Board of Directors of Tüpraş and Arçelik since 2012. He does not have any relationship with the top management of Koç Holding, direct or indirect share more than 1% in Koç Holding's capital, any commercial relationship with Koç Holding and with its subsidiaries, and he is not an employee representative.

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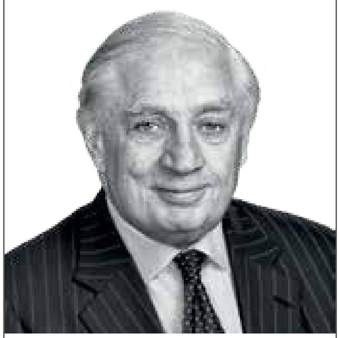
Sanford I. Weill, *Independent Member*
A graduate of Cornell University, he served as the Chairman of Shearson Loeb Rhoades and its predecessor companies (1965-1985), President of American Express Co. (1983-1985), Chairman and CEO of Fireman's Fund Insurance Co. (1983-1985), Chairman and CEO of Travelers 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. Mr. Weill was recently appointed Chairman of Hamilton Insurance Group. 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 Executive Council of the University of California, San Francisco Medical Center; a Director of the Lang Lang International Music Foundation; a Trustee of Hospital for Special Surgery; and a member of the Chancellor's Advisory Board at the University of California, Davis. 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 is a member of the American Academy of Arts and Sciences. Sanford Weill, member of the Board of Directors since 2009, has the qualifications of independent member according to CMB Corporate Governance Principles. He has not been employed by Koç Holding or its subsidiaries in the last five years. He does not have any relationship with the top management of Koç Holding, direct or indirect share in Koç Holding's capital, any commercial relationship with Koç Holding and with its subsidiaries, and he is not an employee representative.



Peter Denis Sutherland, *Independent Member*
He received education 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, 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. Peter Denis Sutherland, member of the Board of Directors since 2009, has the qualifications of independent member according to CMB Corporate Governance Principles. He has not been employed by Koç Holding or its subsidiaries in the last five years. He does not have any relationship with the top management of Koç Holding, direct or indirect share in Koç Holding's capital, any commercial relationship with Koç Holding and with its subsidiaries, and he is not an employee representative.

Kwok King Victor Fung, *Independent 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), Chairman of the Greater Pearl River Delta Business Council (2004 to February 2013), Chairman (July 2008-June 2010) and Honorary Chairman (July 2010-June 2013) of the International Chamber of Commerce, and a member of WTO Panel on Defining the Future of Trade. 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. He is also a member of Chinese People's Political Consultative Conference, a 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. Kwok Victor Fung, member of the Board of Directors since 2011, has the qualifications of independent member according to CMB Corporate Governance Principles. He has not been employed by Koç Holding or its subsidiaries in the last five years. He does not have any relationship with the top management of Koç Holding, direct or indirect share in Koç Holding's capital, any commercial relationship with Koç Holding and with its subsidiaries, and he is not an employee representative.

DIVIDEND POLICY

Our Company conducts a Dividend Policy within the framework of the provisions of the Turkish Commercial Code (TCC), 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 line with the Corporate Governance Principles, balanced and accurate policy is followed between the benefits of the shareholders and the Company.

In principle, as long as the relevant regulations and financial possibilities allow, by taking into consideration of the market expectations, 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, minimum 5% of distributable profit calculated under Capital Markets Board regulations shall be distributed in cash.

Pursuant to Article 19 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 usufruct certificates. However the amount that will be paid to holders of usufruct 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.

Before the allocation of legal reserves under TCC and abovementioned dividend for shareholders, no allocation shall be decided for Koç Holding Pension and Assistance Foundation and for holders of usufruct certificates, for any other reserves, or transfer to the following years and no amount shall be paid for such persons before the said dividend is actually paid to the shareholders.

It is expected to distribute dividend within a month following the General Assembly Meeting at the latest, the General Assembly decides the date of the dividend distribution. General Assembly or if authorized the Board of Directors may decide to pay the dividend in installments in line with Capital Markets Board regulations. Reference to the Articles of Association of the Company, the Board of Directors may distribute the dividend in advance only if the Board is authorized by the General Assembly and done in parallel with the Capital Markets Board regulations.

DIVIDEND PROPOSAL

It is concluded that, TL 2,633,932,576.99 is determined as distributable dividend base after deduction of 5% legal reserve stated under article 519 of Turkish Commercial Code amounting to TL 45,780,423.01 from the net profit achieved in the consolidated financial statements for the accounting period of 1 January - 31 December 2013 prepared by Koç Holding A.Ş. management which are in compliance with TFRS 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 2,635,398,830.74 is determined as first category dividend base after addition of donations made to foundations and associations amounting TL 1,466,253.75 to distributable dividend base.

On the other hand, TL 869,828,037.10 is determined as distributable profit after deduction of 5% legal reserve stated under article 519 of Turkish Commercial Code amounting to TL 45,780,423.01 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 131,769,941.54	As first category dividend to shareholders,
TL 8,500,000.00	To Koç Holding Foundation for Pensions and Assistance as per article 19/c of our Articles of Association,
TL 75,214,130.23	To holders of usufruct certificates as per article 19/d of our Articles of Association,
TL 274,734,515.88	As second category dividend to shareholders,

2. The sum of first category dividend and second category dividend amounting TL 406,504,457.42 is proposed to be paid in cash;
3. Dividend payments of TL 406,504,457.42 and TL 75,214,130.23 payments allocated to usufruct shareholders together with a total amount of TL 481,718,587.65 will be paid in cash and sourced by TL 17,449,477.97 from current year tax exempt earnings and TL 382,821,703.47 from current year other income. TL 464,269,109.68 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 0.1603 for shares with a nominal value of TL 1 (16.03%) and, to the rest of our shareholders as gross TL 0.1603 (TL 0.1371260 net) for shares with a nominal value of TL 1 (gross: 16.03%; net: 13.712260%).
5. The remaining 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 379,609,449.45, is transferred to extraordinary reserves.
6. Profit distribution date is determined as 9 April 2014.

DIVIDEND DISTRIBUTION TABLE

KOÇ HOLDİNG A.Ş. PROFIT DISTRIBUTION PROPOSAL FOR 2013 (TL)

1	Paid-in capital		2,535,898,050.00
2	General legal reserves (as per statutory records)		344,581,762.34
	Information concerning preferred shares, if, as per the company Articles of Association, there are any privileges for preferred shares in distribution of dividend: No		
		AS PER CAPITAL MARKETS BOARD	**AS PER STATUTORY RECORDS**
3	Profit for the period	2,344,298,000.00	926,082,450.10
4	Taxes (-)	-335,415,000.00	10,473,989.99
5	Net profit (=)	2,679,713,000.00	915,608,460.11
6	Prior years' losses (-)	-	-
7	Legal reserve fund (-)	45,780,423.01	45,780,423.01
8	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	**2,633,932,576.99**	**869,828,037.10**
9	Grants made during the year (+)	1,466,253.75	
10	**Net distributable profit including grants**	**2,635,398,830.74**	
11	First category dividend to shareholders		
	- Cash	131,769,941.54	
	- Shares	-	
	- Total	**131,769,941.54**	
12	Dividends distributed to preferred shareholders	-	
13	Other dividends distributed	8,500,000.00	
	- Members of the Board of Directors	-	
	- Employees (Koç Holding Pension and Assistance Foundation)	8,500,000.00	
	- Non-shareholders	-	
14	**Dividends distributed to holders of usufruct right certificates**	**75,214,130.23**	
15	**Second category dividend to shareholders**	**274,734,515.88**	
16	Legal reserve fund	-	
17	Status reserves	-	
18	Special reserves	-	
19	**EXTRAORDINARY RESERVES**	**2,143,713,989.34**	**379,609,449.45**
20	Other sources planned for distribution	-	-
	- Prior years' income	-	-
	- Extraordinary reserves	-	-
	- Other distributable reserves as per the legislation and Articles of Association	-	-

KOÇ HOLDİNG A.Ş. INFORMATION ON DIVIDEND PER SHARE FOR 2013

	GROUP	TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND AMOUNT / NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDEND PER SHARE FOR TL 1 NOMINAL VALUE	
		CASH (TL)	SHARES (TL)	RATIO (%)	AMOUNT (TL)	SHARE (%)
NET	A	108,807,379.59		4.13	0.1603000	16.03000
	B (registered as legal entities)	64,740,292.85		2.46	0.1603000	16.03000
	B (unknown shareholders)	205,187,175.63		7.79	0.1411914	14.11914
	TOTAL	**378.734.848.08**		**14.38**		

(*) *Preferred shares do not have privileges in dividend.*
(**) *TL 481,718,587.65, which is the total of dividends and usufruct right certificates, will be paid out from the following:*
- TL 98,896,884.18 from current year's tax exempt statutory income,
- TL 382,821,703.47 from current year's taxable statutory income.
The portion that corresponds to taxable income will be subject to withholding tax.
(***) *No withholding tax is calculated for all of Group A shareholders and some of Group B shareholders who are known as full-fledged legal entity tax payers. The calculations have been based on the assumption that other B Group shareholders are subject to withholding tax.*

2014 BOARD OF DIRECTORS' CANDIDATES

Rahmi M. Koç
See page 18

Mustafa V. Koç
See page 18

Temel Atay
See page 18

Ömer M. Koç
See page 18

Semahat Arsel
See page 19

İnan Kıraç
See page 19

Ali Y. Koç
See page 19

Dr. Bülent Bulgurlu
See page 19

Prof. Dr. John H. McArthur
See page 20

Prof. Dr. Heinrich V. Pierer
See page 20

Sanford I. Weill
(Independent Board Member Candidate)
See page 21

Peter Denis Sutherland
(Independent Board Member Candidate)
See page 21

Kwok King Victor Fung
(Independent Board Member Candidate)
See page 21

Muharrem Hilmi Kayhan
(Independent Board Member Candidate)
See page 20

Kutsan Çelebican
(Independent Board Member Candidate)
See page 20

REMUNERATION POLICY

This policy determines the remuneration system for the Board of Directors and key executives being under the scope of the definition of persons discharging managerial responsibilities under Capital Markets Board regulations.

A fixed remuneration is determined for all members of the Board at the annual general meeting of the Company each year.

Additional payment is made to the executive members of the Board in accordance with the policy established for the top executives.

Additional payment is made to the Board members who have been assigned specific duties to support the activities of the Company of which amount is to be determined by the Board of Directors in consultation with the Nomination and Remuneration Committee.

To the chairman and members of the Executive Committee of the Board which supports the Board for the proper management of the Company in all respects, additional compensation determined by the Board of Directors in consultation with the Nomination and Remuneration Committee by taking into account such Committee Members' contributions, attendance at the meetings, functions, etc. can be granted. Payments made thereof to the Executive Committee members within the year are to be deducted from the amount determined at the end of the year.

In respect of remuneration of the independent members of the Board of Directors, a payment plan based on the performance of the Company may not be used.

Pro rata payment is made to the members of the Board of Directors by taking into account the time they carried out their duty between the date of appointment and the date of resignation. Expenses incurred by the members of the Board of Directors on account of making contributions to the company (such as transportation, telephone, insurance, etc.) can be paid by the Company.

The remuneration of Top Executives is to consist of two components which are fixed and performance based.

Total bonus provided to Board of Directors and Executive Management of Koç Holding amounted to TL 93.5 million in 2013.

Fixed salaries of Top Executives are determined in accordance with international standards and legal obligations by taking into account the macroeconomic data in the market, the salary policies prevailing in the market, the size and long term targets of the Company and the positions of the persons.

Bonuses for the Top Executives are calculated according to the bonus base, the performance of the Company and the individual performance. A summary of the criteria is as follows:

Bonus Base: Bonus Bases are updated at the beginning of each year. They vary depending on the work volume of the positions of the executives. When updating the bonus bases, top management bonus policies in the market are taken into account.

Performance of the Company: Performance of the Company is determined at the end of the year by measuring the financial and operational targets (market share, exports, overseas operations, productivity, etc.) assigned to the Company at the beginning of each year. In determination of the targets of the Company, that the success be sustainable and that it incorporates improvements over the previous years are the principles taken into account.

Individual Performance: In the determination of the individual performance, along with the targets of the company, the targets related with the employee, customer, process, technology and long term strategy are taken into account. In the measurement of the individual performance, in line with the performance of the company, the principle of achieving long term sustainable improvement in areas apart from the financial areas is observed.

Severance payments may be granted to the key executives by taking into account total term of service, term of service as an executive, contributions to the company, recent bonus base, salaries and bonuses paid in last year of the service.

Total amounts determined by the above principles and paid to the members of the Board of Directors during the year are submitted to the approval of the shareholders at the next general meeting.

OUR STRONG GROWTH HAS REINFORCED OUR LEADERSHIP AT HOME AND ABROAD.

MAINTAINING OUR PIONEERING ROLE WITH INVESTMENTS IN TECHNOLOGY AND INNOVATION IS ONE OF KOÇ GROUP'S MOST IMPORTANT PRIORITIES.

Koç Holding's esteemed shareholders and stakeholders,

2013 was another year of growth and success for Koç Holding, despite challenges at home and abroad. Consolidated revenues increased to TL 66.2 billion while net profit for the year, after minority shares, rose by 15% to TL 2.7 billion.

Sustained Leadership in Investments, Exports, R&D and Innovation

Despite the volatile macroeconomic situation in Turkey and abroad, we maintained our growth-focused investments as planned, setting a record total of TL 6.4 billion in combined investments.

One of our top priorities is investing in technology and innovation to increase our Companies' global competitive advantages. Within this context, we continued to lead in R&D investments and patent development this year. Four Koç Group companies ranked in the top ten on the Turkish Patent Institute's list of Companies Filing the Most Patent Applications in 2013: Arçelik (1st), Ford Otosan (2nd), Tofaş (6th) and TürkTraktör (9th). In addition, the Turkish Exporters Assembly named Arçelik "The Most Innovative Company" for the second time.

Many other Koç Group companies also received awards from the Turkish Exporters Assembly. Tüpraş retained its position as top exporter, while Ford Otosan, Tofaş and Arçelik followed closely in 2nd, 5th and 6th place, respectively.

We financed our investments by extending liability maturities and diversifying financing sources under favorable conditions. In addition to the Tüpraş US$ 700 million international bond issue, which was completed in November 2012, Arçelik and Koç Holding successfully completed international bond issues of US$ 500 million and US$ 750 million, respectively, in 2013. Moreover, Tat, Aygaz, Setur and Koçtaş completed TL-denominated long-term bond issues under favorable conditions on the domestic market.

Consolidating Leadership through New Initiatives

Our strong growth performance consolidated our leadership at home and abroad. This year, we also maintained clear superiority in the energy sector in petroleum and LPG.

Tüpraş spent US$ 2.29 billion of the allocated US$ 2.7 billion for the Fuel Oil Upgrade Project in 2013, bringing the project to 91.3% of completion. When the investment is completed, Turkish energy imports will be reduced by a net US$ 1 billion annually.

Opet held its position as second largest in its sector by again being the fastest growing company.

Aygaz Group, operating the Aygaz-Mogaz-Lipet brands, maintained a clear lead with a 29% market share.

We continued to be the undisputed leader of the Turkish automotive sector with a market share of 24.5%. The automobile market grew 9%, which was above expectations in 2013. However, while there was 19% growth in the passenger car segment, there was a 13% contraction in the commercial vehicle segment. Ford Otosan maintained its lead in the overall automobile market with a 12.8% market share and Tofaş closed the year in 4th place with an 11.2% market share.

Ford Otosan completed construction of its second plant in Gölcük for the new Ford Courier, a product of its own R&D, and began preliminary production. Through this investment, the capacity of the plant is planned to increase from 330,000 to 415,000 vehicles. Our Company also laid the foundations for the Turkish automotive industry's largest engineering center. The new center, which will employ 1,300 engineers, will open its doors in the first half of 2014.

Tofaş's project to export Doblo to North America gained approval as part of Fiat and Chrysler's global integration. Through this investment and the vehicle's facelift, the life of the project was extended from 2018 to 2021. After successfully launching the new Linea last year, our Company has started preparations for a new automobile project, with production to begin in the second half of 2015.

Otokoç Otomotiv's fleet has reached over 24,000 vehicles. Turkey's leader in short-term car rental, Otokoç Otomotiv has become the 2nd largest Avis licensee in the Asia, Europe, and Africa area with its Avis brand.

Altay, the strategic national tank project under development by Otokar, passed its first two prototype winter tests and a critical design test. Fixed firing tests were completed and production of the third and fourth prototypes has begun. Moreover, Otokar launched the Atlas truck under a partnership with the Chinese Foton Company, one of the world's largest commercial vehicle manufacturers.

RMK Marine delivered the Coastguard vessels TCSG Dost, TCSG Umut and TCSG Güven in 2013. The last ship in the project, TCSG Yaşam, will be delivered in 2014. The ships are 88 meters long and have a displacement of 1,700 tons.

The construction of additional production facilities for TürkTraktör, which maintains a clear lead in its market, is rapidly progressing with production trials scheduled to begin in June 2014. Moreover, TürkTraktör began selling New Holland and Case-brand construction equipment at the end of 2013.

Arçelik maintains its unrivaled leadership in the domestic market while it continues to expand globally, reaching 2nd place in the Western European market. Arçelik is now the 3rd largest company in the entire European market. The Company opened a new production line at the Gaesti plant of Arctic, Romania's leading white goods brand.

After selling its shares of Yapı Kredi Sigorta and Emeklilik to Allianz SE, Yapı Kredi had after-tax capital gain of TL 1.28 billion. As part of the sales transaction, Yapı Kredi retained a 20% share in Yapı Kredi Emeklilik and began a 15-year bank agency partnership with Allianz SE.

Yapı Kredi consolidated its 24-year leadership in credit cards. It is far and away the leader in financial leasing and factoring. Yapı Kredi also leads in investment funds and stock transactions.

After Praktiker ceased operations in Turkey, Koçtaş, leader in the organized home improvement market by a wide margin, concluded an agreement with the Company to buy its two most profitable stores. Koçtaş opened another store at Bayrampaşa Forum, which brought its store openings in 2013 to five. The total number of Koçtaş stores is now 41.

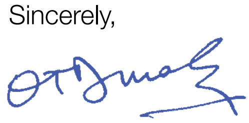
Tat grew 20% through its innovative product launchings in the pasteurized milk segment, in which it now holds a 42% share.

Setur's duty-free revenues rose 20% in 2013. The company continued to expand its marina management operations with the addition of Çelebi Antalya and Midilli Marina to its portfolio, bringing its total to ten marinas. 2013 was a year in which Setur Marina consolidated its leadership.

KoçSistem's solution for Biletix was awarded the "Best Business Case in the Commercial Sector" by Eurocloud in its evaluation on Turkey for 2013 for cloud computing and data center services. The Company transferred its call center activities to Comdata, the Italian IT company.

I express my heartfelt thanks to all our stakeholders, whose great support has nurtured our achievements as Koç Holding. Our fundamental goal has always been to utilize our resources in the best way possible and turn them into sustained high-yielding investments for our stakeholders. We will continue to direct all our efforts into making the strongest possible contribution to our shareholders, stakeholders and Turkey.

Sincerely,



Osman Turgay Durak

CEO

EXECUTIVE MANAGEMENT*,**

Left to right: Osman Turgay Durak, Ali Tarık Uzun, Tamer Haşimoğlu, Erol Memioğlu

*Listed according to presidential seniority.
**For 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 3.14 in the Information Document (page 213).

Left to right: Kudret Önen, Ahmet Ashaboğlu, Cenk Çimen, Levent Çakıroğlu, Faik Açıkalın

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 and 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 and 2010. He served as an Istanbul Chamber of Industry's Council Member for 2.5 years and as a Board Member for 1 year. He has been a Member of National Committee of International Chamber of Commerce since February 2014.

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 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 and 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 and April 2011. He has been serving as the President of Tourism, Food and Retailing Group at Koç Holding since April 2011. He has also been serving 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 and 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 and 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 and 2010. He has been serving as the President of Defense Industry, Other Automotive and IT Group at Koç Holding since 2010. In addition, he has been serving as the President of Automotive Manufacturers Association since 2010 and the Chairman of Defense and Aerospace Industry Manufacturers Association for the 2013-2014 period.

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 and 1999 and worked as Engagement Manager at McKinsey & Company, New York, between 1999 and 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 and 1996. He served as Fleet Sales Manager at Ford Otosan between 1996 and 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 and 1998, he worked as part-time lecturer at Bilkent University and as Vice President of Financial Crimes Investigation Board at the Ministry of Finance. He joined Koç Holding in 1998 as Finance Group Coordinator. He was the CEO of Koçtaş between 2002 and 2007 and Migros between 2007 and 2008. After becoming the CEO of Arçelik in 2008, he was also appointed as the President of Consumer Durables Group at Koç Holding in April 2010.

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

OUR ABILITY TO REALIZE OUR GROUP'S VISION AND GOALS DEPENDS ON HIGHLY QUALIFIED PEOPLE WHO ARE COMMITTED TO OUR ORGANIZATION.

CONTINUOUS INVESTMENT IN HUMAN RESOURCES AND PRACTICES IS A VITAL INDICATOR OF THE IMPORTANCE KOÇ HOLDİNG PLACES ON ITS EMPLOYEES.

As of the end of 2013, the Koç Group employed 80,996 people, of whom 72,381 were in Turkey and 8,615 in other countries. The Koç Group aims at employing the most successful professionals who take pride in creating added value that results in sustainable growth. Its goal is to be the most admired and preferred institution in Turkey. Key to achieving this is utilizing human resources systems and approaches developed through many years of hard work and experience, and continually upgrading them in line with current conditions and needs.

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 is also used as an open communication environment for employees, management of employee data, and ensuring transparency of policies and applications.

Performance Management System

Performance Management System enables effective deployment of Company's goals to all employees. The system provides a measurement and rewarding tool for success in goal realization and helps in determining employees' competencies and planning their individual development. Sound communication and mutual feedback and consensus at every step in the process are the foundations of the system.

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 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.

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 displays the top managers' salary and bonus notifications at the end of the year. Infrastructure providing integration of the system with mobile devices was prepared in 2013.

Fringe Benefits System

The fringe benefit packages offered to employees according to their job grades are reviewed annually to meet employee expectations and to maintain our competitiveness in the market. The goal of these packages, which are seen as a part of total income, is to raise employee engagement to the highest levels.

KPI Monitoring and HR Process Improvement System

The KPI Monitoring and HR Process Improvement System forms the backbone of the Human Resources strategy. Through this system, specific human resources performance indicators are monitored on an annual basis and compared with domestic and foreign companies. Key indicators that directly impact business results are continually maintained and analyzed using a system called “e-metric.”

Strategically important areas requiring attention in addition to those in which we already have sound standing are ascertained. Accordingly, action is taken to ensure standardization of human resources processes and their utilization within the Group as a whole.

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 preferred 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 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 the Assessment Center and participated 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 and group coaching services 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 trained in the Group companies. Through their one-to-one coaching of employees from various companies, our internal coaches contribute to their development.

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, 5,673 managers attended these programs between 2002 and 2013.

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 2013, 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 93 employees who participated in these projects were rewarded.

Employee Engagement and Satisfaction 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

The Koç Group negotiates collective labor agreements with six labor unions. It strives to maintain strong and constructive social dialog with these unions in accordance with European Union Regulations, Koç Group human resources processes and the UN Global Compact. Through the periodic meetings of the Industrial Relations Coordination Group, which was set up to reach this goal, a sustainable and constructive industrial relations culture has been created within the Group. In 2013, important developments occurred due to legislative amendments that directly affect working life coming into force. The Group companies adapted quickly to these amendments and made the mandatory changes.

Occupational Health and Safety (OHS) Board

Amendments to Occupational Health and Safety regulations that began in 2012 continued in 2013. The Occupational Health and Safety Board, which was established out of the Company's concern for the health and safety of its employees and its desire to comply with regulations, worked even more aggressively in 2013. The Board regularly reviews practices and works to improve Group practices by ensuring greater compliance with regulations. It thus aims to get best practices developed within the Group adopted by other Group companies and to identify high occupational safety standards. In 2013, Board meetings relating to occupational health and safety issues, seminars and trainings increased.

Koç Holding Pension and Assistance Foundation

The Koç Holding Pension and Assistance Foundation was set up in 1967 to provide additional social security and support to Koç Group companies' employees, who are also covered by the Social Security Institution. The Foundation provides its members with lump-sum payments, retirement pensions, health insurance, and financial assistance services to ensure their comfortable and peaceful retirement. As of the end of 2013, Koç Holding Pension and Assistance Foundation had 53,477 active members and 308 retired members.

KoçAilem

The KoçAilem Program provides our employees with various advantages in using Koç Group products and services and also those of 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 93,000 members.

Sports Festivals and the Koç Group Sports Club

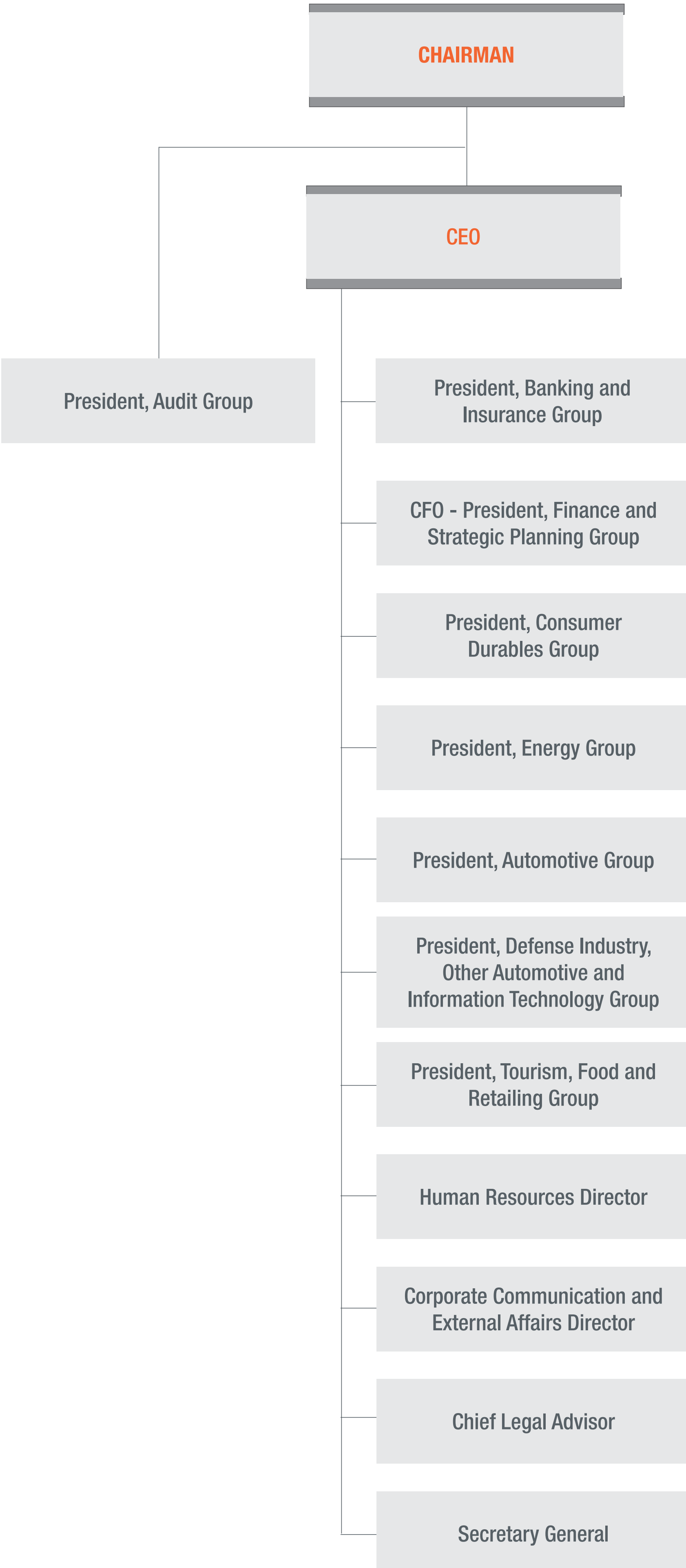
The 24th Annual Sports Festival took place in 2013. The festival strengthens Group culture, improves cooperation, contributes to the physical and mental health of employees, and helps employees make the most of their spare time. In 2012, over 3,600 employees participated in the festival in 11 branches of sports.

The Koç Group Sports Club was established in 2012 to improve our employees' sports and social opportunities. The Club organizes sporting events, courses in several sports and training camps for the employees and their families.

Awards and Achievements

Koç Holding plays a pioneering role in the development of Human Resources practices in Turkey, just as it does in all its other areas of operation. The reorganization of the Group's Human Resources processes, launched in 2010, has turned into an enormous make over project.

This project and its innovative practices received the Human Resources Team of the Year Award at the International Stevie Awards, recognized as one of the most prestigious awards in the global arena. The Human Resources mobile applications won the SAP Mobility of the Year Award, given for the first time in Turkey.


CHAIRMAN
CEO
President, Audit Group
President, Banking and Insurance Group
CFO - President, Finance and Strategic Planning Group
President, Consumer Durables Group
President, Energy Group
President, Automotive Group
President, Defense 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 HOLDİNG IS REGARDED AS THE BEST PROXY TO INVEST IN TURKEY'S HIGH GROWTH POTENTIAL.

Koç Holding and the Group's 12 publicly traded companies represent 16% of total market capitalization on the Borsa İstanbul (BIST) at the end of 2013.

Koç Holding strives to continuously increase shareholder value by implementing international standards in corporate governance and investor relations.

In 2013, Koç Holding Investor Relations attended a total of 23 roadshows and conferences in Turkey and abroad and held over 600 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 for its Investors

- The best proxy to invest in Turkey's high growth potential on the BIST
- 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
- 88 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 for its Group Companies

- Reliability, strong reputation and powerful brand management based on 88 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 GROWING FOREIGN INSTITUTIONAL INVESTOR BASE AND THE FACT THAT KOÇ HOLDİNG TRADES WITH MUCH LOWER DISCOUNTS TO ITS NAV COMPARED TO ITS DOMESTIC AND GLOBAL PEERS ARE THE RESULTS OF HIGH SHAREHOLDER VALUE CREATION.

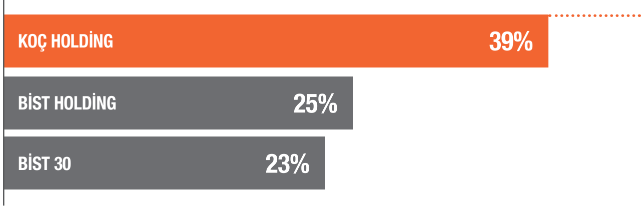
As a sign of the high shareholder value created by Koç Holding, it consistently trades with much lower discounts to its capitalized NAV compared to all other holding companies in Turkey.

PREMIUM/DISCOUNT TO NET ASSET VALUE (%)

Average	2011	2012	2013
Koç Holding	-7	-6	-3
Peer Group Average	-47	-45	-34

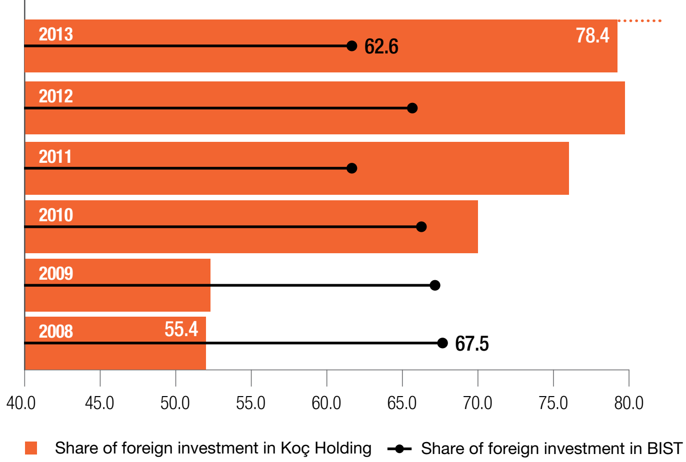
In 2013, Koç Holding outperformed the BIST Holding Index as well as the BIST 30 Index. While the average value of the BIST 30 Index and BIST Holding Index increased 23% and 25%, respectively, over the preceding year, Koç Holding's average market value rose 39%.

SHARE PERFORMANCE (CHANGE OF 2013 AVERAGE OVER 2012 AVERAGE)



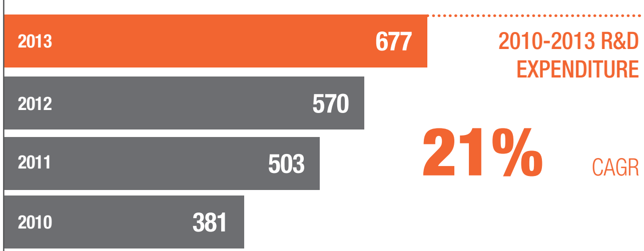
The share of foreign institutional investors in Koç Holding increased steadily. In the last five years, the share of foreign investors in Koç Holding's free float rose to 78.4% from 55.4%. At the same period, the foreign share in BIST's free float fell to 62.6% from 67.5%.

FOREIGN OWNERSHIP IN KOÇ HOLDİNG'S FREE FLOAT (%)

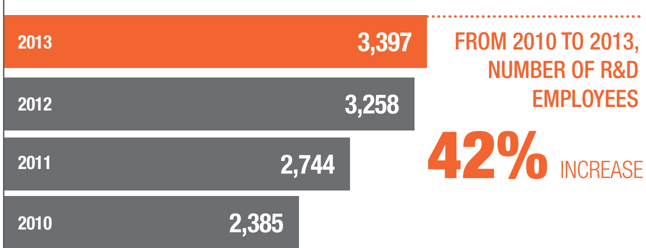


THE HIGHEST RANKED TURKISH COMPANY ON THE GLOBAL LIST OF R&D EXPENDITURES

TOTAL R&D INVESTMENTS OF KOÇ GROUP COMPANIES (TL MILLION)



TOTAL R&D PERSONNEL OF KOÇ GROUP COMPANIES



The Koç Group is determined to enhance its competitive edge by leading in innovation and technology in its business areas. It maintains its focus on delivering innovative, environmentally friendly and energy efficient products and services.

The Koç Group spent TL 2.7 billion on R&D between 2007 and 2012. Koç Group's R&D expenditure of TL 677 million in 2013 constitutes nearly 10% of total private sector R&D expenditure in Turkey.

Koç Holding ranked 614th on the European Commission's global study of R&D expenditures, making it the highest ranking Turkish company on the list.

The Koç Technology Board, established in 2005, changed its name to the Koç Technology and Innovation Board in 2013. On the Board of Technology and Innovation Day, the topics of Innovation Models and Open Innovation Management, and Trends in Innovation Management and Innovative Companies, were examined.

European Union Projects

Koç Holding companies increased their involvement in EU-funded projects, with the number of its projects under the EU 7th Framework Program (FP7) rising to 14 and those under the Eureka program reaching 13.

The CelticPlus/Eureka R&D project C24Safety, coordinated by KoçSistem with the participation of Ford Otosan and Tofaş, was completed. The goal of this project was the development of inter-vehicle communication technology for safer traffic.

The FIspace, an FP7 project in which Arçelik and KoçSistem participated, was one of five FI-PPP program R&D projects undertaken through an EU initiative to raise European competitiveness. EUR 13.5 million of the EUR 20 million budget of the project was funded by the EU.

Tofaş became the first Turkish company to act as FP7 project coordinator in the field of production technology.

Yapı Kredi took part in the ITEA2/Eureka ADAX project to develop software capable of identifying and countering attacks on complex information systems. Work is underway to assume an even more active role in the Framework Program, which continues under the name Horizon2020 as of 1 January 2014.

Awards and Activities

The 2nd R&D Centers Summit was held with Arçelik as its main sponsor. The innovative products Arçelik, Ford Otosan and Tofaş displayed at their stands drew strong interest from the participants. In addition, officials from the Ministry of Science, Industry and Technology gained information about the products on display.

Arçelik received the Innovation Leadership award at Turkey Innovation Week, which the Turkish Exporters Assembly held for the 2nd time. Koç Holding Board Member Ali Y. Koç received the award from the Prime Minister, Recep Tayyip Erdoğan.

The new Transit Connect, designed in Turkey by Ford Otosan's engineering team and launched by Ford plant in Spain, won the International Van of the Year award. The engine test center, which began operations in 2013, was named the Engine Test Center of the Year.

Aygaz's LPG Camping Gas Cylinder Recognition System project received the Innovation Runner-up award from the World LPG Association (WLPGA).

Tofaş garnered 1st place in the R&D and Innovation category at the Bursa Chamber of Industry and Commerce's 40th awards ceremony.

Defense Industry

Otokar contributed to the defense industry's product portfolio with TULPAR, Turkey's first original armored tracked vehicle, and URAL, a 4x4 Light Armoured Tactical Vehicle. Focusing on turret systems, Otokar has commissioned a six-degree of freedom (6DOF) simulator.

In its most recent R&D activities, RMK Marine has concentrated on surface platform systems and, with funding from TÜBİTAK, developed the Multi-layer Scalable Integrated Platform Management System.

Energy

Tüpraş and Koç University collaborated to open the Energy Systems Development Center. Field testing started for the simulation program developed after the R&D project "Exchanger Pollution Monitoring, Modeling, Simulation and Optimal Maintenance Planning to Reduce Refinery Energy Waste."

Aygaz intensified its R&D work on three TÜBİTAK/TEYDEB-funded projects in 2013.

ENVIRONMENTALLY FRIENDLY AND INNOVATIVE PRODUCTS THAT IMPROVE ITS CUSTOMERS' QUALITY OF LIFE

Automotive

The Transit Courier, which will enable Ford to enter in a new sub-segment within the light-commercial-vehicles segment, went into production at Ford Otosan's Yeniköy Plant. Work on the development of the new Euro 6 emission standard-compatible Ecotorq engine family, which will be used in Cargo trucks, continued. A technology licensing agreement signed with the Jiangling Motor Corporation (JMC) in China for a truck engine was the first of its kind in the Turkish automotive sector.

Otokar has launched a new product that it expects to parallel the success and leadership its Tempo model has enjoyed in the bus market. In the area of hazardous material transportation, Otokar is the first company to receive the Turkish Standards Institute's Design Approval Certificate after the implementation of ADR regulations for the Company's Elliptical Tanker Trailer and Truck Tankers. Otokar has launched its 8.5-ton Atlas lightweight trucks.

Tofaş continued R&D on adapting its Doblo model for the North American market and on its FaceLift project. In addition, investment decision was made for a new Sedan car model to meet domestic and various export market needs.

TürkTraktör designed the Compact Orchard tractor for ease of use in narrow vineyards and gardens. The Company conducted design-focused R&D on Narrow Orchard model tractors on the basis of customer demand. Two test systems became operational under a project, carried out with TEYDEB funding, to develop engines meeting Tier4 emission level standards.

Consumer Durables

Arçelik was named "Innovation Leader" at the Turkish Exporters Assembly's Turkey Innovation Week. In the "First and the Only" category, the Company introduced such innovative products as its Automatic Tea Maker and a refrigerator with an integrated ice cream maker. The Beko Dolphin Series washing machine received the "Innovative Product" award at the 9th China Innovation in Electrical Home Appliances Awards held by the China Household Electric Appliance Research Institute (CHEARI). The Ministry of Finance approved the Beko Cash Register POS device, developed to meet the New Generation Cash Register Regulations, and it was launched.

Arçelik-LG developed new inverter products at energy efficiency levels between A and A +++ that conform to the new energy regulations that went into effect in Turkey on 1 January 2014. The Company launched the patented Fresh Air Kit.

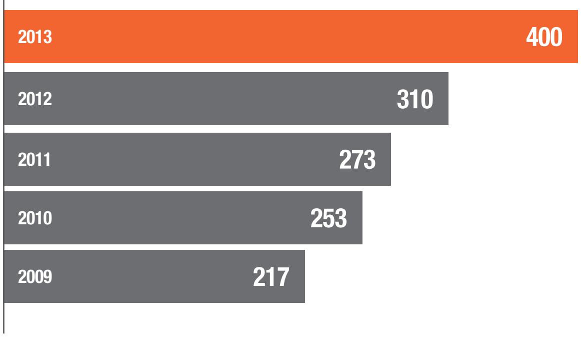
Other

Five Koç Sistem projects received approval on the Eureka platform. TÜBİTAK continued funding for two Eureka/ITEA2 projects and one Eureka/CelticPlus project that involves Otokar.

Yapı Kredi established an IT R&D unit and continued three TEYDEB projects and one Eureka project. It created a portal called EVREKA, taking advantage of its idea-generating potential, to collect and to implement innovative ideas.

INTELLECTUAL PROPERTY

YEARLY PATENT APPLICATIONS OF KOÇ HOLDİNG



The Koç Group derives its growing competitiveness from innovations it makes in all fields. Therefore, Koç Group's intellectual property rights constitute one of its most important drivers of growth, competitiveness and profitability.

With the goal of increasing value 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 defines its intellectual property rights strategy as follows:

1. Maximizing its use of the intellectual property rights system to obtain sustainable competitive advantage and achieve the best business results,
2. Protecting difference-making innovations and strong brands in its markets of operations,
3. Creating value by managing its intellectual property portfolio in 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 group in Turkey to have established and shared an intellectual property strategy with its stakeholders. Koç Group initiated the Koç Intellectual Property Management Project to implement the Group's intellectual property strategy. This project is expanding its activities to all sectors Group companies operate in. This project has facilitated important gains and it will continue to do so.

The Koç Group intellectual property rights portfolio - consisting of over 6,500 brands, 2,500 patent families and 5,500 patents, 700 industrial designs and 4,000 Internet domain names - is the largest in Turkey and the most important one in the region in which it operates. The Koç Group of Companies made 310 patent and utility model applications in 2012 and 400 such applications in 2013. According to "The Top Local Patent Applicants List - 2013" of Turkish Patent Institute, four Koç Group Companies take places in the top 10 list and three other Koç Group Companies take places in the top 30 list. Arçelik takes the 1st place while Ford Otosan is 2nd, Tofaş is 6th and TürkTraktör is the 9th. Other Koç Group Companies that take places in the top 30 list are Otokar, Arçelik-LG and Tüpraş. Koç Group accounts for one-third of all international patent applications originating from Turkey. Arçelik, the first and only Turkish company included in the World Intellectual Property Organization's top 200 list, was awarded 2nd prize in the Fraunhofer IAO Institute's Intellectual Property Management competition in 2012.

In addition, the Koç Group has pioneered and supported many efforts to develop Turkey's intellectual property rights ecosystem and to spread intellectual property rights usage more actively commercially in Turkey.

OVER 6,500 TRADEMARKS

OVER 2,500 PATENT FAMILIES AND

MORE THAN 5,500 PATENTS

OVER 700 INDUSTRIAL DESIGN REGISTRATIONS

OVER 4,000 INTERNET DOMAIN NAMES

TURKEY'S LARGEST INTELLECTUAL PROPERTY RIGHTS PORTFOLIO

ENERGY

WE HAVE GROWN CONSISTENTLY THROUGH INVESTMENTS IN THE ENERGY SECTOR SINCE WE ENTERED THE SECTOR IN THE 1920s BY TAKING THE RIGHT STEPS AT THE RIGHT TIME. WE HAVE EXPANDED OUR PORTFOLIO BY ACQUIRING OPET, TURKEY'S FASTEST GROWING FUEL DISTRIBUTION COMPANY, IN 2002 AND TÜPRAŞ, TURKEY'S SOLE REFINERY COMPANY, IN 2006. WITH AYGAZ, OUR LPG COMPANY, AND ENTEK, OUR POWER GENERATION COMPANY, WE HAVE BECOME AN ENERGY GIANT.

WE PLAN TO MAINTAIN INVESTMENTS TO CREATE MAXIMUM VALUE FOR TURKEY AND OUR SHAREHOLDERS FOR THE FORESEEABLE FUTURE. WE WILL ALSO FOCUS MAXIMIZING OPERATIONAL PERFORMANCE. TÜPRAŞ AIMS TO BE IN THE TOP QUARTILE AMONG REFINERIES WORLDWIDE, IN TERMS OF TECHNICAL AVAILABILITY, ENERGY INTENSITY, AND OPERATING COSTS EFFICIENCY INDICES.

GLOBAL ENERGY CONSUMPTION IS EXPECTED TO RISE BY OVER 40% BY 2035.

Developments in the petroleum sector in 2013

The price of oil was US$ 113/barrel at the beginning of 2013 and fluctuated throughout the year in response to economic and geopolitical developments. The year closed with oil prices at US$ 110/barrel. Globally, the economic growth rate of 2.9% had a positive impact on the world's oil demand, with consumption rising by 1.2% to 91 million barrels/day.

Mediterranean refining margins weakened in 2013 on the following factors: Demand in Europe for oil products declined; US refineries using the advantage of lower oil price and energy costs operated at greater capacity utilization; heavy oil became relatively more expensive due to the closing of the price differential between heavy and light crude oil; and global refineries shut down for maintenance less than they had done in 2012. This excess of production, combined with weak demand from Europe due to recession, put downward pressure on Mediterranean refinery margins.

Competition in the domestic oil distribution sector intensified in 2013 and the number of gas station contract renewals rose. The diversity and quality of products and services grew. Regulations were changed, requiring preparations for their implementation to be made. Measures taken before 2013 against illegal fuels (particularly the use of No. 10 oil as fuel), resulting unfair competition, began to pay off. However, there were still distributers competing unfairly by, for example, mixing VAT-exempt jet fuel with diesel and not paying VAT on imported products. New regulations addressed these issues for the most part but some regulations created additional burdens for honest companies.

Another important development was the TL 659-million fine the Energy Market Regulatory Authority (EMRA) imposed on the entire sector for deficiencies in the automation systems required at stations.

In terms of volume, there was a growth of 6.4% in white products (gasoline and diesel) and a decline of 11% in black products (fuel oil and heating oil) in 2013 compared to those of 2012.

LPG sector developments in 2013

Internationally, the LPG sector grew in 2013, with consumption rising by 1.8% to 264 million tons. Natural gas production increased 1.9% in the year and LPG production rose by 3.1% to 274 million tons.

Domestic use of LPG, which makes up 45% of global consumption, increased by 1% but the largest increase in consumption was in industrial use, which rose 22%. Meanwhile, autogas use remained at last year's 24 million-ton level.

In the near future, propane supply is expected to grow, leading a decline in LPG supply prices.

LPG consumption in Turkey in 2013 was 3.7 million tons, a level that ranks it 15th worldwide and 2nd in Europe, behind Russia. 73% of consumption was in the form of autogas, while 23% was cylinder gas, which is used in nearly 8 million Turkish homes and businesses.

Autogas consumption in Turkey, Europe's 2nd largest autogas market, grew by 1.2% in 2013 to 2.7 million tons. Turkey makes up 11.3% of the world autogas market. It ranks 1st in the world in the number of vehicles which uses autogas and 2nd in level of consumption.

With the general increase in natural gas subscribers in Turkey, the use of cylinder gas continues to decline. According to EMRA 2013 data, the cylinder gas market contracted by 5.4%; However, Turkey is still Europe's 5th largest market. The bulk gas market continued to shrink in 2013.

Electricity sector developments in 2013

Paralleling economic growth, Turkey's consumption of electricity increased 1.4% to 245 TWh. Investments in the sector continued unabated and the amount of installed power rose by approximately 7,000 MW to 64,000 MW.

The eligible customer limit, which gives electricity consumers the right to choose providers, was set at 5,000 kWh/year in 2013. Distribution privatizations were completed with all distribution regions transferred to the private sector. Production plants by the Electricity Generation Company (EÜAŞ) continued to be privatized. Seyitömer, Kangal and Hamitabad thermal power plants were transferred to the private sector. The Energy Market Regulatory Authority (EMRA) continued to restructure regulations. The Electricity Market Law No. 6446, issued in March, was the most important development in 2013. The new law calls for the establishment of a company, the Enerji Piyasaları İşletme A.Ş. (EPIAŞ, Energy Markets Administration A.Ş.), to operate the Energy Exchange with the intent of creating a more liberal and transparent electricity market.

Koç Holding Energy Group

In the highly competitive petroleum sector, Tüpraş strives to produce value for its shareholders and Turkey. One way of doing this is by raising product efficiency in the light of demand. Tüpraş aims to be in top quartile among global refineries, in terms of technical availability, energy intensity, and operating costs efficiency indices.

In 2013, Tüpraş spent US$ 2.29 billion of the US$ 2.7 billion allocated for the Residuum Upgrade Project and brought it to 91.3% of completion. Once it is finished, Turkey's net annual energy imports will decline by US$ 1 billion. As a result of the policy of optimum production and the use of upgrading units, white product yield increased by 2% at Tüpraş in 2013.

Through its excellence in service approach, Opet aims to be the consumer's first preference. Despite limited growth in the white product market in 2013, Opet raised its sales volume by 10%.

According to EMRA data, Aygaz maintained a clear lead in the LPG sector with a 28.7% market share. The Aygaz Group has a total market share of 42.6% in the cylinder gas market. It increased its market share of autogas to 24.3%, an increase of 1.2pps in the year. Moreover, it has maintained its market leadership with the highest market share in the last 7 years.

AES Entek's sales revenues rose 11% as a result of its acquisition of the 62 MW Damlapınar, Kepezkaya and Kumköy hydroelectric power plants.

WITH ITS ADDED VALUE AND THE REVENUES FROM ITS 28.1 MILLION-TON ANNUAL CRUDE OIL PROCESSING CAPACITY, TÜPRAŞ IS TURKEY'S LARGEST INDUSTRIAL COMPANY.

TÜPRAŞ

Total Revenues
(TL million)

41,078

Domestic Market Position
Turkey's sole oil refining company
60% market share in petroleum products market, including gasoline, diesel fuel and jet fuel

International Market Position
Europe's **7th** and the world's **28th** largest refining capacity

Share of International Revenues
19%

Profit Before Tax
TL **13** million

Net Income
TL **1,197** million

Shareholder Structure

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

www.tupras.com.tr

Tüpraş, Turkey's sole oil refiner, operates four refineries in Izmit, Izmir, Kırıkkale and Batman, with a total annual crude oil processing capacity of 28.1 million tons. It is Turkey's largest industrial company by revenue and added-value generated. As 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 to be in top quartile among refineries worldwide, in terms of technical availability, energy intensity, and operating costs efficiency indices.

As result of Tüpraş's optimum production policy and its effective use of conversion units, the Company achieved a 2% increase in white product yield in 2013.

Under its inventory production optimization programs, the Company's achieved a capacity utilization rate of 79.1% and a 2% efficiency increase in the production of white products. The Company supplied 19.2 million tons of products domestically and exported 4.8 million tons. Sales totaled 24.1 million tons.

Residuum Upgrade Project 91% complete: It will be operational in November 2014

Investments in the Residuum Upgrade Units reached US$ 2.29 billion by the end of 2013. These units will enable about 4.2 millions of tons of heavy fuel oil products, for which demand has fallen in recent years, to be converted into about 3.5 million tons of more valuable and more environmentally friendly white products, mostly Euro V diesel.

The US$ 2.7-billion Residuum Upgrade Project will put the Izmit Refinery into an elite league of refineries in global terms of complexity and it will create significant added value for the country's economy. All of the main equipment is at the construction site and its assembly is nearly complete. As of the end of 2013, 91.3% of the project had been completed.

Strong corporate governance

Tüpraş raised its rating on the Borsa Istanbul (BIST) corporate governance index to 9.34 in 2013, up from 7.91 in 2007, when the index was first introduced. The Company has consistently ranked at the top of the index.

Conducting all its activities within the framework of the Basic Quality Management Systems, Tüpraş added the ISO 50001:2011 Energy Management System and the ISO/IEC 27001:2005 Information Security Management System in 2013 to its existing ISO 9001, ISO 14001 and OHSAS 18001 Quality Management Systems.

Essential for its innovative leadership and strong global competitive strength, Tüpraş conducted R&D activities under three main headings in 2013: innovation management, product development, and process development. As a result of TL 32.5 million R&D expenditures it made in 2012, Tüpraş raised its ranking among companies from 14th in 2011 to 9th in 2012, according to official R&D expenditure disclosures. In 2013, it worked on 40 projects, 16 of which were approved by Tübitak and EU R&D funds.

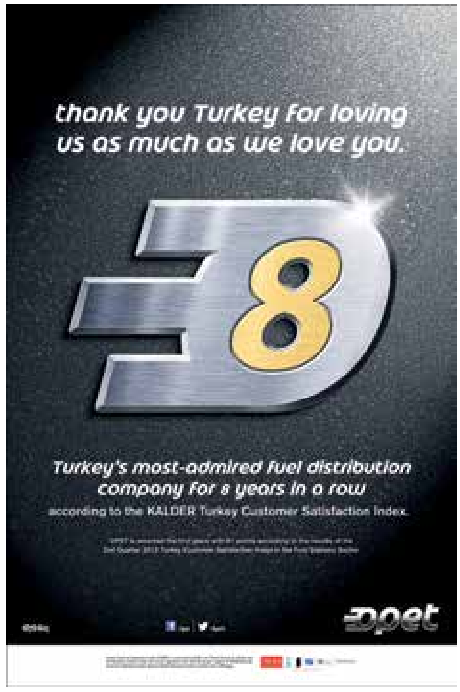
Awards and achievements

- 1st on Istanbul Chamber of Commerce (ISO) 500 Companies, Fortune 500 and Capital 500 listings
- Turkey's 2012 export champion
- 3rd in the BIST Corporate Governance Index with an overall score of 93.43 and 1st in the Board of Directors category with a score of 97.82
- 1st in the Industrial Enterprises Above-the-Line Sectoral Performance Assessment Organization; The continuity award in 2013
- In Aegean Region Chamber of Industry (EBSO) rankings:
  - 1st among companies in production value, exports, employment and best environmental practices
  - 2nd in the category of corporate social responsibility in the area of the environment
  - 3rd in the category of EBSO companies with the highest amount of investment
- Energy-Oil sector Entrepreneur of the Year - the METU Young Entrepreneurs Society
- Batman Refinery named the Cleanest Industrial Facility

MARINE TRANSPORT: DİTAŞ

Ditaş, a 79.98%-owned subsidiary of Tüpraş, provides crude oil and petroleum products logistics and transportation services to Tüpraş. In 2013, it carried 9.5 million tons of Tüpraş's cargo - 6.4 million tons of crude oil and 3.1 million tons of refined products. Ditaş's tanker fleet, which started operations in 1974, now includes the 164.85 DWT Cumhuriyet crude carrier, the 10.9 DWT Sevgi and Gönül, the 6.3 DWT Leyla and the 51.5 DWT Suna petroleum products/chemical tankers, and vessels on time lease. In addition, Ditaş provides pilotage, tugboat and mooring services with 11 tugboats and seven mooring boats.

CUSTOMER SATISFACTION LEADER FOR 8 CONSECUTIVE YEARS IN TURKEY'S PETROLEUM DISTRIBUTION SECTOR.



OPET

Total Revenues
(TL million)

17,846

Domestic Market Position
2nd in white products with a **19.1%** market share
2nd in black products with a **13.4%** market share

Share of International Revenues
19%

Profit Before Tax
TL **314** million

Net Income
TL **258** million

Shareholder Structure

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

www.opet.com.tr

Continued market share growth

Opet conducts retail and wholesale operations in the fuel distribution sector. It also sells jet fuel, provides storage services and engages in the international trade of petroleum products. Through Opet-Fuchs, a 50:50 partnership with the German lubricant company Fuchs, Opet produces and markets lubricants; through THY-OPET, a 50:50 partnership with Turkish Airlines, Opet supplies and sells jet fuel.

Opet aims to be the first choice of consumers through its philosophy of perfect service.

Despite the limited growth in the white products market, Opet increased its sales volume by 10% YoY in 2013.

A year replete with national and international awards

Opet's many awards underlined its successes in 2013. The most important of these is Opet's having become the sector's unrivaled leader in customer satisfaction for eight consecutive years, according to the Turkish Quality Association's Customer Satisfaction Index. It has thus achieved sustainable leadership due to the importance it places on customer satisfaction.

Other important awards include:

- GFK: Most Admired Company
- Lovemark: Most Loved Company
- Stevie: Company of the Year and Clean Toilet Social Responsibility Project
- Capital: Most Admired Company
- Media Cat: Most Sincere and Most Talked about Company

Respect for the environment and social responsibility

Opet conducts all its operations in accordance with the highest ethical standards and a strong sense of responsibility towards its stakeholders. This awareness guides the Company in its development of social responsibility projects. Having embedded social responsibility into its corporate culture, Opet has carried out many social responsibility initiatives, such as Respect for History, Green Path, Model Village, and Clean Toilet. In 2013, it launched a children's traffic education project, "Traffic Detectives", in conjunction with the Ministry of Education and the Ministry of Interior General Directorate for Security.

2014 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 its station network.

In addition to its existing dealer network, Opet has adopted a property investment strategy for its stations in strategic locations to increase the competitive strength of its brands. To this end, it founded Opet Aygaz Gayrimenkul A.Ş., a partnership between Opet and Aygaz. The aim of this company is to put the presence of Opet and Aygaz, its autogas partner, on sounder and more lasting foundations in the market.

OPET'S SALES VOLUME GREW BY 10% IN 2013 DESPITE LIMITED GROWTH IN DOMESTIC WHITE PRODUCTS MARKET.

WE HAVE MET OUR CUSTOMERS' CHANGING NEEDS AND EXPECTATIONS FOR 53 YEARS AND WE HAVE BECOME A MEMBER OF YOUR FAMILY.

AYGAZ

Total Revenues
(TL million)

6,005

Domestic Market Position
Leader in the LPG market since its founding in 1961
Leader with **42.6%** market share in cylinder LPG, **24.3%** market share in autogas, **28.7%** market share in total LPG markets

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

Share of International Reserves
10%

Profit Before Tax
TL **237** million

Net Income
TL **205** million

Shareholder Structure

Koç Holding	**40.68%**
Other Koç	**10.53%**
LPG DC	**24.52%**
Free Float	**24.27%**

www.aygaz.com.tr

The country's first and only publicly traded LPG company, Aygaz is 10th on the Istanbul Chamber of Industry's 2012 listing of Turkey's largest industrial enterprises. Established in 1961 as Koç Group's first company in the energy sector, Aygaz has since maintained its lead in the domestic market.

LPG Cylinders

Aygaz is the first company in the sector to apply body belts to small cylinders. This innovation served to differentiate Aygaz cylinders in the market and instilled consumer confidence in their home use. In 2013, this practice was expanded to 12 kg cylinders, receiving a positive reaction from customers and dealers, and had a favourable impact on sales.

"Aygaz Summer Festival on Anatolian Highways" was a first in the domestic LPG sector, bringing safety training by Aygaz's articulated trucks to one million people at 13 locations over the summer of 2013. People were shown how to use LPG cylinders safely and properly.

Autogas

Aygaz and Mogaz brand's market positions were reviewed and their logos and names were modified according to consumer expectations. The Aygaz Euro LPG+ brand was renamed Aygaz Otogaz and a campaign articulating its new position was launched in January. The Mogaz Maxi LPG+ brand was renamed Mogaz Otogaz and this was announced to consumers at the end of 2013. Aygaz Group branded products were sold at over 1,500 stations across Turkey in 2013, giving the Group the largest domestic distribution network. The Company has opened a website, www.aygaznerede.com, showing its autogas sales locations.

The Aygaz Conversion Club gathers 650 conversion centers under one roof. Two campaigns were initiated to expand the autogas market and to direct vehicles in the autogas market to stations. The autogas market grew 3% during the campaign. The awareness-raising campaign, “LPG: the Fuel of the Future”, which was launched in 2012 to enlarge the autogas market, was expanded in 2013 with activities targeting consumers in 12 provinces. The message conveyed through the activities was that autogas is a high performance, safe, widely available, environmentally friendly, and economical fuel.

Investments and the Aygaz-Mogaz merger

Capital expenditures of Aygaz and its subsidiaries reached US$ 40 million in 2013.

In 2012, the Aygaz Board of Directors resolved to merge with Mogaz. This merger was completed on 22 January 2013 and has raised operational productivity and profitability as well as brand recognition.

Pürsu

In 2013, Aygaz added a third natural spring water filling facility to those operating in Nazilli and Sapanca. While carboy water market contracted by 2% in 2013, Pürsu sales increased by 22%.

Aygaz plans to focus sales and marketing on large cities and regions where Pürsu is not currently sold.

Main awards

- The Turkish Standards Institute designated Aygaz a Customer Friendly Enterprise and a Customer Friendly Brand, the first time such designations were made in Turkey
- Aygaz brands are among those that come on top in the Turkish Customer Satisfaction Index LPG Distributors category, a competition held by the Turkish Quality Association
- The Aygaz Annual Report received the Bronze prize in the International Stevie Awards
- Mogaz Otogaz’s campaign “Git Git Bitmez” (Goes On and On) received the Silver prize in the Effie Awards, which rank advertising strategy and sales activities; in the same awards, Aygaz Otogaz received the Bronze prize with its “Kartopu” (Snowball) campaign
- Aygaz Otogaz’s campaign “Kartopu” (Snowball) garnered the Crystal Apple at the prestigious Crystal Apple advertising awards, and its “Uzaktan Kumanda” (Remote Control) campaign won the Silver Apple at the same awards.

2014 and beyond

Aygaz’s main goal is to be the leading energy solutions provider in Turkey’s and other potential LPG and natural gas markets. Foremost among Aygaz’s short- and medium-term strategies is increasing the Company’s market share in all its segments to sustain its leadership 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 eligible consumers.

The Company’s sales revenues increased by 130% to TL 434 million in 2013.

WE ARE THE LEADING BRAND IN THE SECTOR BECAUSE WE HAVE BEEN KNOWN FOR RELIABILITY AND QUALITY SINCE OUR FOUNDING.

PLACING A PREMIUM ON ALTERNATIVE RESOURCES, AES ENTEK AIMS TO RAISE ITS MARKET SHARE THROUGH NEW INVESTMENTS AND ACQUISITIONS.

AES ENTEK

AES Entek, a joint venture partnership with the AES Corporation, currently has a total installed capacity of 364 MW. This includes two natural gas combined cycle plants with a total capacity of 300-MW (of which one is located in Kocaeli and the other one in Bursa), one 2-MW gas motor-based cogeneration facility and three hydroelectric power plants with a total capacity of 62 MW (of which two are located in Karaman and one in Samsun).

With the addition of 7,000 MW new generation capacity in 2013, Turkey's total installed capacity grew to 64,050 MW, of which 31,500 MW is owned and operated by the private sector. In 2013, AES Entek's consolidated revenues totaled TL 341.6 million.

The three hydroelectric power plants of AES were added to the portfolio in 2013. The investment process for a green-field co-generation plant with a total installed capacity of circa 225-MW to be built next to the Tüpraş facilities in Kırıkkale is ongoing and the natural gas interconnection approval from Botaş is currently being awaited. 625 MW imported coal fired power plant project in Adana, a %50-50 partnership with Oyak, also continues.

While AES Entek's natural gas power plants are not base load power plants, they have a flexible operating regime which enables them to mitigate market risks and remain competitive. Direct sales to busbars and steam customers bring distinctive advantages. The Company's natural gas power plants have begun providing secondary frequency control services to TEİAŞ (Turkish Electricity Transmission Company), making the Company one of only a few to do so. This has generated significant income. Similarly, Eltek Wholesale Company's ability to step in when system prices are low and purchase electricity from various sources, contributes AES Entek's competitiveness. In 2013, Eltek more than doubled its customer sales volume 2.5 times.

The flexibility of AES Entek through Eltek is a significant mitigant for the low system prices and natural gas take-or-pay risks by purchasing electricity from the system and selling it to its customers, thereby minimizing generation and income risks.

AES Entek received the Golden Voltage Electricity Sector Achievement Award at the Gas & Power IV Turkey Energy Summit. AES Entek is pursuing a range of expansion opportunities via merger and acquisitions as well as a development of new generation plants in order to increase its market share in 2014 and have a diversified generation portfolio consisting of various fuel sources.

DEMİR EXPORT DRILLED OVER 27,000 METERS IN 2013 COVERING VARIOUS LOCATIONS IN TURKEY. EXPLORATION TARGETS INCLUDE PRECIOUS AND BASE METALS AS WELL AS FERROUS METALS.

DEMİR EXPORT

Demir Export is one of the largest and most well established mining companies in Turkey. The Company mines and sells coal, iron ore copper and chromite concentrates from 13 mining operations in various parts of Turkey.

In 2013, Demir Export continued development of underground coal mine at Manisa-Soma coal basin which started in 2012, and placed orders for fully mechanized mining equipment for coal extraction. In addition, the Company began investments in the Sivas-Bakırtepe gold and Kütahya-Kalkan iron ore extraction projects to make them operational within 2014. Legal proceedings regarding the Environmental Impact Assessment report for the Bakırtepe Gold Project continue. Development work is expected to kick off in 2014.

In addition, the Company won the rights through a tender held by Anadolu Birlik Holding A.Ş. to mine eight million tons of coal in Sivas-Kangal over a 15-month period. With its experience over 20 years in the field, Demir Export continues its production activities ahead of production schedule which was made in the tender process.

Demir Export performed over 27,000 meters of core drilling in various locations of Turkey in 2013 to explore exploration activities for gold, copper, silver, zinc and coal.

In 2013, Demir Export acquired Ferrocom Madencilik (Taşlıtepe Mine), which is near the annual 350,000 ton-capacity Purunsur site in Sivas. With the investment in the Taşlıtepe Mine scheduled for 2014, the two operations will reach to reach a total annual production capacity of 750,000 tons.

All current iron ore production is sold to integrated steel mills operating around the country.

Demir Export has been producing iron ore since its establishment. It now has a 1.5 million ton/year capacity and a market share of 25%. With new projects and company acquisitions, technological investments and capacity increases at existing mines, the Company's annual production capacity is projected to rise to over 2 million tons in the near future.

AUTOMOTIVE

READING THE CARDS RIGHT WHEN IT CAME TO TURKEY'S NEED TO INDUSTRIALIZE, WE BEGAN INVESTING IN THE AUTOMOTIVE SECTOR IN THE 1950s. THROUGH THE INVESTMENTS WE HAVE MADE OVER THE YEARS, WE HAVE BECOME TURKEY'S LEADING AUTOMOTIVE COMPANY, RESPONSIBLE FOR NEARLY 50% OF THE SECTOR'S PRODUCTION AND EXPORTS. NOT ONLY HAVE WE TRANSFORMED THE TURKISH AUTOMOTIVE SECTOR INTO A GLOBAL PLAYER, WE HAVE TURNED IT INTO AN EXPORT CHAMPION.

WITH A CLEAR UNDERSTANDING OF WHAT THE CONSUMER WANTS AND NEEDS, WE INTEND TO EXPAND OUR PRODUCT PORTFOLIO IN THE NEAR FUTURE BY INVESTING IN NEW TECHNOLOGIES. WE PLAN TO DIVERSIFY OUR EXPORT MARKETS AND, BY PLACING A PREMIUM ON R&D AND INNOVATION, BOTH VITAL IN TODAY'S WORLD, WE WILL REMAIN A GLOBAL ENGINEERING AND PRODUCTION HUB FOR OUR BUSINESS PARTNERS.

KOÇ GROUP TOOK THE LION'S SHARE (24.5%) OF THE AUTOMOTIVE MARKET, WHICH GREW BY 9%, IN 2013. FORD OTOSAN CONTINUED TO LEAD THE AUTOMOTIVE MARKET WITH 12.8% SHARE WHILE TOFAŞ OBTAINED 11.2% MARKET SHARE, PUTTING IT IN FOURTH PLACE.

Developments in the automotive sector in 2013

Competition was stiff in the global and domestic automotive sector in 2013. The European automotive market had its worse year of passenger car sales since 1995. According to the European Automotive Manufacturers Association, sales fell by 1.8%. Meanwhile, the European commercial vehicle market increased by a slim 0.8%.

Even though the pace of contraction in the European automotive market slowed down and decreased by 1.4% in total, the UK and Spain were the only markets that expanded in 2013.

Turkish automotive industry sales rose 9% in 2013. Low interest rates and a high consumer confidence index over the first five months of the year had a favorable impact on passenger car sales. Developments at home and abroad starting from June onwards, pushed up foreign exchange and interest rates; eventually, expectations of increased prices and financing costs led to early demand. Despite of normally sluggish Ramadan and the Feast of Ramadan, sales were strong, setting a new July record and achieving the second highest level for August since 1996.

2013 growth in the sector stemmed entirely from the 19% increase in the sales of passenger cars. Because of relative economic stagnation, despite it being a low base year, the decline in commercial vehicle sales continued. Sales of light commercial vehicles dropped by 21% while medium commercial vehicle and truck sales declined by 6%.

With the shift away from light commercial vehicles to passenger cars, the share of the latter in the entire industry rose from 68% in 2012 to 74.4% in 2013. Total sales in 2013 were 893,000, which included 665,000 passenger cars, 189,000 light and medium commercial vehicles and 40,000 heavy commercial vehicles. While passenger car sales in 2013 reached record levels, the increase in imports had a negative impact on the current account deficit. Total sales in 2013 were the second highest in history, following 2011. Throughout the year, there was heated competition in the sector.

The bus market expanded by 67% in 2013, particularly due to increased demand in the urban passenger transportation submarket. While the small bus market grew by 28%, the truck market declined by 8%. Developments in neighboring countries had a negative effect on the trailer sector, particularly in frigorific transportation. The defense industry strategy of placing priority on national and local projects continued.

2013 Farm tractor market developments

In 2013, farm tractor sales rose 4% to 52,286, according to Turkish Statistical Institute traffic data. Abundant precipitation in winter and spring had a favorable impact on cereals (rice and barley), corn, vegetable and fruit yields, though not on sunflower and cotton. Commodity prices in 2013 were comparable to those of the year before. And, low cost credit for retail sales financing continued. In general, state subsidies were maintained and there was a 17% increase in direct and indirect supports. Moreover, Ziraat Bankası support for purchases of tractors costing over TL 35,000 increased from 25% to 50%.

Koç Holding Automotive Group

Koç Holding maintained its leadership with a 24.5% share in the automotive market, which grew by 9%, above expectations in 2013. Ford Otosan sustained its leadership in the automotive market with a 12.8% market share while Tofaş was in the fourth place with an 11.2% market share.

Ford Otosan finished the construction of its second plant in its Kocaeli factory area for the new Ford Courier and began test production. Through this investment, the current 330,000 vehicle annual capacity will increase to 415,000. In 2013, Ford Otosan's flexible strategy enabled it to sell 114,141 vehicles and to retain its market leadership for the 12th consecutive year with a 12.8% market share.

Linea, manufactured by Tofaş, was the best selling passenger car model with 37,537 units, whereas Doblo was the leader in light commercial vehicle segment with 22,443 units. Tofaş took second place in light commercial vehicles, with a 25.1% market share. It was fourth in total sales with an 11.2% share of the market. Sales of the Alfa Romeo, Lancia and Jeep brands performed well, with total sales growing by 30% over those of the year before.

Otokoç Otomotiv leads the short-term car rental sector with its 5,400-vehicle fleet. Combined with its 18,950-vehicle operational leasing fleet, it has a total fleet of 24,350. As an Avis licensee, it ranks second in the Asia, Europe and Africa region.

Otokar celebrated its 50th anniversary by growing 40% in 2013. The Company, which devotes 5% of revenues to R&D, expanded its portfolio with new products. Otokar's buses have been Turkey's most preferred bus brand for four years. In addition, the Company continued to remain the country's leading military land systems producer. Altay, the strategically important national tank project, underwent its first two prototype winter testing and passed critical design testing. Having completed the fixed firing tests, production of the third and fourth prototypes has begun. Otokar also marketed the Atlas truck, the fruit of collaboration with China's Foton company, one of the largest commercial vehicle manufacturers in the world.

TürkTraktör exported 14,402 farm tractors in 2013 and sold 24,624 in the Turkish market. Sales began to grow in the 3rd quarter of 2012, a trend that continued in 2013, as well. By the final quarter of 2013, domestic sales had increased by 33% and exports by 13%, compared to those of the same period the year before.

KOÇ GROUP AUTOMOTIVE COMPANIES ACCOUNTED FOR 47% OF TURKISH AUTOMOTIVE PRODUCTION AND 45% OF AUTOMOTIVE EXPORTS IN 2013.

THE BEST-SELLING AUTOMOTIVE BRAND IN TURKEY FOR 12 CONSECUTIVE YEARS

FORD OTOSAN

Total Revenues
(TL million)

11,405

Domestic Market Position
Automotive market **leader** with a **12.8%** share
Light commercial vehicle market **leader** with a **26.4%** share
2nd in the heavy truck segment with a **21.3%** share
3rd in the passenger car market with an **8.8%** share

International Position
Highest Ford commercial market share in Europe at **26.4%; 2nd** largest Ford market share in Europe
Exports to **79** countries
Constitutes **8%** of Turkey's total exports to the US

Share of International Revenues
64%

Profit Before Tax
TL **452** million

Net Income
TL **641** million

Shareholder Structure

Koç Holding	**38.46%**
Other Koç	**2.58%**
Ford Motor Co.	**41.04%**
Free Float	**17.93%**

www.fordotosan.com.tr

Industry leader for the 12th consecutive year

In 2013, the domestic market shifted to passenger cars resulting in a decline of 21% in the light commercial vehicle segment. Despite this adverse trend, Ford Otosan sold 114,141 vehicles in the domestic market through its flexible strategy. With a 12.8% market share, it sustained the industry leadership for the 12th consecutive year.

New products

In the passenger car segment, the launch of the Ford Fiesta and Ford Kuga was realized. The Company began sales of the new Ford Cargo tractor units, developed by Ford Otosan engineers, under the Global Cargo agreement which also includes engineering exports. New model of the Ford Transit Custom, named 2013 International Van of the Year, with a mid-range roof height was added to the product portfolio.

Investments

Heavy investment continued, totaling US$ 534 million in 2013. Ford Otosan completed its Yeniköy Plant, part of an ambitious US$ 1 billion investment program, in a record time of 16 months and started test production. As Ford Otosan's third manufacturing facility, this plant contains state-of-the-art technology applied for the first time ever within Ford network. The Yeniköy Plant will be Ford's sole production center for the completely new light commercial vehicle Transit and Tourneo Courier models, and it has an annual production capacity of 110,000 units. By the time the investment program is completed, at the end of 2014, total capacity will rise to 400,000 at the Kocaeli plant and to 15,000 at the Inonu Plant.

Ford Otosan is to invest US$ 100 million in the production of the new 11-liter and 13-liter Ecotorq engines. The intellectual property rights of the engines, designed by Ford Otosan engineers, belong to Ford Otosan. The new Ecotorq engines

that will be manufactured at Euro 6 emission standards, are expected to have wide use including heavy commercial vehicles as well as industrial and marine applications.

Ford Otosan laid the foundations for Turkish automotive sector's largest technology and R&D center, to be completed with TL 60 million of investment. The new engineering center is planned to give 3 million hours of engineering service with 1,300 engineers. Ford Otosan is one of Ford's three large R&D centers in the world, the sole global engineering and design center for heavy vehicles, and the development and calibration center for diesel engines.

Highest export figure in history

Despite the contraction of the European market in 2013, Ford Otosan exports to Europe reached its highest level ever at 226,671 vehicles, increasing its share even in shrinking markets. This was achieved through market diversification and the success of its new products, the Transit and Tourneo Custom. The US$ 3.8 billion in earnings from these exports marked the Company's net-exporter position.

Ford Otosan produced 281,287 vehicles and maintained an effective capacity utilization rate of 85%, exceeding the Europe and Turkey average.

The life-cycle of Transit Connect, manufactured at the Kocaeli Plant since 2002, was completed with a successful history behind. The New Transit Connect, of which the body design made by Ford Otosan engineers, has been named 2014 Commercial Vehicle of the Year.

Ford Otosan signed an agreement with China's JMC to have its patented Ecotorq engines manufactured in China, the world's largest heavy commercial vehicle market, for use in JMC vehicles. Ford Otosan thereby recorded another first for Turkey by exporting technology to China.

An aging product range, the domestic market shift from light commercial vehicles to passenger automobiles, and a significant increase in exchange rates, had a negative impact on the Company's profitability.

Main awards

Ford Otosan, a global example for its innovative approach, flexible solutions, and impressive advanced calibration skills, received the 2013 Engine Test Facility of the Year award from Automotive Testing Technology International Magazine. It was the first Ford center to win this award.

2014 and beyond

On the heels of the greatly successful old Transit and Transit Connect in 2013, the production of the New Transit will begin in the first quarter of 2014, to be followed by the Courier in the second quarter of the year. The investment program started in 2011 will draw to a close, with the overhaul of the entire Ford Otosan product portfolio.

Ford Otosan is embedded in 54 years of history. Its vehicle and engine production prowess, top-notch engineering talent, competitive R&D organization and engineering exports make it a technology company with a flawless business model. It continues to raise the standards not only in Turkey but globally, with its investments and projects.

Priorities in risk management

The fundamental goals of Ford Otosan's risk management are to anticipate potential risks in every area, monitoring and managing them, and to design proactive risk and crisis management action plans. The Company's Board of Directors, Risk Early Detection and Management Committee, Internal Audit Committee and Executive Management are kept informed about any possible risks.

WE PLAN FOR THE NEXT 20 YEARS, TO CARRY THE TURKISH AUTOMOTIVE SECTOR FORWARD.

UNDERSTANDING CUSTOMER EXPECTATIONS, WE FOCUS ON R&D AND INNOVATION IN OUR NEW INVESTMENTS.

TOFAŞ

Total Revenues
(TL million)

7,038

Leadership
Best-selling passenger car with a **5.6%** market share: Fiat Linea

Best-selling light commercial vehicle with an **11.5%** market share: Fiat Doblo

Longstanding **leader** in sales from domestic manufacturing

Share of International Revenues
60%

Profit Before Tax
TL **477** million

Net Income
TL **434** million

Shareholder Structure

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

www.tofas.com.tr

In 2013, Tofaş ranked 5th in the domestic passenger car market with sales of 50,256 Fiat-brand cars, giving it a 7.6% market share. In the light commercial vehicle market, Tofaş is 2nd with sales of 47,337 vehicles and a market share of 25.1%. The Company ranks 4th in overall sales, having sold 97,593 vehicles, giving it an 11.2% market share.

Sales of the Alfa Romeo, Lancia and Jeep brands rose by 30% over those of the previous year.

Export markets diversification strategy

Tofaş produced 244,614 vehicles, which is 22% of total automotive production in Turkey. It exported 160,319 vehicles, giving it 3rd place in Turkish automotive exports. The Company's export market diversification strategy, devised to offset contraction in European automobile markets, delivered a 4.1% increase in export volume over that of 2012.

New models

The 5-door Fiat 500L, the newest member of the Fiat 500 family, was among the new automobiles launched in 2013. The Ducato cargo pickup truck and minibus options, were also new market entries. The Doblo XL, a new version of the Doblo with a long body and high roof, became a more efficient option for freight and cargo transport. Sales of the Ypsilon, Lancia's mini urban model, began in Turkey.

The Jeep Grand Cherokee was remodeled and put on sale in July. Similarly, the Jeep Compass was given a face-lift and put on sale in August. Other new entries that stood out in 2013 was the 4-door Maserati sedan models, the Quattroporte and Ghibli, which were also marketed during the year.

Important investments

Tofaş invested US$ 196 million in 2013. The Company initiated new model project investments amounting US$ 880 million and obtained relevant incentive approvals. The most important components of these investments were US$ 360

million for the adaptation and renovation of the Doblo for the US market, and US$ 520 million for a new passenger car model.

Financial results

Despite the ongoing contraction in European markets and decreasing share of light commercial vehicle segment in the domestic market, Tofaş announced net profits of TL 434 million in 2013, demonstrating how resilient the Company is in fluctuating economic and market conditions.

The Company maintained its investments in new models in 2013 to position itself for the next ten years with no detriment to its financial structure. Tofaş had a US$ 512 million foreign trade surplus, thereby enabling it to make an important contribution to Turkey's economy.

Main awards and successes

- Tofaş achieved the Gold Level among Fiat plants in 2013 through the WCM-World Class Manufacturing Program launched in 2006.
- In the Automobile Distributors Association's Gladiators of the Year Awards:
    - Fiat Linea won the 2013 Bestselling Automobile of the Year award
    - Lancia won the Fastest Growing Brand of the Year award
    - Fiat 500 won the communication award.
- Fiat Doblo: Best-selling light commercial vehicle in Turkey.
- Tofaş's "Adım Adım İş Güvenliği" (Step by Step Occupational Safety) project garnered the European Agency for Safety and Health at Work best practice award.
- Tofaş received awards at the Bursa Chamber of Commerce and Industry's 40th annual "Contributors to the Economy" event in three categories: exports, taxes and (the Grand Prize) innovation.
- METU (Middle East Technical University) students named Tofaş as "Entrepreneur of the Year."

2014 and beyond

Macroeconomic dynamics appear destined to weaken domestic demand further in 2014. However, positive signals from Europe suggest the sector's export potential will rise. Tofaş plans to strike a balance between domestic market and export activities in 2014 and it expects to implement many new investments already initiated. Production in the Doblo US project is scheduled to begin in the second half of 2014. Moreover, completion of infrastructural investment in the new passenger car project, due to begin production in 2015, is planned for 2014. Tofaş also plans to launch important new R&D investments in 2014.

Tofaş's long-term goals and strategies involve a strong focus on R&D, through which the Company plans "to develop vehicles and technologies that generate full customer satisfaction in every region of the world." In this way, Tofaş strives to create value for Turkey's society and economy, as well as for the Company's shareholders and other stakeholders, by developing its competitive passenger and commercial vehicles.

Priorities in risk management

Risk management at Tofaş has been organized in line with legal regulations. Risk management reports are sent directly to the Board of Directors. Risk management is based on "protecting the assets and values of the Company," "providing commercial, financial and operational confidence," and "sustainability in corporate risk management."

KOÇ FIAT KREDİ

Koç Fiat Kredi provides consumer financing for the brands Tofaş markets. The Company provided loans of TL 1,005 million for 41,000 vehicles in 2013, thereby financing 56% of Tofaş's retail sales. Its loan portfolio totaled TL 1,245 billion in 2013.

Koç Fiat Kredi financed its lending by issuing securities with a total nominal value of TL 405 million, of which TL 190 million was obtained by security issuance.

WE ARE TURKEY'S FIRST R&D CENTER IN OUR SECTOR.

TECHNOLOGY HAS BEEN DRIVING AGRICULTURE SINCE 1954.

TÜRKTRAKTÖR

Total Revenues
(TL million)

2,175

Domestic Market Position
Leader with a **49%** market share

International Market Position
Production center in the world for the New Holland TDD and Case IH JX series tractors.

Sole engineering and production center for the 66 Series transmissions.

Share of International Revenues
30%

Profit Before Tax
TL **320** million

Net Income
TL **280** million

Shareholder Structure

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

www.turktraktor.com.tr

Founded in 1954, TürkTraktör began manufacturing Turkey's first tractor in 1955 as the first automotive production company in Turkey, and took its first move towards increasing the domestic contribution to the agricultural production market. Today, TürkTraktör has a strong market lead in production, investment, workforce and exports.

New products and new services

Today's agricultural enterprises demand ever more powerful engines to increase agricultural efficiency. In response, TürkTraktör launched its enhanced performance New Holland TDD Blumaster series, with its environmentally friendly, high performance and fuel efficient Tier 3 engines. This powerful engine and the new features of the JX MaxPro series, which has become extremely popular in the Turkish market, promises to make it the indispensable tractor of mid-sized and large enterprises.

New 665 TL model front loader options for the New Holland TDD series 4-cylinder models were introduced to farmers at the 2013 Izmir Agriculture Fair. High demand for the product is expected from factories, construction companies and agricultural enterprises, particularly those in animal husbandry.

Continually expanding its equipment product portfolio to meet customer needs, TürkTraktör introduced New Holland corn heads with a 5-6 row fixed and 6-row folding-for-transport models in 2013.

The new hood design for New Holland large balers provide greater efficiency due to increased capacity, which adds to other new features such as increased piston speed and improved baling density control.

The New Holland FR series self-propelled forage harvesters is an important addition to TürkTraktör's product portfolio. These come with a new body design, improved technology and a high-capacity feed channel, which enables it to harvest an area the size of 40 football fields on average on a single day.

Sales have started of TürkTraktör seed drills, rotary tillers and rotovators.

In 2013, efforts to obtain CE certification for New Holland mowers, small balers and Case IH-brand cotton harvesters, all in TürkTraktör's product portfolio, were stepped up and, similarly, efforts to get CE certification for domestically produced small balers, tillers, seed drills and sprayers were launched as well.

TürkTraktör is shaping the future of Turkish agriculture. It has conducted many projects to raise agricultural awareness and to train future generations. The Company opened the TürkTraktör Academy in June 2013 to provide occupational and personal development opportunities to employees of its nation-wide network of dealerships and service providers.

Investments

TürkTraktör's goals are to generate added value for the Turkish economy and to support the development of agriculture. So, it laid the foundations of its Adapazarı Assembly Plant in 2013. This US$ 80 million plant will increase production capacity and bring logistic advantages for supplying to domestic and international markets. The facilities are expected to begin operations in 2014.

The Adapazarı Plant will concentrate on assembly and paint shop operations while its Ankara Plant will focus on engine/transmission production. Once the Adapazarı Assembly Plant opens its doors, the Company's annual production capacity is projected to rise from 35,000 tractors to 50,000.

Under its innovative management approach and portfolio diversification plans, TürkTraktör signed an agreement with CNHI International SA for the import of New Holland and Case-branded construction equipment, spare parts and accessories. The Company hopes to raise financial profitability through the sale and marketing of these new New Holland and Case-brand products.

Achievements

Respected Turkish research, industrial and commercial institutions have honored TürkTraktör with many awards, underlining the Company's achievements. It has also received awards from some of the most important organizations in the sector.

TürkTraktör's score on the Corporate Governance Index, on which it is one of the top five companies, rose from 89.2 to 91.04 in 2013.

A PIONEERING COMPANY FOR 50 YEARS IN TURKEY.

THE MOST PREFERRED BRAND OF BUSES IN TURKEY FOR 4 CONSECUTIVE YEARS.


Otokar Tulpar, Turkey's first original tracked armored vehicle.

OTOKAR

Total Revenues
(TL million)

1,402

Leadership Positions
Leader in the 25+ passenger bus market
Largest supplier of land vehicles to the Turkish Armed Forces
Largest private sector defense company in Turkey

Share of International Revenues
15%

Profit Before Tax
TL **108** million

Net Income
TL **97** million

Shareholder Structure

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

www.otokar.com.tr

Otokar, which has provided Turkey with a long list of firsts - the first intercity bus, the first armored tactical vehicle - celebrated its 50th anniversary in 2013. The Company's revenues grew by 40% to TL 1,402 million and it had exports of US$ 117 million. Allocating 5% of its revenues to R&D, Otokar expanded its product portfolio with new products.

Turkey's most preferred bus brand for the 4th consecutive year

Otokar was Turkey's most preferred bus brand for the 4th consecutive year. In 2013, three out of every five midi-buses and one out of every two municipal buses sold were Otokar branded. The 900 buses ordered by the Istanbul Metropolitan Municipality were delivered. Garaged in four locations, these buses have started their planned five years of service. In response to personnel transportation service providers, TEMPO buses, which have low operating costs, were introduced.

Otokar became the first company to receive the Turkish Standards Institute's Design Approval Certificate for Elliptical Tanker Trailer and Truck Tankers in line with ADR regulations for the transportation of hazardous materials. The Company added to its product line such specialty models as the Maxi Kesit Tanker, the Mega Iceliner and trailers suitable for loading onto trains.

In 2013, Otokar introduced the 8.5-ton Atlas truck and in the first year, received an order for 158 vehicles from the Ministry of the Environment.

Continuing innovations in defense industry

Otokar designed TULPAR, Turkey's first original tracked armored vehicle, drawing on its experience in designing land vehicles for the defense industry. The Company added the COBRA II and URAL tactical wheeled armored vehicles to its product family and introduced three tower systems. Otokar is now capable of meeting all Turkey's needs for land systems through its wheeled and tracked vehicles from 3/4 to 60 tons as well as tower systems.

NATIONAL TANK: ALTAY

Otokar successfully completed tests of National Tank Altay prototypes in 2013. As the chief contractor in Altay, Turkey's national main battle tank project, Otokar stayed on schedule in 2013. The Detail Design Phase, the second of three project phases, was completed in 2013. Work on the project's final phase, the Prototyping and Qualification Phase, continued. Movement and firing tests on the first two prototypes manufactured were conducted throughout 2013. Altay successfully completed its winter tests in Sarıkamış in March. Firing tests will continue in 2014 and, according to the results derived, two additional Altay prototypes will be manufactured. When completed, the Altay will be the most advanced third-generation main battle tank in the world. The Altay design, prototyping and qualification phase is scheduled for completion in 2015.


Otokar branded buses (providing service) in Istanbul.

2014 and beyond

In 2014, Otokar intends to grow particularly in the public bus and tanker markets. It plans on maintaining its lead in the bus market while raising its market share in the light truck segment. Otokar is continuing to promote its new defense industry products in export markets and to build new Altay prototypes.

OTOKAR AIMS TO MAINTAIN ITS LEADERSHIP IN THE BUS MARKET AND TO INCREASE ITS MARKET SHARE IN THE LIGHT TRUCK SEGMENT.

OTOKOÇ OTOMOTIV'S REVENUE ROSE BY 17% TO TL 3.5 BILLION AND ITS INVESTMENTS GREW BY 71% TO TL 743 MILLION.

OTOKOÇ OTOMOTİV

Leading the Turkish automotive retailing and car-rental markets

Otokoç Otomotiv operates under the Otokoç, Birmot, Avis, Budget and Otokoç Sigorta (Insurance) brands at 148 locations. The Company provides sales and after-sales services for Ford, Ford Trucks and Volvo under the Otokoç brand and for Fiat, Alfa Romeo, Lancia and Jeep under the Birmot brand. It also runs short-term rental and operational leasing services under the Avis and Budget brands.

Otokoç Otomotiv accounted for 33% of Ford retail sales in 2013, 30% of Fiat, 44% of Alfa Romeo, Lancia and Jeep, and 45% of Volvo. The Company's sales exceeded 70,000 vehicles, about 8% of the total market. In short-term car rentals, Avis grew by 26% reaching 4,050 vehicles, thus reinforcing its market lead, and Budget rentals grew by 47% reaching 1,350 vehicles. Hence, the Company attained a 51% market share among international car-rental brands in the short-term car-rental market. In operational leasing, the Company's revenues grew by 32% to a total of 18,950 vehicles.

The Company launched its operations for the Volvo brand at the Otokoç Samsun facilities, thus increasing its number of Volvo sites to six. Birmot and Otokoç moved to new facilities in Ataşehir. Birmot began operations at its second facility in Bursa. The first 4S Ford Trucks Plaza investment was made at Otokoç Eskişehir İnönü.

Otokoç Otomotiv's revenues rose 17% to TL 3.5 billion and investments climbed by 71% to TL 743 million.

Awards and achievements

Avis Turkey received the "Licensee of the Year" award for its fast growth, customer satisfaction, new collaborations, and creative marketing practices in the EMEA region. For the fourth time, Skal International named it the "Best Car Rental Company" and the World Travel Awards declared it the "Corporate Car Leasing Company of the Year." Budget Turkey received the EMEA region "Marketing Achievement Award."

2014 and beyond

Otokoç Otomotiv plans to invest in expanding its network, renovating existing facilities, and opening new heavy commercial vehicle facilities in Istanbul. It aims at reinforcing its leadership in short-term car rentals with its Avis brand by achieving a rate of growth that is above the market average. It intends to lift its Budget brand from 3rd to 2nd place. The Company also plans to increase the number of Budget licensees and implement the hourly rental business with Zipcar brand. Otokoç has set its sights on growing its operational leasing business 2.5-fold in five years.

As part of its growth strategy in neighboring countries, Otokoç intends to take the car rental business to Kazakhstan in 2014, as the third location abroad, following Northern Iraq and Azerbaijan. New opportunities will also be evaluated.

Otokoç plans investments of TL 845 million in 2014, mainly in vehicle purchases.

OTOKOÇ OTOMOTIV INTENDS TO EXPAND ITS NETWORK THROUGH INVESTMENTS, REMODEL EXISTING FACILITIES AND GROW IN THE TRUCK SEGMENT THROUGH A NEW TRUCK PLANT IN ISTANBUL.

CONSUMER DURABLES

WE MADE PIONEERING INVESTMENTS IN THE CONSUMER DURABLES SECTOR WITH THE FOUNDING OF ARÇELİK IN 1955. SINCE THEN, THE COMPANY HAS DEVELOPED THE DOMESTIC SECTOR'S LARGEST DISTRIBUTION NETWORK AND, WITH A MARKET SHARE OF OVER 50%, IT BECAME THE COUNTRY'S LEADING CONSUMER DURABLES COMPANY. OUR BEKO BRAND HAS BECOME THE GLOBAL FACE OF TURKISH CONSUMER DURABLES, ELEVATING TURKEY IN WORLD MARKETS.
A RISING GLOBAL PLAYER WITH 14 FACTORIES IN FIVE COUNTRIES, BEKO OFFERS PRODUCTS AND SERVICES IN OVER 100 COUNTRIES.

IN LINE WITH OUR GOAL OF MAINTAINING SUSTAINABLE, PROFITABLE GROWTH AND THROUGH OUR BRAND AND CUSTOMER-FOCUSED STRATEGY, WE WILL INCREASE OUR SHARE IN MARKETS WHERE WE DO BUSINESS AND CONSOLIDATE OUR PRESENCE IN DEVELOPING MARKETS. OUR INVESTMENTS IN R&D AND INNOVATION WILL ENABLE US TO STAY IN TUNE WITH CUSTOMER PREFERENCES AND OFFER THEM PRODUCTS AND SERVICES WITH HIGH ADDED VALUE.

CONSUMER DURABLES

THIRD LARGEST WHITE GOODS MANUFACTURER IN EUROPE, ARÇELİK A.Ş. NOT ONLY LEADS IN TURKEY BUT ALSO IN ROMANIA WITH ITS ARCTIC BRAND AND SOUTH AFRICA WITH ITS DEFY BRAND.

Developments in the consumer durables sector in 2013

The global white goods market grew by 3% in 2013 with an easing of the economic crisis, which was centered in Europe and the United States and caused a global shift in investments to developing countries.

While the Western European white goods market, one of Arçelik's main markets, contracted by 1%, the Eastern European market grew by 3.9%. Whereas Western Europe's largest white goods markets -France, Spain and the UK - shrunk, the Italian market grew. Meanwhile, the largest white goods market in Eastern Europe, Russia, expanded though two other important markets there, Poland and Romania, contracted. Ukraine and Estonia became the region's fastest growing markets.

Ongoing political strife in the Middle East, one of Arçelik's target markets, caused demand there to fall.

The Kazakhstan market, one of Central Asia's largest and most important, contracted.

Political unrest and domestic conflicts in North Africa, especially in Egypt, had important ramifications.

The Turkish white goods market expanded by about 6%, reaching a total of 6.85 million units in 2013.

Koç Holding Consumer Durables Group

Arçelik, the 3rd ranking white goods company in Europe, maintained its strong leadership in Turkey, and continued to lead by a clear margin in Romania with its Arctic brand and in South Africa with its Defy brand.

Beko, the Group's global white goods brand, has had the fastest growing share in the European market for six years. Beko is Western Europe's bestselling refrigerator brand. With a favorable performance in its key markets, it rose to 2nd place in Western Europe's white goods market in 2013. While maintaining its leadership in the UK and Lithuanian markets, Beko became one of the top three brands in the French and Polish white goods markets. It took the largest share gain in the German, Belgium, Romanian and Ukrainian white goods markets and was in the top three for fastest growing market share in France, Italy, Austria and Poland.

Despite a shrinking market in the Middle East, the Beko brand retained its lead on a product group basis in Jordan, Israel and Iraq. Its sales, service and channel organization activities, has made Beko the most popular brand in the Gulf countries, particularly in Saudi Arabia and Yemen.

It retained its position in the Turkic Republics' white goods market and increased its market share in Kazakhstan.

Arçelik expanded its penetration and operations in Africa, including North Africa. It saw a sharp rise in revenues in Central Africa and Beko became one of the preferred brands in Angola, Gabon, Sudan and Ethiopia. Beko sales were initiated in West African countries, including Ghana, Senegal and Ivory Coast. In 2013, Beko brand was sold in 30 African countries.

Commensurate with its goal of market diversification, Arçelik initiated business development in distant regions. Corresponding to its organic growth strategy, it increased exports to Southeast Asia, a region of significant potential, and it launched operations in Singapore.

Arçelik has decided to introduce its Grundig brand, historically noted for its quality and design in consumer electronics, to the white goods sector and it launched Grundig white goods products, with a simple, timeless design, at the LivingKitchen fair in Köln.

DESPITE CONTRACTING MARKETS IN THE MIDDLE EAST, ARÇELİK A.Ş, WITH ITS BEKO BRAND, RETAINED LEADERSHIP ON A PRODUCT GROUP BASIS IN JORDAN, ISRAEL AND IRAQ.

THE ONLY TURKISH COMPANY ON THE WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO)'S "LIST OF THE TOP 200 COMPANIES APPLYING FOR PATENTS OVER THE PAST FIVE YEARS".

ARÇELİK

Total Revenues
(TL million)

11,098

Domestic Market Position
Leads Turkey's white goods, built-in appliances, and air conditioner markets with a market share exceeding **50%** and the TV market with a share at **30%** level

International Position
3rd largest company in Europe in the sector

Clear market leader in Romania and South Africa with its Arctic and Defy brands, respectively

Arçelik's international white goods brand Beko was
- **3rd** largest in European white goods market and **2nd** in the freestanding white goods market
- **2nd** in Western Europe white goods market
- **Best-selling** refrigerator brand in Western Europe
- White goods market **leader** in the UK and Lithuania
- Among the **top three** white goods market brands in France and Poland

Share of International Revenues
58%

Profit Before Tax
TL **745** million

Net Income
TL **598** million

Shareholder Structure

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

www.arcelikas.com.tr

Green products through the vision "Respects the Globe, Respected Globally"

Conducting its business with the vision "Respects the Globe, Respected Globally", Arçelik develops products designed to protect nature and the ecosystem and to contribute to the creation of a sustainable future. Among the most energy efficient and quietest products in their class marketed are:

- A -45% energy class built-in oven
- A+++ -10% energy class drier
- A+++ -50% energy class washing machine
- A+++ -10% energy class dishwasher
- A+++ energy class upright deep freezer
- 41dBa - quiet built-in oven

Arçelik innovates in food storage, cooking, hygiene, and washing and drying technologies. It creates products that are energy efficient and rank high on water conservation, have distinctive designs and emphasize functionality:

- 84 cm no-frost refrigerator with ice cream maker
- Arçelik 8860 SBS NY refrigerator with an Internet-connectable multimedia tablet screen
- 74 cm no-frost combi refrigerator with new vegetable storage design that extends vegetable storage up to 30 days
- Washer-drier with air compression technology that doesn't use water for drying
- A-class mixed program dishwashers that can clean without damaging delicate glass and plastics in the top rack while washing heavily soiled pans on the bottom rack
- Induction hotplates with eight cooking sections
- No-frame TV models
- BabyWatch TV application - a global first
- Easy Remote device that enables voice-command of TV and use of Air Mouse for screen
- Turkey's first and only automatic tea maker, Gourmet Tea Maker, which can keep tea fresh up to twice as long by using Filter Sense technology

Investments

In 2013, Arçelik opened a new refrigerator production line at the Arctic Refrigerator Plant in Romania, bringing its annual production capacity to 2.5 million units. The plant is now the second largest refrigerator production facility in Europe after the Arçelik Eskişehir Refrigerator Plant.

Investments were made to improve the products and production systems at Defy, South Africa's leading white goods manufacturer. These investments made it possible to manufacture a new model combi refrigerator and chest deep freezer at the Ezakheni plant.

A new Cash Register POS device was developed at the Arçelik Beylikdüzü Electronics Plant. The new device, the first of its kind manufactured in Turkey, was designed according to the specifications of the New Generation Cash Register Regulations, tested by TÜBİTAK (The Scientific and Technological Research Council of Turkey) and approved by the Finance Administration, and then launched on the market.

Continuing growth in 2013

Arçelik, whose revenues grew by over 20% for the previous two years, achieved a growth rate of 5% in 2013, exceeding consolidated revenues of TL 11 billion.

Decline in the European TV market dampened Arçelik's overall growth. Nevertheless, the Company continued to grow strongly in the white goods category where, after having grown by 27% for two successive years, it grew by 11% in 2013.

Arçelik sells and provides service to various regions around the world and foreign markets accounted for 58% of its sales.

Commensurate with its branded growth strategy, the Company increased its sales figures in its markets while selling higher capacity and higher segment products.

Arçelik raised its profit margin in 2013 as a result of its operational activities and its successful income-expenditure management.

Its market value increased by 8% over the previous year. At the end of 2013, the Company's market value reached TL 8.2 billion. International investors showed great interest in the Company's first Euro-bond issue, made in 2013.

THE LARGEST CAPACITY WHITE GOODS FACTORIES IN EUROPE AND THE WORLD MANUFACTURING UNDER A SINGLE ROOF.

Major awards

- Most Innovative Company award, from the Turkish Exporters Assembly
- Carbon Transparency Performance Leadership award, from the Carbon Disclosure Project
- Named the Most Reputable Company by the RepMan Reputation Research Center and GfK
- Platinum Certificate, the highest rank in Energy Efficient Green Plants, to Arçelik's Ankara Washing Machine, Çerkezköy Tumble Drier and Electronic Engines, and the Arctic Refrigerator plants
- 2nd prize in home appliances for the ElektraBregenz brand at the Golden Plug Awards
- For its Arçelik, Beko and Grundig-brand products, the Plus X award in 7 categories, the Red Dot award in 11 categories, and the IF Design award for 2 products.

Arçelik in the future

Arçelik's innovative technologies, smart products and added value-generating solutions make it a leading company in its sector globally. The key contributing factors to this success are its R&D, innovation, quality and design. Through its continual investment in these areas and brand, market and customer-oriented strategy, the Company will continue to design geographically specific products and services that make a difference while meeting consumer's needs and expectations.

In line with its long-term strategic goals, patterned after its vision "Respects the Globe, Respected Globally," Arçelik will continue to expand its global organization. The Company's aim is to maintain leadership in the Turkish market, increase its share of the European market, and reinforce its position in the Middle East, Africa and the Asian Pacific. Utilizing its strong and stable financial structure which promotes sustainable development, Arçelik will continue to pursue organic and inorganic opportunities in developing markets by acquiring companies or entering markets.

While focusing on sustainable development, Arçelik is mindful of its social and environmental responsibilities in its all operations and processes. In terms of sustainability, it will continue to be the leader in Turkey and to have a global voice.

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.

ARÇELİK - LG

Total Revenues
(TL million)
708

Domestic Market Position
Leader in air-conditioning with more than **50%** market share

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

Share of International Revenues
33%

Arçelik-LG is a partnership between LG Electronics (Korea) (50%), Arçelik A.Ş. (45%) and Koç Holding (5%). The Company started production in 2000 with an annual capacity of 300,000 units. In 2013, Company revenues totaled TL 708 million, production capacity reached 1.5 million units, and personnel numbers stood at 1,050.

Arçelik-LG is the largest air-conditioner manufacturer in Europe and the Middle East. Its innovative approach, strong technological infrastructure and extensive distribution and service network has made Arçelik-LG the market leader, with a share of over 50%. The Company currently exports nearly half of its production to over 50 countries, mainly in Europe, the Middle East, Africa and the CIS.

Arçelik-LG was placed in the top ten in the Hay Group's 2013 ranking of "The Best Companies for Leadership" in Turkey.

As of 1 January 2014 and in line with EU regulations, the "Energy Label" practice on home-type air-conditioners was initiated in Turkey. New generation inverter models were launched on 1 January 2014.

Moreover, Arçelik-LG localized the production of the interior units of free-standing air-conditioners, following its production of the external units in this category.

To enhance its competitiveness in export markets, the Company has developed and now markets mosquito repellent air-conditioners for the North African market and ionizing air-conditioners for the Russian market.

Arçelik-LG provides Turkish consumers with high-quality energy-efficient products while maintaining its domestic market leadership. Outside Turkey, the Company's strategic aim is to grow profitably in Europe, the Middle East, North Africa, Russia and the Turkic Republics. In addition, it continues its efforts to maintain its existing market share and leadership in the newly developing commercial air-conditioner segment.

ARÇELİK-LG IS THE LARGEST AIR-CONDITIONER MANUFACTURER IN THE MIDDLE EAST AND EUROPE.

FINANCE

OUR PRESENCE IN THE BANKING SYSTEM TOOK OFF WITH KOÇ-AMERICAN BANK IN THE 1980s. AFTER ACQUIRING YAPI KREDİ BANK IN 2005, WE BECAME ONE OF THE MOST IMPORTANT FINANCIAL INSTITUTIONS IN TURKEY. WE ATTRIBUTE THIS SUCCESS TO OUR ABILITY TO READ THE SIGNS OF CHANGE IN THE TURKISH ECONOMY AND IN THE FINANCIAL SECTOR.

WE PLAN TO REMAIN A LEADING PLAYER IN THE SECTOR, PROVIDING THE BEST PRODUCTS AND SERVICES TO THE CUSTOMER BY COMBINING OUR SMART GROWTH STRATEGY WITH CUSTOMER-FOCUSED BANKING, STRONG AND DIVERSIFIED FUNDING, SUSTAINABLE PERFORMANCE AND OUR CONTINUALLY MODERNIZED SERVICE NETWORK.

DESPITE GROWING VOLATILITY AND MACRO-PRUDENTIAL MEASURES, THE BANKING SECTOR CONTINUED TO GROW THROUGHOUT THE YEAR. LOANS ROSE BY 33%, REACHING TL 995 BILLION, WHILE DEPOSITS GREW BY 24% TO TL 951 BILLION.

Banking sector in 2013

In 2013, Turkey's banking sector operated in two different halves due to global and domestic conditions.

In the second half of the year, growing volatility and authorities' various macro-prudential measures led to a decline in credit growth, mostly stemming from consumer loan and credit card restrictions. Total loan volume grew by 33% to TL 995 billion. Total deposits increased 24% in the same period to TL 951 billion. Thus, loan to deposit ratio rose 8 percentage points to 111%.

On the other hand, diversification of funding continued through issuances of TL 28 billion in local currency bonds, US$ 15 billion in foreign currency bonds and US$ 10 billion in subordinated loans. In 2013, a year in which legal regulations had severe ramifications for the sector, the banking sector's net profits stood at TL 22.5 billion, excluding Yapı Kredi Sigorta sale.

Koç Holding Finance Group

Koç Financial Services, a Koç Holding and UniCredit Group 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 provides retail banking (which includes credit cards, individual banking and SME banking), corporate and commercial banking, as well as private banking and wealth management.

YAPI KREDİ

Market Shares

- **4th** among private banks in terms of asset size
- **5th** in credit volume with **9.5%** market share
- **6th** in total deposits with a **9.1%** market share
- **Leader** in credit cards' outstanding volume with **20.6%** market share
- **Leader** in financial leasing with **14.8%**, and in factoring with **16.9%** market shares
- **2nd** in mutual funds with 18.2% market share and **3rd** in equity transaction volume with **6.9%** market share
- **5th** in number of branches with **8.6%** market share
- Pioneer in mobile banking with **10.9%** market share

Total Assets

TL **160** billion

Return on Average Tangible Equity

16.7% (25.7% including Yapı Kredi Sigorta sale)

Shareholder Structure

Koç Financial Services	**81.80%**
Free Float	**18.20%**

www.yapikredi.com.tr

2013 performance

In 2013, Yapı Kredi recorded a healthy performance, despite difficult operating conditions and without compromising its customer-focused banking approach. Turkey's 4th largest private bank and one of the strongest institutions in the banking sector, Yapı Kredi's net profits increased by 13% to TL 2.4 billion and tangible return on average equity grew to 16.7%, excluding Yapı Kredi Sigorta sale. During the same period, the bank's capital adequacy ratio reached 16%, the highest among its peers, due to its focused approach.

One of 2013's most important developments for Yapı Kredi was the sale of its insurance subsidiaries to Allianz in July, from which it obtained TL 1.3 billion in capital gains. Within the scope of this well-timed and successful transaction, Yapı Kredi and Allianz signed an exclusive 15-year bank-assurance partnership agreement, under which Yapı Kredi will continue to provide its customers with insurance and personal retirement products through its extensive branch network and innovative alternative delivery channels.

Awards received for a successful year

Yapı Kredi is on the mark when it comes to identifying banking and social needs and it has received great praise for its performance. Throughout the year, the bank received nearly 20 awards for its products, educational activities, brand value and social responsibility projects. In a Financial Times 2013 ranking of Europe's largest companies, Yapı Kredi rose sharply 64 places to 194. Erste Group research placed Yapı Kredi among the top ten banks for growth potential in Central and Eastern Europe. Included for the first time in Brand Finance's listing of the most valuable 500 Banks in the world, Yapı Kredi entered at 135th place.

YAPI KREDİ CONSOLIDATED ITS CUSTOMER BASE, EFFECTIVELY MANAGED ITS LIQUIDITY AND REINFORCED ITS CAPITAL STRUCTURE IN 2013.

YAPI KREDİ EXPANDED ITS NETWORK THROUGHOUT THE YEAR TO GIVE ITS CUSTOMERS THE FASTEST AND MOST EASILY ACCESSIBLE SERVICE AND IT IMPROVED ITS ALTERNATIVE DISTRIBUTION CHANNELS THROUGH INNOVATION.

Yapı Kredi Private Banking received the Best Private Banking award from Global Finance Market Review. In addition, Yapı Kredi won many prestigious awards, local and foreign, for its work in management development, operational excellence, internal audit and accessible banking.

Customer-oriented Smart Growth strategy

Yapı Kredi, which puts customer satisfaction at the forefront, expanded its credit volume by 28% in 2013, reaching TL 99.4 billion by the end of the year, which provided finance for the economy. The top contributors to credit growth were consumer loans, credit cards and project financing. Its loans to assets ratio rose to 62%, one of the highest levels in the sector while the share of securities portfolio in total assets came down to 14%. Its deposit volume, on account of the foreign currency weighting, grew at a rate of 24% to TL 88.5 billion. This success is the result of its Smart Growth strategy of offering the right product to the right customer through the right channel at the right price.

Strong and diversified funding base

Diversification of funding sources remained a strategic priority in 2013. Accordingly, the bank obtained around of US$ 5.2 billion in syndications, securitizations, eurobonds, and in other instruments.

Continually expanding innovative service network

Yapı Kredi continued to expand its branch network and innovative delivery channels throughout 2013 to provide its customers with the fastest and most accessible service. Yapı Kredi opened 21 new branches, boosting the number of branches to 949 by year's end. This represents 8.6% market share, making it Turkey's 5th largest branch network. In addition, Yapı Kredi provided services to 9.7 million customers through its wide service network consisting of 3,000 advanced ATMs, a double-award-winning call center with an annual call capacity of 42 million, internet banking which reaches 3.2 million customers, and its pioneering mobile banking. Yapı Kredi again showed itself as a pioneer in the Turkish banking sector in 2013 through its 83% share of banking transactions performed via alternative delivery channels.

2014 and beyond

Celebrating its 70th anniversary in 2014, Yapı Kredi will continue to provide service through its "Unlimited Service" approach. The Bank aims to reinforce its leadership of the sector through its customer-oriented approach and to hasten investments in efficiency, infrastructure, human resources and its service network.

YAPI KREDİ'S SUBSIDIARIES

Yapı Kredi has many financial subsidiaries, each a leader in its own right in its own sector, which support the Bank's performance. Yapı Kredi Leasing, the leader in financial leasing transaction volume for the last five years, held a 14.8% market share. Yapı Kredi Faktoring, having led in factoring receivables for 13 years, had a market share of 16.9% in 2013. Yapı Kredi Portföy Yönetimi (Asset Management) ranked 2nd in investment funds with a 18.2% market share. Yapı Kredi Yatırım Menkul Değerler was the 3rd largest securities house in Turkey with a 6.9% market share in equity transaction volume.

KOÇFİNANS

KoçFinans is Turkey's first consumer finance company. It provides loans for the purchase of all kinds of goods and services. It operates mainly in the automotive sector, but also in the service sector and the housing loan market and it provides insurance brokerage services. In 2013, KoçFinans extended loans totaling TL 1,427 million and its loan portfolio grew to TL 1,731 million.

KoçFinans's legal infrastructure was laid through Financial Leasing, Factoring and Financing Companies Law No. 6361 passed on 13 December 2012.

The Company's credit rating efforts resulted in a 2013 rating of (National) short-term (TR) A1 and long-term (TR) A.

Basing its strategies on the theme "Build the Future," KoçFinans is progressively expanding its range of products and business areas. It aims to diversify its lending areas and to improve its service quality in all areas in need of financing.

OTHER LINES OF BUSINESS

WE HAVE PLACED GREAT EMPHASIS TO CREATE ADDED VALUE IN ALL AREAS OF LIFE FOR OUR SOCIETY BY RECOGNIZING THE IMPORTANCE OF THE SERVICE SECTOR AND PLACING A PREMIUM ON IT. WITH THE RIGHT TIMING, WE INTRODUCED TURKEY TO THE HOME IMPROVEMENT MOVEMENT AND WE ARE NOW THE UNDISPUTED LEADER IN THE HOME IMPROVEMENT RETAIL MARKET. WITH THE SHIFT OF INTELLECTUAL AND EMOTIONAL NEEDS TO THE TOURISM AND TRAVEL SECTORS, WE HAVE CONTINUALLY INCREASED THE NUMBER OF LOCATIONS AND THE CONTENT OF OUR TOURISM, DUTY FREE, HOTEL MANAGEMENT AND MARINA SERVICES. IN NEARLY 50 YEARS OF EXPERIENCE IN FOOD PRODUCTS, WE HAVE CONTINUOUSLY ENLARGED OUR PORTFOLIO IN LINE WITH CHANGING LIVING STANDARDS AND CONSUMER PREFERENCES. WE HAVE DESIGNED INFORMATION TECHNOLOGIES AND FOREIGN TRADE SOLUTIONS TO MEET THE NEEDS OF TURKEY AND THE TIMES.

WE WILL CONTINUE OFFERING HIGH ADDED VALUE, INNOVATIVE, TOP QUALITY PRODUCTS AT REASONABLE PRICES IN OUR BUSINESS AREAS, TAKING ACCOUNT OF CUSTOMER DEMANDS AND NEEDS.

TAT GIDA IS EXPANDING ITS PRODUCT PORTFOLIO WITH HEALTHY, YOUTHFUL AND PRACTICAL PRODUCTS.

SEK IS EXPANDING THE PASTEURIZED MILK CATEGORY IN TURKEY WITH ITS YOUTHFUL AND INNOVATIVE PRODUCTS.

TAT GIDA

Total Revenues
(TL million)

793

Domestic Market Position
Leader in ketchup with **31.8%** revenue share, in tomato paste with **30.6%** revenue share, in tomato products with **64.8%** revenue share, in pasteurized milk with **37.8%** revenue share, and in premium pasta with **51.5%** revenue share

Share of International Revenues
6%

Profit Before Tax
TL **27** million

Net Income
TL **2** million (TL **22** million excluding the effect of discontinued operations)

Shareholder Structure

Koç Holding	**43.65%**
Other Koç	**9.68%**
Kagome Co. Ltd.	**3.73%**
Sumitomo Corp.	**1.53%**
Free Float	**41.41%**

www.tatgida.com.tr

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

Market leader and pioneer in new products

While the Tat brand maintained its leadership in the tomato paste, ketchup and tomato products categories, it took steps to strengthen its position in the sauce, convenience foods and mayonnaise segments.

Despite rising competition, the SEK brand maintained its dominance in the pasteurized milk category through the introduction of new generation products. SEK has repositioned itself as a dairy products company through increasing its sales in segments such as ayran, fruit juice, sahlep and whipping cream.

Maret is a leading delicatessen brand with an especially strong position in the sausage and cold cuts category. With strong brand recognition and trust, Maret is one of the most valuable brands on the market.

Pastavilla remained the leading brand in the premium pasta category, with new varieties of pasta and sauces added to its portfolio.

Tat expanded its portfolio in 2013 with the launches of 36 products in its SEK, Maret and Pastavilla brands.

- The Tat Acı Sos (Tat Hot Sauce) family entered the developing sauce category
- Varieties of canned tuna in the highly lucrative fish category
- Coffee, vanilla and orange-flavored chocolate milk in the milk and dairy products categories
- Geleneksel Sucuk (Traditional Sujuk) and Altın Seri Sosis (Gold-series Sausages), the two highest revenue-generating product groups in the meat category
- Pastavilla Tam Buğday (Whole Wheat) in the premium pasta category.

Active acquisitions and sales in 2013

It was decided to halt operations of Harranova Besi ve Tarım Ürünleri (Harranova Stockfarming and Meat Production Facility), in which Tat Gıda is a partner, and to evaluate strategic options. Tat Gıda sold its share in Tat Tohumculuk (Tat Seeds) to Kagome Co. Ltd. for TL 15 million. The Company also took the significant step of forming a partnership with the Polish Maspex company, a leading beverage company in Europe, to make a major leap into the children's fruit juice market in Turkey.

Main awards

The European Union officially recognized the quality of SEK Dairy Plant in 2013. The Ministry of Food, Agriculture and Animal Husbandry conducted plant inspections in accordance with EU norms and directives and these determined that production was hygienic and fully accountable, and that product quality and the production process met EU standards. Accordingly, the plant was granted a license to export to the European Union.

Tat received the "Silver" prize in the food category at the Effie Awards. KALDER research confirmed the Company as a leader for customer satisfaction in the tomato paste and sauce categories. Tat was accepted into the Turquality program, which is an important source of state support for international branding efforts. BrandSpark Turkey Shopping Behavior and Habits Research named SEK brand's 500 ml Light Fresh Milk product the "Best New Brand of 2013."

2014 and beyond

Tat aims to reinforce its market leadership through creating added-value products under the SEK, Maret and Pastavilla brands. While maintaining profitable growth, it plans to raise consumer awareness in categories with high growth potential, and thereby to raise sales volume. Raising brand recognition requires consistent and constant communication. New products will be launched to strength specialty brand awareness.

In the next 5 years, Tat Gıda's revenues are expected to be doubled. The Company's long-term domestic market goals are to increase scale, sales volume and profitability by focusing on categories that will contribute to revenue growth. Its principal international market strategies are to increase sales of branded and retail products, to move to micro distribution through distributors, to raise consumer awareness, and to expand the product portfolio and customer numbers.

DÜZEY

Founded in 1975, Düzey increased its sales revenues by 11% in 2013.

Düzey has made improvements to the distribution system it launched in 2003 so it is arguably the most appropriate means to market and to distribute fast-moving consumer goods. Düzey distributes the Koç Group brands Tat, Maret and Sek, as well as General Electric light bulbs, Landlite energy-saving light bulbs, Ekin Bakliyat grain, Rest cleaning supplies, Prenses sugar, Şölen Tea and Sony batteries. The Company has established its own sales teams in large urban areas with high growth potential.

In 2011, Düzey expanded its domestic distribution portfolio to include the Nutella and Kinder brands, owned by the Italian Ferraro Group, the fourth largest chocolate and confectionary conglomerate in the world with revenues of EUR 7 billion. Through this partnership the number of locations Düzey services has increased from 40,000 to 70,000. Commensurate with this growth has been Düzey's development of its logistic and technological infrastructure.

Düzey, will continue to grow in 2014 and beyond and to be pioneer in the sector through the support of its suppliers and employees.

HOLIDAY HAPPINESS WITH SETUR

SETUR: NO BARRIERS TO VACATION

SETUR

Tourism

As Turkey's leading travel agency since 1973, Setur is the sole player, which provides service in all areas of the tourism sector.

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. In 2013, Setur's revenues totaled TL 921 million. During the year, the Company renovated and increased the number of its sales locations. In addition to its five agencies and seven visa application centers, Setur provides services through 41 authorized agents and 248 online agents.

Setur launched BookinTurkey.com in 2001 to promote tourism products and services and to allow online booking. "BookinTurkey.com" won the "Online Travel Reservations/Services Company" award at the Skalite 2013 Quality Awards in Tourism. It also won awards for the Setur brand in the "Conference/ Organization Agent" category and the "Tourism Publications" category (Setur Ekstra).

Duty-Free Shops (DFS)

In 2013, Setur had duty-free shop operations at one diplomatic shop, six airports, six land border gates and ten seaports. The Company employed 619 personnel at 23 centers.

Renovation of the 1,500 m² duty-free shop at Istanbul's Sabiha Gökçen Airport was completed with the addition of 400 m² of new space. Setur opened its second exclusive duty-free shop at Istanbul's Atatürk Airport and began renovations of its first shop there. Permission to open a shop at Ayvalık port was received in January 2014 and all preparations were quickly completed and the shop was made operational.

SETUR MARINAS

Setur Marinas provides world-class restaurant, market, shopping and technical maintenance services to yachters at its ten marinas in Kalamış and Fenerbahçe, Yalova, Ayvalık, Çeşme, Kuşadası, Marmaris, Finike, Kaş, and Antalya in Turkey and at Mytilene Marina on the Greek island of Lesbos. Other high-quality services it provides include accommodations on land and sea, travel lifts, hull cleaning, electricity and water, and car hire. The Company has 5,514 berths, of which 5,257 are in Turkey 257 abroad. It leads the Turkish marina sector with a 27% share and it had a 100% occupancy rate in 2013.

Setur Marinas acquired the 385-capacity Antalya Marina from the Çelebi Group in September 2013, thus adding it to its chain of marinas.

Setur Marinas was recognized with an award in the "Marina" category at the Skalite 2013-Quality Awards in Tourism.

Setur Marinas had total revenues of TL 78 million in 2013.

DİVAN

The Divan Group operates 12 hotels, 20 patisseries, 41 bakeries, 12 restaurants, two stadium concessions and three catering units. The Group creates synergy by gathering hotel management, production, party and event planning, and cafe-restaurant management under one roof. It uses this synergy to implement growth strategies, especially in hotel management.

To bolster Divan's market presence in a domestic market with international hotel chains operating sub-brands, the Group has created sub-brands with "Divan" in their names, such as Divan Suites and Divan Express. Similarly, in the residence sector, there are plans to join special projects with the brands Divan Residence and Managed by Divan.

The 125-room Divan Gaziantep Hotel opened its doors in December 2013 and the following hotel openings will follow soon:

- The 47-apartment Divan Residence Gaziantep (first quarter of 2014)
- The 108-room Divan Suites Gaziantep, the 140-room Divan Suites Güneşli, the 276-apartment Divan Residence at GPlus Istanbul, and the 65-room Divan Suites Batumi (all in the second quarter of 2014)
- The 109-room Divan Express Eskişehir (third quarter of 2014)
- The 180-room Divan Adana (first quarter of 2015)
- The 172-room Divan Mersin and the 556-unit G-Marin Managed by Divan (second quarter of 2015)
- The 153-room Divan Diyarbakır (last quarter of 2015)
- The 120-room Divan Express Denizli and the 80-room Divan Express Kocaeli (first quarter of 2016)

The activities of Divan Antalya and Divan Kuruçeşme were terminated in order to be reconstructed.

The Divan Bursa Hotel, which was closed for renovations, will resume operations in the second quarter of 2014.

The Erenköy restaurant and patisserie was completely renovated and reopened in May 2013.

Divan took over the management of the Rahmi Koç Museum concessions in 2013, opened a cafe on the Koç University campus and 12 new bakeries.

The Company took over the management of some sections of Eataly, the international Italian gourmet food and market chain, at the Zorlu Center.

Two new brasseries - in Güneşli and Beyoğlu - will open their doors in the first half of 2014.

DİVAN: ALWAYS RELIABLE, ALWAYS HOSPITABLE

DİVAN: TIMELESS CLASSICS

DİVAN: TASTES THAT PASS DOWN FROM GENERATION TO GENERATION

AS WELL AS ENJOYING 100% BRAND RECOGNITION, KOÇTAŞ HAS THE HIGHEST LOYALTY RATING IN THE SECTOR AT SIX POINTS ABOVE THE SECTOR AVERAGE ON CUSTOMER SATISFACTION.

KOÇTAŞ

Koçtaş leads Turkey's DIY (Do It Yourself) market, with 41 stores and a total sales area of 218,000 m^2. In 2013, it opened five stores, raising the number of provinces in which it operates to 21. The same year, the Company had more than 10 million customers. The number of Koçtaş Fix stores, which it opened to gain greater proximity to its customers and to meet their simpler, on the spot repair and maintenance needs, increased to four with its two store openings in Istanbul in 2013.

While Koçtaş's brand awareness among Turkish consumers was 100%, it achieved the highest customer loyalty in the sector, rising six points above the sector loyalty average on the customer satisfaction index.

Koçtaş has finalized its long-term strategies through focus research and projects. It aims at becoming consumers' preferred brand, particularly in the bathroom, ceramics, kitchen, lighting, floor covering and hand-tools categories. Emphasizing its superiority in these categories, Koçtaş differentiated itself through image campaigns in 2013.

This year, 119 projects from 25 universities from Mardin to Antalya participated in the 4th Koçtaş Open Idea Interior Design Contest. This year, Koçtaş plans to sell the winning projects at its stores.

Sales revenues through the Company's revamped e-commerce website climbed 50% and the site attracted 15 million visitors in 2013.

Koçtaş launched its mobile application and mobile e-commerce site in July, in line with developing trends and changing customer expectations. Since then, more than 20,000 consumers have begun using the mobile application.

In 2013, Koçtaş joined those brands active in social media, such as Twitter and Facebook, Instagram and Pinterest. Its Twitter followers approached 10,000 while its 'likes' on Facebook number about 100,000.

The Company's customer satisfaction research, which successfully identified customers' wants, has been revamped into a completely online system called "The Real Customer's Voice." The system was developed to learn about the experiences customers had that day through an online questionnaire that uses the participating customers' cash register receipt numbers.

Responding to customer demands, Koçtaş set up Tıkla&Gelsin (Click&Collect) kiosks in 200-300 m^2 Koçtaş Fix stores to meet its customers' small repair-maintenance needs. An alternative sales channel has also been developed for customers wanting to take advantage of Koçtaş's extensive product range. The Company plans to establish Tıkla&Gelsin kiosks in all Koçtaş Fix stores and, on a smaller scale, in regular Koçtaş stores, in 2014.

Koçtaş's 2014 goal is to improve its standing in the bathroom, ceramic, kitchen, lighting and hand-tool categories so that it consumers readily associate the Company with them.

RMK MARINE IS THE FIRST PRIVATE SECTOR SHIPYARD IN TURKEY TO PROVIDE IN-HOUSE DESIGN AND TURN-KEY SOLUTIONS.

RMK MARINE

Joining the Koç Group in 1997, RMK Marine provides construction, maintenance and repair services for tankers, off-shore vessels, tugboats, military ships and superyachts in Tuzla.

RMK Marine is the first private sector Turkish shipyard to design and provide turnkey solutions. It is one of only two Turkish shipyards, including military ones, to have attained AQAP 2110 NATO Quality Management System certification and it is the first private sector shipyard in Turkey to receive design certification.

The largest warship project

RMK Marine won the tender for four Coast Guard search and rescue ships, the largest military vessel project ever awarded to the private sector in Turkey. Three of the ships - the TCSG Dost, TCSG Umut and TCSG Güven - were delivered at ceremonies in 2013. The final ship, TCSG Yaşam, is scheduled for delivery in 2014.

The shipyard has submitted its unique and innovative designs for the Turkish Fast Attack Craft project, for which the Undersecretariat for Defense Industries is organizing a tender.

RMK Marine is exhibiting its capabilities internationally with its own designs of 42-meter Fast Attack Craft, 66-meter Multi-role Coast Guard Vessel, and the 85-meter Corvette class platform.

Special turnkey solutions

Construction of two 19,000-DWT asphalt tankers for Ditaş, which began in October 2012, is continuing. The ships, the T. ESRA and the T. AYLİN, are the largest asphalt tankers built in Turkey and they are scheduled for delivery in 2014.

Global brand in superyachts

The first Oyster 125 series superyacht, the Twilight, manufactured in collaboration with the British Oyster brand, was delivered in May 2013.

2014 and beyond

The Company is focusing on standardizing asphalt ships, establishing systems for the construction of special purpose for off-shore vessels, creating standard products based on the military vessel form it has developed, positioning for the construction of the naval frigates through foreign partnership, and preparing bids for military and commercial ship construction.

RMK Marine's long-term goal is to build ships having high added value and to construct motor yachts over 50 meters under the RMK Marine brand.

INFORMATION TECHNOLOGIES

ACCURATELY READING THE SIGNS OF THE TIMES, KOÇSİSTEM HAS REINFORCED ITS LEADERSHIP.

KOÇSİSTEM

KoçSistem, Turkey's the leading IT services company, has continued its strategy of focusing on areas that shape the business world, such as mobile technologies, cloud computing and managed services, and it has achieved important market leadership positions.

KoçSistem provides its cloud computing services under the brand Maximus Enterprise Cloud Services. According to IDC figures, KoçSistem leads Turkey's cloud computing market with a 19% share. On being named the Best Commercial Sector Example at the Turkish Cloud Computing Awards, the Company became eligible to represent Turkey at Euro Cloud 2013. It launched the HR Cloud Payroll Management System, which is the first human resources cloud application in Turkey.

KoçSistem leads the Turkish information technology services market, according to the IDC. The Company placed first on the Bilişim 500 list in the System Integrator/Service, Provider Revenues, and Hosting Management categories. It appeared in the finals of the Electronic Industrialists Association of Turkey's (TESİD) Innovative Creativity Awards for its remote meter-reading product, SistemetriKS. KoçSistem was included among National Champions in the European Business Awards' Environment and Corporate Sustainability category.

KoçSistem was one of the first companies to get Special Integration authorization from the Revenue Administration for e-billing. The Company received the ISO 22301 Business Continuity Management Certificate for its distinction in this field.

With its latest investments in manageable security services, KoçSistem has been able to maximize its ability to proactively determine risks before they emerge and offer the right solution at the right time. KoçSistem opened its Security Operation Center in 2013 to provide this service. The Company is capable of addressing wide-ranging needs in this field and managing all services for various companies from a single center.

KoçSistem is one of the few companies representing Turkey in international projects. After joining the EU-supported FInest project, the Company assumed even greater responsibility in the project when it accepted involvement in FIspace, the second phase of the project. The Company also took part in such future-shaping EU projects for developing smart systems, such as CoMoSeF (for smart traffic systems) and SitAC (for smart home applications).

Another important development in 2013 for KoçSistem was the transfer of its shares in Callus Bilgi ve İletişim Hizmetleri A.Ş., which provides call center and electronic archiving service, to Comdata S.p.A., the international outsource services company based in Italy.

KoçSistem aims to grow at 12% in 2014, which is above the sector average. It intends to increase its market share and make new investments in R&D, business solutions and technology to continue its sector leadership as a company that provides various service models to its customers. Among its long-term goals is increasing its operational radius in Europe with its niche solutions and in neighboring regions with its services experience.

BİLKOM, TURKEY'S DIGITAL LIFE COACH, HAS LED THE PACK FOR 30 YEARS.

KOÇ GROUP

BİLKOM

Bilkom has been distributing leading global IT brands for 30 years. It has been prominent in the sector for its added-value service approach and it continues to raise the bar as Turkey's digital life coach.

Bilkom markets and sells all trendsetting brands - such as Apple, Adobe and Graphisoft - throughout Turkey under its added-value distributorship strategy. The Company's revenues exceeded TL 345 million in 2013, enabling it to maintain its position as a leading company in its sector. At the end of 2013, it added the global trendsetting iPhone smart phone to its portfolio which made a major impact on Bilkom's company value. Bilkom aims to continue to grow faster than the sector average in 2014.

On the list of the "100 Fastest Growing Companies in Turkey in 2013", Bilkom came in second in the category of "Companies with sales revenues of US$ 100-200 million."

Bilkom's philosophy of continuous change and its capacity to adapt rapidly put it among the leaders in a highly competitive sector. Its Digital Life Coach philosophy and management approach, which stresses finding appropriate digital life solutions to the needs of individuals and institutions, has enabled the Company to differentiate itself from its competitors.

Bilkom implemented a corporate social responsibility project in 2013 in Bergama through which, for the first time in the world, a 3-D representation of an ancient city was made possible. The Company took great pride in such a creative solution and one that captured the spirit of the age.

Bilkom markets and sells a rich and varied range of Apple product accessories, primarily for iPads, iPhones, iPods and Mac computers. It sells Apple products at over 600 locations throughout Turkey.

Bilkom provides digital solutions to different sectors through Adobe and Graphisoft, innovative software products used by architects and creative artists, and it has over 200 corporate business partners all over Turkey.

RAM: THE PAST AND PRESENT KEY TO MODERN TRADE

RAM DIŞ TİCARET

Since its founding, Ram Dış Ticaret has conducted commercial operations in markets neighboring Turkey and, in the process, established an international reputation as a reliable trading partner.

In 2013, the Company continued shipping refined petroleum products from the Tüpraş Kırıkkale Refinery in tankers to Iraq, as it has done since 2008. Overcoming all security hurdles, the Company delivers its customers' orders on time, at the right tonnage, and to the designated delivery points.

The US Department of Defense, a Ram customer, presented the Company with a certificate of appreciation for its outstanding delivery performance.

Central purchasing continued to procure through Erdemir and Borçelik flat steel products for Group companies. About 270,000 tons of supplies were acquired with considerable advantage for our Group and its subsidiaries.

Ram has begun exporting tractor units and commercial vehicles to Turkmenistan, a developing market in Central Asia. Shipments of dumper trucks, particularly for the construction sector, have started to accelerate.

Ram ramped up efforts to import paper products and enlarged its share of the domestic market.

Ram continued representing Boeing and Sikorsky in the aviation sector, delivering passenger aircraft to Turkmenistan Airlines (3), Kazakhstan Air Astana (2) and Uzbekistan Airlines (1).

In 2013, the Company had sales revenues of TL 832 million, operating profit of TL 11 million, and pretax profit of TL 10 million.

Ram Dış Ticaret's long-range goals are to reduce regional risks by developing local operations in target markets and to lead the domestic market in the products it imports.

ZER

Since 2003, Zer Merkezi Hizmetler has freed Koç Group companies to focus on their core businesses and also created value by conducted marketing, services, supplies and logistics by utilizing the synergy of collective procurement and economies of scale.

The strategies guiding the Company's operations are ensuring sustainability of existing business, maximizing potential, a focus on excellence and increasing stakeholder satisfaction.

Zer acquired all shares of Promena, its partner in electronic purchasing services, in 2013 and merged it under Zer.

ZER MERKEZİ HİZMETLER DOES BUSINESS BY MAINTAINING CONTINUITY IN EXISTING BUSINESSES, MAXIMIZING POTENTIAL, BEING A CENTER OF EXCELLENCE, AND INCREASING STAKEHOLDER SATISFACTION.

WE SEE CORPORATE SOCIAL RESPONSIBILITY - WHICH CONSISTS OF TWO PRONGS, SOCIAL AND CORPORATE - AS THE MOST CRITICAL MEANS FOR ACHIEVING SUSTAINABILITY.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY PERFORMANCE MANAGEMENT AT KOÇ

From year one, Koç Holding has been mindful that corporate sustainability and social sustainability go hand in hand. This was neatly expressed by the late Vehbi Koç, founder of Koç Holding, when he said, "I live and prosper with my country." Vehbi Koç led the development of Koç Holding's company management strategies and saw to it that sustainability was integrated with vision, values and operations.

Koç Holding's corporate social responsibility approach is built on two pillars: Social responsibility and corporate responsibility. Koç Holding's three principle areas of focus for sustainability management are the work environment,* environmentally friendly practices and social development. In light of corporate commitments, policies and targets, performance in each of these areas is managed and monitored by specialized organizational units in accordance with international norms. Koç Holding's sustainability management strategy and performance results are periodically reported to the Holding's shareholders for their evaluation, in compliance with the Global Reporting Initiative (GRI) Standard B-level reporting requirements and the principles of the United Nations Global Compact. The Corporate Social Responsibility Reports can be obtained from www.koc.com.tr.

**Information about the work environment at Koç Holding may be obtained from page 32 of the Annual Report and from the Corporate Social Responsibility Report.*

GLOBAL COMPACT

The United Nations Global Compact, signed by our Chairman of the Board, Mustafa V. Koç, in 2006, 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 Global Compact Local Network Turkey Board of Directors, Koç Holding continued to support efforts in 2013 to extend and institutionalize the Global Compact in Turkey. Koç Holding shares good practice examples at international conferences, as it did at the 2013 Leaders Summit held in New York, 18-20 September, by the Global Compact, UN Women, International Finance Corporation (IFC) and the International Trade Center (ITC). At that summit, the Holding delivered a presentation on Women's Empowerment and the Post-2015 Development Agenda: Achieving Equality in the Workplace, Marketplace and Community.

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

ENVIRONMENTALLY FRIENDLY 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 that 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 to develop common projects.

An Audit 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. Environmental management in Koç Holding Companies is divided into four main areas: Climate Change and Emissions Management, Resource-Use Efficiency Management, Environmentally-Friendly Product Development, and Environmental Protection and Improvement.

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. Levent Çakıroğlu, President of Koç Holding Consumer Durables Group and General Manager of Arçelik, has been serving as term spokesman and chairman of the Climate Change Platform in Turkey, of which it is a founding member. Arçelik has signed the 2°C Declaration, which 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 the Company provided an account of its work in this area. More recently, Arçelik participated in the World Climate Conference held in Warsaw at the end of 2013 and it has followed developments in climate change. Aygaz is also member of the Turkish Climate Platform. 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 2013, Arçelik, Ford Otosan, Tofaş, TürkTraktör, Opet Petroleum, Opet Fuchs, Koçtaş, THY Opet and 10 airports received ISO 14064 certification. Other Holding companies have established a greenhouse gas management system according to this standard.

AN IMPORTANT COMPONENT OF THE KOÇ GROUP'S PRINCIPLE OF OFFERING GOODS AND SERVICES THAT CREATE ADDED VALUE FOR ITS CUSTOMERS IS MINIMIZING ENVIRONMENTAL IMPACT.

Within the framework of energy efficiency; Tüpraş Aygaz, Arçelik, TürkTraktör, Tofaş, Ford Otosan, Tat Konserve and Sek Süt obtained the ISO 50001 Energy Management System certificate. Aygaz and TürkTraktör were the first companies in their sectors to receive this certificate. Arçelik was the first company in its sector to be awarded this certificate by an international certification body. Similarly, Aygaz completed certification requirements for the ISO 50001 Energy Management System in 2012. It also signed the Energy Efficiency in Buildings Declaration (BEV), which was prepared by the Sustainable Development Association (SKD), at a signing ceremony at the 4th National Energy Efficiency Forum and Fair in 2013. The energy used in buildings is one of the main contributors to climate change. The aim behind signing the SKD-BEV Declaration was to measure and reduce the company's energy consumption and the carbon footprint resulting from it. In line with this goal and the commitments contained in the declaration, all Aygaz employees received awareness-raising training. In addition, an inventory of all buildings was made and energy identity certificates were obtained for them in four locations. The goal is to get energy identity certificates for all locations by 2017. At Tüpraş, an energy survey is being conducted at a building through an agreement with a private company. Aspects of the building that are open to improvement with respect to energy performance have been determined and an increase in efficiency has been obtained. This work will be done in other Tüpraş buildings in the future.

In addition to striving to minimize the environmental impact of Group companies, Koç Holding is conducting projects to improve natural life and biodiversity. These projects are conducted according to the companies' environmental management approach, which also aims at raising environmental awareness in society. Work at the Ford Otosan Kocaeli plant on biodiversity and ecosystem protection featured as among the best of its kind in Turkey and was presented at the UN's Rio+20 Sustainable Development Conference.

THY Opet was named a Green Company by the Directorate General of Civil Aeronautics for its airports in Ankara, Adana, Çorlu, Dalaman, Erzurum, Samsun and Van.

An important aspect of the principle of "providing products and services that create added value for the customer," which is a fundamental goal 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 2013. Details pertaining to the work are provided in the Koç Holding Corporate Social Responsibility report.

Opet Fuchs R&D has come up with new products that can significantly reduce environmental pollution. For example, a chain lubrication oil that is biologically degradable in 28 days was developed and was made ready for sale in 2014. The Agrego Hibrio 46, developed for agricultural machines, is another biologically degradable product.

Aygaz, Turkey's most popular autogas brand, conducted a customer awareness campaign in 2013 to highlight the fuel's environmental-friendliness and to draw attention to the fuel's performance, safety, widespread availability and economy. The superior qualities of LPG, which the European Commission has named the fuel of the future, were explained to consumers through the autogas awareness-raising campaign. The campaign underlined that autogas was an environmentally friendly fuel, pointing out that in 2012 LPG use in Turkey had reduced carbon dioxide emissions by about one million tons. It stressed that LPG did not contain black carbon, the second largest contributor to global warming after carbon dioxide. Aygaz worked in 2013 to raise awareness of the environment through its Coast Cleaning Campaign held in conjunction with TURMEPA as part of World Environment Day.

KOÇ GROUP COMPANIES USE ENVIRONMENTAL MANAGEMENT TO REDUCE THE IMPACTS OF THEIR OPERATIONS ON THE ENVIRONMENT, DEVELOP PROJECTS TO IMPROVE NATURE AND BIODIVERSITY, AND RAISE PUBLIC ENVIRONMENTAL AWARENESS.

Awards

- Arçelik received the Turkey Carbon Transparent Leadership Award in the 2013 Turkey Report of the Carbon Transparency Project.

- Arçelik Dishwasher, Electric Motors, and Drier Plants received the Platinum Certificate for energy efficiency from the International Energy Efficiency Consultants, which ranks the energy efficiency of companies.

- Arçelik garnered first place with its Arçelik 9658 ETI oven in the Innovative Environmental Product category at the Istanbul Chamber of Industry Environment Awards.

- The Arçelik Electronics Plant received the Turkish Healthy Cities Association's Environmental Facilities Award in March 2013.

- Arçelik took first place with its IE3-type energy efficient electric engines in the "Most Efficient Product" category at the SENVER Awards, held by the Ministry of Energy and Natural Resources' Renewable Energy General Directorate. In addition, its BESTOVEN Built-in Oven Project, which has an A-40% efficiency rating, received the Special Jury Prize. Tüpraş's refineries participated the same competition with 9 projects and the Batman Refinery granted grand prize in the category of "Most Efficient Industrial Facility."

- Ford Otosan and Tüpraş İzmir Refinery received the Healthy Cities Association's Environmental Facilities Award. Tüpraş's İzmir Refinery won the first prize in "EBSO-Environmental Best Practice Award" category for the burner modernization project of base oil complex, which helped to reduce emissions significantly as a result of the conversion from fuel oil to natural gas; İzmir Refinery won second prize in the category of Corporate Environmental Responsibility with "The Happy Wastes Project", which stemmed from the idea of separating and recycling packaging waste.

- Tüpraş won the "Cleanest Industrial Plant" award at the Ministry of Environment and Urban Plannings Competition.

- Ford Otosan received the Ford Europe Environmental Leadership Award for the second time with its Dry-Type Sheet Metal Cleaning Project.

- Divan City Hotel obtained the Green Hotel Certificate on the basis of an independent inspection of environmentally conscious hotels.

- Otokar came first in the Ministry of Environment and Urban Planning's 2013 Cleanest Plant competition.

- VKV Koç High School 11th grade student Elif Bilgin won two out of five awards - the Science in Action award and the Voter's Choice award - at the Google Science Fair for her project Bioplastic from Banana Peel.

- The Aygaz Diyarbakır and Eskişehir Filling Facilities came first and second, respectively, at the provincial level in the Ministry of Environment and Urban Planning's Clean Energy competition.

KOÇ GROUP CONTRIBUTES TO THE PROSPERITY OF THE PHYSICAL LOCATIONS WHERE IT DOES BUSINESS; WORKS TO RAISE PUBLIC AWARENESS AND INVENTIVENESS; AIDS IN THE DEVELOPMENT OF THE COMMUNITY IN LINE WITH STAKEHOLDER NEEDS AND EXPECTATIONS.

SOCIAL DEVELOPMENT

Koç Holding's goal is to contribute to raising the level of prosperity in its locations of operations, 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, which was initiated in 2006 through collaboration between the Ministry of Education, Koç Holding and the Vehbi Koç Foundation, marked its seventh anniversary in 2013. The project has achieved great success since its inception through the support of 20 Koç Holding companies and 579 Koç Holding employee volunteers. The project framework - which provides active scholarships to 8,118 students in 264 schools in 81 provinces, and internships in Koç Holding companies to 80% of internship applicants - has created a model for raising the quality of vocational education. This model application, the School-Workplace Partnership Model, has received multiple awards from many Turkish and foreign institutions for its constituent parts, including scholarships, curriculum, laboratories, internships, personal and vocational training, and employment opportunities.

Over time, the School-Workplace Partnership Model has become an integral part of Koç Holding companies' vocational education investments and human resources policies. Through micro projects developed within this framework, 29 laboratories, seven training centers, one vocational high school and one vocational training college have been established in five sectors by eight Koç Holding companies. In addition, the experience derived from the MLMM project was shared with non-governmental organizations such as the Education Reform Initiative and the Association of Private Sector Volunteers, thereby ensuring the dissemination of project results.

Many campaigns have been run under the MLMM project to raise awareness of the importance of vocational education. One of the projects that sprung from activities directed at vocational high school students was the "High Schools Compete with Vocations" project, which was completed in 2013. The competition in which the students used their technical and social skills in order to promote their vocations, has reached 400,000 viewers and won awards in the field of communication from all over the world.

The film and book entitled "Our Story: the Story of a Generation of Vocational Education", an account of the project's seven-year adventure, were completed in 2013 and shared with the public. Publications containing the statements of students, teachers, school administrators and vocational high school coaches who were part of the project and the results of the project can be found at www.mlmm.com.tr.

KOÇ GROUP AIMS TO ATTAIN AN ADVANCED DEGREE OF INSTITUTIONALIZATION IN THE AREA OF SOCIAL DEVELOPMENT. SO, IT CONCENTRATES ON ACTIVITIES IN THE FIELDS OF EDUCATION, HEALTH, ENVIRONMENT AND ARTS & CULTURE.

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 every two years. In the 2006-2007 implementation period, For My Country led to the realization of 387 local projects in support of local development, whereas in 2008-2009, in the new phase of the Project, 1,084,000 saplings were planted in seven For My Country forests around the country and environmental education was provided to 18,000 children. The 2010-2011 implementation period of the "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 gained the distinction of collecting the highest number of blood donations, 83,579 units, through the efforts of a single corporation.

Between 2012 and 2015, the "For My Country" project is collaborating 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 create social awareness and sensitivity to the subject of the disabled and to serve as a role model in the practices that will have a lasting impact on the professional and social lives of the handicapped. By May 2012, this project had raised awareness of 78,373 people at 34 Koç Holding companies, through the efforts of Koç Holding employee volunteers, and in 24 provinces, through our distributors acting as "For My Country" ambassadors. Some 357 volunteers were prepared as instructors under the Right Approach to Disability training program and 1,534 training sessions were held.

KOÇ GROUP SUPPORTS IMPORTANT PROJECTS THAT ARE DESIGNED TO BE INHERITED BY SOCIETY WHILE EMBRACING RELEVANT INITIATIVES.

In addition, 64 projects designed to make our companies, distributorships and stores disabled-friendly were carried out. Under the project, legal regulations governing the employment of the disabled were monitored and work got under way to develop products and services for disabled consumers. 39 social responsibility endeavors were started in support of the project through inter-company cooperation and NGO-public institution collaboration.

International Istanbul Biennial

Koç Holding supports projects that leave a legacy to society and the International Istanbul Biennial is a prime example. 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 arts 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 Istanbul Biennial translates into support for the Istanbul brand. Koç Holding will continue making the necessary contributions to enrich the International Istanbul Biennial and to ensure its continuity.

Together with the Venice Biennial, the Istanbul Biennial is considered the most important activity of the year in the arts in Europe. The 13th International Istanbul Biennial, entitled “Mother, Am I a Barbarian?”, was held between 14 September and 20 October 2013. Koç Holding, using the project to create awareness of and raise interest in modern art in Turkey, made it financially possible for the Biennial to open its doors to all visitors for free. Therefore, throughout the five weeks the Biennial remained open it welcomed a record number of visitors. There were 337,429 visitors to the five exhibition halls of the Biennial, which included Antrepo No.3, Galata Greek Elementary School, ARTER, SALT Beyoğlu, and IMC 5533.

Children ages 8-18 were introduced to modern art through the Modern Art Education for Children Programs project carried out by Koç Holding. The purpose of the project was to instill museum and exhibition culture in children, to raise their interest in art, particularly modern art, and to expose them to basic art concepts. The educational programs run through Koç Holding’s support were held at Antrepo No. 3 throughout the Biennial. They received great attention from young art lovers and were attended by approximately 3,000 students.

Among other projects conducted with Koç Holding support were the guided tours created for the 13th International Istanbul Biennial. Nearly 4,000 visitors participated in these tours.

PROVIDING GUIDED TOURS ON THE 13TH BIENNIAL WAS ANOTHER PROJECT CONDUCTED WITH KOÇ HOLDİNG SUPPORT. EXPERT GUIDES GAVE NEARLY 4,000 VISITORS TOURS OF THE BIENNIAL.

Koç Fest

Koç Holding and its affiliates started Koç Fest in 2006 to bring music and entertainment to universities, create a special festival for students, and to start a tradition. Koç Fest has been to 28 cities and organized 72 festivals in its seven year history. Koç Holding, as a company that believes sports plays a role in improving 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 attendance 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, Koç Fest became the largest youth festival in Turkey, bringing together sports, music and fun under one umbrella. Since 2009, Koç Fest has hosted more than 20,000 athletes in 46 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 2013, Koç Fest once again visited seven universities and the big finale was held at Adana Çukurova University with approximately 5,000 students in attendance.

Sponsorship of Istanbul's 2020 Olympics Bid

Koç Holding was a sponsor of Istanbul's bid to stage the 2020 Olympic and Paralympic Games. Koç Holding believed that Istanbul was the right city for the 2020 Olympics and that the country was ready to realize this dream. All Koç Group Companies worked together to make this dream come true. However, on 7 September, Tokyo was announced as the city to host the 2020 Olympic Games. This cause underlined the need for private investments in sports and athletes in our country, which gained importance also for the Koç Group.

VEHBİ KOÇ FOUNDATION (VKV) STRIVES TO CONTRIBUTE TO TURKEY'S DEVELOPMENT BY CREATING SUSTAINABLE AND REPRODUCIBLE MODELS IN THE AREAS OF EDUCATION, HEALTH AND CULTURE.

VEHBİ KOÇ FOUNDATION

VEHBİ KOÇ FOUNDATION TIME TUNNEL/INSTITUTIONS

Education · Health · Culture

		1969	Vehbi Koç Foundation (VKV)
VKV Sadberk Hanım Museum	1980	1974	VKV Nursing Fund
VKV Koç High School	1988	1992	Semahat Arsel Nursing Education and Research Center (SANERC)
Vehbi Koç and Ankara Research Center (VEKAM)	1994	1993	Koç University
VKV American Hospital	1995	1996	Suna-İnan Kıraç Research Institute for Mediterranean Civilizations (AKMED)
VKV Koç Elementary School	1998	1997	Med American Clinic
Koç University School of Nursing	1999	2004	Koç University Research Center for Anatolian Civilizations (RCAC)
ARTER Space for Art, Istanbul	2010	2008	TANAS Art Gallery, Berlin
VKV Ford Otosan Culture and Community Center	2011	2014	Model School (scheduled opening year)
		2015	Health Sciences Campus (scheduled opening year)

The Vehbi Koç Foundation (VKV) works to further Turkey's development through creating and running sustainable and reproducible models in education, health and culture.

In 2013, the Vehbi Koç Foundation, through its affiliated institutions and the projects it supports, continued to make a difference in society in the areas of education, health and culture.

Information about a number of the Foundation's major activities is provided below. For more detailed information about all VKV affiliated institutions and projects, go to www.vkv.org.tr.

EDUCATION

Since its inception, the Vehbi Koç Foundation has offered more than 45,000 scholarships to students who are academically successful yet financially restricted. In the 2013/2014 academic year, VKV provided scholarships centrally and through its affiliates to 2,158 students - 1,245 junior and senior high school students, and 913 university students.

VKV Koç High School's 2013 senior class was the most successful class in School history

VKV Koç High School was founded in 1988 by the Vehbi Koç Foundation. In 1998, it incorporated a primary school and, with the addition of kindergarten, Koç High School has become a school offering grades K-12.

Celebrating its 25th anniversary in 2013, VKV Koç High School is a member of the European Council of International Schools (ECIS) and the National Association for College Admission Counseling (NACAC). Moreover, beginning in tenth grade, in addition to the Ministry of Education curriculum, the School offers the International Baccalaureate (IB) Diploma Program.

In 2013, VKV Koç High School senior class was by every measure the most successful in the school's history. In addition to impressive university acceptance rates, its students, the School's representatives at elite universities around the world, obtained scholarships totaling more than US$ 1 million. Three of the 169 students taking the Higher Education Placement Exam gained places in the top 1,000.

Koç University came in 31st on the Times Higher Education (THE) list!

Koç University came in 31st on the "100 Under-50 Universities" ranking prepared for the first time by Times Higher Education (THE), the leading UK higher education journal. Koç University was the highest ranking Turkish university on the list.

The Times Higher Education, prepared by the British newspaper, The Times, researches and ranks the world's most successful universities. This year's list contains the best 100 universities that have been teaching and conducting academic research for less than 50 years. The research took into consideration the universities' work, academic publications and other academic accomplishments. Celebrating its 20th anniversary, Koç University has achieved great success in ranking in the top 100 under-50 universities in the world.

AFFILIATED WITH KOÇ UNIVERSITY FACULTY OF MEDICINE, THE HEALTH SCIENCES CAMPUS UNDER CONSTRUCTION IN TOPKAPI IS ONE OF THE LARGEST PROJECTS OF ITS KIND IN TURKEY.

HEALTH

The 2013 Vehbi Koç Award went to Prof. Gökhan Hotamışlıgıl in the field of health

The Vehbi Koç Foundation gives the Vehbi Koç Award to encourage people and institutions to work on improving people's quality of life. Awarded annually and rotating between the fields of culture, education and health, the Vehbi Koç Award went this year to Prof. Gökhan Hotamışlıgıl, Chairman of Harvard University's Genetics and Complex Diseases Department, for his pioneering work in the health field.

Having received his Harvard University professorship in 2007, the 41-year-old Prof. Hotamışlıgıl is the first Turk to join the small group of scientists in the world to gain the American Diabetes Association's Outstanding Scientific Achievement Award. A graduate of Ankara University's Faculty of Medicine, Prof. Hotamışlıgıl received a scholarship to complete his residency at Harvard University. He has countless publications in the areas of obesity, diabetes and coronary health. In the rationale for making its selection, the Vehbi Koç Prize Jury stated: "Gökhan Hotamışlıgil is a Turkish scientist who has served all humanity by being a global actor in the universal field of science. In addition, many of his scientific discoveries were made with other Turkish scientists he invited from Turkey to his laboratory. While continuing his scientific research in the US, Gökhan Hotamışlıgil maintains close contact with Turkey and, whether as a role model or as a voluntary consultant, he has been successful in providing guidance to Turks in the fields of health and science."

Phase One of Koç University's Health Sciences Campus is nearing completion

Construction of the Health Sciences Campus, one of the largest of its kind in Turkey, has begun in Topkapı, Istanbul. The Campus is affiliated with the Vehbi Koç Foundation, Koç University Faculty of Medicine. Phase One of the project, which is about to be completed, includes the Faculty of Medicine and a Research and Training Hospital. Plans are for Koç University Faculty of Medicine students to continue their education on the Health Sciences Campus from September 2014.

Phase Two of the project consists of two specialty hospitals, oncology and traumatology, the School of Nursing, faculty housing, and a 583-capacity dormitory. Upon its completion, the project will be one of the Foundation's major contributions to the country.

Nursing Scholarships: "50 More Lights for Health"

The Vehbi Koç Foundation Nursing Fund was founded in 1974 under the direction of Semahat Arsel to provide nursing scholarships and support professional development projects. Its mission was to identify the problems of nursing in Turkey and to assist in creating viable and lasting solutions. Since 2003, the VKV Nursing Support Fund has supported special professional nursing development projects. Today, however, the vast majority of its nursing training and development activities have devolved to the Semahat Arsel Nursing Education and Research Center (SANERC) and Koç University School of Nursing.

To commemorate Semahat Arsel's 50th working anniversary, 50 educational scholarships were provided for students of nursing, a field she has worked hard to improve over the years.

SINCE ITS FOUNDING, THE SADBERK HANIM MUSEUM HAS BEEN METICULOUS IN DISPLAYING ITEMS FROM A COLLECTION OF THE FINEST OF OTTOMAN EMBROIDERY.

CULTURE

Embroidery exhibit at the Vehbi Koç Foundation Sadberk Hanım Museum

The Vehbi Koç Foundation's Sadberk Hanım Museum is Turkey's first private museum. It was opened in memory of Vehbi Koç's wife, Sadberk Koç, on 14 October 1980 in a building named Azaryan Yalısı and to exhibit her personal collection. Since its founding, the Sadberk Hanım Museum has given exquisite displays of the best of Ottoman embroidery.

The Sadberk Hanım Museum hosted an exhibition, entitled "Skill of the Hand Delight of the Eye" from 7 December 2012 to 4 August 2013 under the joint curatorship of Hülya Bilgi and İdil Zanbak. The 167 pieces in the exhibition catalog of the same name, chosen from among the exhibit's 2,000 works, represent the richness and varieties of the embroideries that were central to Ottoman life. Through these pieces, visitors could follow nearly 300 years of Ottoman embroideries from the 17th to the 20th century.

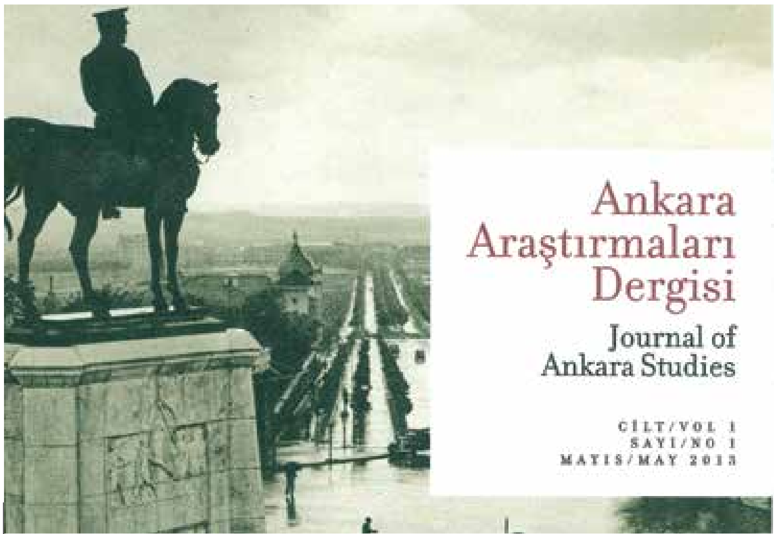
The VEKAM peer-reviewed journal starts publication

The Vehbi Koç and Ankara Research Center (VEKAM) conducts academic research on Ankara and collects and makes available to researchers all kinds of information and documents related to Ankara. VEKAM is headquartered in a vineyard house belonging to Vehbi Koç in Keçiören, Ankara - the building being one of the few remaining pre-republican examples of civil architecture. The vineyard house was restored in 1992-1993 and became attached to the Vehbi Koç Foundation in 1994.

VEKAM began publishing a peer-reviewed journal devoted to Ankara and its environs, the Ankara Research Journal, on the 90th anniversary of the founding of the republic and of Ankara as its capital.

Ankara Research Journal, which is published two times a year, will contain articles in Turkish and English. It takes an interdisciplinary approach to eliminate the deficiencies that exist on this subject.

ON THE 90TH ANNIVERSARY OF THE FOUNDING OF THE REPUBLIC AND ANKARA AS ITS CAPITAL, VEKAM BEGAN PUBLISHING THE "JOURNAL OF ANKARA STUDIES", A JOURNAL DEVOTED TO ANKARA AND ITS ENVIRONS.



The Journal's first section contains original research articles on Ankara and its environs, while the second section includes position papers on the topic.

Another part of the journal's mission is to provide the public with summaries of the articles based on new data collected through scientific methods regardless of discipline and supporting all research on Ankara and its vicinity.

Third International Sevgi Gönül Byzantine Research Symposium at AnaMed

The International Sevgi Gönül Byzantine Research Symposium is held in the memory of Sevgi Gönül (1938-2003). She was committed to Byzantine research to revitalize our collective memory of the rich legacy of Byzantine culture - which held sway over Eastern and Western civilizations for more than 1,000 years from its geographical heart, Istanbul - and to build the regard it deserves.

The aim of the symposium, which the Vehbi Koç Foundation is to hold triennially, is to create an international platform on which to share academic research conducted in Turkey and elsewhere, to raise awareness of this cultural legacy through publications, to share research findings in this area, and to support the training of young researchers of Byzantium.

Recent archeological discoveries and a rereading of historical documents have yielded new insights and understandings about Byzantine commerce. The three important symposiums held recently - in

THE 13TH INTERNATIONAL ISTANBUL BIENNIAL, FOR WHICH KOÇ HOLDİNG AND THE VEHBİ KOÇ FOUNDATION HAVE ASSUMED A 10-YEAR (2007-2016) SPONSORSHIP, WAS HELD BETWEEN 14 SEPTEMBER-20 OCTOBER 2013.

Oxford in 2004, Vienna in 2005, and Washington in 2008 - and the increase in publications on Byzantine trade evidence this growth in interest. Moreover, the uncovering of marvelous new artifacts at the Marmaray excavation at Yenikapı, Sirkeci and Üsküdar in Istanbul is fuelling this interest in Byzantine commercial activities.

To further this interest, the theme of the 3rd International Sevgi Gönül Byzantine Research Symposium, held at Koç University's Anatolian Civilizations Research Center (AnaMed) in Istanbul, 24-27 June 2013, was "Commerce in Byzantium."

Two exhibitions, Artamanoff: Picturing Byzantine Istanbul and, Stories from the Hidden Harbor: Shipwrecks of Yenikapı at the Istanbul Archeological Museum ran concurrently with the symposium.

13th International Istanbul Biennial at ARTER

The 13th International Istanbul Biennial was held by the Istanbul Foundation for Culture and Arts (İKSV), Koç Holding and the Vehbi Koç Foundation, its 10-year sponsors (2007-2016), between 14 September-20 October 2013. ARTER, established in 2010 in Istanbul's Beyoğlu district as a space for contemporary art, hosted as one of the 13th International Istanbul Biennial's exhibition sites. "Mother, am I a Barbarian?" exhibited the works of 12 artists under the curatorship of Fulya Erdemci. The 13th International Istanbul Biennial drew a record with 337,429 visitors.

ARTER hosted six other exhibitions, excluding the Biennial, in 2013.

LEGAL DISCLOSURES

CORPORATE GOVERNANCE COMPLIANCE REPORT

RISK MANAGEMENT

CONSOLIDATED 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 (B Group)	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 (B Group)	50,451,548	1.99	5,045,154,800	1.57
Vehbi Koç Vakfı (B Group)	181,405,360	7.15	18,140,536,000	5.64
Rahmi ve Mahdumları A.Ş. (B Group)	2,658,789	0.10	265,878,900	0.08
Free Float (B Group)	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 non-publicly traded shares during the year. As for the publicly traded shares, it was announced with the disclosure of Lazard Asset Management LLC (Lazard) dated 1 October 2013 that Lazard is a shareholder of our Company with a nominal value of TL 112,020,939 representing 5.048% of our capital.

Important changes in ownership structure of Koç Holding's financial fixed assets in 2013

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.

COMPANIES	2013 (%)	2012 (%)	CHANGE	DISCLOSURE
Allianz Emeklilik	6.58	30.90	-24.32	Yapı Kredi Bankası sold its shares representing 74.01% of its shares in Yapı Kredi Sigorta (Yapı Kredi Insurance) to Allianz SE. In addition, the shares representing 19.93% of the capital of Allianz Yaşam ve Emeklilik A.Ş. (Allianz Life and Pension) were acquired by Yapı Kredi Finansal Kiralama (Yapı Kredi Financial Leasing) on 12 July 2013.
Beko Hong Kong	40.51	-	40.51	Established in 2013.
Beko Magyarorszag	-	40.51	-40.51	Liquidated in 2013.
Defy Swaziland	40,51	-	40,51	Established as a separate company in 2013 while it was previously a branch of Defy.
Grundig Switzerland	40.51	-	40.51	Operating as a separate company since 2013 while it was previously a branch of Grundig Multimedia.
Mogaz	-	40.68	-40.68	Merged with Aygaz A.Ş. as of 22 January 2013.
Opet Aygaz Gayrimenkul	29.34	-	29.34	Established in 2013.
Tat Tohumculuk	-	16.15	-16.15	Has been sold to Kagome Co. Ltd. on 9 December 2013.
Yapı Kredi Sigorta	-	30.90	-30.90	Yapı Kredi Sigorta A.Ş. (Yapı Kredi Insurance) was sold to Allianz SE, following the completion of share transfer procedures on 12 July 2013.
Yapı Kredi B Tipi Yatırım Ortaklığı (YO)	31.36	18.44	12.93	Within the scope of the liquidation of Yapı Kredi B-Type Investment Trust, the shareholding rate of Yapı Kredi Bankası has reached up to 95.36% upon the takeover of the shares of other shareholders through the takeover bid.

Stock Information

BIST 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 (31.12.2013)	**: 78.4%**

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 28 February 2014 states: "In all transactions conducted in 2013 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) enacted in July 2003 and the Holding has implemented most of these universal principles. While it has put into practice the mandatory principles stated in the CMB "Communiqué Pertaining to the Determination and Implementation of Corporate Governance Principles," Serial: IV, No. 56, which was in effect in 2013, it has failed to fully comply with some of its provisions. One of these concerns the residency requirement imposed on independent member of the Board of Directors by the Income Tax Law. This law requires at least half of these members reside in Turkey. However, three of the five independent members of the Board of Directors, out of a total of 15 board members, are not permanent residents of Turkey. Therefore, approval was obtained from the Capital Markets Board for Dr. Kwok King Victor Fung to become an independent member for a period of only one year.

Koç Holding 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, for each principle, 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 2013 to comply with new regulations related to corporate governance principles introduced by the Capital Markets Law of the CMB and with the new Turkish Commercial Code. The Ordinary General Assembly held in 2013 modified our Articles of Association as these new regulations 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 continued to function 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 other information that is required to be disclosed, all of which were provided to our investors three weeks prior to the General Assembly. 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.

The Accounting Department 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 three 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. The Finance Group is responsible for financial reporting and disclosing material information to the public. The IR and Corporate Communications departments perform the other functions related to informing the public within the scope of the Company's Disclosure Policy.

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

Investor Relations Contacts

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In 2013, IR attended 23 roadshows and conferences in Turkey and abroad and held more than 600 meetings with existing and potential investors. To keep shareholders better informed of current trends and developments, the roadshow presentations were posted on the website. One-on-one interviews were held with analysts at around 30 meetings. In addition, the days when financial results were announced, which was four times for the quarterly results, IR held a webcast to discuss the financial results with the investment community. 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 Company website, investor presentations and investor bulletins 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 Company website in Turkish and English at the same time as their announcement on 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 the last year. To the best of our knowledge, there were also no administrative or legal proceedings regarding this subject. No written application or inquiry regarding this subject reached the department during this period.

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, is 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 2013. It was held on 10 April 2013 with 88.48% 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 Company'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 and Electronic General Meeting System (e-GEM). 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 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 Company 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 and via the Electronic General Meeting System 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, e-GEM 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 2013, information concerning donations made and aid granted during 2012 was provided under a separate agenda heading; and donation limit was set as 5% of net income period based on official records of Koç Holding A.Ş. and no change was made to the policy for 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 Company'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 or any provision that defines minority as having possessing shares less than 1/20 of the total shares of the company.

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 paragraph (c) of Article 19 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, as per paragraph (d) of the same article 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 usufruct 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 brief history of dividend distribution and detailed information about capital accumulation. In 2013, gross dividends of 18.7% were distributed to shareholders.

Dividend Distribution Policy

In determining the distribution of profit, our Group's long-term strategy, capital requirements, investment and financing policies, profitability and cash position of our Company, our affiliates and our subsidiaries 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.

Within the scope of the Capital Markets Board (CMB) Communique numbered as II-19.1 on the Dividend Payments, the amendment to Dividend Policy of the Company above will be submitted to the approval of the Shareholders General Assembly that will be held on 2 April 2014. (see page 22)

7. Transfer of Shares

Article 9 of our Company's Articles of Association sets out the principles regarding transfer of shares and there are no provisions in the Articles of Association that complicate the transfer of B-type shares traded on the stock exchange. A-type shares that are not listed in the stock exchange, can be transferred outside of the stock exchange only with the approval of the BoD. BoD has the right to refuse approval by advising the transferor to transfer his/her shares to his/her own account, or other shareholders' or third parties' accounts at the real value of the shares at the time of request for approval.

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 to 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 Directors' 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

As a holding company, our Company does not have any direct contact with customers, vendors, etc., but it does have 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 electronic communication tools. Public disclosures are made by press conferences and through statements and bulletins in the media, and press releases are posted simultaneously on the Company's official website and on the corporate social media accounts while information sharing with employees is realized through various announcements and meetings and organizations on a regular basis.

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 dealers of our Group companies located in different parts of Turkey 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 got first hand. "Anatolian Meetings" have been held for over ten years now.

In addition, our companies also hold regular meetings with their dealership network to ensure a close relationship.

Through the contact form on the company's official website, www.koc.com.tr, or the hotline on company intranet sites, shareholders can report practices that violate regulations and ethically inappropriate transactions to the Audit Group Chairman to be communicated to the Audit 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 are of significant importance to Koç Holding. Improvement of dealer and customer satisfaction are made part of Group companies' management performance targets.

Throughout the year, Group companies hold meetings whereby they obtain the views of company employees regarding company practices and strategies. Additionally, employees' opinions and comments regarding company practices are obtained and their loyalty and satisfaction levels are measured via the Employee Loyalty surveys carried out in all Group companies every year. Survey results are taken into consideration in Company's operations and improvement goals are added to the performance score cards of the General Managers.

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. Accordingly, Koç Group aims to become Turkey's most admired and preferred corporation, one that creates high added value, employs professionals, each of whom are the best in their fields, and in which its employees are proud to be a part.

To achieve this goal, within the framework of the Human Resources Policy of our Company, we are committed to:

- Attracting the most competitive young and experienced professionals who can carry our Group into the future,
- Rewarding achievement through competitive compensation policies and high performance standards,
- Making investments for continual 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 fair, objective and transparent human resources systems.

Koç Group values its employees and respects their rights. The employment contract signed with them at the time of recruitment covers the mutual responsibilities of the Company and the employees. The Personnel Code describes in a detailed and clear manner the working standards and covers all human resources processes from recruitment to resignation.

Koç Holding's Human Resources Department determines the strategies and basic policies and principles pertaining to these procedures and conducts relations with all employees of the Group companies. The Department has three functional units: Human Resources Coordination, which is responsible for System Development, Performance and Wage Management Coordination; Human Resources Management, which is responsible for Organizational Development, Training and Recruitment Coordination; and Industrial Relations.

Positions in the Human Resources Department:

Human Resources Director: Mert Bayram

System Development and Human Resources Coordinator (Performance, Salary Management and Recruitment): Özgür Burak Akkol

Human Resources Manager (Organizational Development, Training and Corporate Couching Processes): Burcu Berker Kanber

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 evaluated and recruited without discrimination and benefit from equal opportunities throughout their employment.

During recruitment, prospective employees are provided with detailed job descriptions and information about the Human Resources Department's procedures. The Department's 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. An international system is used for job evaluation; it ensures the relative grading of all jobs on the basis of responsibility levels and the contributions each makes to enabling the Company to reach its targets in every field of operation. The grades assigned according to job volume allow objective assessments to be made regarding career and wage management of employees. Sector-based market analyses of compensation are regularly conducted in order to ensure that employees receive competitive salaries. Vested benefits are added to the wage policy in line with the job grades of the employees. Moreover, the bonus system with predetermined criteria ensures that the Company achieves superior performance.

All employees are able to access through the electronic platform Koç@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 allows sharing of all policies, practices and announcements of the Human Resources Department in a fair and transparent manner.

The Performance Management System is available electronically across the Group through Koç@insan. This practice assures the effective and transparent dissemination of the Company's objectives to employees, the measurement of employees' performance in achieving these objectives, the rewarding of employees' achievements, and the creation of their individual career development plans based on their competencies. Flawless communication with our employees at every stage of this process, mutual feedback and consensus form the foundation of this system.

Performance Management Systems allows the Human Resources department to determine performance appraisal criteria with feedback from employees on a yearly basis, to determine the extent to which the goals set have been reached at the end of the period, to identify factors positively or negatively affecting goal attainment and to establish what needs to be done to improve negative performance and to provide feedback to employees.

The results of the Performance Management System are used in determining the salaries of employees each 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, Company management evaluates the performance of employees and how it has contributed to the Company, and determines the employees who deserve awards.

As part of Company's emphasis of creating equal opportunities for its employees, employees with high development potential are ascertained based on their performance. Their competencies for positions at different levels are assessed and their career development is monitored closely. In addition, employees' potential for senior management roles are evaluated in a fair manner using the Assessment Center tools; and candidates with potential to fulfill senior management positions in the future are selected based on objective criteria. The results of the assessment are shared with all Group companies during the annual Human Resources planning meetings, where information on all potential employees is exchanged. Back-up plans are reviewed as well.

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.

The 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. By selecting the most appropriate career development activities for employees, the Human Resources Department creates an individual development plan for each employee. In addition, with the training programs, electronic trainings, articles and similar resources, the Koç Academy is becoming a much more powerful resource every day, providing further support for the professional development of our employees.

Toward the end of developing a common culture, over the past 11 years, 5,673 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 with the opportunity 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 included in collective bargaining agreements, there are designated union representatives that manage employee relations. The Koç Holding Human Resources Department 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. To this end, employees are kept informed of the regulations and directives in place at the Holding and Company levels; they act in accordingly and take measures necessary to comply with them. In addition to the emphasis we place on the health and safety of our employees, the Occupational Health and Safety Committee set up in line with our principle of complying with relevant legislation continually manages the occupational health and safety issues of the Koç Group. The goals of the Committee are reviewing relevant practices across the Group, implementing necessary development and improvement programs, ensuring the good practices developed in the Group are adopted by other Group companies and determining high occupational safety standards. To reach these goals, board meetings, seminars and trainings related to Occupational Health and Safety are being organized more frequently across Koç Group of Companies.

Employee loyalty and satisfaction is assessed via surveys conducted by specialized companies on an annual basis and factors that influence employee loyalty are determined. Based on the results of these surveys, targets are set for Group companies regarding employee loyalty and actions taken for improvement in this area are monitored closely.

Our main goal with this process is to provide our employees, our most valuable asset, with an effective work environment that will make them more loyal and happy employees. Examples of initiatives started for this purpose include the KoçAilem program, the Koç Holding Pension and Assistance Foundation and the Koç Group Sports Club, which have been created to benefit employees both during and after 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 Treaty.

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. In order guarantee their being effectively disseminated to all of our employees and 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. In addition, the Principles of Ethical Behavior and Praxis of Koç Holding are shared with public via the official Internet site of the Company.

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 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 education, healthcare and culture, setting lasting examples in the institutionalization of these services. The institutions of the Foundations each of which is set up as a center of excellence, aim to contribute to the development of Turkish society via the services it delivers. 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 successful students with limited financial means 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 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 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.

The “Vocational Education: A Crucial Matter for the Nation” project initiated by Vehbi Koç Foundation in partnership with the Ministry of Education in 2006, completed its 7th year in 2013. The project carried out during this period with voluntary support of 20 Koç Group companies and 579 Koç Group Employees undersigned numerous successful projects. With the project, 8,118 students from 264 schools in 81 cities were granted financial aid and 80% of the financial aid beneficiaries who applied for internships at Koç Group companies, were hired as interns. The project served as a model for other initiatives aimed at improving the quality of vocational training. One good case of this is the “Vocational Training Development Cooperation Model,” which has received awards from numerous institutions both local and international. Over time, this model has become an integral part of the vocational training initiatives and human resources policies of Koç Group companies and with the micro projects that were developed as part of this initiative, eight of the Koç Group companies set up 29 laboratories and seven training centers in five different sectors as well as one vocational high school and one vocational college. In addition, the experienced gained with the “Vocational Education: A Crucial Matter for the Nation” project was shared with NGOs such as the Education Reform Initiative (ERG) and the Society of Private Sector Volunteers (OSGD) in an effort to expand the impact of the project.

“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 2015, it participated with the Alternative Life Association and the United Nations Development Program (UNDP) 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 in order to make a permanent change in their lives, and to create social awareness and sensitivity of the disabled. In this “For my Country” project, since May 2012, awareness has been raised in 34 Koç Group companies, in employees, and in 24 provinces through our distributors serving as For our Country Ambassadors, to reach 78,373 persons. The “Right Approach to Disability” program trained 357 volunteer trainers and held 1,534 public training sessions. In addition, 64 mini-projects were undertaken to make our companies, distributorships and stores disability-friendly. Through this effort, action began in Koç Group companies to comply with legal requirements for employing disabled citizens and to develop products and services for the disabled. Moreover, our companies continued to provide support to the project and realized a total of 39 social responsibility projects through cooperation with other Group companies and with NGOs and governmental agencies.

Koç Group is dedicated to support important projects that can be left as a legacy to society. One such project is the International Istanbul Biennial is one of those projects of which Koç Holding has assumed sponsorship for the ten-year period 2007-2016. Organized by Istanbul Foundation for Culture and Arts and acknowledged as the most prominent art event in Europe along with Venice Biennial, the 13th Istanbul Biennial was held 14 September -20 October 2013 under the title of “Mom, Am I a Barbarian?.” The goal of this project was to create awareness of contemporary art in our country and to increase general interest in contemporary art. To further this goal, Koç Holding provided the funds to make admission to the Biennial free. Through this support, the Biennial had a record-breaking 337,429 visitors at five exhibition venues, which included Antrepo Nr 3, Galata Private Greek Primary School, ARTER, SALT Beyoğlu and 5533 in Block 5 of IMC.

Koç Holding and its affiliates started Koç Fest in 2006 to bring entertainment and music to universities and creating a unique and traditional festival for college students. Over the past seven years, it has organized a total of 72 festivals in 28 cities. Firmly believing in the importance of sports as a factor enhancing quality of life, in 2009, Koç Holding became the main sponsor of the "Turkish University Sports Games" organized by the Turkish University Sports Federation. With this sponsorship, the event was renamed as the "Turkish Koç Fest University Sports Games." It has since become the most prestigious and most broadly attended college sports event in Turkey and an indispensable aspect of the festival. Through this initiative, Koç Fest has become the largest youth festival in Turkey, bringing together sports, music and entertainment under one umbrella. Since 2009, Koç Fest has hosted over 20,000 athletes from 185 colleges in 46 branches every year. Some of the athletes and teams successful at these games held as part of the festival regularly represent Turkey at international events with support from Koç Holding. In 2013, Koç Fest visited six universities and the grand final was held at Adana Çukurova University with around 5,000 college students in attendance.

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 Social Responsibility Report, initially a biannual publication when it began to be prepared in 2006, is now published annually and posted on the website of Koç Holding to be shared with public.

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.

None of our BoD Members, holds an active management position. They were elected during at our 10 April 2013 General Assembly, at which activities for 2013 were discussed. Information about the BoD Members 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	BoD 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
Dr. 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
Kutsan Çelebican	Member	Consultant, Independent BoD Member at Arçelik A.Ş. and Tüpraş A.Ş.	Independent Member	Audit Committee Member; Corporate Governance Committee Chairman

The duties of the BoD Chairman and CEO are performed by two different 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.

All the independent member candidates' candidacy declarations and CVs were submitted to the Corporate Governance Committee for review prior to the General Assembly held on 10 April 2013 and decisions were made to select Independent Board Members.

There were points in the independence declarations of the Independent Board Member 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. Due to failure to comply with the relevant provision of the Income Tax Law that requires at least half of the Independent Members of the Board of Directors to reside in Turkey as per the Corporate Governance regulations of CBM, an approval has been obtained from the Capital Markets Board during the meeting held on 06 March 2013 that allowed Dr. Kwok King Victor Fung to become an independent member for a period of one year only. All of the BoD independent Members submitted their independence declarations to the Corporate Governance Committee and no condition eliminating independence appeared during the 2013 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 the meetings held in 2013, the Board made 32 decisions, four of which were strategic. 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.

No related party transaction or important transaction which, in the absence of Independent Members' approval, required General Assembly approval in 2013.

Board Members and Senior Executives of our Company are covered by an "Executive Responsibility Insurance" policy that provides coverage up to EUR 50 million.

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 July 2013 that the Audit Committee shall consist of three Independent Members, with Peter Denis Sutherland as Chairman, and Muharrem Kayhan and Kutsan Çelebican as Members.

In 2013, the Committee, the operating principles of which are posted on our Company's website, submitted to the BoD a written report of its views on the choice of independent auditor, its assessments of annual and interim financial statements in terms of their truth, accuracy, and compliance with the accounting principles adopted by the Company as well as the decisions made during Committee meetings held in February and November.

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 no implementation of some of the principles and it makes recommendations to the BoD for the improvement of practices. The BoD resolved on 15 July 2013 that the Corporate Governance Committee shall consist of two Members and decided to appoint the Independent Member Emine Kutsan Çelebican as its Chairperson and Bülent Bulgurlu as the Member. The Company has posted the Committee's operating principles on our website. The Committee 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 to be responsible for nominating people for BoD membership and determining senior managers' remuneration according to CMB Corporate Governance Principles. The BoD also decided on 15 July 2013 that the Committee shall 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, to implement the measures necessary to deal with identified risks, and to manage risk. The BoD also decided on 15 July 2013 that the Committee shall 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 toward more appropriate strategic goals and to improve business development. At the BoD meeting held on 15 July 2013, BoD's Non-Executive Members - Mustafa Rahmi Koç, Mustafa Vehbi Koç, Semahat Sevim Arsel, Mehmet Ömer Koç, Yıldırım Ali Koç and Temel Kamil Atay and A. Ümit Taftalı - 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. Besides evaluating financial and operational indicators, in its end-of-year performance evaluation, the BoD assesses 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 2013, and 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.

Since its foundation, Koç Group has achieved long-term success through its cautious and robust approach toward risk management. In the future, it will reinforce its awareness of risk, transparency and financial discipline and conduct proactive risk management. Towards this end, Koç Holding uses sophisticated risk assessment, modeling, reporting, and capital allocation techniques. These processes boost transparency and encourage the application of a more systematic approach to risk assessment in 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 impact. It is ensured that most important risks are within the responsibilities of business leaders at Company and/or Group level. 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 tolerance levels set by the Board of Directors.

Major risks that Koç Holding is exposed to are classified under four main categories:

Financial Risks

Financial risks relate to a company's ability to meet its financial obligations and mitigate effects of market volatility. To keep financial risks under control, a variety of financial indicators, especially Net Financial Debt/EBITDA, Net Foreign Currency Position/Shareholders' Equity, current ratio and the maturity profile of financial liabilities, are monitored, at the Company and Group level on a combined and consolidated basis, and are kept within particular limits. Financial risks are broken down into five main categories:

Foreign Currency Risk: Koç Group keeps its foreign currency exposure within certain limits. As a foreign currency risk management tool, derivative transactions are used when needed.

Liquidity Risk: In accordance with the management of the liquidity risk, the Group continues to diversify its funding sources, increases the average duration of its financial liabilities, maintains a sufficient level of cash and cash equivalents and keeps the current ratio above a certain limit in case of a sudden cash need. The upgrade 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 funding sources was Tüpraş and a Eurobond issuance of US$ 700 million with a maturity of 5.5 years took place in 2012. Similarly, in 2013, Arçelik and Koç Holding issued a US$ 500 million 10-year and a US$ 750 million 7-year Eurobond, respectively.

Credit Risk: The Company mitigates this risk with conducting credit analysis, setting credit limits and by obtaining the maximum amount of guarantee. It also leverages the Group's credit intelligence across different markets using a risk management program (E-risk commercial risk application), which works to minimize the negative impact of market fluctuations.

Interest Rate Risk: In order to manage interest rate risk, Koç Group implements asset liability management and employs certain derivative financial instruments when necessary.

Commodity Price Risk: The Company accepts commodity price risk 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 affect market share such as competition, technological changes, and consumer trends and product innovation.

The most effective way to reduce risks related to sales is to diversify markets sectorally and geographically. As a long term risk management strategy, Koç Holding is increasing its both sectoral and geographical diversification. In the short term, 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 take rapid and coordinated measures.

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 functioning 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 execution and audit tasks. The Audit Group Presidency performs risk and fraud audit of financial and operational processes at Koç Group companies.

Legal Risks

Koç Holding has developed various systems against potential legal risks. These systems, which form an online database developed for the purpose of early warning, include the intellectual property rights management program (mari@a sistem), the legal compliance test (HUY) and contract management system (LERİMAN).

Risk Management Committee Activities

In 2012, a Risk Management Committee was set up 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, implementing whatever measures are necessary for early detection of risks and managing those risks. Independent Board of Directors' Member Muharrem Hilmi Kayhan was appointed Chairman of the Risk Management Committee, a position he still holds. The other Committee Member is Temel Kamil Atay, a member of the Board of Directors.

The Committee had six meetings in 2013. It has evaluated the Koç Holding Risk Management System and the principles of risk reporting, and analyzed the risk reports prepared within this framework, as wells as made recommendations for measures to be taken to address matters that do not conform to designated limits in the Risk Management System. Reports and committee assessments are periodically provided to the Board of Directors.

Internal Control System and Internal Audit 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 is composed of standards, job descriptions, authorization processes, policies and written procedures defined in the workflows.

The Internal Control System is periodically reviewed by Internal Audit Group for effectiveness. Within the organizational structure, the Internal Audit Group is directly reporting to the Chairman of the Board of Directors to ensure independency.

Audit Information

No finalized audit activity exists in 2013.

Information on Preparation of Consolidated Financial Statements

As a first step Koç Holding Reporting Unit delivers "Financial Reporting Directives" to Group Companies for preparation of consolidated financial statements. After the financial data is reported by Group Companies through the Hyperion Koç Reporting Application, Koç Holding Financial Reporting Unit examines the data and then it is transferred to the consolidated financial statements. The consolidated financial statements are audited by Audit Committee, Internal Audit Group and independent audit company Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (a member firm of Ernst & Young Global Limited).

KOÇ HOLDİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2013
TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT

(CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

Building a better
working world

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**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Koç Holding Anonim Şirketi;

Introduction

We have audited the accompanying consolidated balance sheet of Koç Holding Anonim Şirketi ("the Company"), its subsidiaries and its joint ventures (together will be referred to as the ''Group") as at 31 December 2013 and the related consolidated statement of income, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments; the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Koç Holding Anonim Şirketi, its subsidiaries and its joint ventures as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with the TAS (Note 2).

Other matters

The consolidated financial statements include the accounts of the parent company-Koç Holding-its subsidiaries and its joint ventures. Koç family members allow Koç Holding to exercise the voting power in respect of their shares held in the Group companies or the shares in the Group owned by the companies controlled only by these family members. In the accompanying consolidated financial statements, the equity portion of the shares held by Koç family members are treated as non-controlling 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 31 December 2013 for the consolidated balance sheet; and the official EUR and USD average CBRT bid rates of the year 2013 for the consolidated statement of income, consolidated statement of other comprehensive income and consolidated statement of cash flows, and they do not form part of these consolidated financial statements.

Reports on independent auditor's responsibilities arising from other regulatory requirements

In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period 1 January – 31 December 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the Company formed the mentioned committee on 17 July 2012 and it is comprised of two members. The Committee has met six times in 2013 has submitted the relevant reports to the Board of Directors.

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

Ethem Kutucular, SMMM
Partner

21 February 2014
Istanbul, Turkey

KOÇ HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2013 AND 2012

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

	Notes	2013 (1) EUR'000	2013 (1) USD'000	2013 TL'000	(2) Restated 2012 TL'000
ASSETS					
Current assets:					
Cash and cash equivalents	4	3.029.824	4.168.616	8.897.078	7.103.748
Financial assets	5	-	-	-	29.284
Trade receivables	7	2.781.323	3.826.713	8.167.354	6.971.090
-Related parties	*7*	*171.558*	*236.039*	*503.779*	*296.262*
-Third parties	*7*	*2.609.765*	*3.590.674*	*7.663.575*	*6.674.828*
Receivables from finance sector operations	8	295.739	406.895	868.437	826.947
Derivative instruments	9	16.100	22.152	47.279	7.278
Inventories	10	2.227.202	3.064.320	6.540.179	5.653.032
Other current assets	20	438.194	602.894	1.286.757	1.028.222
Assets held for sale	22	17.021	23.419	49.983	25.491
Total current assets		**8.805.403**	**12.115.009**	**25.857.067**	**21.645.092**
Non-current assets:					
Financial assets	5	73.100	100.575	214.657	113.224
Joint Ventures accounted for using the equity method	6	3.422.709	4.709.172	10.050.786	9.000.830
Trade receivables	7	111.020	152.748	326.011	210.732
-Related parties	*7*	-	-	-	*70.262*
-Third parties	*7*	*111.020*	*152.748*	*326.011*	*140.470*
Receivables from finance sector operations	8	296.571	408.041	870.881	712.583
Derivative instruments	9	6.603	9.084	19.389	1.979
Investment properties	11	28.798	39.622	84.565	84.642
Property, plant and equipment	12	5.065.568	6.969.516	14.875.039	11.783.508
Intangible assets	13	464.764	639.450	1.364.779	1.279.606
Goodwill	14	990.693	1.363.055	2.909.169	2.913.543
Deferred tax assets	16	420.035	577.910	1.233.434	140.098
Other non-current assets	20	335.155	461.127	984.183	801.941
Total non-current assets		**11.215.016**	**15.430.300**	**32.932.893**	**27.042.686**
Total assets		**20.020.419**	**27.545.309**	**58.789.960**	**48.687.778**

(1) 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 2013, and therefore do not form part of these consolidated financial statements (Note 2.1.3).
(2) Financial statements of prior periods are restated in accordance with the changes in accounting policies resulting from the new standards, amendments and interpretations effective from 1 January 2013 and Communiqué on the Principles of Financial Reporting announced by Capital Markets Board ("CMB"). The effects of restatement are disclosed in Note 2.3.

These consolidated financial statements as of and for the year ended 31 December 2013 have been approved for issue by the Board of Directors ("BOD") on 21 February 2014 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 finalized 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 2013 AND 2012

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

	Notes	2013 (1) EUR'000	2013 (1) USD'000	2013 TL'000	(2)Restated 2012 TL'000
LIABILITIES					
Current liabilities:					
Short term borrowings	15	748.252	1.029.491	2.197.243	1.938.888
Short term portion of long term borrowings	15	849.597	1.168.928	2.494.843	2.803.795
Trade payables	7	3.397.994	4.675.167	9.978.208	7.328.797
-Related parties	*7*	*289.754*	*398.662*	*850.864*	*455.607*
-Third parties	*7*	*3.108.240*	*4.276.505*	*9.127.344*	*6.873.190*
Other payables	19	628.088	864.162	1.844.381	1.770.681
Derivative financial instruments	9	7.414	10.200	21.770	18.922
Current income tax liabilities	16	14.936	20.550	43.859	76.723
Provisions	18	308.043	423.824	904.568	652.599
Other current liabilities	20	575.790	792.202	1.690.804	1.222.237
Liabilities held for sale	22	2.297	3.160	6.744	3.979
Total current liabilities		**6.532.411**	**8.987.684**	**19.182.420**	**15.816.621**
Non-current liabilities:					
Long term borrowings	15	4.218.831	5.804.525	12.388.597	7.646.969
Derivative financial instruments	9	17.429	23.980	51.180	5.159
Provisions for employee benefits	17	128.321	176.552	376.816	349.433
Provisions	18	37.121	51.073	109.006	97.271
Deferred tax liabilities	16	110.474	151.997	324.408	414.825
Other non-current liabilities	20	56.850	78.218	166.940	96.243
Total non-current liabilities		4.569.026	6.286.345	13.416.947	8.609.900
Total liabilities		**11.101.437**	**15.274.029**	**32.599.367**	**24.426.521**
Equity:					
Paid-in share capital	21	863.578	1.188.164	2.535.898	2.535.898
Adjustment to share capital	21	329.402	453.211	967.288	967.288
Total share capital	21	1.192.980	1.641.375	3.503.186	3.503.186
Share premium		3.162	4.351	9.286	9.286
Other comprehensive income/expense not to be reclassified to profit or loss	21	63	87	186	(1.274)
Other comprehensive income/expense to be reclassified to profit or loss	21	(24.842)	(34.180)	(72.950)	321.354
Restricted reserves	21	808.974	1.113.036	2.375.553	2.336.332
Prior years' income		3.248.781	4.469.870	9.540.044	7.792.918
Profit for the period		912.553	1.255.547	2.679.713	2.324.150
Equity holders of the parent		6.141.671	8.450.086	18.035.018	16.285.952
Non-controlling interest		2.777.311	3.821.194	8.155.575	7.975.305
Total equity		**8.918.982**	**12.271.280**	**26.190.593**	**24.261.257**
Total liabilities and equity		**20.020.419**	**27.545.309**	**58.789.960**	**48.687.778**
Commitments and contingent liabilities	**31**				

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(2) Financial statements of prior periods are restated in accordance with the changes in accounting policies resulting from the new standards, amendments and interpretations effective from 1 January 2013 and Communiqué on the Principles of Financial Reporting announced by CMB. The effects of restatement are disclosed in Note 2.3.

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

KOÇ HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF INCOME AT 31 DECEMBER 2013 AND 2012

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

	Notes	2013 (1) EUR'000	2013 (1) USD'000	2013 TL'000	(2)Restated 2012 TL'000
Revenue	23	26.112.108	34.682.537	65.942.213	65.449.383
Revenue from finance sector operations		94.869	126.007	239.578	216.352
Total revenue	**3**	**26.206.977**	**34.808.544**	**66.181.791**	**65.665.735**
Cost of sales (-)	24	(23.373.235)	(31.044.720)	(59.025.599)	(58.946.894)
Cost of finance sector operations (-)		(59.671)	(79.256)	(150.690)	(129.888)
Total costs		**(23.432.906)**	**(31.123.976)**	**(59.176.289)**	**(59.076.782)**
Gross profit non-finance		2.738.873	3.637.817	6.916.614	6.502.489
Gross profit finance		35.198	46.751	88.888	86.464
Gross profit		**2.774.071**	**3.684.568**	**7.005.502**	**6.588.953**
Marketing, selling and distribution expenses (-)	24	(1.136.311)	(1.509.267)	(2.869.583)	(2.606.227)
General administrative expenses (-)	24	(762.519)	(1.012.790)	(1.925.627)	(1.721.863)
Research and development expenses (-)	24	(53.327)	(70.830)	(134.669)	(110.274)
Other operating income	25	476.776	633.262	1.204.026	758.726
Other operating expenses (-)	25	(621.238)	(825.139)	(1.568.844)	(584.171)
Share of profit/loss of Joint Ventures	6	798.222	1.060.211	2.015.789	1.485.394
Operating profit	**3**	**1.475.674**	**1.960.015**	**3.726.594**	**3.810.538**
Gains from investment activities	26	31.173	41.405	78.723	20.593
Losses from investment activities (-)	26	(9.490)	(12.605)	(23.966)	(46.576)
Operating profit before financial income/(expense)		**1.497.357**	**1.988.815**	**3.781.351**	**3.784.555**
Financial income	27	1.199.400	1.593.064	3.028.906	1.427.506
Financial expense (-)	27	(1.487.011)	(1.975.073)	(3.755.223)	(1.434.297)
Profit before tax	**3**	**1.209.746**	**1.606.806**	**3.055.034**	**3.777.764**
Tax income/(expense)		**374.315**	**497.170**	**945.275**	**(33.941)**
-Current income tax expense (-)	16	(100.190)	(133.075)	(253.016)	(409.400)
-Deferred tax income	16	474.505	630.245	1.198.291	375.459
Profit for the period	**3**	**1.584.061**	**2.103.976**	**4.000.309**	**3.743.823**
Attributable to:					
Non-controlling interest		522.936	694.572	1.320.596	1.419.673
Equity holders of the parent	**3**	**1.061.125**	**1.409.404**	**2.679.713**	**2.324.150**
Earnings per share (Kr)	**34**			**1,057**	**0,916**

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(2) Financial statements of prior periods are restated in accordance with the changes in accounting policies resulting from the new standards, amendments and interpretations effective from 1 January 2013 and Communiqué on the Principles of Financial Reporting announced by CMB. The effects of restatement are disclosed in Note 2.3.

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

KOÇ HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME AT 31 DECEMBER 2013 AND 2012

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

	2013 (*) EUR'000	2013 (*) USD'000	2013 TL'000	(2)Restated 2012 TL'000
Profit for the period	**1.584.061**	**2.103.976**	**4.000.309**	**3.743.823**
Other comprehensive income:				
Items to be reclassified to profit/loss:				
Non-current assets revaluation fund				
Tax effect	46	60	115	420
	46	60	115	420
Actuarial gains/loss on defined benefit plans				
Actuarial loss/gain	(1.682)	(2.234)	(4.248)	(1.146)
Tax effect	337	447	850	229
	(1.345)	(1.787)	(3.398)	(917)
Items to be reclassified to profit/loss:				
Financial assets fair value reserve				
Fair value gains/losses on financial assets	(6.271)	(8.329)	(15.836)	(2.008)
Tax effect	314	417	793	98
	(5.957)	**(7.912)**	**(15.043)**	**(1.910)**
Hedging reserve				
Cumulative gains/losses on hedging	(71.348)	(94.765)	(180.178)	12.929
Tax effect	15.017	19.945	37.922	802
	(56.331)	**(74.820)**	**(142.256)**	**13.731**
Currency translation differences	**97.707**	**129.777**	**246.746**	**(73.468)**
Share of other comprehensive income/expense of Joint Ventures	**(177.357)**	**(235.568)**	**(447.888)**	**499.302**
Other comprehensive income (after tax)	**(143.237)**	**(190.250)**	**(361.724)**	**437.158**
Total comprehensive income	**1.440.824**	**1.913.726**	**3.638.585**	**4.180.981**
Attributable to:				
Non-controlling interest	535.187	710.844	1.351.534	1.417.413
Equity holders of the parent	**905.637**	**1.202.882**	**2.287.051**	**2.763.568**

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(2) Financial statements of prior periods are restated in accordance with the changes in accounting policies resulting from the new standards, amendments and interpretations effective from 1 January 2013 and Communiqué on the Principles of Financial Reporting announced by CMB. The effects of restatement are disclosed in Note 2.3.

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

KOÇ HOLDİNG A.Ş.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

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

	Capital			Items not to be reclassified to profit/loss		Items to be reclassified to profit/loss			Retained earnings					
	Paid-in share capital	Adjustment to share capital	Share premium	Non-current assets revaluation fund	Actuarial loss/gain	Currency translat differences ion	Hedging reserve	Financial assets fair value reserve	Restricted reserves	Profit for the period	Prior years' income	Equity holders of the parent	Non controlling interests	Total equity
Balances at 1 January 2012- as previously reported	**2.415.141**	**967.288**	**9.286**	**27.815**	**-**	**142.563**	**(268.888)**	**(4.244)**	**2.309.638**	**2.124.469**	**6.173.681**	**13.896.749**	**9.374.075**	**23.270.824**
Changes in accounting policies:														
-TFRS 11 (Note 2.3)	-	-	-	-	-	-	-	-	-	-	-	-	(1.969.647)	(1.969.647)
-TAS 19 (Note 2.3)	-	-	-	-	(15.917)	-	-	-	-	15.917	-	-	-	-
Balances at 1 January 2012-as restated	**2.415.141**	**967.288**	**9.286**	**27.815**	**(15.917)**	**142.563**	**(268.888)**	**(4.244)**	**2.309.638**	**2.140.386**	**6.173.681**	**13.896.749**	**7.404.428**	**21.301.177**
Transfers	-	-	-	-	-	-	-	-	26.694	(2.140.386)	2.113.692	-	-	-
Capital increases	-	-	-	-	-	-	-	-	-	-	-	-	95.136	95.136
Dividends paid	120.757	-	-	-	-	-	-	-	-	-	(493.568)	(372.811)	(938.032)	(1.310.843)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1.554)	(1.554)	(3.640)	(5.194)
Total comprehensive income	-	-	-	(3.902)	(9.270)	(36.219)	(38.015)	526.157	-	2.324.150	667	2.763.568	1.417.413	4.180.981
Balances at 31 December 2012	**2.535.898**	**967.288**	**9.286**	**23.913**	**(25.187)**	**106.344**	**(306.903)**	**521.913**	**2.336.332**	**2.324.150**	**7.792.918**	**16.285.952**	**7.975.305**	**24.261.257**
Balances at 1 January 2013-as previously reported	**2.535.898**	**967.288**	**9.286**	**23.913**	**-**	**106.344**	**(306.903)**	**521.913**	**2.336.332**	**2.314.880**	**7.777.001**	**16.285.952**	**10.465.293**	**26.751.245**
Changes in accounting policies:														
-TFRS 11 (Note 2.3)	-	-	-	-	-	-	-	-	-	-	-	-	(2.489.988)	(2.489.988)
-TAS 19 (Note 2.3)	-	-	-	-	(25.187)	-	-	-	-	9.270	15.917	-	-	-
Balances at 1 January 2013-as restated	**2.535.898**	**967.288**	**9.286**	**23.913**	**(25.187)**	**106.344**	**(306.903)**	**521.913**	**2.336.332**	**2.324.150**	**7.792.918**	**16.285.952**	**7.975.305**	**24.261.257**
Transfers	-	-	-	-	-	-	-	-	39.221	(2.324.150)	2.284.929	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	(546.363)	(546.363)	(1.037.785)	(1.584.148)
Sale of a subsidiary [1]	-	-	-	-	-	-	-	-	-	-	-	-	(19.331)	(19.331)
Transactions with non-controlling interests [2]	-	-	-	-	-	-	-	-	-	-	8.378	8.378	(114.148)	(105.770)
Total comprehensive income	-	-	-	4.447	(2.987)	182.982	(36.122)	(541.164)	-	2.679.713	182	2.287.051	1.351.534	3.638.585
Balances at 31 December 2013	**2.535.898**	**967.288**	**9.286**	**28.360**	**(28.174)**	**289.326**	**(343.025)**	**(19.251)**	**2.375.553**	**2.679.713**	**9.540.044**	**18.035.018**	**8.155.575**	**26.190.593**

[1] Arising from the sale of Tat Tohumculuk shares.
[2] Arising from the purchase of 2% of shares of Enerji Yatırımları A.Ş. from non-controlling interests (Note 2.4.1.b).

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 2013 AND 2012

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

	Notes	2013 (1) EUR'000	2013 (1) USD'000	2013 TL'000	(2) *Restated* 2012 TL'000
A. Cash flows from operating activities:					
Profit for the period		1.584.061	2.103.976	4.000.309	3.743.823
Adjustments to reconcile net cash generated:					
Adjustments to tax (income)/expenses		(374.315)	(497.170)	(945.275)	33.941
Share of profit/loss of Joint Ventures	6	(798.222)	(1.060.211)	(2.015.789)	(1.485.394)
Dividend income from Joint Ventures (net)	6	234.215	311.085	591.469	459.586
Participation to capital increases of Joint Ventures	6	(26.820)	(35.623)	(67.731)	(148.889)
Depreciation and amortisation	3	344.791	457.958	870.719	775.678
Changes in provisions	35	141.277	187.647	356.774	181.360
Net interest expenses	27	123.590	164.154	312.108	147.006
Loss on derivative instruments, net	27	20.918	27.784	52.826	27.234
Exchange losses/(gains) on borrowings (net)		657.416	873.191	1.660.205	(290.905)
Exchange (gains)/losses on cash and cash equivalents (net)		(521.374)	(692.498)	(1.316.652)	102.995
Dividend income from financial assets	26	(10.333)	(13.724)	(26.094)	(1.752)
Gain on sale of property, plant and equipment and intangible assets (net)	26	(18.780)	(24.944)	(47.427)	(1.278)
		1.356.424	1.801.625	3.425.442	3.543.405
Changes in net working capital	35	139.090	184.742	351.252	240.241
Income taxes paid		(97.978)	(130.136)	(247.429)	(456.099)
Total cash flows from operating activities		**1.397.536**	**1.856.231**	**3.529.265**	**3.327.547**
B. Cash flows from investing activities:					
Purchases of property, plant and equipment and intangible assets	3	(1.567.831)	(2.082.419)	(3.959.321)	(3.110.945)
Sale of property, plant and equipment and intangible assets		178.914	237.637	451.821	295.634
Cash inflow from sale of a subsidiary (net)		3.567	4.738	9.009	-
Sale and redemption of financial assets		24.139	32.062	60.959	1.401
Acquisition of financial assets and capital contributions		(38.120)	(50.632)	(96.267)	(32.849)
Dividend income from financial assets		10.333	13.724	26.094	1.752
Transactions with non-controlling interests		(20.942)	(27.815)	(52.885)	(777)
Total cash flows from investing activities		**(1.409.940)**	**(1.872.705)**	**(3.560.590)**	**(2.845.784)**
C. Cash flows from financing activities:					
Share capital increases		-	-	-	95.136
Dividend payments		(627.298)	(833.188)	(1.584.148)	(1.310.843)
Cash flows from borrowings (net)		929.876	1.235.077	2.348.262	3.312.821
Cash flows (used in)/provided by from derivative transactions (net)	(19.518)	(25.925)	(49.291)	19.918	
Interest paid		(271.762)	(360.959)	(686.294)	(490.707)
Interest received		155.782	206.912	393.403	367.687
Total cash flows from financing activities		**167.080**	**221.917**	**421.932**	**1.994.012**
Effects of foreign exchange rate changes on cash and cash equivalents		521.374	692.498	1.316.652	(102.995)
Net increase in cash and cash equivalents		676.050	897.941	1.707.259	2.372.780
Cash and cash equivalents at the beginning of the period		2.622.531	3.483.290	6.622.809	4.250.029
Cash and cash equivalents at the end of the period	**35**	**3.298.581**	**4.381.231**	**8.330.068**	**6.622.809**

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(2) Financial statements of prior periods are restated in accordance with the changes in accounting policies resulting from the new standards, amendments and interpretations effective from 1 January 2013 and Communiqué on the Principles of Financial Reporting announced by CMB. The effects of restatement are disclosed in Note 2.3.

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

(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 ensuring the establishment of participating in various companies and promoting the achievements of these companies; ensuring a more profitable, efficient management appropriate for current conditions and creating common service areas and therefore lightening the financial burden of these services on the companies.

As of 31 December 2013, the number of personnel employed by the Parent Company Koç Holding, its Subsidiaries and Joint Ventures (together referred as the "Group") is 80.996 (2012: 82.158); divided into categories of 37.259 white-collar (2012: 38.491) and 43.737 blue-collar workers (2012:43.667).

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

Koç Holding is registered to the CMB and its shares have been quoted on the Borsa İstanbul ("BIST") since
10 January 1986. As of 31 December 2013, 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
- Other (*)

(*) 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") 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	Petroleum 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
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	Petroleum Shipping
Karşıyaka Tankercilik A.Ş. ("Karşıyaka Tankercilik")	Turkey	Petroleum Shipping
Kartal Tankercilik A.Ş. ("Kartal Tankercilik")	Turkey	Petroleum Shipping
Kuleli Tankercilik A.Ş. ("Kuleli Tankercilik")	Turkey	Petroleum Shipping
Kuzguncuk Tankercilik A.Ş. ("Kuzguncuk Tankercilik")	Turkey	Petroleum Shipping
Maltepe Tankercilik A.Ş. ("Maltepe Tankercilik")	Turkey	Petroleum Shipping
Salacak Tankercilik A.Ş. ("Salacak Tankercilik")	Turkey	Petroleum Shipping
Sarıyer Tankercilik A.Ş. ("Sarıyer Tankercilik")	Turkey	Petroleum Shipping
T Damla Denizcilik A.Ş. ("T Damla Denizcilik")	Turkey	Petroleum Shipping
Türkiye Petrol Rafinerileri A.Ş. ("Tüpraş")	Turkey	Production and Trading of Petroleum Products
Üsküdar Tankercilik A.Ş. ("Üsküdar Tankercilik")	Turkey	Petroleum Shipping

Mogaz Petrol Gazları A.Ş. was merged with Aygaz A.Ş. on 22 January 2013.

Ventures Joint	Joint Venture Partner	Country of incorporation	Nature of business
AES Enerji Ltd. ("AES Enerji")	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")[(1)]	Oyak Birleşik Enerji A.Ş.	Turkey	Power Generation
Cenay Elektrik Üretim, İnşaat, Sanayi ve Ticaret Ltd. ("Cenay Elektrik")	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")	Türk Hava Yolları	Turkey	Petroleum Shipping
Kumköy Enerji Üretim A.Ş. ("Kumköy Enerji")	AES Mont Blanc Holdings B.V.	Turkey	Power Generation
Kuzey Tankercilik A.Ş. (Kuzey Tankercilik")	Türk Hava Yolları	Turkey	Petroleum Shipping
Opet Fuchs Madeni Yağ.San. ve Tic. A.Ş. ("Opet Fuchs")	Fuchs Petrolub AG	Turkey	Lubricant Trading
Opet Gıda ve İhtiyaç Mad. Tur. San. İç ve Dış Ticaret A.Ş. ("Opet Gıda") [(2)]	Öztürk Family	Turkey	-
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")	AES Mont Blanc Holdings B.V.	Turkey	Power Generation
Seymenoba Elektrik Üretim A.Ş. ("Seymenoba Elektrik")	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)] In 2013, Ordu Yardımlaşma Kurumu transferred its shares to Oyak Birleşik Enerji A.Ş.
[(2)] In the process of liquidation.

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

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

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

Automotive Sector

Subsidiaries	Country of incorporation	Nature of business
Otokar Otobüs Karoseri Sanayi A.Ş. ("Otokar")	Turkey	Production
Otokoç Otomotiv Tic. ve San. A.Ş. ("Otokoç")	Turkey	Trading
Otokoç Sigorta Aracılık Hizmetleri A.Ş. ("Otokoç Sigorta")	Turkey	Insurance
Tasfiye Halinde Otoyol Sanayi A.Ş. ("Otoyol") [*]	Turkey	-

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.

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")	Egypt	Trading
Beko Electronics Espãna S.L. ("Beko Espana")	Spain	Trading
Beko France S.A.S. ("Beko France")	France	Trading
Beko Hong Kong Ltd. ("Beko Hong Kong") [2]	Hong Kong, China	Procurement
Beko Italy SRL ("Beko Italy")	Italy	Trading
Beko Llc ("Beko Russia")	Russia	Production/Sales
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 Ukraine ("Beko Ukraine")	Ukraine	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 (Swaziland) (Proprietary) Limited ("Defy Swaziland") [1] [3]	Swaziland	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 A.G. ("Grundig Switzerland") [4]	Switzerland	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") [1]	Germany	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales

Beko Magyarorszag K.F.T. was liquidated in 2013.
Air Conditioner Production

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] Non-operational companies as of the balance sheet date.
[2] Established in 2013.
[3] Established as a separate company in 2013 while it was previously a branch of Defy.
[4] Operating as a separate company since 2013 while it was previously a branch of Grundig Multimedia.

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

Finance Sector

Subsidiaries	Country of incorporation	Nature of business
Koç Finansman A.Ş. ("Koç Finansman") (1)	Turkey	Consumer Finance

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Koç Fiat Kredi Finansman A.Ş. ("Fiat Finans") (1)	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
Tasfiye Halinde Yapı Kredi B Tipi Yatırım Ortaklığı A.Ş. ("Yapı Kredi Yatırım") (2)	UniCredit S.p.A.	Turkey	Investment Trust
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 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") (3)	UniCredit S.p.A.	Cayman Islands	Company
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 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

Yapı Kredi Sigorta A.Ş. has been sold to Allianz SE as of 12 July 2013.

Associates	Country of incorporation	Nature of Business
Allianz Yaşam ve Emeklilik A.Ş. ("Allianz Emeklilik") (4)	Turkey	Insurance
Banque de Commerce et de Placements S.A. ("Banque de Commerce")	Switzerland	Banking

(1) The legal titles of Koç Tüketici Finansmanı A.Ş. and Koç Fiat Kredi Tüketici Finansmanı A.Ş. have been changed as Koç Finansman A.Ş. and Koç Fiat Kredi Finansman A.Ş. respectively, in accordance with the Financial Leasing, Factoring and Financing Companies Law numbered 6361.
(2) In the process of liquidation.
(3) Although Yapı Kredi Bankası has no shareholding interest, the special purpose company established for securitization transactions is included in the scope of consolidation.
(4) The legal title of Yapı Kredi Emeklilik A.Ş. has been changed as Allianz Yaşam ve Emeklilik A.Ş. as of September 2013.

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 Gıda Sanayi A.Ş. ("Tat Gıda") (1)	Turkey	Food
Tat Tohumculuk A.Ş. ("Tat Tohumculuk") (2)	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

(1) The legal title of Tat Konserve Sanayi A.Ş. has been changed as Tat Gıda Sanayi A.Ş. as of 15 November 2013.
(2) Upon the completion of the sales transaction on 9 December 2013, Tat Tohumculuk has been excluded from the scope of consolidation.

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 3).

NOTE 2-BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") that are set out in the 5th article of the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 and published in Official Gazette numbered 28676.

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 public companies operating in Turkey. Consequently, the consolidated financial statements of the Group have been prepared in accordance with this resolution.

The consolidated financial statements have been prepared considering certain adjustments and reclassifications for the purpose of fair presentation in accordance with the Turkish Accounting Standards issued by the POA.

Koç Holding and its Subsidiaries and Joint Ventures registered in Turkey maintain their books of account and prepare their statutory financial statements in TL in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance, applicable Turkish insurance laws for insurance companies and banking law, accounting principles and instructions promulgated by the Banking Regulation and 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 the financial assets and liabilities presented at fair values, and the revaluations related to the differences between the carrying value and fair value of the non-current assets recognised in business combinations. Adjustments and restatements, required for the fair presentation of the consolidated financial statements in conformity with the Turkish Financial Reporting Standards, have been accounted for in the statutory financial statements which are prepared in accordance with the historical cost principle.

2.1.2 Comparatives and adjustment of prior periods' financial statements

The current period 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 of the current period consolidated financial statements.

Financial statements of prior periods are restated in accordance with the changes in accounting policies resulting from the new standards, amendments and interpretations effective from 1 January 2013 and Communiqué on the Principles of Financial Reporting issued by CMB. The effects of these restatements are disclosed in Note 2.3.

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 TAS/TFRS 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 2013 of TL2,9365 = EUR1 and TL2,1343 = USD1, respectively and EUR and USD amounts shown in the consolidated statements of income, comprehensive income and cash flow 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 2013 of TL2,5254= EUR1 and TL1,9013= USD1, respectively, and do not form part of these consolidated financial statements.

2.2 Amendments in International Financial Reporting Standards

The accounting policies applied in the preparation of the consolidated financial statements as of 1 January-31 December 2013 are consistent with those applied in the preparation of the consolidated financial statements as of
31 December 2012, except for the new standards and International Financial Reporting Interpretations Committee's ("IFRIC") interpretations summarized below.

Standards, amendments and interpretations effective as of 1 January 2013:

-TFRS 7 Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities (Amended)
-TAS 1 Presentation of Financial Statements (Amended)-Presentation of Items of Other Comprehensive Income
-TAS 19 Employee Benefits (Amended)
-TAS 27 Separate Financial Statements (Amended)
-TAS 28 Investments in Associates and Joint Ventures (Amended)
-TFRS 10 Consolidated Financial Statements
-TFRS 11 Joint Arrangements
-TFRS 12 Disclosure of Interests in Other Entities
-TFRS 13 Fair Value Measurement
-TFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
-Transition Guidance (Amendments to TFRS 10, TFRS 11 and TFRS 12)
-Improvements to TFRSs (Annual Improvements to TFRSs-2009-2011)

The new and amended standards and interpretations effective as of 1 January 2013 have no impact in the consolidated financial statements of the Group except for TFRS 11 "Joint Arrangements", TFRS 12 "Disclosures of Interest in Other Entities" and amendments in TAS 19 "Employee Benefits". Disclosure requirements of TFRS 12 "Disclosures of Interest in Other Entities" have been presented in the related notes; and the effects of other standards and improvements in the Group's consolidated balance sheet, consolidated statements of income and consolidated cash flows as of 31 December 2012 have been disclosed in Note 2.3.

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

Standards, amendments and improvements issued but not yet effective and not early adopted:

Amendments effective as of 1 January 2014,

-TAS 32 Financial Instruments: Presentation-Offsetting Financial Assets and Financial Liabilities (Amended)
-TFRIC Interpretation 21 Levies
-TAS 36 Impairment of Assets-Recoverable Amount Disclosures for Non-Financial Assets (Amendment)
-TAS 39 Financial Instruments: Recognition and Measurement-Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

Standards effective as of 1 January 2015,

-TFRS 9 Financial Instruments-Classification and Measurement

New standards, amendments and interpretations that are issued by the International Accounting Standard Boards (IASB) but not issued by POA:

-IFRS 10 Consolidated Financial Statements (Amendment)
-UFRS 9 Financial Instruments-Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39-IFRS 9 (2013)
-Improvements to IFRSs-2010-2012 Cycle and IFRSs-2011-2013 Cycle
-IFRS 14-Interim Standard on Regulatory Deferral Accounts

Resolutions promulgated by the POA

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. "The financial statement examples and user guide" became immediately effective at its date of issuance; however, other resolutions shall become effective for the annual reporting periods beginning after 31 December 2012.

-2013-1 Financial Statement Examples and User Guide
-2013-2 Accounting of Business Combinations under Common Control
-2013-3 Accounting of Redeemed Share Certificates
-2013-4 Accounting of Cross Shareholding Investments

The effects of resolution promulgated by POA "2013-1 Illustrative Financial Statements and User Guide" on the Group's consolidated balance sheet, consolidated statements of income and consolidated cash flows as of 31 December 2012 have been disclosed in Note 2.3.

2.3 Changes in Accounting Policies

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.

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 2012.

Within the new standards, amendments and interpretations effective from 1 January 2013, the Group has applied the changes in accounting policies resulting from the first time adoption of "TFRS 11 Joint Arrangements" and "TAS 19 Employee Benefits" retrospectively, in accordance with the transitional provisions of the related standards.

Additionally, in accordance with the decision taken on 7 June 2013 by the CMB at its meeting numbered 20/670, a new set of illustrative financial statements and guidance to it have been issued effective from the interim periods ended after 31 March 2013 which is applicable for the companies that are subject to the Communiqué regarding the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, retrospective reclassifications have been accounted for in the Group's consolidated financial statements as of 31 December 2012.

The effects of changes resulting from the application of the new standards and changes in the illustrative financial statements are as follows:

2.3.1 Group Accounting-Accounting of Joint Ventures

The Group's interests in Joint Ventures, companies in respect of which there are contractual arrangements to undertake an economic activity subject to joint control, were accounted for by proportionate consolidation method in accordance with "TAS 31 Shares in Joint Ventures" effective before 1 January 2013. Under proportionate consolidation, the Joint Venture's assets, liabilities, equity, income and expenses are consolidated by the total ownership interest of the Group and intercompany transactions and balances with Joint Ventures are eliminated during the consolidation.

"TFRS 11 Joint Arrangements", effective for the annual periods on or after 1 January 2013, supersedes "TAS 31 Shares in Joint Ventures" and requires the application of the equity method for the consolidation of interests in joint ventures in accordance with "TAS 28 Investments in Associates and Joint Ventures".

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

Under the equity method, the investment in a joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss. Distributions (dividends etc.) received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

In accordance with this amendment, the Group changed its policy regarding the accounting of its Joint Ventures from proportionate consolidation method to equity method in conformity with the transitional provisions stated in "TFRS 11 Joint Arrangements". The Group's investment in its Joint Ventures is recognised as at the beginning of the earliest period presented in the consolidated financial statements as of 1 January-31 December 2013. This initial investment has been measured as the aggregate of the carrying amounts of the assets and liabilities that the Group has previously proportionately consolidated, including any goodwill arising from acquisition.

Total direct and indirect ownership interest of Koç Holding has been taken into consideration in the accounting of Joint Ventures by equity method.

Since the interests in Joint Ventures are considered as part of the main operations of Koç Holding, "Share of profit/loss of Joint Ventures" account is presented under operating profit in the consolidated statement of income.

2.3.2 Provision for Employment Termination Benefits-Accounting of Actuarial Gains/Losses

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.

"TAS 19 Employee Benefits" requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity's obligation for employment termination benefits. The effects of differences between the actuarial assumptions and the actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gains/losses.

In accordance with "TAS 19 Employee Benefits" effective before 1 January 2013, the actuarial gains/losses were recognised in the statement of income whereas the amendment, effective as of 1 January 2013, requires the actuarial gains/losses to be recognised under other comprehensive income. With this amendment, the Group accounted for its actuarial gains/losses under other comprehensive income in conformity with the transitional provisions stated in "TAS 19 Employee Benefits".

2.3.3 Reclassifications within the scope of the Communiqué on the Principles of Financial Reporting and decision taken on 7 June 2013 by the CMB

In accordance with the decision taken on 7 June 2013 by the CMB at its meeting numbered 20/670, a new set of illustrative financial statements and guidance to it have been issued effective from the interim periods ended after
31 March 2013 which is applicable for the companies that are subject to the Communiqué regarding the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, retrospective reclassifications have been accounted for in the consolidated financial statements of the Group.

The reclassifications in the Group's consolidated financial statements as of 31 December 2012 are as follows:

-Short term portion of long term borrowings amounting to TL2.803.795 thousand, which was disclosed in short term borrowings, has been represented as a separate balance sheet account in the consolidated balance sheet.

-Short term and long term provisions amounting to TL652.599 thousand and TL97.271 thousand, which were disclosed in other current and non-current liabilities, respectively, have been presented as separate balance sheet accounts in the consolidated balance sheet.

-TL38.900 thousand of provisions for unused vacation accounted for under short term provisions for employee benefits has been reclassified to long term provisions for employee benefits.

-Foreign exchange gains arising from trading activities amounting to TL366.043 thousand, credit finance income amounting to TL236.901 thousand have been reclassified from financial income to other operating income.

-Foreign exchange losses arising from trading activities amounting to TL372.706 thousand, credit finance charges amounting to TL57.077 thousand have been reclassified from financial expenses to other operating expenses.

-Dividend income amounting to TL1.752 thousand, gain on sale of property, plant and equipment amounting to TL12.448 thousand and gain on sale of subsidiary amounting to TL6.393 thousand have been reclassified from other operating income to gains from investment activities.

-Loss on sale of property, plant and equipment amounting to TL15.470 thousand, loss on sale of financial assets amounting to TL2.093 thousand, provision for impairment in financial assets amounting to TL13.826 thousand and provision for impairment in asset held for sale amounting to TL15.187 have been reclassified from other operating expenses to losses from investment activities.

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

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

The effects of restatement of financial statements of prior periods within the scope of the changes in the accounting policies:

The effects of restatement of consolidated balance sheet as of 31 December 2012 are presented below:

	As previously reported 31 December 2012 TL'000	As restated 31 December 2012 TL'000	Net effect of restatement TL'000
ASSETS			
Current assets:			
Cash and cash equivalents	10.474.225	7.103.748	(3.370.477)
Balances with central banks	4.970.513	-	(4.970.513)
Financial assets	928.909	29.284	(899.625)
Trade receivables	8.184.716	6.971.090	(1.213.626)
Receivables from finance sector operations	23.035.524	826.947	(22.208.577)
Derivative instruments	202.845	7.278	(195.567)
Inventories	6.656.979	5.653.032	(1.003.947)
Other current assets	2.551.167	1.053.713	(1.497.454)
Total current assets	**57.004.878**	**21.645.092**	**(35.359.786)**
Non-current assets:			
Financial assets	10.173.385	113.224	(10.060.161)
Joint Ventures accounted for using the equity method	-	9.000.830	9.000.830
Trade receivables	156.030	210.732	54.702
Receivables from finance sector operations	20.078.807	712.583	(19.366.224)
Derivative instruments	61.625	1.979	(59.646)
Investment properties	93.766	84.642	(9.124)
Property, plant and equipment	14.266.871	11.783.508	(2.483.363)
Intangible assets	1.876.672	1.279.606	(597.066)
Goodwill	3.833.043	2.913.543	(919.500)
Deferred tax assets	370.616	140.098	(230.518)
Other non-current assets	1.151.333	801.941	(349.392)
Total non-current assets	**52.062.148**	**27.042.686**	**(25.019.462)**
Total assets	**109.067.026**	**48.687.778**	**(60.379.248)**

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

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

The effects of restatement of consolidated balance sheet as of 31 December 2012 are presented below:

	As previously reported **31 December 2012 TL'000**	*As restated* **31 December 2012 TL'000**	*Net effect of restatement* **TL'000**
LIABILITIES			
Current liabilities:			
Payables of finance sector operations	35.256.360	-	(35.256.360)
Short term borrowings	12.238.810	1.938.888	(10.299.922)
Short term portion of long term borrowings	-	2.803.795	2.803.795
Trade payables	8.355.236	7.328.797	(1.026.439)
Other payables	1.979.123	1.770.681	(208.442)
Derivative instruments	195.291	18.922	(176.369)
Current income tax liabilities	205.022	76.723	(128.299)
Provisions for employee benefits	97.751	-	(97.751)
Provisions	-	652.599	652.599
Other current liabilities	6.548.930	1.226.216	(5.322.714)
	64.876.523	**15.816.621**	**(49.059.902)**
Non-current liabilities:			
Payables of finance sector operations	778.963	-	(778.963)
Long term borrowings	14.583.371	7.646.969	(6.936.402)
Derivative instruments	475.187	5.159	(470.028)
Provisions for employee benefits	877.897	349.433	(528.464)
Provisions	-	97.271	97.271
Deferred tax liabilities	452.161	414.825	(37.336)
Other non-current liabilities	271.679	96.243	(175.436)
Total non-current liabilities	**17.439.258**	**8.609.900**	**(8.829.358)**
Total liabilities	**82.315.781**	**(57.889.260)**	**24.426.521**
Equity:			
Paid-in share capital	2.535.898	2.535.898	-
Adjustment to share capital	967.288	967.288	-
Total share capital	3.503.186	3.503.186	-
Share premium	9.286	9.286	-
Revaluation funds	238.923	-	(238.923)
Currency translation differences	106.344	-	(106.344)
Other comprehensive income/expense not to be reclassified to profit or loss	-	(1.274)	(1.274)
Other comprehensive income/expense to be reclassified to profit or loss	-	321.354	321.354
Restricted reserves	2.336.332	2.336.332	-
Prior years' income	7.777.001	7.792.918	15.917
Profit for the period	2.314.880	2.324.150	9.270
Equity holders of the parent	16.285.952	16.285.952	-
Non-controlling interest	10.465.293	7.975.305	(2.489.988)
Total equity	**26.751.245**	**24.261.257**	**(2.489.988)**
Total liabilities and equity	**109.067.026**	**48.687.778**	**(60.379.248)**

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

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

The effects of restatement of consolidated statement of income dated 31 December 2012 are presented below:

	As previously reported **31 December 2012** **TL'000**	*As restated* **31 December 2012** **TL'000**	*Net effect of restatement* **TL'000**
Revenue	77.535.603	65.449.383	(12.086.220)
Revenue from finance sector operations	7.297.729	216.352	(7.081.377)
Total revenue	**84.833.332**	**65.665.735**	**(19.167.597)**
Cost of sales (-)	(69.517.198)	(58.946.894)	10.570.304
Cost of finance sector operations (-)	(3.621.323)	(129.888)	3.491.435
Total cost	**(73.138.521)**	**(59.076.782)**	**14.061.739**
Gross profit non-finance	8.018.405	6.502.489	(1.515.916)
Gross profit finance	3.676.406	86.464	(3.589.942)
Gross profit	**11.694.811**	**6.588.953**	**(5.105.858)**
Marketing, selling and distribution expenses (-)	(3.172.978)	(2.606.227)	566.751
General administrative expenses (-)	(3.340.274)	(1.721.863)	1.618.411
Research and development expenses (-)	(166.507)	(110.274)	56.233
Other operating income	270.018	758.726	488.708
Other operating expense (-)	(820.832)	(584.171)	236.661
Share of profit/loss of Joint Ventures	-	1.485.394	1.485.394
Operating profit	**4.464.238**	**3.810.538**	**(653.700)**
Gains from investment activities	-	20.593	20.593
Losses from investment activities (-)	-	(46.576)	(46.576)
Operating profit before financial income/expense	**4.464.238**	**3.784.555**	**(679.683)**
Share of profit/loss of investments accounted for using the equity method	8.896	-	(8.896)
Financial income	2.293.693	1.427.506	(866.187)
Financial expenses (-)	(2.249.329)	(1.434.297)	815.032
Profit before tax	**4.517.498**	**3.777.764**	**(739.734)**
Tax income/(expense)	**(415.791)**	**(33.941)**	**381.850**
-Current income tax expense (-)	(904.707)	(409.400)	495.307
-Deferred tax income/(expense)	488.916	375.459	(113.457)
Profit for the period	**4.101.707**	**3.743.823**	**(357.884)**
Attributable to:			
Non-controlling interest	1.786.827	1.419.673	(367.154)
Equity holders of the parent	**2.314.880**	**2.324.150**	**9.270**

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

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

The effects of restatement of consolidated statement of cash flow dated 31 December 2012 are presented below:

	As previously reported **31 December 2012 TL'000**	*As restated* **31 December 2012 TL'000**	*Net effect of* **restatement TL'000**
Cash flows from operating activities	3.407.726	3.327.547	(80.179)
Cash flows from investing activities	(3.429.533)	(2.845.784)	583.749
Cash flows from financing activities	4.003.043	1.994.012	(2.009.031)
Cash and cash equivalents at the beginning of the period	6.359.381	4.250.029	(2.109.352)
Cash and cash equivalents at the end of the period	10.103.786	6.622.809	(3.480.977)

The breakdown of assets and liabilities classified under "Joint Ventures accounted for using the equity method" account in the restated consolidated balance sheet is as follows:

	31 December 2012 TL'000	**31 December 2011 TL'000**
Assets:		
Cash and cash equivalents	3.370.477	2.148.382
Balances with central banks	4.970.513	4.524.256
Financial assets	10.959.786	10.823.369
Derivative instruments	255.213	326.159
Trade receivables	1.158.924	1.452.129
Receivables from finance sector operations	41.574.801	37.010.991
Inventories	1.003.947	986.492
Investment properties	9.124	8.367
Property, plant and equipment	2.483.363	2.075.854
Intangible assets	597.066	514.496
Goodwill	919.500	829.018
Deferred tax assets	230.518	306.796
Other current assets	1.846.846	1.518.749
	69.380.078	62.525.058
Liabilities:		
Payables of finance sector operations	36.035.323	34.855.019
Financial liabilities	14.432.529	12.317.726
Derivative instruments	646.397	520.651
Trade payables	1.026.439	1.396.963
Current income tax liabilities	128.299	87.487
Provisions for employee benefits	626.215	600.857
Deferred tax liabilities	37.336	44.797
Other current liabilities	4.956.722	3.400.663
	57.889.260	**53.224.163**
Non-controlling interest	**2.489.988**	**1.969.647**
Net assets of Joint Ventures	**9.000.830**	**7.331.248**

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

2.4 Summary of Significant Accounting Policies

Accounting policies used in the preparation of consolidated financial statements 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 (f) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with "TAS/TFRS" 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 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, it has rights or is exposed to variable returns from its involvement with the investee and when at the same time it has the power to affect these returns through its power over the investee.

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 interest effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interese	
Subsidiaries	2013	2012	2013	2012	2013	2012	2013	2012
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	96,72	96,72	-	-	96,72	96,72
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	40,53	40,53	100,00	100,00	-	-	100,00	100,00
Aygaz Toptan Satış	40,36	40,36	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	40,51	40,51	100,00	100,00	-	-	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 Hong Kong (1)	40,51	-	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 (2)	-	40,51	-	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	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beykoz Tankercilik (3)	34,95	34,13	100,00	100,00	-	-	100,00	100,00
Bilkom	82,28	82,28	99,94	99,94	0,06	0,06	100,00	100,00
Blomberg Werke	40,51	40,51	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	40,51	100,00	100,00	-	-	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 Swaziland (4)	40,51	-	100,00	-	-	-	100,00	-
Defy Trust Two	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Ditaş (3)	34,95	34,13	80,00	80,00	-	-	80,00	80,00
Divan	11,79	11,79	25,46	25,46	74,54	74,54	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 (3)	85,68	83,66	98,50	96,50	-	-	98,50	96,50
Grundig Austria	40,51	40,51	100,00	100,00	-	-	100,00	100,00

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

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

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

	Proportion of interest effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interese	
Subsidiaries	2013	2012	2013	2012	2013	2012	2013	2012
Grundig Czech Republic	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Intermedia	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 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 Portugal	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Slovakia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Sweden	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Switzerland (5)	40,51	-	100,00	-	-	-	100,00	-
Harranova Besi	41,95	41,95	74,62	74,62	15,38	15,38	90,00	90,00
Kadıköy Tankercilik (3)	34,95	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 (3)	34,95	34,13	100,00	100,00	-	-	100,00	100,00
Kartal Tankercilik (3)	34,95	34,13	100,00	100,00	-	-	100,00	100,00
Koç Finansman	64,71	64,71	94,50	94,50	5,50	5,50	100,00	100,00
Koç Sistem	41,14	41,14	41,18	41,18	53,17	53,17	94,35	94,35
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 (3)	34,95	34,13	100,00	100,00	-	-	100,00	100,00
Mares	36,81	36,81	36,81	36,81	33,46	33,46	70,27	70,27
Mogaz (5)	-	40,68	-	100,00	-	-	-	100,00
Otokar	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	83,45	83,44	14,66	14,66	98,11	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 (3)	34,95	34,13	100,00	100,00	-	-	100,00	100,00
Sarıyer Tankercilik (3)	34,95	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
T Damla Denizcilik (3)	34,95	34,13	100,00	100,00	-	-	100,00	100,00
Tat Gıda	43,82	43,82	44,07	44,07	7,12	7,12	51,19	51,19
Tat Tohumculuk (8)	-	16,15	-	33,00	-	3,00	-	36,00
Tek-Art Marina	50,48	50,48	51,94	51,94	47,46	47,46	99,40	99,40
Tüpraş (3)	43,70	42,67	51,00	51,00	-	-	51,00	51,00
Üsküdar Tankercilik (3)	34,95	34,13	100,00	100,00	-	-	100,00	100,00
Yalova Marina	46,63	46,63	100,00	100,00	-	-	100,00	100,00
Zer Ticaret	39,00	39,00	39,00	39,00	60,06	60,06	99,06	99,06

(1) Established in 2013.
(2) Liquidated in 2013.
(3) The proportion of effective interest has been changed since Koç Holding has purchased shares representing 2% of the capital of Enerji Yatırımları from Shell Overseas Inv. B.V and The Shell Company of Turkey Ltd.
(4) Established as a separate company in 2013 while it was previously a branch of Defy.
(5) Operating as a separate company since 2013 while it was previously a branch of Grundig Multimedia.
(6) Merged with Aygaz A.Ş. as of 22 January 2013.
(7) Although, the total ownership interest of Koç Holding in Otokar is less than 50%, Koç Holding has the power to exercise control over financial and operating policies of this company.
(8) Has been sold to Kagome Co. Ltd. on 9 December 2013.

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

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

c) Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Koç Holding and one or more other parties. Koç Holding exercises such joint control through direct and indirect voting rights related to the shares held by itself and/or through the voting rights related to the shares held by Koç Family members and the companies owned by them.

As disclosed in detail in Note 2.3, "TAS 11 Joint Arrangements", effective for the annual periods on or after 1 January 2013, supersedes "TAS 31 Shares in Joint Ventures" and requires the application of the equity method for the consolidation of interests in joint ventures in accordance with "TAS 28 Investments in Associates and Joint Ventures".

Under the equity method, the investment in a joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of the acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss. Distributions (dividends etc.) received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for the change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

Direct and indirect ownership held by Koç Holding is used in the equity accounting of Joint Ventures.

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	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
AES Enerji Ltd.	34,90	34,90	49,62	49,62	-	-	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	17,45	17,45	49,62	49,62	-	-	49,62	49,62
Cenay Elektrik	34,90	34,90	49,62	49,62	-	-	49,62	49,62
Eltek	34,90	34,90	49,62	49,62	-	-	49,62	49,62
Fer-Mas (1)	37,59	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)	9,00	8,79	50,00	50,00	-	-	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	34,90	34,90	49,62	49,62	-	-	49,62	49,62
Kuzey Tankercilik (2)	9,00	8,79	50,00	50,00	-	-	50,00	50,00
Netsel	27,76	27,76	55,00	55,00	-	-	55,00	55,00
Opet (2)	18,00	17,59	41,33	41,33	8,67	8,67	50,00	50,00
Opet Fuchs (2)	9,00	8,79	50,00	50,00	-	-	50,00	50,00
Opet Gıda (2)	18,00	17,59	50,00	50,00	-	-	50,00	50,00
Opet International (2)	18,00	17,59	50,00	50,00	-	-	50,00	50,00
Opet Trade BV (2)	18,00	17,59	50,00	50,00	-	-	50,00	50,00
Opet Trade Singapore (2)	18,00	17,59	50,00	50,00	-	-	50,00	50,00
Selen Elektrik	34,90	34,90	49,62	49,62	-	-	49,62	49,62
Seymenoba Elektrik	34,90	34,90	49,62	49,62	-	-	49,62	49,62
Stiching Custody	32,89	32,89	50,00	50,00	-	-	50,00	50,00
THY Opet (2)	9,00	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

(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	
Joint Ventures	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Yapı Kredi Bankası	32,89	32,89	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	32,89	32,88	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 (3)	-	30,90	-	50,00	-	-	-	50,00
Yapı Kredi Yatırım (4)	31,36	18,44	50,00	50,00	-	-	50,00	50,00

(1) 0,58% of shares of Fer-Mas owned by other shareholders, have been purchased by Tofaş.
(2) The proportion of effective interest has been changed since Koç Holding has purchased shares representing 2% of the capital of Enerji Yatırımları from Shell Overseas Inv. B.V and The Shell Company of Turkey Ltd.
(3) Yapı Kredi Sigorta A.Ş. was sold to Allianz SE, following the completion of share transfer procedures on 12 July 2013.
(4) Within the scope of the liquidation of Yapı Kredi Yatırım, the shareholding rate of Yapı Kredi Bankası has reached up to 95,36% upon the takeover of the shares of other shareholders through the takeover bid.

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	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Allianz Emeklilik(*)	6,58	30,90	20,00	50,00	-	-	20,00	50,00
Banque de Commerce	10,09	10,09	30,67	30,67	-	-	30,67	30,67

(*) The shares representing 19,93% of the capital of Allianz Yaşam ve Emeklilik A.Ş. were acquired by Yapı Kredi Finansal Kiralama on 12 July 2013.

e) Available-for-sale financial assets in which the Group together with Koç Family members, have ownership interests below 20%, or over which the Group does not exercise a significant influence or which are immaterial and do not have quoted market prices in active markets and whose fair values cannot be reliably measured, are carried at cost, less any accumulated impairment loss.

Available-for-sale financial assets, in which the Group together with Koç Family members, have ownership interests below 20% or over which the Group does not exercise a significant influence and that have quoted market prices in active markets and whose fair values can be reliably measured, are carried at fair value in the consolidated financial statements.

f) Non-controlling shares in the net assets and operating results of Subsidiaries are separately classified in the consolidated financial 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.

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. The sectors reported under "Other" do not meet the required minimum quantitative thresholds to be a reportable segment; hence they 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 financial periods before 1 January 2013, the Group prepared its segment reporting information in accordance with the consolidation principles set forth within TAS/TFRS. In the segment reporting information prepared within this scope, the Subsidiaries of the Group were recognised through full consolidation while Joint Ventures were recognised using the proportionate consolidation method.

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

The financial information of the Group's Joint Ventures shall not be consolidated by using the proportionate consolidation method in accordance with "TFRS 11 Joint Arrangements" as detailed in Note 2.3.1. Therefore, in the case that segment reporting is prepared based on the equity method set in "TFRS 11 Joint Arrangements", major financial information of Joint Ventures, except for net profit for the period, such as revenue, operating profit and profit before tax shall not be included in the related segment results.

The operations of Joint Ventures and their impacts on the financial results of the Group and the related segment are continued to be monitored in detail by the chief operating decision maker of the Group. Therefore, for the periods after 1 January 2013, segment reporting of Joint Ventures has not been prepared based on the equity method set by the "TFRS 11 Joint Arrangements"; rather, the financial information of Joint Ventures has been included in segment results by full consolidation method (as 100%) within the framework of new segment reporting approach. The Group defines this segment reporting information prepared in conformity with this new approach as "combined financial information"

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 trading activities (trade receivables and payables) denominated in foreign currencies of the Group companies operating in the non-finance sectors, have been accounted for under "other operating income/expenses" whereas foreign exchange gains and losses resulting from the translation of other monetary assets and liabilities denominated in foreign currencies have been accounted for under "financial income/expenses" in the consolidated income statement. Foreign exchange gains and losses resulting from monetary asset and liabilities denominated in foreign currencies of the Group companies operating in the finance sector, have been classified under "revenue/cost of finance sector operations" in the consolidated income statement.

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 coordinated plan to be disposed of or is held-for-sale.

A single amount on the face of the income statements comprising the total of the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised by the disposal of the assets constituting the discontinued operation is disclosed. Also, the net cash flows of the discontinued operations associated with the operating, investment and financing activities are specified in the related note.

Group of non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Liabilities directly associated with those assets are also classified similarly.

Non-current assets or asset groups that meet the criteria of asset held for sale are measured at the lower of its carrying amount and fair value less cost to sell. These assets are not depreciated.

2.4.5 Related parties

For the purpose of these consolidated financial statements, shareholders, Koç Holding A.Ş. key management personnel and BOD members, their close family members and the legal entities over which these related parties exercise control and significant influence, subsidiaries and joint ventures excluded from the scope of consolidation are considered and expressed as "related parties".

2.4.6 Financial assets

The appropriate classification of financial assets is determined at the time of the purchase and re-evaluated by management on a regular basis.

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

Non-derivative financial assets with fixed maturities, where management has both the intent and the ability to hold to the maturity excluding the financial assets classified as loans and advances to customers are classified as "held to-maturity financial assets". Held-to-maturity financial assets are carried at amortised cost using the effective yield method.

"Available-for-sale financial assets" are non-derivatives that are not designated in financial assets at fair value through profit or loss, held-to-maturity financial assets or loans and receivables. These are included in noncurrent 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.

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

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.

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.

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 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 original 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. Doubtful receivables, for which no possibility of collection is foreseen, are written off from the records along with their related provisions.

Credit finance income/expenses and foreign exchange gains/losses arising from trading activities are accounted for under "other operating income/expense" in the consolidated statement of income.

2.4.10 Loans and advances to customers

Financial assets generated as a result of lending money or providing a loan are classified as loans and advances to customers and are carried at amortised cost, less any impairment. All loans and advances are recognised in the consolidated financial statements when cash is transferred to customers.

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

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. The amount of provision is estimated based upon the Group's credit risk policy, the structure of the existing loan portfolio, historical patterns of losses in each component, the internal credit risk rating of the borrowers and the current economic climate in which the borrowers operate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a loan or receivable is uncollectible, it is written off against the allowance account for loans or receivables on the balance sheet. Subsequent recoveries of amounts previously impaired are credited against the allowance account on the balance sheet and accounted for as an income in the related provision account in the income statement.

2.4.11 Credit finance income/expenses

Credit finance income/expenses represent imputed finance charges on credit sales and purchases. Such income and expenses are recognised using the effective yield method over the period of credit sales and purchases withinthe materiality principle, and classified under "other income/expenses" in consolidated statement of income.

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

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

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. 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	4-25 years
Leasehold improvements	3-10 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 net carrying amounts and are classified under "gains/losses from investing activities" in the current period.

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. Cost of an intangible asset acquired by a business combination is its fair value at the acquisition date. Intangible assets with indefinite useful lives are not amortised, however are tested for impairment annually. Whenever there is an indication that the intangible is impaired, the carrying amount of the intangible asset is reduced to its recoverable amount and the impairment loss is recognised as an expense.

The amortisation periods for intangible assets, which approximate the economic useful lives of such assets, are as follows:

Rights	3-15 years
Brands	Indefinite useful life
Development costs	2-10 years
Other intangible assets	5-42 years

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

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

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 January2010 are adjusted against goodwill.

The Group applied revised IFRS 3 "Business Combinations", which is effective for the periods beginning1 January 2010 for the business combinations realised in 2011 and 2012.

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.

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

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.

The parent company Koç Holding recognizes deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, only to the extent that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilized.

The parent company Koç Holding recognizes deferred tax liability for all taxable temporary differences associated with investments in subsidiaries except to the extent that both of the following conditions are satisfied:
- the parent is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

Government grants allowing reduced corporate tax payment are evaluated within the scope of TAS 12 Income Taxes standard and are recognised 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

Financial liabilities 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.

TAS 19 "Employee Benefits" requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity's obligation for employment termination benefits. The effects of differences between the actuarial assumptions and the actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gains/losses.

As indicated in Note 2.3, in accordance with TAS 19 "Employee Benefits" effective before 1 January 2013, the actuarial gains/losses were recognised in the statement of income whereas the amendment, effective as of 1 January 2013, requires the actuarial gains/losses to be recognised under other comprehensive income. With this amendment, the Group accounted for its actuarial gains/losses under other comprehensive income in conformity with the transitional provisions stated in TAS 19 "Employee Benefits".

b) 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.

c) Unused vacation rights

Liabilities arising from unused vacations of the employees are accrued in the period when the unused vacations are qualified.

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

2.4.22 Provisions, contingent assets and liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and treated as contingent assets or liabilities.

2.4.23 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 other 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.

Finance sector

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.

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.

2.4.24 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.

2.4.25 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.

2.4.26 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).

2.4.27 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.

2.4.28 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 TAS 12 Income Taxes standard (Note 2.4.18).

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

2.4.29 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.

The financing costs of borrowings directly attributable to ongoing investments (interest expenses and foreign exchange loses based on the difference between the TL benchmark interest and interest regarding the foreign currency denominated loans) are capitalized until the completion of the investments.

2.4.30 Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and currency/ interest rate swap instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the consolidated financial statements. The fair value changes for these derivatives are recognised in the consolidated income statement.

The hedging transactions of the Group that qualify for hedge accounting are accounted for as follows:

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of hedged asset or liability attributable to the hedged risk is recorded as part of the carrying value of the hedged asset or liability during the effective hedging relationship. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised using a recalculated effective interest rate.

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.

2.4.31 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.

2.4.32 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.

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

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

2.4.33 Statement of cash flow

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (tangible and intangible assets and financial assets).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

2.5 Significant Accounting Estimates and Assumptions

Preparation of consolidated financial statements requires the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the balance sheet date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during the financial period. The accounting assessments, forecasts and assumptions are reviewed continuously considering the past experiences, other factors and the reasonable expectations about the future events under current conditions. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

2.6 Convenience Translation into English of Consolidated Financial Statements

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish 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 application of inflation accounting, classification of some income statement items and also for certain disclosure requirements of the POA.

NOTE 3-SEGMENT REPORTING

As disclosed in detail in Note 2.3.1, the financial information of the Joint Ventures has been included in the segment results, prepared within the framework of the Group's managerial approach, by full consolidation method (as 100%). The segment reporting information prepared in conformity with this approach is defined as "combined financial information".

"Combined revenue" reported below is before intra and inter segment revenue eliminations. Other financial information except for "combined revenue" represents the amounts after the related consolidation adjustments and profit eliminations.

The reconciliations of the combined financial information to the amounts reported in the consolidated financial statements for the years ended 31 December 2013 and 2012 are presented separately.

1 January-31 December 2013	**Energy**	**Automotive**	**Consumer durables**	**Finance**	**Other**	**Total**
External revenue	56.311.014	22.500.807	11.188.293	13.763.044	4.228.448	107.991.606
Intra segment revenue	8.940.242	2.342.077	508.303	10.749	828.862	12.630.233
Inter segment revenue	206.851	271.839	109.487	60.401	2.207.714	2.856.292
Combined revenue	**65.458.107**	**25.114.723**	**11.806.083**	**13.834.194**	**7.265.024**	**123.478.131**
Combined gross profit	2.961.854	3.043.517	3.491.517	7.555.216	1.295.413	18.347.517
Operating expenses	(1.755.377)	(1.425.641)	(2.594.286)	(3.101.545)	(1.212.222)	(10.089.071)
Other operating income/expenses (net) [1]	(752.753)	87.847	260.076	(1.140.146)	47.701	(1.497.275)
Combined operating profit	**453.724**	**1.705.723**	**1.157.307**	**3.313.525**	**130.892**	**6.761.171**
Gains/losses from investment activities(net[2]	2.817	(3.201)	(1.013)	1.368.131	50.963	1.417.697
Financial income/expenses (net)	(350.897)	(295.057)	(412.295)	-	75.426	(982.823)
Combined profit/(loss) before tax	**105.644**	**1.407.465**	**743.999**	**4.681.656**	**257.281**	**7.196.045**
Tax income/expense (net)	1.111.176	84.095	(128.873)	(750.243)	(70.907)	245.248
Net profit from discontinued operations [2]	-	-	-	39.569	-	39.569
Combined net profit for the period [3]	**1.216.820**	**1.491.560**	**615.126**	**3.970.982**	**186.374**	**7.480.862**
Net profit for the period [4]	**402.163**	**612.156**	**234.051**	**1.316.714**	**114.629**	**2.679.713**

(1) Provisions for loan impairment in Finance sector and the foreign exchange gains/losses and credit finance income/charges arising from trading activities (trade receivables and payables) of non-finance sector have been accounted for under "other operating income/expenses" account.
(2) As disclosed in Note 6.e, due to the sale of Yapı Kredi Sigorta A.Ş. ("YKS") shares owned by Yapı Kredi Bankası,
a Joint Venture of the Group, the income statement items of YKS are presented in the "Discontinued operations" line. Gain on sale of Yapı Kredi Bankası from the sale of YKS shares amounting to TL1.324 million has been accounted for under "gains/losses from investment activities".
(3) The impact of the gain on sale of YKS shares of Yapı Kredi Bankası on combined net profit for the period is TL1.254 million.
(4) Represents consolidated net profit attributable to the equity holders of the parent. The impact of the gain of Yapı Kredi Bankası from sales of YKS shares on consolidated net profit for the period is TL412 million.

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

NOTE 3-SEGMENT REPORTING (Continued)

1 January-31 December 2012	Energy	Automotive	Consumer durables	Finance	Other	Total
External revenue	55.364.684	19.618.060	10.589.957	12.905.642	4.266.225	102.744.568
Intra segment revenue	7.631.376	2.200.082	421.465	18.972	778.783	11.050.678
Inter segment revenue	229.707	354.543	183.120	61.047	1.963.842	2.792.259
Combined revenue	**63.225.767**	**22.172.685**	**11.194.542**	**12.985.661**	**7.008.850**	**116.587.505**
Combined gross profit	**2.941.713**	**2.754.164**	**3.143.829**	**6.798.811**	**1.202.077**	**16.840.594**
Operating expenses	(1.592.468)	(1.190.160)	(2.352.158)	(2.851.668)	(1.070.323)	(9.056.777)
Other operating income/expenses (net) (1)	325.163	85.451	(48.668)	(1.122.133)	6.467	(753.720)
Combined operating profit	**1.674.408**	**1.649.455**	**743.003**	**2.825.010**	**138.221**	**7.030.097**
Gains/losses from investment activities (net)	12.292	11.710	536	32.384	(34.359)	22.563
Financial income/expenses (net)	59.091	(68.731)	(130.904)	-	21.034	(119.510)
Combined profit/(loss) before tax	**1.745.791**	**1.592.434**	**612.635**	**2.857.394**	**124.896**	**6.933.150**
Tax income/expense (net)	19.290	(88.949)	(79.614)	(607.476)	(29.243)	(785.992)
Net profit from discontinued operations (2)	-	-	-	106.944	-	106.944
Combined net profit for the period	**1.765.081**	**1.503.485**	**533.021**	**2.356.862**	**95.653**	**6.254.102**
Net profit for the period (3)	**683.608**	**613.507**	**197.162**	**786.001**	**43.872**	**2.324.150**

(1) Provisions for loan impairment in Finance sector and the foreign exchange gains/losses and credit finance income/charges arising from trading activities (trade receivables and payables) of Non-finance sector have been accounted for under "other operating income/expenses" account.
(2) As disclosed in Note 6.d, due to the sale of Yapı Kredi Sigorta A.Ş. ("YKS") shares owned by Yapı Kredi Bankası, a Joint Venture of the Group, the income statement items of YKS are presented in the "Discontinued operations" line.
(3) Represents consolidated net profit attributable to the equity holders of the parent.

	2013	2012
a) Revenue		
Energy	65.458.107	63.225.767
Automotive	25.114.723	22.172.685
Consumer durables	11.806.083	11.194.542
Finance	13.834.194	12.985.661
Other	7.265.024	7.008.850
Combined	**123.478.131**	**116.587.505**
Less: Joint Ventures (Note 6.d)	(54.141.700)	(47.835.356)
Less: Consolidation elimination and adjustments	(3.154.640)	(3.086.414)
Consolidated	**66.181.791**	**65.665.735**
b) Operating profit		
	453.724	1.674.408
Energy	1.705.723	1.649.455
Automotive	1.157.307	743.003
Consumer durables	3.313.525	2.825.010
Finance	130.892	138.221
Other		
Combined	**6.761.171**	**7.030.097**
Less: Joint Ventures (Note 6.d)	(5.050.366)	(4.704.953)
Add: Net profit shares of Joint Ventures (Note 6.c)	2.015.789	1.485.394
Consolidated	**3.726.594**	**3.810.538**

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

NOTE 3-SEGMENT REPORTING (Continued)

c) Depreciation and amortisation

Energy	481.087	464.587
Automotive	630.306	579.767
Customer durables	312.211	271.079
Finance	247.423	238.196
Other	102.229	97.225
Combined	**1.773.256**	**1.650.854**
Less: Joint Ventures (Note 6.d)	(902.537)	(875.176)
Consolidated	**870.719**	**775.678**

	2013	**2012**
d) Profit before tax		
Energy	105.644	1.745.791
Automotive	1.407.465	1.592.434
Customer Durables	743.999	612.635
Finance	4.681.656	2.857.394
Other	257.281	124.896
Combined	**7.196.045**	**6.933.150**
Less: Joint Ventures (Note 6.d)	(6.156.800)	(4.640.780)
Add: Net profit shares of Joint Ventures (Note 6.c)	2.015.789	1.485.394
Consolidated	**3.055.034**	**3.777.764**

e) Net profit for the period

Energy	1.216.820	1.765.081
Automotive	1.491.560	1.503.485
Customer Durables	615.126	533.021
Finance	3.970.982	2.356.862
Other	186.374	95.653
Combined	**7.480.862**	**6.254.102**
Less: Joint Ventures (Note 6.d)	(5.496.342)	(3.995.673)
Add: Net profit shares of Joint Ventures (Note 6.c)	2.015.789	1.485.394
Less: Non-controlling interests	(1.320.596)	(1.419.673)
Consolidated (attributable to the equity holders of the parent)	**2.679.713**	**2.324.150**

	2013	**2012**
f) Capital expenditures		
Energy (*)	3.198.404	2.147.349
Automotive	2.320.274	1.590.747
Customer Durables	530.096	488.564
Finance	251.563	318.052
Other	130.991	172.260
Combined	**6.431.328**	**4.716.972**
Less: Joint Ventures	(2.009.707)	(1.605.935)
Consolidated	**4.421.621**	**3.111.037**

(*) Capital expenditures include foreign exchange losses amounting to TL462.300 thousand capitalized by Tüpraş in the period 1 January-31 December 2013 (1 January-31 December 2012: TL92 thousand) regarding the borrowings for which no cash out flow has been realized yet.

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

NOTE 3-SEGMENT REPORTING (Continued)

g) Total assets

	31 December 2013	31 December 2012
Energy	33.891.828	28.049.337
Automotive	16.384.377	14.272.598
Customer Durables	11.963.440	10.373.835
Finance	161.848.308	132.723.080
Other	19.623.387	16.452.398
Combined	**243.711.340**	**201.871.248**
Less: Joint Ventures (Note 6.d)	(179.199.170)	(147.794.502)
Less: Eliminations	(5.722.210)	(5.388.968)
Consolidated	**58.789.960**	**48.687.778**

NOTE 4-CASH AND CASH EQUIVALENTS

	31 December 2013			31 December 2012		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Cash in hand	-	2.069	2.069	-	1.669	1.669
Cheques received	-	73.336	73.336	-	62.529	62.529
Banks						
-Demand deposits	5.147	224.084	229.231	8.222	177.788	186.010
-Time deposits	5.223	8.462.006	8.467.229	39.499	6.723.052	6.762.551
Other	4.855	120.358	125.213	-	90.989	90.989
	15.225	**8.881.853**	**8.897.078**	**47.721**	**7.056.027**	**7.103.748**

NOTE 5-CASH AND CASH EQUIVALENTS

As of 31 December 2013, total blocked deposits amount to TL567.010 thousand (31 December 2012: TL480.939 thousand). TL566.744 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 (31 December 2012: TL480.809 thousand) (Note 20).

	31 December 2013			31 December 2012		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Financial assets at fair value through profit or loss [*]	-	-	-	16.520	-	16.520
Time deposits [*]	-	-	-	12.764	-	12.764
Available-for-sale financial assets	-	214.657	214.657	-	113.224	113.224
	-	**214.657**	**214.657**	**29.284**	**113.224**	**142.508**

[*] As of 31 December 2012, "Financial assets at fair value through profit or loss" consists of Eurobonds and financial assets classified under "Time deposits" consist of deposits with maturities longer than 3 months.

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

NOTE 5-CASH AND CASH EQUIVALENTS (Continued)

The list of equity securities and the shareholding rates (including the rates of Joint Ventures) are as follows:

	31 December 2013		31 December 2012	
Listed:				
Altınyunus Çeşme Turistik Tesisler A.Ş.	19.957	30,00	35.792	30,00
	19.957		**35.792**	
Unlisted:				
Opet Aygaz Gayrimenkul A.Ş.	45.118	50,00	-	-
Ferrocom Madencilik Sanayi ve Ticaret A.Ş.	33.794	100,00	-	-
Makmarin Kaş Marina İşletmeciliği Turizm ve Ticaret A.Ş.	23.642	50,00	23.642	50,00
Alaşehir Alkollü İçkiler Sanayi ve Ticaret A.Ş.	21.000	93,00	-	-
Setur Antalya Marina İşletmeciliği A.Ş.	18.839	100,00	-	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	15.721	88,00	15.381	88,00
Beldesan Otomotiv Yan San. ve Tic. A.Ş	13.066	91,82	13.066	91,82
Promena Elektronik Ticaret A.Ş.	-	-	5.000	50,00
Callus Bilgi ve İletişim Hizmetleri	-	-	997	100,00
Set Air Hava Taşımacılığı ve Hizmetleri A.Ş.	4.037	70,00	4.037	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	1.604	50,00
Bozkurt Tarım ve Gıda San. ve Tic. A.Ş	911	83,89	911	83,89
Other	12.968	-	8.794	-
	194.700		**77.432**	
	214.657		**113.224**	

Subsidiaries and joint ventures, 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.

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.

NOTE 6-JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

a) The details of carrying values and consolidation rates subject to equity accounting of Joint Ventures are as follows:

	31 December 2013		31 December 2012	
	%	Amount	%	Amount
Koç Finansal Hizmetler	44,12	7.007.097	44,12	6.071.385
Ford Otosan	38,46	857.255	38,46	765.249
Tofaş	37,59	713.715	37,59	775.096
Opet	41,33	632.408	41,33	604.481
Türk Traktör	37,50	278.744	37,50	248.922
AES Entek	49,62	351.817	49,62	333.357
Other		209.750		202.340
		10.050.786		**9.000.830**

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

NOTE 6-JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

b) The market values (Level 1) of the listed Joint Ventures (100%) are as follows:

	31 December 2013	31 December 2012
Yapı Kredi Bankası (*)	16.171.031	22.604.667
Ford Otosan	7.965.657	7.509.474
Tofaş	6.700.000	5.225.000
Türk Traktör	3.282.194	3.108.744

(*) The carrying value of Yapı Kredi Bankası, a listed Joint Venture of the Group, has been presented within Koç Finansal Hizmetler, the parent company of Yapı Kredi Bankası holding 81,80% of its shares.

c) The movement of Joint Ventures is as follows:

	2013	2012
Beginning of the period-1 January	**9.000.830**	**7.331.248**
Shares of profit/loss	2.015.789	1.485.394
Shares of other comprehensive income/(loss)	(447.888)	499.302
Dividend income from Joint Ventures	(591.613)	(459.694)
Contribution to capital increase in Joint Ventures	67.731	148.889
Dividend paid to Joint Ventures	144	108
Profit elimination of inventory	5.942	-
Transactions with non-controlling interests	(149)	(4.417)
End of the period-31 December	**10.050.786**	**9.000.830**

Shares of profit/loss of Joint Ventures:

	2013	2012
	1.410.144	819.049
Koç Finansal Hizmetler (*)	246.554	263.293
Ford Otosan	163.212	166.152
Tofaş	106.464	125.531
Opet	104.964	100.548
Türk Traktör	(49.271)	(27.825)
AES Entek	33.722	38.646
Other		
	2.015.789	**1.485.394**

(*) Includes the gain on sale of Yapı Kredi Sigorta shares as disclosed in Note 6.e. (Impact on consolidated net profit: TL453 million. Impact on consolidated net profit for the period – equity holders of the parent: TL412 million).

Shares of other comprehensive (loss)/income of Joint Ventures:

	2013	2012
Koç Finansal Hizmetler (*)	(368.389)	481.530
Ford Otosan	(39.308)	(4.175)
Tofaş	(44.173)	30.348
Opet	4.123	(1.485)
Türk Traktör	(141)	26
Other	-	(6.942)
	(447.888)	**499.302**

(*) Other comprehensive income amounting to TL58.591 thousand has been classified to the income statement in 2013 (2012: TL55.488 thousand other comprehensive expense).

Dividend income/(capital increase) from Joint Ventures:

	2013	2012
Koç Finansal Hizmetler	105.894	-
Ford Otosan	115.385	222.673
Tofaş	180.421	93.969
Opet	82.660	41.330
Türk Traktör	75.000	75.000
AES Entek	(67.731)	(148.889)
Other	32.253	26.722
	523.882	**310.805**

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

NOTE 6-JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

d) Condensed financial information of Joint Ventures after consolidation adjustments is as follows:

Condensed balance sheet information:

31 December 2013	KFS	Ford Otosan	Tofaş	Opet	Türk Traktör	AES Entek	Other	Total
Cash and cash equivalents	25.929.503	238.128	1.673.250	99.818	209.323	33.797	111.840	28.295.659
Other current assets	6.368.647	2.205.303	1.067.422	2.427.500	876.390	58.129	694.978	13.698.369
Receivables from finance sector operations	106.140.581	-	1.201.883	-	-	-	-	107.342.464
Goodwill	1.283.686	-	-	-	-	184.597	-	1.468.283
Non-current assets	20.350.759	3.540.021	1.985.647	1.250.498	408.900	607.096	251.474	28.394.395
Total assets	**160.073.176**	**5.983.452**	**5.928.202**	**3.777.816**	**1.494.613**	**883.619**	**1.058.292**	**179.199.170**
Short term borrowings	17.687.633	1.071.563	1.003.345	1.084.770	14.703	36.473	254.881	21.153.368
Other current liabilities	10.596.034	1.325.424	1.562.367	933.918	371.109	56.100	275.264	15.120.216
Payables of finance sector operations	91.860.336	-	-	-	-	-	-	91.860.336
Long term borrowings	18.718.823	1.219.653	1.280.886	498.796	333.888	112.851	95.000	22.259.897
Other non-current liabilities	1.866.289	137.751	182.801	66.467	31.596	64.046	15.005	2.363.955
Total liabilities	**140.729.115**	**3.754.391**	**4.029.399**	**2.583.951**	**751.296**	**269.470**	**640.150**	**152.757.772**
Net assets	**19.344.061**	**2.229.061**	**1.898.803**	**1.193.865**	**743.317**	**614.149**	**418.142**	**26.441.398**
Allocation of net assets:								
Non-controlling interests	3.463.045	-	-	-	-	-	-	3.463.045
Equity holders of the parent	**15.881.016**	**2.229.061**	**1.898.803**	**1.193.865**	**743.317**	**614.149**	**418.142**	**22.978.353**
Reconciliation of carrying value:								
Ownership of the Group	*44,12%*	*38,46%*	*37,59%*	*41,33%*	*37,50%*	*49,62%*		
Net asset share of the Group	7.007.097	857.255	713.715	493.424	278.744	304.740	209.750	9.864.725
Goodwill carried at Group level	-	-	-	138.984	-	47.077	-	186.061
Carrying value	**7.007.097**	**857.255**	**713.715**	**632.408**	**278.744**	**351.817**	**209.750**	**10.050.786**

Condensed balance sheet information:

31 December 2012	KFS	Ford Otosan	Tofaş	Opet	Türk Traktör	AES Entek	Other	Total
Cash and cash equivalents	19.605.643	301.518	1.637.362	45.806	378.970	34.512	124.684	22.128.495
Other current assets	5.391.194	2.136.742	1.248.648	1.668.450	725.352	64.734	419.829	11.654.949
Receivables from finance sector operations	82.776.658	-	1.177.658	-	-	-	-	83.954.316
Goodwill	1.283.686	-	-	-	-	184.597	-	1.468.283
Non-current assets	22.073.842	2.202.892	1.989.464	1.151.909	215.420	705.155	249.777	28.588.459
Total assets	**131.131.023**	**4.641.152**	**6.053.132**	**2.866.165**	**1.319.742**	**988.998**	**794.290**	**147.794.502**
Short term borrowings	13.306.838	363.516	941.216	694.919	160.938	28.612	59.245	15.555.284
Other current liabilities	10.856.306	1.269.538	1.515.066	683.529	276.566	52.712	274.194	14.927.911
Payables of finance sector operations	75.952.057	-	-	-	-	-	-	75.952.057
Long term borrowings	11.784.454	896.037	1.344.528	301.699	194.830	121.184	45.000	14.687.732
Other non-current liabilities	2.419.358	122.235	190.218	59.724	23.617	209.544	13.204	3.037.900
Total liabilities	**114.319.013**	**2.651.326**	**3.991.028**	**1.739.871**	**655.951**	**412.052**	**391.643**	**124.160.884**
Net assets	**16.812.010**	**1.989.826**	**2.062.104**	**1.126.294**	**663.791**	**576.946**	**402.647**	**23.633.618**
Allocation of net assets:								
Non-controlling interests	3.051.709	-	-	-	-	-	-	3.051.709
Equity holders of the parent	**13.760.301**	**1.989.826**	**2.062.104**	**1.126.294**	**663.791**	**576.946**	**402.647**	**20.581.909**
Reconciliation of carrying value:								
Ownership of the Group	*44,12%*	*38,46%*	*37,59%*	*41,33%*	*37,50%*	*49,62%*		
Net asset share of the Group	6.071.385	765.249	775.096	465.497	248.922	286.280	202.340	8.814.769
Goodwill carried at Group level	-	-	-	138.984	-	47.077	-	186.061
Carrying value	**6.071.385**	**765.249**	**775.096**	**604.481**	**248.922**	**333.357**	**202.340**	**9.000.830**

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

NOTE 6-JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Condensed income statement information:

31 December 2013	KFS	Ford Otosan	Tofaş	Opet	Türk Traktör	AES Entek	Other	Total
Revenue	13.416.633	11.404.913	7.215.937	17.845.630	2.175.320	341.534	1.741.733	54.141.700
Depreciation and amortisation	246.351	184.962	324.276	67.300	24.627	25.033	29.988	902.537
Operating profit/(loss)	3.234.839	669.643	373.603	367.383	349.220	(69.488)	125.166	5.050.366
Net financial income/(expenses)	-	(213.214)	103.257	(54.197)	(29.146)	(31.486)	(31.720)	(256.506)
Profit/(loss) before tax	4.602.913	451.730	477.075	313.750	320.255	(100.703)	91.780	6.156.800
Net profit/(loss) for the period	3.910.009	641.097	434.218	257.594	279.905	(99.297)	72.816	5.496.342
Non-controlling interests	714.032	-	-	-	-		-	714.032
Equity holders of the parents	**3.195.977**	**641.097**	**434.218**	**257.594**	**279.905**	**(99.297)**	**72.816**	**4.782.310**
Ownership of the Group	*44,12%*	*38,46%*	*37,59%*	*41,33%*	*37,50%*	*49,62%*		
Net profit/(loss) share of the Group	**1.410.144**	**246.554**	**163.212**	**106.464**	**104.964**	**(49.271)**	**33.722**	**2.015.789**

31 December 2012	KFS	FordOtosan	Tofaş	Opet	TürkTraktör	AES Entek	Other	Total
Revenue	12.580.965	9.767.937	6.893.618	14.716.247	1.974.014	308.375	1.594.200	47.835.356
Depreciation and amortisation	236.943	140.216	346.669	63.689	18.871	39.176	29.612	875.176
Operating profit/(loss)	2.734.900	631.185	530.282	443.568	304.937	(48.204)	108.285	4.704.953
Net financial income/(expenses)	-	20.218	(34.632)	(70.812)	6.458	(10.153)	(23.799)	(112.720)
Profit/(loss) before tax	2.767.281	653.652	497.439	378.242	318.064	(58.357)	84.459	4.640.780
Net profit/(loss) for the period	2.283.338	684.622	442.038	303.728	268.129	(56.077)	69.895	3.995.673
Non-controlling interests	427.029	-	-	-	-	-	-	427.029
Equity holders of the parent	***1.856.309***	***684.622***	***442.038***	***303.728***	***268.129***	***(56.077)***	***69.895***	***3.568.644***
Ownership of the Group	*44,12%*	*38,46%*	*37,59%*	*41,33%*	*37,50%*	*49,62%*		
Net profit/(loss) share of the Group	**819.049**	**263.293**	**166.152**	**125.531**	**100.548**	**(27.825)**	**38.646**	**1.485.394**

e) Other significant matters regarding the Joint Ventures are as follows:

i. The tax audit reports related with 2008-2010 financial years that have been prepared following a tax inspection in Tofaş, a Joint Venture of the Group, were delivered to the Company in December 2013 by the Presidency of Tax Audit Committee of Istanbul Large Scaled Tax Payers. In these tax audit reports, some payments made to foreign based tax payer institutions were criticized in terms of VAT and withholding tax. In accordance with the tax audit reports, Tofaş was obliged to pay TL13,4 million as tax base and TL23,8 million tax penalty in 2008, TL8,4 million tax base and TL14,9 million tax penalty in 2009, TL9,1 million tax base and TL16,2 million tax penalty in 2010.

According to the management of Tofaş, practices subject to criticism are in compliance and consistent with the related regulations and international agreements regarding the prevention of double taxation. Tofaş is planning to claim all its legal rights including settlement and all other legal processes with regard to these reports. In case of a possible legal process, it is expected that the outcome is more likely to result in favour of Tofaş, therefore no provision was recognised in the consolidated financial statements of Tofaş.

ii. Yapı Kredi Bankası, a Joint Venture of the Group, sold its 7.548.164.112 shares with a notional amount of TL75.481.641,12 representing 74,01% of its shares in Yapı Kredi Sigorta at an amount of TL1.410.079 thousand to Allianz SE ("Allianz"). The transfer of shares was completed on 12 July 2013.

iii. As a result of the investigation of Turkish Competition Board initiated on some banks including Yapı Kredi Bankası to determine whether there is a violation of the 4th article of the Protection of Competition Law No. 4054 an administrative fine amounting to TL149.961 thousand was imposed against Yapı Kredi Bankası in accordance with the decision of Competition Board numbered 13-13/198-100 dated 8 March 2013. In accordance with the Article 17 of Law on Crime numbered 5326, Yapı Kredi Bankası paid 75% of the fine amounting to TL112.471 thousand on 14 August 2013 to Large Scaled Tax Payers Office.

iv. Ford Otosan, a Joint Venture of the Group, obtained "Large Scale Investment Incentive Certificate amounting to TL1.342.220 thousand in December 2010, for its New Generation Transit model and for its new product Transit Custom model. The incentive certificate has a 30% contribution rate and TL559.817 thousand capital expenditure has been realized as of balance sheet date within scope of this incentive (31 December 2012: TL531.834 thousand). Following "Council of Ministers decision on Government Incentives on Investments" for rearranging investment incentive system which was published on Official Gazette as of 19 June 2012, Ford Otosan has obtained Priority Investment Incentive Certificate amounting to TL1.652.210 thousand for investment plans of New Generation Transit and new model Transit Courier investments mentioned above. In addition to the vehicle investments, Priority Investment Incentive Certificate amounting to TL187.379 thousand has been obtained in 2013 for the production of new 6 and 4 cylinder engines. Within the scope of these incentives having 40% rate of contribution for the investment, TL630.033 thousand of capital expenditure has been incurred. As of 31 December 2013, Ford Otosan accounted for TL405.776 thousand deferred tax asset regarding the investment incentives (31 December 2012: TL158.504 thousand).

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

NOTE 7-TRADE RECEIVABLES AND PAYABLES

Trade receivables	31 December 2013	31 December 2012
Trade receivables	6.032.981	5.163.102
Notes and cheques receivable	2.194.422	1.845.367
Less: Provision for doubtful receivables	(197.861)	(165.941)
Less: Unearned finance income	(39.956)	(27.230)
	7.989.586	**6.815.298**
Due from related parties (Note 28)	503.779	366.524
	8.493.365	**7.181.822**
Short-term trade receivables	8.167.354	6.971.090
Long-term trade receivables	326.011	210.732
	8.493.365	**7.181.822**

Tüpraş, a Subsidiary of the Group, has offset TL1.609.499 thousand (31 December 2012: TL1.496.173 thousand) from its trade receivables that are collected from factoring companies as a part of irrevocable factoring agreements as of 31 December 2013.

Movement in the provision for doubtful receivables is as follows:

	2013	2012
Beginning of the period-1 January	**165.941**	**159.436**
Increases during the period	30.768	38.039
Collections	(4.646)	(5.182)
Write-offs [1]	(2.674)	(24.645)
Sale of a subsidiary [2]	(264)	-
Currency translation differences	8.736	(1.707)
End of the period-31 December	**197.861**	**165.941**

[1] Doubtful receivables, for which no possibility of collection is foreseen, are written off from the records along with their related provisions.
[2] Arising from the sale of Tat Tohumculuk shares.

Trade payables	31 December 2013	31 December 2012
Trade payables	9.137.674	6.879.359
Less: Unearned finance expense	(10.330)	(6.169)
	9.127.344	6.873.190
Due to related parties (Note 28)	850.864	455.607
	9.978.208	**7.328.797**

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

NOTE 8-RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	31 December 2013	31 December 2012
Performing loans	1.730.665	1.520.149
Loans under legal follow-up	51.778	42.148
Gross	**1.782.443**	**1.562.297**
Less: Provision for impairment	(43.125)	(22.767)
Net	**1.739.318**	**1.539.530**

Movement of provision for impairment is as follows:

	2013	2012
Beginning of the period-1 January	**22.767**	**32.369**
Increase in provisions for loan impairment	23.424	10.939
Recoveries of amounts previously provisioned	(2.985)	(1.283)
Write-offs during the period as uncollectible	(81)	(2.048)
Releases due to the sale of non-performing loan portfolio	-	(17.210)
End of the period-31 December	**43.125**	**22.767**

NOT 9-DERIVATIVE INSTRUMENTS

As of December 2013 breakdown of the derivative financial instruments is as follows;

	31 December 2013		31 December 2012	
	Asset	Liability	Asset	Liability
Derivatives held for trading	6.651	66.909	2.176	6.008
Derivatives held for hedging	60.017	6.041	7.081	18.073
	66.668	**72.950**	**9.257**	**24.081**

	31 December 2013			31 December 2012		
		Fair values			Fair values	
	Contract amount (*)	Asset	Liability	Contract amount (*)	Asset	Liability
Derivatives held for trading:						
Cross-currency fixed interest rate swaps	1.583.318	-	51.180	-	-	-
Currency forwards	1.572.914	817	10.054	912.215	325	4.743
Currency swaps	866.714	5.834	5.675	578.527	1.851	1.265
	4.022.946	**6.651**	**66.909**	**1.490.742**	**2.176**	**6.008**
Derivatives held for hedging:						
Interest rate swaps	926.628	-	6.041	1.030.628	-	15.477
Operating lease receivables	271.582	44.318	-	212.723	7.081	-
Currency swaps	204.359	15.106	-	317.895	-	2.410
Currency forwards	9.376	593	-	19.375	-	186
	1.411.945	**60.017**	**6.041**	**1.580.621**	**7.081**	**18.073**

(*) Refers to the aggregate of buy and sell legs of the related derivative instruments.

Derivatives held for trading:

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.

"Cross currency fixed interest rate swaps" classified under derivative assets held for trading include the transaction of Arçelik, a Subsidiary of the Group, amounting to EUR 202,8 million in exchange for USD270 million with an interest rate of 4,65% and GBP57,5 million in exchange for USD90 million with an interest rate of 5% in April 2013 for the purpose of hedging against currency risk to ensure the correspondence of capital and interest payments of its bond issue denominated in USD (Note 15) with significant foreign currencies in which foreign sales and collections are performed.

Derivatives held for hedging:

Derivative transactions, that meet specified hedge accounting requirements, are accounted for as derivatives held for hedging.

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 as foreign exchange gain/losses in the statement of income.

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

NOTE 9-DERIVATIVE INSTRUMENTS (continued)

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 USD217.080 thousand (2012: USD289.080 thousand). Net interest expense after tax on the cash flow hedge, which is reclassified to the statement of income of 2013, amounted to TL13.182 thousand (2012: TL14.250 thousand interest expense). Net interest expense after tax accounted for under "Cumulative gains/losses on hedging" in the statement of other comprehensive income of 2013 is TL3.746 thousand (2012: TL2.690 thousand interest income).

Koç Finansman, 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 2013, amounted to TL12.524 thousand (2012: TL12.278 thousand foreign exchange loss). Net foreign exchange gain after tax accounted for under "Cumulative gains/losses on hedging" in the statement of other comprehensive income of 2013 is TL14.636 thousand (2012: TL15.614 thousand foreign exchange loss).

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 2013, EUR328,8 million of bank borrowings was designated as a net investment hedging instrument (31 December 2012: EUR328,8 million). Net foreign exchange losses after tax accounted for under "cumulative gains/losses on hedging" in the statement of other comprehensive income of 2013 is TL153.804 thousand (2012: TL127 thousand foreign exchange gains).

NOTE 10-INVENTORIES

	31 December 2013	31 December 2012
Finished goods	2.069.884	1.854.407
Raw materials and supplies	1.924.792	1.797.127
Work in progress	788.585	730.822
Merchandise	657.299	438.653
Goods in transit	1.050.653	819.651
Other inventories	113.689	80.115
Less: Provision for impairment	(64.723)	(67.743)
	6.540.179	**5.653.032**
Details of goods in transit are as follows:		
Raw material and supplies	724.860	566.771
Work in progress	268.036	105.248
Merchandise	57.757	147.632
	1.050.653	**819.651**

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

NOTE 10-INVENTORIES (continued)

Movement of provision for impairment on inventories is as follows:

	2013	2012
The beginning of the period-1 January	**67.743**	**68.743**
Increase during the period	3.379	6.553
Reversal of provisions	(7.603)	(6.997)
Currency translation differences	1.204	(556)
End of the period-31 December	**64.723**	**67.743**

NOTE 11-INVESTMENT PROPERTIES

	2013	2012
As of 1 January		
Cost	166.700	163.115
Accumulated depreciation	(82.058)	(80.727)
Net book value	**84.642**	**82.388**
Net book value at the beginning of the period	**84.642**	**82.388**
Additions	121	524
Transfers (*)	-	4.547
Currency translation differences	1.410	(258)
Current period depreciation	(1.608)	(1.618)
Provision for impairment	-	(941)
Net book value at the end of the period	**84.565**	**84.642**
As of 31 December		
Cost	170.131	166.700
Accumulated depreciation	(85.566)	(82.058)
Net book value	**84.565**	**84.642**

(*) Transferred from property, plant and equipment.

As of 31 December 2013, the fair value of investment properties has been determined as TL139.064, according to the related valuations performed (2012: TL127.587 thousand).

NOTE 12-PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Machineryand equipment	Motor vehicles	Furniture and fixtures	Constructions in progress	Leasehold improvements	Total
As of 1 January 2013								
Cost	2.790.526	1.328.318	8.909.176	1.576.402	620.955	2.530.121	297.537	18.053.035
Accumulated depreciation	(386.975)	(466.720)	(4.468.485)	(411.136)	(371.443)	-	(164.768)	(6.269.527)
Net book value	**2.403.551**	**861.598**	**4.440.691**	**1.165.266**	**249.512**	**2.530.121**	**132.769**	**11.783.508**
Net book value at the beginning of the period	**2.403.551**	**861.598**	**4.440.691**	**1.165.266**	**249.512**	**2.530.121**	**132.769**	**11.783.508**
Additions (1)	3.203	23.628	189.423	762.295	51.751	3.063.061	135.020	4.228.381
Disposals	(6.109)	(2.967)	(5.922)	(415.479)	(2.632)	(7.434)	(5.015)	(445.558)
Transfers (2)	89.559	32.624	305.119	12.434	36.012	(495.843)	2.714	(17.381)
Sale of a subsidiary (3)	(1.912)	(1.217)	(1.045)	(121)	(269)	-	-	(4.564)
Currency translation differences	997	23.701	32.409	1.854	1.265	5.054	316	65.596
Current period depreciation	(73.569)	(36.244)	(440.523)	(86.897)	(76.602)	-	(21.108)	(734.943)
Net book value at the end of the period	**2.415.720**	**901.123**	**4.520.152**	**1.439.352**	**259.037**	**5.094.959**	**244.696**	**14.875.039**
31 December 2013								
Cost	2.868.072	1.407.593	9.346.481	1.887.893	679.805	5.094.959	423.981	21.708.784
Accumulated depreciation	(452.352)	(506.470)	(4.826.329)	(448.541)	(420.768)	-	(179.285)	(6.833.745)
Net book value	**2.415.720**	**901.123**	**4.520.152**	**1.439.352**	**259.037**	**5.094.959**	**244.696**	**14.875.039**

(1) Tüpraş, a Subsidiary of the Group, compared borrowing costs arising from foreign currency borrowings for Residuum Upgrading Project with TL benchmark interest rates and capitalized TL536.100 thousand of borrowing costs as constructions in progress for the year ended 31 December 2013 (31 December 2012: TL55.980 thousand).
(2) Includes transfers amounting to TL9.251 thousand from intangible assets (Note 13) and TL26.632 thousand to assets held for sale (Note 22).
(3) Arising from the sale of Tat Tohumculuk shares.

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

NOTE 12-PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Constructions in progress	Leasehold improvements	Total
As of 1 January 2012								
Cost	2.666.710	1.327.365	8.534.407	1.337.428	540.443	649.516	257.027	15.312.896
Accumulated depreciation	(322.008)	(438.738)	(4.188.859)	(434.659)	(320.728)	-	(147.108)	(5.852.100)
Net book value	**2.344.702**	**888.627**	**4.345.548**	**902.769**	**219.715**	**649.516**	**109.919**	**9.460.796**
Net book value as the beginning of the period	**2.344.702**	**888.627**	**4.345.548**	**902.769**	**219.715**	**649.516**	**109.919**	**9.460.796**
Additions	3.972	16.807	221.604	587.071	57.760	2.011.405	23.006	2.921.625
Disposals	(1.190)	(4.046)	(21.943)	(254.934)	(719)	(2.193)	(3.925)	(288.950)
Transfers (*)	123.279	2.336	311.738	4.795	40.286	(126.105)	22.568	378.897
Currency translation differences	(227)	(4.776)	(6.884)	(449)	(761)	(2.502)	(57)	(15.656)
Current period depreciation	(66.985)	(37.350)	(409.372)	(73.986)	(66.769)	-	(18.742)	(673.204)
Net book value at the e nd of the period	**2.403.551**	**861.598**	**4.440.691**	**1.165.266**	**249.512**	**2.530.121**	**132.769**	**11.783.508**
31 December 2012								
Cost	2.790.526	1.328.318	8.909.176	1.576.402	620.955	2.530.121	297.537	18.053.035
Accumulated depreciation	(386.975)	(466.720)	(4.468.485)	(411.136)	(371.443)	-	(164.768)	(6.269.527)
Net book value	**2.403.551**	**861.598**	**4.440.691**	**1.165.266**	**249.512**	**2.530.121**	**132.769**	**11.783.508**

(*) Includes transfers amounting to TL437.700 thousand from other non-current assets, TL24.078 thousand to intangible assets (Note 13), TL30.178 thousand to assets held for sale (Note 22) and TL4.547 thousand to investment properties (Note 11)

NOTE 13-INTANGIBLE ASSETS

	Rights	Brand	Development costs	Other	Total
As of 1 January 2013					
Cost	762.150	434.267	552.969	75.987	1.825.373
Accumulated amortisation	(326.092)	-	(196.856)	(22.819)	(545.767)
Net book value	**436.058**	**434.267**	**356.113**	**53.168**	**1.279.606**
Additions	31.749	-	112.222	49.147	193.118
Disposals	(2.435)	-	-	(12)	(2.447)
Transfers (*)	16.082	-	40.335	(65.668)	(9.251)
Currency translation differences	1.440	46.291	-	87	47.818
Current period amortisation	(44.921)	-	(98.203)	(941)	(144.065)
Net book value at the end of the period	**437.973**	**480.558**	**410.467**	**35.781**	**1.364.779**
31 December 2013					
Cost	814.743	480.558	705.526	62.110	2.062.937
Accumulated amortisation	(376.770)	-	(295.059)	(26.329)	(698.158)
Net book value	**437.973**	**480.558**	**410.467**	**35.781**	**1.364.779**

(*) Includes transfers from property, plant and equipment.

Total research and development expenditures incurred in 2013 excluding amortisation amounts to TL161.739 thousand (2012: TL138.765 thousand).

The net book value of intangible assets with indefinite useful lives amounts to TL480.553 thousand and consists of brands (2012: TL434.267 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 original currency amounts of the related brands are identical with the prior year whereas the change in the net book value of the related brands arises only from currency translation difference.

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

NOTE 13-INTANGIBLE ASSETS (Continued)

Brand impairment test

As of 31 December 2013, 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 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 9,2% to 10,9% discount rates

	Rights	Brand	Development Cost	Other	Total
As of 1 January 2012					
Cost	743.438	467.410	409.768	31.035	1.651.651
Accumulated depreciation	(290.250)	-	(120.617)	(18.465)	(429.332)
Net book value	**453.188**	**467.410**	**289.151**	**12.570**	**1.222.319**
Additions	19.498	-	99.313	70.078	188.889
Disposals	(203)	-	(5.073)	(130)	(5.406)
Transfers (*)	6.482	-	43.888	(26.292)	24.078
Currency translation differences	(101)	(33.143)	-	595	(32.649)
Current period amortisation	(42.806)	-	(71.166)	(3.653)	(117.625)
Net book value at the end of the period	**436.058**	**434.267**	**356.113**	**53.168**	**1.279.606**
31 December 2012					
Cost	762.150	434.267	552.969	75.987	1.825.373
Accumulated depreciation	(326.092)	-	(196.856)	(22.819)	(545.767)
Net book value	**436.058**	**434.267**	**356.113**	**53.168**	**1.279.606**

(*) Includes transfers from property, plant and equipment.

NOTE 14-GOODWILL

	2013	2012
Net book value at the beginning of the period-1 January	**2.913.543**	**2.932.630**
Currency translation differences	(4.374)	(19.087)
Net book value a t the end of the period-31 December	**2.909.169**	**2.913.543**

The allocation of the goodwill is as follows:

	31 December 2013	31 December 2012
Tüpraş	2.736.463	2.736.463
Defy Group	166.154	171.160
Other	6.552	5.920
	2.909.169	**2.913.543**

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

NOTE 14-GOODWILL (continued)

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 2013 as a result of the impairment tests realised 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 thirteen years period. The Group considers that, the analysis covering a period longer than five years is more appropriate as to evaluate operating results and prospective assumptions in the sector and therefore impairment test is based on thirteen years plans. The cash flows for the periods beyond thirteen 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	%4,4-%8,5
Discount rate (cost of equity)	%11,7-%13,2

c) Defy Group:

The recoverable amount of the goodwill has 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 2014 and 31 December 2018. 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 %9,0-%10,9 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.

NOTE 15-BORROWINGS

	31 December 2013			31 December 2012		
	Finance	**Non-Finance**	**Total**	**Finance**	**Non-Finance**	**Total**
Shorttermborrowings (*):						
Bank borrowings	578.621	3.669.104	4.247.725	633.390	3.704.702	4.338.092
Debt securities in issue	349.970	80.286	430.256	314.971	56.217	371.188
Factoring payables	-	5.013	5.013	-	28.000	28.000
Financial leasing payables	-	9.092	9.092	-	5.403	5.403
	928.591	**3.763.495**	**4.692.086**	**948.361**	**3.794.322**	**4.742.683**
Long-term borrowings:						
Bank borrowings	391.287	7.264.597	7.655.884	109.789	5.901.355	6.011.144
Debt securities in issue	255.000	4.364.828	4.619.828	334.833	1.292.405	1.627.238
Financial leasing payables	-	112.885	112.885	-	8.587	8.587
	646.287	**11.742.310**	**12.388.597**	**444.622**	**7.202.347**	**7.646.969**
	1.574.878	**15.505.805**	**17.080.683**	**1.392.983**	**10.996.669**	**12.389.652**

(*) Includes short term portion of long term borrowings.

Long-term debt securities issued:

2013:

On 14 March 2013, Tat Gıda, a Subsidiary of the Group, completed the bond issue with a nominal value of TL50 million, maturity of 2 years, coupon payment in every 6 months, principle and coupon payments at the end of maturity and an annual interest rate of 7,31%.

On 3 April 2013, Arçelik, a Subsidiary of the Group, completed the bond issue, quoted on the Irish Stock Exchange, with a nominal value of USD500 million, maturity of 10 years, coupon payment in every 6 months, principle and coupon payment at the end of maturity and an annual interest rate of 5,125%.

On 18 April 2013, Aygaz, a Subsidiary of the Group, completed the bond issue with a nominal value of TL150 million, maturity of 700 days, coupon payment in every 175 days, principle and coupon payment at the end of maturity and an annual interest rate of 7,128%.

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

NOTE 15-BORROWINGS (Continued)

On 24 April 2013, Koç Holding completed the bond issue, quoted on the Irish Stock Exchange, with a nominal value of USD750 million, maturity of 7 years, coupon payment in every 6 months, principal and coupon payment at the end of maturity and an annual interest rate of 3,568%.

On 28 August 2013, Setur, a Subsidiary of the Group, completed bond issues with a nominal value of TL35 million, 2-year maturity, coupon payment in every 6 months, principle payment and coupon payment at the end of maturity and annual interest rate of 11,33 %.

2012 and before:

On 2 November 2012, Tüpraş completed the bond issue, quoted on the London Stock Exchange, with a nominal value of USD700 million, maturity of 5,5 years, coupon payment in every 6 months and principal and coupon payment at the end of maturity and an annual interest rate of 4,168 %.

On 7 November 2012, Otokoç, a Subsidiary of the Group, completed bond issue with a nominal value of TL50 million, maturity of 18 months, coupon payment in every 6 months, principle and coupon payments at the end of maturity and an annual interest rate of 9,15%.

As of 31 December 2013, Koç Finansman, a Subsidiary of the Group, has bond issues with a nominal value of TL589,8 million, maturities between 18 and 24 months, principle and coupon payments at the end of maturity and an annual interest rates between 6,57% and 10,63%.

Other major borrowings:

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 million 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 million 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.

Repayments of first loan amounting to USD950 million were completed in 2013. As of 31 December 2013, after principal repayments of second loan amounting to USD1.800 million, remaining balance of related loan decreased to USD330,7 million.

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 and in 2013. 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. The loan amounts of CESCE and SACE have been decreased respectively to USD1.078,5 million and USD597,4 million with letter on 24 October 2013 and these amounts have been valid as of 26 November 2013. As of 31 December 2013, the amount of loan utilized within the scope of the total loan package for insurance payments and capital expenditures is USD1.742,8 million (31 December 2012: USD1.085,4 million).

The details of collaterals, mortgages and pledges given related to the loans of the Group are disclosed in Note 31.

The redemption schedule of long-term bank borrowings is as follows:

	31 December 2013	31 December 2012
1-2 years	3.746.055	2.186.680
2-3 years	1.038.290	1.907.155
3-4 years	731.274	505.066
4-5 years	2.244.756	503.561
5 years and over	4.628.222	2.544.507
	12.388.597	**7.646.969**

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

NOTE 16-TAX ASSETS AND LIABILITIES

	31 December 2013	31 December 2012
Current income tax liabilities		
Domestic	194.536	386.159
Foreign	19.648	24.008
Less: Prepaid income tax	(170.325)	(333.444)
Current income tax liabilities (net)	**43.859**	**76.723**
Deferred tax liabilities		
Domestic	(196.957)	(292.654)
Foreign	(127.451)	(122.171)
	(324.408)	**(414.825)**
Deferred tax assets		
Domestic	1.163.256	74.024
Foreign	70.178	66.074
	1.233.434	**140.098**
Deferred tax assets/(liabilities) (net)	**909.026**	**(274.727)**

Turkish tax legislation does not permit a parent company, its subsidiaries and joint ventures to file a consolidated tax return. Therefore, tax liabilities, as reflected in consolidated financial statements, have been calculated on a separate-entity basis.

The corporation tax rate is 20% in Turkey. Corporation tax is payable on the total income of the company after adjusting for certain disallowable expenses, income not subject to tax and allowances.

Income tax expenses in the consolidated income statements are summarised as follows:

	2013	2012
Current period tax expense	253.016	409.400
Deferred tax expense/(income) (net)	(1.198.291)	(375.459)
	945.275	**(33.941)**
Profit before tax	**3.055.034**	**3.777.764**
Less: Share of profit/(loss) of Joint Ventures	(2.015.789)	(1.485.394)
Profit before tax (excluding share of profit/(loss) of Joint Ventures)	**1.039.245**	**2.292.370**
Domestic tax rate	20%	20%
Tax calculated at domestic tax rate	207.849	458.474
Income not subject to tax	(73.899)	(77.794)
Investment tax credit (*)	(1.223.551)	(356.441)
Additions	84.942	23.369
Carry forward tax losses (net effect)	58.842	(21.180)
Tax rate differences	6.513	5.195
Other	(5.971)	2.318
Tax expense	**(945.275)**	**33.941**

(*) TL1.223.551 thousand (2012: TL356.441 thousand) investment tax credits of Tüpraş, a Subsidiary of the Group, within the scope of investment incentives to be utilized in future periods, have been accounted for as deferred tax income in the consolidated income statement in 2013.

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

NOTE 16-TAX ASSETS AND LIABILITIES (Continued)

Koç Holding, its Subsidiaries and Joint Ventures, recognise deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with TAS/TFRS and the Turkish tax legislations. These temporary differences usually result in the recognition of revenue and expenses in different reporting periods for TAS/TFRS 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)	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Property, plant and equipment and intangible assets	4.225.431	4.254.971	(864.880)	(872.262)
Investment incentives (*)	(4.163.798)	(1.188.137)		1.579.992
Investment incentives to be offset (-) (*)	-	-	(41.082)	-
Provision for employment termination benefits	(311.894)	(301.196)	62.399	60.266
Carry forward tax losses	(297.937)	(359.711)	61.629	73.817
Warranty and assembly provisions	(229.136)	(194.049)	47.592	39.136
Inventories	(70.181)	(102.443)	14.102	20.567
Provision for unused vacation	(45.429)	(37.366)	9.086	7.472
Provision for lawsuits	(15.771)	(13.060)	3.154	2.612
Expense accruals (net)	(8.511)	(15.209)	1.702	3.042
Deferred income	21.658	(166)	(4.331)	34
Unearned finance income (net)	37.999	19.994	(7.600)	(4.000)
Other (net)	(230.559)	(181.569)	47.263	38.148
Deferred tax assets/(liabilities) (net)			**909.026**	**(274.727)**

(*) For the Residuum Upgrade Project (RUP), In the first period of 2011, within the scope of the decree of the Council of Ministers dated 14 July 2009 and numbered 2009/15199, Tüpraş, a Subsidiary of the Group, was granted a large-scaled investment incentive. Within the scope of the subject legislation, the Company can deduct 30% of its investment expenditures related with the new investment, with a rate of 50% from tax base in accordance with the legislation provisions, at the time investment is completed and the revenue is started to be recognised. As of 7 October 2013, Residuum Upgrading Project was granted Strategic Investment Incentive by Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey that would be applicable after 19 October 2012. Within the scope of the Strategic Investment, the Company can deduct 50% of its investment expenditures related with the new investment, with a rate of 90% from tax base in accordance with the legislation provisions. Accordingly, as of 31 December 2013, investment expenditures amounting to TL4.163.798 thousand (31 December 2012-TL1.188.137 thousand) have been made and tax credits amounting to TL1.579.992 thousand (31 December 2012-TL356.441 thousand) have been realized to be used in future periods. Moreover, as of 31 December 2013 within the scope of the Strategic Investment the Company offset TL41.082 thousand from tax base (31 December 2012-None).

Net deferred tax assets and liabilities recognised in the Subsidiaries' financial statements prepared in accordance with TAS/TFRS, are separately classified under deferred tax assets and liabilities accounts in Koç Holding's consolidated balance sheet. Temporary differences and deferred tax assets and liabilities presented above, which are prepared on the basis of gross amounts, present the net deferred tax position.

The redemption schedule of carry forward tax losses which are not considered in deferred tax calculation is as follows:

	31 December 2013	31 December 2012
Up to 1 year	145.776	613.982
Up to 2 years	150.713	143.248
Up to 3 years	369.381	149.682
Up to 4 years	27.776	367.141
5 years and above	410.004	187.628
	1.103.650	**1.461.681**

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

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

NOTE 16-TAX ASSETS AND LIABILITIES (Continued)

Movements in deferred tax assets/(liabilities) are as follows:

	2013	2012
Beginning of the period-1 January	**(274.727)**	**(671.893)**
Charge to the income statement	1.198.291	375.459
Charge to equity:		
-Non-current assets revaluation fund	115	420
-Actuarial gain/loss	850	229
-Financial assets fair value reserve	793	98
-Hedging reserve	(529)	834
Currency translation differences	(15.767)	20.126
End of the period-31 December	**909.026**	**(274.727)**

NOTE 17-PROVISIONS FOR EMPLOYEE BENEFITS

Short-term employee benefits	**31 December 2013**	**31 December 2012**
Provision for unused vacation	52.335	38.900
Provision for employment termination benefits	324.481	310.533
	376.816	**349.433**

Provision for employment termination benefits:		
-Domestic	320.967	308.749
-Foreign	3.514	1.784
	324.481	**310.533**

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 2013, the amount payable consists of one month's salary limited to a maximum of TL3.254,44 (31 December 2012: TL3.033,98) for each year of service.

The liability is not funded as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of Koç Holding and its Subsidiaries 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 TL3.438,22 effective from 1 January 2014 (1 January 2012: TL3.129,25) has been taken into consideration in calculating the consolidated reserve for employment.

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

NOTE 17-PROVISIONS FOR EMPLOYEE BENEFITS (continued)

TAS/TFRS 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 within the scope of consolidation.

	31 December 2013	31 December 2012
Net discount rate (%)	4,78	3,86
Turnover rate to estimate the probability of retirement (%)	97,26	97,33

Movements in the provision for employment termination benefits are as follows:

	2013	2012
Beginning of the period-1 January	**310.533**	**278.052**
Interest expense	14.038	17.999
Increased during the period	50.188	70.155
Actuarial losses	4.248	1.146
Currency translation differences	278	(240)
Sale of a subsidiary (*)	(591)	-
Payments during the period	(54.213)	(56.579)
End of the period-31 December	**324.481**	**310.533**

(*) Arising from the sale of Tat Tohumculuk shares.

NOTE 18-PROVISIONS

a) Short-term provisions	31 December 2013	31 December 2012
Provision for Competition Board penalty (*)	309.011	-
Provisions for warranty and assembly	220.462	189.659
Cost accruals of construction contracts	168.768	294.786
Provisions for lawsuits and penalties	49.525	54.617
Provision for Energy Market Regulation Authority participation share	17.642	16.542
Other	139.160	96.995
	904.568	**652.599**

(*) The Competition Board has decided upon an administrative fine of TL412.015 thousand at the rate of 1% of the annual gross revenue of Tüpraş, a Subsidiary of the Group, in 2013. The details of the criticism are unknown since the reasoned decision leading to the administrative fine has not released yet. Related penalty will be paid at 3/4 of the total amount as TL309.011 thousand in accordance with the prevailing regulations. Tüpraş has recognised necessary provision for the mentioned amount as of the balance sheet date.

b) Long-term provisions		
Warranty provision	109.006	97.271

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 2013:

	Provisions for warranty and assembly	Cost accruals of construction contracts	Provision for lawsuits
As of 1 January 2013	**286.930**	**294.786**	**54.617**
Additions	503.098	7.327	6.652
Disposals/Payments	(484.054)	(125.084)	(11.856)
Currency translation differences	23.494	(8.261)	112
As of 31 December 2013	**329.468**	**168.768**	**49.525**

	Provisions for warranty and assembly	Cost accrualsof construction contracts	Provision for lawsuits
As of 1 January 2013	**283.283**	**240.836**	**29.680**
Additions	452.636	94.127	41.177
Disposals/Payments	(445.668)	(27.867)	(16.289)
Currency translation differences	(3.321)	(12.310)	49
As of 31 December 2012	**286.930**	**294.786**	**54.617**

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

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

NOT 19-OTHER PAYABLES

	31 December 2013	31 December 2012
Taxes and duties payable	1.759.051	1.716.569
Social security premiums payable	85.208	53.991
Other	122	121
	1.844.381	**1.770.681**

NOTE 20-OTHER ASSETS AND LIABILITIES

a) Other current assets	31 December 2013	31 December 2012
VAT receivables	426.817	392.325
Taxes and funds deductible	403.702	194.303
Advances given	182.180	222.184
Prepaid expenses	145.633	113.700
Deposits and guarantees given	37.572	42.968
Assets obtained as collaterals	9.507	9.900
Other	81.346	52.842
	1.286.757	**1.028.222**

b) Other non-current assets	31 December 2013	31 December 2012
Spare parts and other materials	464.871	369.611
Advances given	240.545	136.636
Prepaid expenses	230.278	266.428
Other	48.489	29.266
	984.183	**801.941**

c) Other current liabilities		
Revenue share (*)	569.013	483.236
Advances received	342.990	217.445
Payables to personnel and premium accruals	278.857	213.336
Accruals for sales and incentive bonus	220.480	162.624
Deferred income	75.211	36.280
Accruals for license expenses	34.880	23.016
Deposits and guarantees received	21.362	26.981
Other	148.011	59.319
	1.690.804	**1.222.237**

(*) 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 current 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) Other non-current liabilities		
Deposits and guarantees received	73.613	74.439
Deferred income	48.875	5.641
Other	44.452	16.163
	166.940	**96.243**

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

NOTE 21-EQUITY

Share Capital

Koç Holding adopted the registered share capital system available to companies registered with the CMB. Koç Holding's registered and issued share capital is as follows:

	31 December 2013
Limit on registered share capital (historical)	5.000.000
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:

	31 December 2013		31 December 2012	
	Share %	Amount	Share %	Amount
Temel Ticaret ve Yatırım A.Ş.	42,59	1.079.984	42,59	1.079.984
Koç Family Members	25,82	654.608	25,82	654.608
Rahmi M. Koç ve Mahdumları Maden, İnşaat, Turizm, Ulaştırma, Yatırım ve Ticaret A.Ş.	0,10	2.659	0,10	2.659
Total Koç Family members and companies owned by Koç Family members	**68,51**	**1.737.251**	**68,51**	**1.737.251**
Vehbi Koç Vakfı	7,15	181.405	7,15	181.405
Koç Holding Emekli ve Yardım Sandığı Vakfı	1,99	50.452	1,99	50.452
Other	22,35	566.790	22,35	566.790
Paid-in share capital	**100,00**	**2.535.898**	**100,00**	**2.535.898**
Adjustment to share capital (*)		967.288		967.288
Total share capital		**3.503.186**		**3.503.186**

(*) Adjustment to share capital includes the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with TAS 29 and fair value differences of share issues within the context of acquisitions and mergers.

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 6, 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 15 paragraph "c", A-group shareholders have two voting rights for each share owned at the General Assembly meetings (except for resolutions to change the Articles and decisions given for filing release and liability suits).

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

NOTE 21-EQUITY (Continued)

Other Comprehensive Income/Expense

	31 December 2013	31 December 2012
Items not to be reclassified to profit/loss:		
Non-current assets revaluation fund	28.360	23.913
Actuarial loss/gain	(28.174)	(25.187)
	186	**(1.274)**
Items to be reclassified to profit/loss:		
Currency translation differences	289.326	106.344
Financial assets fair value reserve	(19.251)	521.913
Hedging reserve	(343.025)	(306.903)
-Cash flow hedge	*(174.866)*	*(248.540)*
-Net investment hedge	*(168.159)*	*(58.363)*
	(72.950)	**321.354**

The movements in other comprehensive income/expense are presented in the statement of comprehensive income and statement of changes in equity.

Restricted Reserves

The details of the restricted reserves are as follows:

	31 December 2013	31 December 2012
Legal reserves	230.311	197.229
Special reserves	2.145.242	2.139.103
	2.375.553	**2.336.332**

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 five year period, TL2.125.677 thousand of the special reserve balance became distributable without creating an additional corporate tax burden as of 31 December 2013.

Dividend Distribution

Listed companies are subject to dividend requirements regulated by CMB as follows:

According to the Article 19 of the Capital Market Law, numbered 6362 and effective from 30 December 2012, and Dividend Communiqué of CMB, numbered II-19.1 and effective from 1 February 2014, 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 prevailing regulations. Regarding the profit distribution policies of the listed companies, CMB may set different principles on companies with similar qualifications.

In accordance with the Turkish Commercial Code, unless the required reserves and the dividend for shareholders as determined in the Articles of Association or in the dividend distribution policy of the company are set aside; no decision may be taken to set up other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct shares, to the members of the board of directors or to the employees; and no dividend can be distributed to these people unless the determined dividend for shareholders is paid in cash.

For the listed companies, dividend distribution is made evenly to all existing shares as of the date of dividend distribution without considering the dates of issuance and acquisition of the shares.

Companies shall distribute their profits through general assembly decisions in accordance with the profit distribution policies to be determined by their general assemblies as well as the related provisions of the prevailing regulations. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their articles of associations or profit distribution policies. Furthermore, dividends may be paid in installments with same or different amounts and profit share advances may be distributed over the profit in the interim financial statements.

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 first level dividends, is paid to Koç Holding Emekli ve Yardım Sandığı Vakfı. In addition, save for the first level 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 holders of dividend-right certificates. However, the amount to be paid to the holders of usufruct certificates may not exceed 1/10 of the amount remaining after the first legal reserves and first level dividend calculated according to CMB regulations are deducted from the net profit.

As of 31 December 2013, total amount of reserves that can be subject to dividend distribution without creating additional corporate tax burden is TL4.080.119 thousand.

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

NOTE 21-EQUITY (Continued)

At the Ordinary General Assembly Meeting of Koç Holding A.Ş. held on 10 April 2013, it was resolved;

- to distribute TL474.212.935,35 consisting the first level dividend amounting to TL456.402.094,52 and the second level dividend of TL17.810.840,83 in cash;

- to pay TL474.212.935,35 dividend to shareholders and TL64.650.100,65 dividend to holders of usufruct right certificates in cash. TL104.593.736,26 of the total cash dividend amounting to TL538.863.036,00, is to be paid from current year's tax exempt statutory income and TL434.269.299,74 is to be paid from current year's other statutory income. TL7.500.000 to be paid to Koç Holding Emekli ve Yardım Sandığı Vakfı to be expended from the current year's taxable statutory income.

Cash dividend payments were completed as of April 2013.

NOTE 22-ASSETS HELD FOR SALE

According to the resolution dated 29 June 2012 of the Board of Directors of Tat Gıda, 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 Gıda and CMB licensed independent valuation company, a valuation was performed regarding fixed assets of the livestock business and impairment amounting to TL15.187 thousand was 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 31 December 2012.

In accordance with the resolutions of the Board of Directors dated 14 October 2013 and 26 December 2013, the Company decided to discontinue operations of Harranova Besi, to sell some of its fixed assets to Tat Gıda and to authorize the management of Tat Gıda for the sale of the remaining assets of Harranova Besi in whole or in part. In accordance with the contract signed on 13 December 2013 between Tat Gıda and CMB licensed independent valuation company, a valuation has been performed regarding the fixed assets of Harranova Besi and impairment amounting to TL16.982 thousand has been identified. As of 31 December 2013, excluding the assets to be sold to Tat Gıda, the assets and liabilities of Harranova Besi have been classified as assets and liabilities held for sale in the consolidated financial statements in accordance with TFRS 5.

Due to the liquidation process of Otoyol Sanayi, a Subsidiary of the Group, assets and liabilities of the company have been classified as held for sale in accordance with TFRS 5 in the consolidated financial statements as of 31 December 2013 and 2012.

A summary of information regarding assets and liabilities held for sale is as follows:

Assets held for sale	2013	2012
Cash and cash equivalents	12.196	9.943
Trade receivables	1.996	248
Inventory	16.176	-
Property, plant and equipment	26.632	30.178
Other assets	11.747	309
Provision for impairment (*)	(18.764)	(15.187)
	49.983	**25.491**

(*) Includes impairment provision for property, plant and equipment amounting to TL16.982 thousand and impairment provision for inventory amounting to TL1.782 thousand (31 December 2012: Includes impairment provision for property, plant and equipment).

Liabilities held for sale	2013	2012
Trade payables	2.047	185
Provision for employment termination benefits	630	111
Other liabilities	4.067	3.683
	6.744	**3.979**

NOTE 23-REVENUE

	2013	2012
Domestic revenue	50.448.508	48.761.965
Foreign revenue	17.105.956	18.043.265
Gross revenue	**67.554.464**	**66.805.230**
Less: Discounts	(1.612.251)	(1.355.847)
Revenue	**65.942.213**	**65.449.383**
Sales of goods	64.017.108	63.746.524
Sales of services	1.925.105	1.702.859
Revenue	**65.942.213**	**65.449.383**

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

NOTE 24-EXPENSES BY NATURE

Expenses by nature include cost of goods sold, marketing, selling and distribution expenses, general administrative expenses and research and development expenses.

	2013	2012
Raw materials and supplies	49.890.650	49.057.257
Changes in work in progress, finished goods	(273.240)	48.619
Cost of merchandise sold	5.533.469	6.199.525
Personnel expenses	2.764.369	2.461.342
Depreciation and amortisation charges	870.719	775.678
Transportation, distribution and storage expenses	1.084.631	997.751
Energy and utility expenses	993.983	915.382
Warranty and assembly costs	510.121	457.756
Advertisement and promotion expenses	409.381	396.217
Rent expenses	355.265	311.634
Maintenance and repair expenses	334.215	314.221
Taxes, duties and charges	162.079	126.558
Outsourcing expenses	121.358	215.249
Insurance expenses	107.660	93.367
Travel expenses	106.976	95.457
Litigation and consultancy expenses	86.517	80.978
Sales, incentives and premium expenses	77.782	90.817
Information systems and communication expenses	67.882	67.274
Royalty and license expenses	53.028	55.563
Grants and donations	31.344	33.381
Other	667.289	591.232
	63.955.478	**63.385.258**

The functional breakdown of amortisation, depreciation and personnel expenses is as follows:

	2013	2012
Depreciation and amortisation charges		
Cost of sales	613.596	554.008
Marketing, selling and distribution expenses	39.578	31.928
General administrative expenses	132.393	118.920
Research and development expenses	85.152	70.822
	870.719	**775.678**

Total depreciation charges capitalised in 2013 is TL9.897 thousand (2012: TL16.769 thousand).

	2013	2012
Personnel expenses		
Cost of sales	1.211.748	1.083.875
Marketing, selling and distribution expenses	511.454	448.685
General administrative expenses	1.007.907	906.191
Research and development expenses	33.260	22.591
	2.764.369	**2.461.342**

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

NOTE 25-OTHER OPERATING INCOME/EXPENSES

	2013	2012
Other operating income		
Foreign exchange gains arising from trading activities	836.870	366.043
Credit finance income arising from trading activities	212.119	236.901
Income from claims and grants	36.354	43.848
Reversals of provisions	27.359	17.156
Rent income	15.514	13.507
Other	75.810	81.271
	1.204.026	**758.726**
Other operating expenses		
Foreign exchange losses arising from trading activities	(1.070.182)	(372.706)
Provision for Competition Board penalty	(309.011)	-
Provision expenses for doubtful receivables and loans	(50.725)	(44.817)
Credit finance charges arising from trading activities	(39.406)	(57.077)
Product recall expenses	(19.194)	(14.734)
Provisions for lawsuits and penalties	(9.640)	(53.269)
Other	(70.686)	(41.568)
	(1.568.844)	**(584.171)**

NOTE 26-GAINS AND LOSSES FROM INVESTMENT ACTIVITIES

	2013	2012
Gains from investment activities		
Gain on sale of financial assets	31.707	-
Dividend income	26.094	1.752
Gain on sale of subsidiary	11.904	6.393
Gain on sale of property, plant and equipment and scraps	9.018	12.448
	78.723	**20.593**
Losses from investment activities		
Provision for impairment on assets held for sale	(18.764)	(15.187)
Loss on sale of property, plant and equipment	(5.202)	(15.470)
Loss on sale of financial asset	-	(2.093)
Provision for impairment on financial assets	-	(13.826)
	(23.966)	**(46.576)**

NOTE 27-FINANCIAL INCOME/EXPENSES

	2013	2012
Financial income		
Foreign exchange gains (*)	2.565.460	1.030.373
Interest income	402.196	365.256
Gains on derivative financial instruments	59.434	28.682
Other financial income	1.816	3.195
	3.028.906	**1.427.506**
Financial expenses		
Foreign exchange losses (*)	(2.909.013)	(842.463)
Interest expenses	(714.304)	(512.262)
Losses on derivative financial instruments	(112.260)	(55.916)
Other financial expenses	(19.646)	(23.656)
	(3.755.223)	**(1.434.297)**

(*) Foreign exchange income/expenses arising from trading activities (trade receivables and payables) are accounted for under "other operating income/expense".

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

NOTE 28-RELATED PARTY DISCLOSURES

a) Related party balances

		31 December 2013			31 December 2012	
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Cash and cash equivalents	5.061.203	-	5.061.203	4.694.145	-	4.694.145
Trade receivables	433.729	70.050	503.779	326.021	40.503	366.524
Trade payables	815.854	35.010	850.864	410.082	45.525	455.607
Borrowings	626.097	-	626.097	623.735	-	623.735

b) Related party transactions

		2013			2012	
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Sales of goods and services	8.775.568	153.192	8.928.760	7.580.640	63.218	7.643.858
Purchases of goods and services	3.259.427	252.636	3.512.063	2.999.130	259.749	3.258.879
Interest income	227.843	-	227.843	227.161	-	227.161
Interest expense (-)	(52.613)	-	(52.613)	(47.402)	-	(47.402)

As disclosed in detail in Note 2.3., the Joint Ventures of the Group have been accounted for using the equity method in the consolidated financial statement for the year ended 31 December 2013. Accordingly, the transactions of Group's Subsidiaries with Joint Ventures and the balances from Joint Ventures are not subject to elimination.

As of 31 December 2013, cash and cash equivalents and financial liabilities balances include balances of the Group's Subsidiaries with Yapı Kredi Bankası. TL266.512 thousand of trade receivables is composed of balances due to the petroleum products sales of Tüpraş to Opet and THY Opet (31 December 2012: TL128.618 thousand). TL475.087 thousand of trade payables is composed of balances due to vehicle purchases of Otokoç from Ford Otosan and Tofaş (31 December 2012: TL295.895 thousand).

TL7.953.620 thousand (2012: TL6.771.886 thousand) of sales of goods and services is composed of balances arising from the sales of Tüpraş' petroleum products to Opet and THY Opet for the year ended 31 December 2013. TL2.315.773 thousand (2012: TL2.164.383 thousand) of purchases of goods and services is composed of 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 2013 amounted to TL93.540 thousand (2012: TL66.097 thousand). The amount is comprised of short-term employee benefits.

NOTE 29-DISCLOSURES ON INTERESTS IN OTHER ENTITIES

Information regarding the Subsidiaries in which the Group has major non-controlling interests is as follows:

		31 December 2013		
Subsidiary	Non-controlling interest %	Gains/losses attributable to non-controlling interests	Accumulated non-controlling interests	Dividend paid to non-controlling interests
Tüpraş	56,30%	658.185	3.852.524	472.416
Arçelik	59,49%	377.591	2.287.778	259.742
Aygaz	59,32%	85.773	955.422	177.946

		31 December 2012		
Subsidiary	Non-controlling interest %	Gains/losses attributable to non-controlling interests	Accumulated non-controlling interests	Dividend paid to non-controlling interests
Tüpraş	57,33%	775.397	3.813.960	482.552
Arçelik	59,49%	316.967	2.113.088	223.629
Aygaz	59,32%	101.448	1.046.983	88.973

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

NOT 29-DISCLOSURES ON INTERESTS IN OTHER ENTITIES (Continued)

Condensed financial information of Subsidiaries after consolidation adjustments and before eliminations is as follows:

Condensed balance sheet information.

	31 December 2013		
	Tüpraş	**Arçelik**	**Aygaz**
Cash and cash equivalents	3.663.114	1.266.575	173.054
Other current assets	6.105.480	6.392.547	694.115
Non-current assets	13.043.744	3.314.116	1.679.115
Total assets	**22.812.338**	**10.973.238**	**2.546.284**
Short term borrowings	1.074.671	1.673.379	95.310
Other current liabilities	9.323.250	2.408.904	571.888
Long term borrowings	5.447.345	2.581.159	142.497
Other non-current liabilities	159.663	515.792	126.258
Total liabilities	**16.004.929**	**7.179.234**	**935.953**
Total equity	**6.807.409**	**3.794.004**	**1.610.331**

	31 December 2012		
	Tüpraş	**Arçelik**	**Aygaz**
Cash and cash equivalents	3.248.806	1.740.789	125.365
Other current assets	5.881.533	4.995.889	570.512
Non-current assets	9.379.717	2.963.872	1.635.027
Total assets	**18.510.056**	**9.700.550**	**2.330.904**
Short term borrowings	704.360	2.144.405	5.810
Other current liabilities	7.387.819	1.798.327	441.346
Long term borrowings	3.539.773	1.859.103	-
Other non-current liabilities	257.528	404.950	118.998
Total liabilities	**11.889.480**	**6.206.785**	**566.154**
Total equity	**6.620.576**	**3.493.765**	**1.764.750**

Condensed income statement information:

	2013		
	Tüpraş	**Arçelik**	**Aygaz**
Revenue	41.078.427	11.097.711	6.004.984
Depreciation and amortisation	303.387	302.181	80.986
Operating profit/(loss)	(22.093)	1.128.041	170.184
Net financial income/(expense)	(110.006)	(409.558)	2.509
Profit/(loss) before tax	(52.863)	740.827	176.240
Net profit for the period	1.146.578	617.799	144.548

	2012		
	Tüpraş	**Arçelik**	**Aygaz**
Revenue	42.436.908	10.556.861	5.586.059
Depreciation and amortisation	285.117	260.788	78.154
Operating profit/(loss)	1.067.501	709.398	205.875
Net financial income/(expense)	101.040	(135.512)	667
Profit/(loss) before tax	1.209.885	588.692	210.987
Net profit for the period	1.347.097	514.479	171.007

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

NOTE 30-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 16),
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 31-COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Contingent Liabilities:

The tax inspection on Tüpraş, a Subsidiary of the Group, started at 24 July 2013, by the Ministry of Finance Tax Audit Board is ongoing as of the reporting date.

b) Guarantees:

The summary of guarantees given regarding the non-finance sector companies is as follows:

Guarantees given:

	31 December 2013	31 December 2012
Letters of guarantee	3.078.781	1.964.120
Letters of credit	1.210.166	1.479.065
Letters of guarantee given to banks	222.879	187.083
Equity shares (*)	127.714	159.314
Guarantee notes	-	137.532
Other	4.984	3.543
	4.644.524	**3.930.657**

(*) The Group's equity shares in Arçelik and Tüpraş with a nominal value of TL127.714 thousand (2012: TL31.600 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 15).

Collaterals/pledges/mortgages ("CPM") of Subsidiaries of the Group, except finance sector, as of 31 December 2013 and 31 December 2012 are as follows (Total amounts in the table below also contains TL denominated CPM balances. Foreign currency CPMs are presented by their TL equivalents):

	31 December 2013	31 December 2012
A. Total amount of CPM's given in the name of its own legal personality	4.383.968	3.574.570
-TL	1.335.143	729.983
-USD	2.391.276	2.344.328
-EUR	632.541	490.475
-Other	25.008	9.784
B. Total amount of CPM's given on behalf of the fully consolidated companies (*)	260.556	245.565
-TL	-	149
-USD	151.285	207.156
-EUR	108.944	38.260
-Other	327	-
C. Total amount of CPM's given on behalf of third parties for ordinary course of business (*)	-	110.522
-USD	-	110.522
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.	-	-
	4.644.524	**3.930.657**

(*) As of 31 December 2012, TL137.260 thousand of the total balance (as of 31 December 2013: None) is related with bills of guarantees provided for the loan obtained from a consortium including 21 financial institutions in 2010 to meet various financing needs of Koç Group companies (Subsidiaries and Joint Ventures) within the main operations of the parent company Koç Holding.

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

NOTE 31-COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The summary of guarantees received regarding the non-finance sector companies is as follows:

Guarantees received:

	31 December 2013	31 December 2012
Letter of guarantee	3.626.396	3.173.427
Mortgages	1.874.679	1.818.242
Bill of guarantees	509.710	326.522
Guarantee notes	158.900	204.688
Direct crediting limit	140.358	113.625
Other commitments	253.237	204.550
	6.563.280	**5.841.054**

Additionally, Koç Finansman, a Subsidiary of the Group operating in the finance sector has a lien amounting to TL1.739.652 thousand as of 31 December 2013 (31 December 2012: TL1.527.575 thousand) in favor of the company supplied from vehicle loans including non-performing loans.

NOTE 32-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments and Financial Risk Management

Financial Risk Management

The Group is exposed to variety of financial risks due to its operations. These risks include credit risk, market risk (foreign exchange risk and interest rate risk) and liquidity risk. The Group's overall risk management 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.

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

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.

Koç Finansman, a Subsidiary of the Group operating in the finance sector, manages the credit risk by evaluating the credit risk grading of its customers, limiting the average risk for the counter party in each agreement, regularly analysing the payment potential of current customers and prospective customers and by changing the credit limits when necessary. Furthermore, the credit risk is controlled through the guarantees and warranties taken from the customers.

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

NOTE 32-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risk details

The maximum exposure of financial assets to credit risk is as follows:

31 December 2013	Trade receivables	Receivables from finance sector operations	Cash and cash equivalents	Financial assets	Derivative instruments
Maximum exposure to credit risk as of reporting date (A+B+C+D+E)	**8.493.365**	**1.739.318**	**8.895.009**	**-**	**66.668**
A. Net book value of neither past due nor impaired financial assets (*)	7.526.306	1.602.162	8.895.009	-	66.668
B. Net book value of restructured financial assets	28.379	118.860	-	-	-
C. Net book value of past due but not impaired financial assets	884.647	9.643	-	-	-
D. Net book value of impaired assets	54.033	26.208	-	-	-
-Past due	54.033	26.208	-	-	-
-Gross amount	251.894	51.778	-	-	-
-Impairment	(197.861)	(25.570)	-	-	-
-Secured with guarantees	*53.217*	*17.108*	-	-	-
-Not past due	-	-	-	-	-
-Gross amount	-	-	-	-	-
-Impairment	-	-	-	-	-
-Secured with guarantees	-	-	-	-	-
E. Collective provision for impairment(-)	-	(17.555)	-	-	-

31 December 2012	Trade receivables	Receivables from finance sector operations	Cash and cash equivalents	Financial assets	Derivative instruments
Maximum exposure to credit risk as of reporting date (A+B+C+D+E)	**7.181.822**	**1.539.530**	**7.102.079**	**29.284**	**9.257**
A. Net book value of neither past duenor impaired financial assets (*)	6.199.616	1.409.023	7.102.079	29.284	9.257
B. Net book value of restructured financial assets	26.556	101.131	-	-	-
C. Net book value of past due but not impaired financial assets	902.940	9.995	-	-	-
D. Net book value of impaired assets	52.710	27.120	-	-	-
-Past due	52.710	27.120	-	-	-
-Gross amount	218.651	42.148	-	-	-
-Impairment	(165.941)	(15.028)	-	-	-
-Secured with guarantees	*54.089*	*18.289*	-	-	-
-Not past due	-	-	-	-	-
-Gross amount	-	-	-	-	-
-Impairment	-	-	-	-	-
-Secured with guarantees	-	-	-	-	-
E. Collective provision for impairment (-)	-	(7.739)	-	-	-

(*) Includes receivables from related parties.

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

NOTE 32-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

a) Details of neither past due nor impaired trade receivables' credit quality:

	2013	2012
New customers (less than 3 months)	627.184	393.700
Public institutions and corporations	103.161	104.252
Other customers with no payment defaults	6.488.822	5.556.556
Customers with prior collection delays	307.139	145.108
	7.526.306	**6.199.616**

As of 31 December 2013, trade receivables that are not due and not impaired amounting to TL4.459.524 thousand are secured with guarantees (2012: TL3.640.958 thousand).

b) Analysis of past due trade receivables:

Not impaired	2013	2012
Past due up to 1 month	327.957	277.412
Past due 1-3 months	408.352	540.162
Past due 3-12 months	136.092	66.948
Past due over 1 year	12.246	18.418
	884.647	**902.940**

As of 31 December 2013, past due but not impaired trade receivables amounting to TL276.991 thousand are secured by guarantee (2012: TL526.603 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	2013	2012
Past due up to 3 months	28.698	29.776
Past due 3-6 months	4.820	8.277
Past due 6-12 months	67.371	42.140
Past due over 1 year	151.005	138.458
Less: Impairment	(197.861)	(165.941)
	54.033	**52.710**

As of 31 December 2013, impaired receivables amounting to TL53.217 thousand are secured by guarantees (2012: TL54.089 thousand).

Cash and cash equivalents

As of 31 December 2013 and 2012, 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 2013, total debt securities classified under financial assets are neither past due nor impaired (31 December 2012: None)

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 the 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).

The Group keeps the currency risk exposure within the limits set by Koç Holding, the Parent Company and within the limits approved by their Board of Directors. Derivative contracts such as swaps, options and forwards are also used as instruments for currency risk management for hedging purposes, when needed.

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

NOTE 32-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Assets and liabilities denominated in foreign currency are as follows:

	31 December 2013	31 December 2012
Assets	9.454.082	6.230.025
Liabilities	(17.809.459)	(12.683.717)
Net balance sheet position	**(8.355.377)**	**(6.453.692)**
Off-balance sheet derivative instruments net position	**880.843**	**970.958**
Net foreign currency position	**(7.474.534)**	**(5.482.734)**

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 2013, Tüpraş has raw materials and petroleum products amounting to TL3.377.035 thousand (31 December 2012: TL: 3.049.562 thousand).

In addition, Tüpraş has USD1.742,8 million outstanding borrowing regarding the financing of the ongoing Fuel Oil Conversion Project (Note 15), for which finance costs (including also foreign exchange losses to a certain extent) are capitalised

As of 31 December 2013, if EUR and USD had appreciated by 10% against TL with all other variables held constant, profit before tax would have been TL811.335 thousand lower, mainly as a result of foreign exchange losses 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 on the net profit (equity holders) is approximately TL330 million.

The impact of 10% exchange increase in income statement (pre-tax profit):

	USD	EUR	Other	Total
31 December 2013				
Foreign currency net position (*)	(765.313)	(45.711)	(311)	(811.335)

(*) Related balances do not include the foreign exchange impacts of hedged items. Profit before tax impacts arising from foreign exchange positions of Joint Ventures have been included in the sensitivity analysis.

The impact of 10% exchange increase in other comprehensive income statement (pre-tax profit):

	USD	EUR	Other	Total
31 December 2013				
Hedged items (*)	(4.695)	(147.667)	-	(152.362)

(*) Related balances include foreign exchange impacts which are within the scope of cash flow hedge and net investment hedge in foreign operations and which are recognised under the hedging reserve.

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

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

NOTE 32-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2013			
	USD [1]	EUR [1]	Other (TL Equivalent)	Total (TL Equivalent)
Assets:				
Trade receivables [2]	231.968	546.063	604.014	2.702.619
Monetary financial assets	2.435.160	153.230	15.479	5.662.799
Non-monetary financial assets	62.177	27.393	305	213.450
Other	53.980	7.786	219	138.293
Current assets	**2.783.285**	**734.472**	**620.017**	**8.717.161**
Trade receivables [2]	43.854	105.787	246.400	650.640
Financial assets	3.289	4.994	-	21.686
Other	529	21.582	90	64.595
Non-current assets	**47.672**	**132.363**	**246.490**	**736.921**
Total assets	**2.830.957**	**866.835**	**866.507**	**9.454.082**
Liabilities:				
Trade payables [2]	2.358.669	219.677	38.685	5.717.874
Borrowings	177.279	462.217	139.716	1.875.382
Other liabilities	186.024	25.827	4.288	477.160
Short term liabilities	**2.721.972**	**707.721**	**182.689**	**8.070.416**
Trade payables [2]	29.249	-	-	62.427
Borrowings	4.157.402	256.972	-	9.627.741
Other liabilities	-	16.644	-	48.875
Long term liabilities	**4.186.651**	**273.616**	**-**	**9.739.043**
Total liabilities	**6.908.623**	**981.337**	**182.689**	**17.809.459**
Net balance sheet position	**(4.077.666)**	**(114.502)**	**683.818**	**(8.355.377)**
Derivative assets	883.277	431.687	10.528	3.163.356
Derivative liabilities	(262.383)	(350.753)	(692.523)	(2.282.513)
Off-balance sheet derivative instruments net position	**620.894**	**80.934**	**(681.995)**	**880.843**
Net foreign currency position	**(3.456.772)**	**(33.568)**	**1.823**	**(7.474.534)**
Net foreign currency position of monetary items	(3.518.949)	(60.961)	1.518	(7.687.984)
Fair value of derivative instruments held for hedging	1.361	17.392	-	53.976

[1] Presented in original currencies.
[2] Represents balances before consolidation eliminations.

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

NOTE 32-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2012			
	USD (1)	EUR (1)	Other (TL Equivalent)	Total (TL Equivalent)
Assets:				
Trade receivables (2)	241.943	495.778	550.747	2.147.954
Monetary financial assets	1.571.245	192.853	6.812	3.261.246
Non-monetary financial assets	45.550	21.489	1.132	132.865
Other	99.815	6.236	69.845	262.440
Current assets	**1.958.553**	**716.356**	**628.536**	**5.804.505**
Trade receivables (2)	34.402	53.257	166.914	353.484
Monetary financial assets	297	5.235	-	12.840
Other	899	24.490	-	59.196
Non-current assets	**35.598**	**82.982**	**166.914**	**425.520**
Total assets	**1.994.151**	**799.338**	**795.450**	**6.230.025**
Liabilities:				
Trade payables (2)	1.819.410	183.593	15.161	3.690.198
Borrowings	708.809	440.133	287.982	2.586.565
Other liabilities	223.339	17.649	4.848	444.477
Short term liabilities	**2.751.558**	**641.375**	**307.991**	**6.721.240**
Trade payables (2)	33.401	-	-	59.540
Borrowings	2.580.252	547.546	-	5.887.221
Other liabilities	4.994	2.897	-	15.716
Long term liabilities	**2.618.647**	**550.443**	**-**	**5.962.477**
Total liabilities	**5.370.205**	**1.191.818**	**307.991**	**12.683.717**
Net balance sheet position	**(3.376.054)**	**(392.480)**	**487.459**	**(6.453.692)**
Derivative assets	621.341	423.038	22.398	2.124.858
Derivative liabilities	(308.752)	(99.151)	(370.345)	(1.153.900)
Off-balance sheet derivative instruments net position	**312.589**	**323.887**	**(347.947)**	**970.958**
Net foreign currency position	**(3.063.465)**	**(68.593)**	**139.512**	**(5.482.734)**
Net foreign currency position of monetary items	**(3.109.015)**	**(90.082)**	**138.380**	**(5.615.599)**
Fair value of derivative instruments held for hedging	(9.193)	2.294	-	(10.992)

(1) Presented in original currencies.
(2) Represents balances before consolidation eliminations.

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

NOTE 32-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Import and export details (TL Equivalent)

Export	2013	2012
USD	9.390.739	10.650.996
EUR	3.195.505	3.093.632
Other	1.263.064	1.197.175
	13.849.308	**14.941.803**
Import		
USD	38.758.851	40.811.935
EUR	1.604.182	1.483.021
Other	32.246	23.318
	40.395.279	**42.318.274**

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 balancing the repricing terms of interest-bearing assets and liabilities with fixed-floating interest and short-long term nature of borrowings as well as using derivative instruments for hedging purposes.

The weighted average effective annual interest rates (%) for the financial assets and liabilities are as follows:

	31 December 2013			31 December 2012		
	USD	EUR	TL	USD	EUR	TL
Assets						
Cash and cash equivalents	3,06	1,66	8,31	3,18	1,86	8,29
Financial assets						
-At fair value through profit or loss	-	-	-	6,00	-	-
-Time deposits						
(with a maturity over 3 months)	-	-	-	3,90	-	-
Receivables from finance sector operations	4,95	5,88	12,07	5,43	6,62	13,27
Liabilities						
Borrowings	2,98	3,00	9,01	2,61	2,73	8,39

Financial assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates are as follows:

31 December 2013	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	8.549.887	-	-	-	347.191	8.897.078
Financial assets						
-Available-for-sale financial assets	-	-	-	-	214.657	214.657
Receivables from finance sector operations	289.790	578.647	870.881	-	-	1.739.318
	8.839.677	**578.647**	**870.881**	**-**	**561.848**	**10.851.053**
Liabilities						
Borrowings	4.939.331	4.993.894	3.991.436	3.155.395	627	17.080.683
	4.939.331	**4.993.894**	**3.991.436**	**3.155.395**	**627**	**17.080.683**

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

NOTE 32-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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	6.840.123	-	-	-	263.625	7.103.748
Financial assets						
-At fair value through profit or loss	16.520	-	-	-	-	16.520
-Available-for-sale financial assets	-	-	-	-	113.224	113.224
-Time Deposits						
	-	12.764	-	-	-	12.764
(with a maturity over 3 months) Receivables from finance sector operations	255.322	571.625	712.583	-	-	1.539.530
	7.111.965	**584.389**	**712.583**	**-**	**376.849**	**8.785.786**
Liabilities						
Borrowings	5.795.770	1.498.996	3.834.705	1.256.924	3.257	12.389.652
	5.795.770	**1.498.996**	**3.834.705**	**1.256.924**	**3.257**	**12.389.652**

In the case of 100 bps rise in the annual interests, the additional annual consolidated interest expense resulting from the repricing of borrowings within 1-year period is around TL74 million. It is expected that this interest expense will be substantially offset by the additional interest income resulting from the repricing of cash and cash equivalents due to their short term maturities and therefore, 100 bps rise in interest rates is not expected to have a material net interest expense effect at the Group level within 1-year period.

The interest rate position is as follows:

	2013	2012
Fixed interest rate financial instruments		
Financial assets		
Cash and cash equivalents	8.030.973	6.220.685
Financial assets at fair value through profit or loss	-	16.520
Receivables from finance sector operations	1.739.318	1.539.530
	9.770.291	7.776.735
Liabilities		
Borrowings	10.206.375	5.485.345
	10.206.375	5.485.345
Floating interest rate financial instruments		
Financial assets		
Cash and cash equivalents	518.914	619.438
	518.914	619.438
Financial liabilities		
Borrowings (*)	6.873.681	6.901.050
	6.873.681	**6.901.050**

(*) In order to hedge the 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 USD217.080 thousand (Note 9).

c) Commodity price risk

Tüpraş, a Subsidiary of the Group is exposed to risk arising from fluctuations in crude oil prices due to raw material inventory held for production. Tüpraş management manages the risk by regularly reviewing the amount of the inventory held.

Tüpraş sets its sales price according to Petroleum Market Law No: 5015 considering the product prices at the Mediterranean market, which are the closest reachable world competitive market and USD currency rates. The changes in prices in the Mediterranean market and USD currency rate are evaluated daily by Tüpraş management and sales prices are updated when prices calculated according to the aforementioned factors differ significantly from the current sales prices.

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

NOTE 32-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

d) 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 as of 31 December 2013 and 2012 are as follows:

31 December 2013	Book value	Total contractual cash outflow	Up to 3 months	3 months-1 year	1-5 years	5 years and over
Financial liabilities						
Borrowings	17.080.683	19.436.713	2.153.334	2.940.706	9.145.866	5.196.807
Trade payables	9.978.208	9.988.422	9.505.771	482.651	-	-
Derivative instruments (*)						
Cash inflows	22.350	2.108.989	1.294.965	36.285	-	777.739
Cash outflows	(72.950)	(2.135.353)	(1.293.981)	(35.792)	-	(805.580)

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						
Borrowings	12.389.652	13.716.861	1.703.868	3.419.317	5.969.640	2.624.036
Trade payables	7.328.797	7.330.696	6.866.564	464.132	-	-
Derivative instruments (*)						
Cash inflows	2.176	911.277	755.131	85.011	71.135	-
Cash outflows	(24.081)	(937.614)	(759.989)	(96.384)	(81.241)	-

(*) Derivative instruments do not include the carrying value (Note 9) of changes in the fair value changes arising from the off-balance sheet operating lease transactions of Otokoç, a Subsidiary of the Group, denominated in foreign currency.

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 2013 and 2012 is as follows:

	31 December 2013	31 December 2012
Total borrowings	17.080.683	12.389.652
Cash and cash equivalents	8.330.068	6.622.809
Net financial debt	8.750.615	5.766.843
Equity	26.190.593	24.261.257
Net financial debt/total equity ratio	**%33**	**%24**

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

NOT 33-FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

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.

As of 31 December 2013, the carrying value of receivables from finance sector operations does not differ significantly from their fair value calculated through the current interest rates.

Financial liabilities

Fair values of short term borrowings and trade payables are assumed to approximate their carrying values due to their short term nature.

The carrying values of bonds issued by the Parent Company Koç Holding, Arçelik and Tüpraş, the Subsidiaries of the Group, in 2012 and 2013 with a nominal value of USD1.950 million and fixed interest rates (Note 15), are above by TL419 million from their fair values measured considering the prices in the active markets (Level 1).

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

Assets and liabilities measured at fair value as of 31 December 2013 and 2012 are as follows:

31 December 2013	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
-Equity securities	19.957	-	-	19.957
Derivative instruments	-	66.668	-	66.668
Total assets	19.957	66.668	-	86.625
Derivative instruments	-	72.950	-	72.950
Total liabilities	**-**	**72.950**	**-**	**72.950**

31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	16.520	-	-	16.520
Available-for-sale financial assets				
-Equity securities	35.792	-	-	35.792
Derivative instruments	-	9.257	-	9.257
Total assets	**52.312**	**9.257**	**-**	**61.569**
Derivative instruments	-	24.081	-	24.081
Total liabilities	**-**	**24.081**	**-**	**24.081**

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

NOTE 34-EARNINGS PER SHARE

	2013	2012
Earnings per share:		
Profit for the period	4.000.309	3.743.823
Profit attributable to non-controlling interest	1.320.596	1.419.673
Profit attributable to equity holders of the parent	2.679.713	2.324.150
Weighted average number of shares with nominal value Kr 1 each	253.589.800.000	253.589.800.000
Earnings per share (Kr)	**1,057**	**0,916**

NOTE 35-SUPPLEMENTARY CASH FLOW INFORMATION

Supplementary information for the details included in the consolidated cash flow statements as of 31 December 2013 and 2012 is as follows:

	2013	2012
Changes in provisions:		
Provision for Competition Board penalty	309.011	-
Provision for loans and doubtful receivables	54.192	48.978
Provision for warranty and assembly	42.538	3.647
Provisions for employee benefits	23.135	35.474
Provision for impairment on assets held for sale	18.764	15.187
Provision for impairment on inventories	(3.020)	(1.000)
Provision for lawsuits	(5.092)	24.937
Cost accruals for construction contracts	(126.018)	53.950
Impairment of financial assets	-	13.826
Other provisions	43.264	(13.639)
	356.774	**181.360**
Changes in net working capital:		
Inventories	(886.148)	168.317
Trade receivables	(1.347.533)	939.344
Trade payables	2.649.411	(460.912)
Other assets and liabilities, net	6.597	(134.472)
Receivables from finance sector operations	(223.212)	(246.061)
Currency translation differences	152.137	(25.975)
	351.252	**240.241**
Cash and cash equivalents:		
Cash and cash equivalents (Note 4)	8.897.078	7.103.748
Less: Blocked deposits (Note 4)	(567.010)	(480.939)
	8.330.068	**6.622.809**

NOT 36-EVENTS AFTER THE BALANCE SHEET DATE

i) The investigation of Competition Board against Tüpraş, a Subsidiary of the Group and Opet, a Joint Venture of the Group, started through the resolution of the Board dated 4 July 2012 and numbered 12-36/1040-M[2] for the identification of a possible breach of Article 4 and Article 6 of the Law No. 4054 on the Protection of Competition and declared through the letter dated 11 July 2012; was concluded with the announcement provided on the Competition Authority's website on 17 January 2014. The Competition Board has decided upon an administrative fine of TL412.015 thousand at the rate of 1% of the annual gross revenue of Tüpraş in 2013. The details of the criticism are unknown since the reasoned decision leading to the administrative fine has not released yet. Related penalty will be paid at 3/4 of the total amount as TL309.011 thousand within 30 days upon the communication of the reasoned decision in accordance with the provision of Article 17 of the Law of Misdemeanors No. 5326. All necessary legal actions will be taken with regard to the mentioned decision and penalty. As of 31 December 2013, Tüpraş has accounted for the provision for the penalty amounting to TL309.011 thousand under "short term provisions" account (Note 18).

KOÇ HOLDING A.Ş. BALANCE SHEET AND INCOME STATEMENT

INFORMATION DOCUMENT REGARDING THE ORDINARY GENERAL ASSEMBLY MEETING

KOÇ HOLDİNG A.Ş.
BALANCE SHEET AT 31 DECEMBER 2013 AND 2012
ISSUED ACCORDING TO THE LEGAL RECORDS (TL)

ASSETS			**31.12.2013**			**31.12.2012**
CURRENTS ASSETS			**3,358,998,882.63**			**1,539,250,957.13**
Cash and Cash Equivalents		**3,283,227,269.18**			**1,462,953,103.87**	
Cash	700.00			200.00		
Banks	3,283,226,569.18			1,462,952,903.87		
Securities		**-**			**20,515,562.58**	
Public Sector Bonds, Notes and Bills	-			20,515,562.58		
Trade Receivables		**39,874,816.84**			**32,720,415.80**	
Customers	39,874,816.84			32,720,415.80		
Doubtful Receivables	542,008.80			542,008.80		
Provision for doubtful receivables	-542,008.80			-542,008.80		
		35,896,796.61			23,061,874.88	
Other Current Assets	**208,698.74**			-		
Prepaid Tax and Funds	35,688,097.87			23,061,874.88		
Other Current Assets						
NON-CURRENT ASSETS			**6,709,622,707.42**			**6,606,075,175.60**
Trade Receivables		**6,786.83**			**10,386.83**	
Deposits and Guarantees Given	6,786.83			10,386.83		
Other Receivables		**-**			**32,750,000.00**	
Receivables form Associates	-			32,750,000.00		
Financial Non-Current Assets		**6,421,985,583.37**			**6,312,483,987.37**	
Associates	3,658,743,586.86			3,626,907,094.70		
Capital Commitment to Associates	-			-2,414,296.93		
Subsidiaries	2,765,608,996.51			2,687,991,189.60		
Capital Commitment to Subsidiaries	-2,367,000.00			-		
Property, Plant and Equipment		**282,921,429.90**			**260,736,609.79**	
Lands	32,967,975.16			32,967,975.16		
Land Improvements	8,167,536.74			8,167,536.74		
Buildings	159,561,039.18			159,446,030.83		
Motor Vehicles Equipment	187,564,931.64			160,020,231.51		
Furnitures and Fixtures	9,758,009.01			8,732,758.43		
Accumulated Depreciation	-187,916,098.67			-160,016,180.05		
Constructions in Progress	45,940,591.59			45,937,083.53		
Advances Given	26,877,445.25			5,481,173.64		
Intangible Assets		**421,350.54**			**91,794.18**	
Rights	3,499,790.28			2,720,968.97		
Leasehold Improvements	5,100,886.32			5,100,886.32		
Accumulated Depreciation	-8,179,326.06			-7,730,061.11		
Other Non-Current Assets		**4,287,556.78**			**2,397.43**	
Other Non-Current Assets	4,287,556.78			2,397.43		
TOTAL ASSETS			**10,068,621,590.05**			**8,145,326,132.73**
LIABILITIES			**31,12,2013**			**31,12,2012**
CURRENT LIABILITIES			**207,814,110.04**			**242,325,259.46**
Financial Liabilities		**-**			**134,805,717.51**	
Bank Loans	-			134,805,717.51		
Trade Payables		**57,289,863.75**			**3,382,132.42**	
Suppliers	57,278,512.35			3,375,144.22		
Deposits and guarantees received	11,351.40			6,988.20		
Other Currents Liabilities		**125,678,165.44**			**98,603,648.20**	
Liabilities to Shareholders	-			384,948.17		
Liabilities to Associates	8,829,181.00			10,459,177.00		
Liabilities to Subsidiaries	12,409,340.02			12,409,340.02		
Taxes and Duties Payable	41,929,965.96			30,527,948.04		
Other Debts	62,509,678.46			44,822,234.97		
Provision for Debts and Expenses		**24,846,080.85**			**5,533,761.33**	
Provision for Profit of Period Taxes and Other Legal Duties	10,473,989.98			-		
Other Provision for Debts and Expenses	14,372,090.87			5,533,761.33		
NON-CURRENT LIABILITIES			**1,606,170,928.89**			**4,549,607.30**
Financial Liabilities		**1,600,725,000.00**			**-**	
Bonds Issued	1,600,725,000.00			-		
Provision for Debts and Expenses		**5,445,928.89**			**4,549,607.30**	
Provision for Employment Termination Benefits	5,445,928.89			4,549,607.30		
EQUITY			**8,254,636,551.12**			**7,898,451,265.97**
Total Share Capital		**2,507,888,937.81**			**2,507,888,937.81**	
Paid-in Share Capital	2,535,898,050.00			2,535,898,050.00		
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		**313,228,450.23**			**321,851,321.67**	
Other Capital Reserves	313,228,450.23			321,851,321.67		
Reserves		**4,333,325,092.62**			**4,222,490,548.05**	
Legal Reserves	344,581,762.34			311,500,019.93		
Extraordinary Reserves	1,847,938,248.49			1,765,748,178.80		
Special Funds	2,140,805,081.79			2,145,242,349.32		
Prior years' income-Inf.Adj.Profit-2004		**174,879,886.04**			**174,879,886.04**	
Profit for the Period		**915,608,460.12**			**661,634,848.10**	
TOTAL LIABILITIES AND EQUITY			**10,068,621,590.05**			**8,145,326,132.73**

KOÇ HOLDİNG A.Ş.
INCOME STATEMENT FOR THE PERIOD OF 1 JANUARY-31 DECEMBER 2013 AND 2012, ISSUED ACCORDING TO THE LEGAL RECORDS (TL)

		2013		2012
GROSS REVENUES		**100,462,594.39**		**83,689,129.15**
Domestic Revenues	100,462,594.39		83,689,129.15	
OPERATING EXPENSES		**-238,751,802.44**		**-192,605,220.24**
General Administrative Expenses	-238,751,802.44		-192,605,220.24	
ORDINARY INCOME AND PROFIT FROM OTHER OPERATIONS		**1,421,847,478.54**		**841,328,083.66**
Dividend Income from Associates	835,637,362.28		647,032,423.18	
Dividend Income from Subsidiaries	38,242,280.40		20,420,438.81	
Interest Income	144,700,570.71		113,364,603.57	
F/X Income	385,278,014.60		42,179,874.87	
Profit on Sale of Marketable Securities	51,180.37		1,719,947.39	
Other Ordinary Income and Profit	17,938,070.18		16,610,795.84	
ORDINARY EXPENSES AND LOSSES FROM OTHER OPERATIONS		**-66,708,794.79**		**-68,630,846.64**
Provision Expenses	-896,321.59		-651,278.14	
F/X Losses	-61,038,508.10		-64,660,830.28	
Losses on Sale of Marketable Securities	-4,773,965.10		-	
Other Ordinary Expenses and Losses	-		-3,318,738.22	
FINANCIAL EXPENSES		**-286,252,300.40**		**-3,767,710.70**
Short Term Borrowing Expenses	-1,334,452.90		-3,767,710.70	
Long Term Borrowing Expenses	-284,917,847.50		-	
EXTRAORDINARY INCOME AND PROFIT		**371,970.28**		**6,392,799.22**
Other Extraordinary Income and Profit	371,970.28		6,392,799.22	
EXTRAORDINARY EXPENSES AND LOSSES		**-4,886,695.48**		**-4,771,386.35**
Other Extraordinary Expenses and Losses	-4,886,695.48		-	
Last Period Expenses and Losses	-		-4,771,386.35	
PROFIT FOR THE PERIOD		**926,082,450.10**		**661,634,848.10**
TAXES PAYABLES AND OTHER LEGAL LIABILITIES		**-10,473,989.99**		**-**
NET PROFIT FOR THE PERIOD		**915,608,460.11**		**661,634,848.10**

1. INVITATION TO THE 2 APRIL 2014 ORDINARY GENERAL ASSEMBLY

Koç Holding A.Ş.'s Ordinary General Assembly Meeting shall be convened on 2 April 2014 Wednesday at 16:00 (2pm GMT) at the address of Nakkaştepe Azizbey Sok. No. 1, 34674 Kuzguncuk-Üsküdar/Istanbul (Tel: +90 216 531 00 00, Fax: +90 216 531 00 99). At the meeting, the activities of the Company for the fiscal year 2013 will be reviewed, the following agenda will be discussed, and a resolution regarding the agenda will be reached.

In accordance with the legal requirements, the 2013 Financial Tables, the Independent Auditor's Report (prepared by our Independent Auditors, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirilik Anonim Şirketi, a member firm of Ernst & Young Global Limited), the Corporate Governance Compliance Report, and the Board of Directors' Annual Report, including the dividend distribution proposal of the Board of Directors, along with the following agenda articles and the Information Note containing the announcements required by Capital Market Board regulations shall be made available to the shareholders at Company Headquarters, on the Company's website, www.koc.com.tr, on the Public Disclosure Platform, and in the Electronic General Meeting System.

Shareholders unable to attend the meeting in person can participate electronically via the Electronic General Assembly System. On condition that rights and responsibilities of the participating shareholders are reserved, proxy forms compatible with the attached template or a copy of the proxy form must be obtained from Yapı Kredi Yatırım Menkul Değerler A.Ş. (Yapı Kredi Plaza / Levent-Istanbul), our Company's departments, or the corporate website, www.koc.com.tr. They must meet the requirements laid out in Communiqué No. II-30.1, Use of Proxy Vote and Proxy Collection through Invitation, enacted on 24 December 2013 and published in Official Gazette No. 28861. The notarized proxy forms must be submitted to the Company. A proxy certificate is not required from a proxy appointed electronically through the Electronic General Meeting System. The proxy authorizations which are not in compliance with the proxy authorization model required in the said Communiqué, and provided in the appendix, shall not be accepted, given our legal liability.

Shareholders intending to vote via the Electronic General Meeting System are requested to obtain information from the Central Registry Agency, our Company's website, www.koc.com.tr, or from Company Headquarters (Tel: +90 216 531 00 00) to ensure that they are in accord with the provisions of the by-laws for the Electronic Shareholders Meeting for Joint Stock Corporations.

Pursuant to Paragraph 4 of Article 415 of Turkish Commercial Code No. 6102 and Paragraph 1 of Article 30 of the Capital Markets Law, the right to attend the General Assembly and to vote shall not be made conditional on depositing the share certificates. Accordingly, shareholders participating in the General Assembly do not have to block their shares.

At the Ordinary General Assembly Meeting, votes relating to the agenda items shall be made as open voting by raising hands, without prejudice to the provisions relating to electronic voting.

All right holders and stakeholders as well as the press are invited to the General Assembly Meeting.

Pursuant to the Capital Markets Law, shareholders with shares bearing their names and traded on the stock exchange will not receive a separate registered letter informing them of the meeting.

Respectfully submitted to shareholders.

2. ADDITIONAL EXPLANATIONS IN VIEW OF CMB REGULATIONS

The additional explanations required pursuant to Capital Markets Board (CMB) Corporate Governance Communiqué No. II-17.1, enacted 3 January 2014, are made in the articles of the agenda below. Other compulsory general explanations are provided in this section.

2.1. Partnership Structure and Voting Rights

As of the date of the publication of this Information Document, information concerning the total share number and voting rights, and if there are privileged shares in the partnership capital, the share number and voting right representing each privileged share, and the type of privilege, is provided below:

Company shares are divided into two groups, Group A and Group B. Every share in Group A has two votes at the General Assembly.

The voting rights of our shareholders, taking into consideration privileged shares, are provided in the following table:

SHAREHOLDER	SHARE AMOUNT (TL)	EQUITY RATIO (%)	VOTING RIGHT	VOTING RIGHT STAKE (%)
Koç Family (B Group)	654,607,781	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 Retirement and Assistance Fund Foundation (B Group)	50,451,548	1.99	5,045,154,800	1.57
Vehbi Koç Foundation (B Group)	181,405,360	7.15	18,140,536,000	5.64
Rahmi M. Koç and Mahdumları A.Ş. (B Group)	2,658,789	0.10	265,878,900	0.08
Public Float (B Group)	566,790,365	22.35	56,679,036,452	17.63
TOTAL	**2,535,898,050**	**100.00**	**321,467,147,299**	**100.00**

Most of the shares of Temel Ticaret ve Yatırım A.Ş. belong to Koç Family members.

2.2. Management and Operational Changes in Our Company or our Subsidiaries' which may Significantly Affect the Activities of our Company

There are no managerial or operational changes that has or that will substantially affect the Company's activities in the previous accounting period, or planned for the upcoming accounting periods.

2.3. Information regarding demands of shareholders for adding other issues on the agenda

No request has been submitted in writing to the Koç Holding Investment Relations Department concerning the desire of shareholders to have an article placed on the agenda.

3. ANNOUNCEMENTS PERTAINING TO THE AGENDA ARTICLES OF THE ORDINARY GENERAL ASSEMBLY MEETING TO BE CONVENED 2 APRIL 2014

1. Opening and election of the Chairmanship Committee

Within the framework of the provisions of "Turkish Commercial Code (TCC) no. 6102" and "the Regulation of the Ministry of Customs and Commerce regarding Principles and Procedures of General Assembly Meetings of Joint Stock Companies and Representatives of the Ministry of Customs and Commerce to be Present in these Meetings" ("Regulation" or "General Assembly Regulation"), and General Assembly Principles Article 7, a Chairman shall be elected to chair the General Assembly meeting. Within the framework of the General Assembly Principles, at least one person will be appointed as Meeting Minutes Secretary. The Chairman may also choose adequate vote collection officers.

2. The presentation for discussion and approval of the Annual Report of the Company for the year 2013 as prepared by the Board of Directors

Within the framework of the TCC, the Regulation and the Capital Markets Law and related regulations, information shall be given on the 2013 Annual Report, including the Corporate Governance Compliance Report and The Board of Directors' Dividend Distribution Proposal , which has been announced at the Headquarters of our Company, on the Electronic General Assembly portal of the Central Registry Agency and on the corporate website of the Company at www.koc.com.tr for examination of our shareholders three weeks before the General Assembly meeting and it shall be presented for evaluation and approval of our shareholders.

3. Presentation of the summary of the Independent Audit Report for the year 2013

A summary of the Independent Auditor's Report, which is prepared according to the TCC and CMB regulations and posted three weeks prior to the convening of the General Assembly at Company Headquarters, the Electronic General Assembly Portal of the CRA, on the PDP and www.koc.com.tr, will be read aloud.

4. Presentation for discussion and approval of the Financial Statements of the Company for the year 2013

Information about our financial reports and legal financial tables, which, pursuant to the TCC, bylaws and Capital Markets Law are posted three weeks prior to the convening of the General Assembly at our Company Headquarters, on the Electronic General Assembly Portal of the CRA, on the PDP and on www.koc.com.tr for inspection by our shareholders, shall be provided to our shareholders for their consideration and approval.

5. Release of each member of the Board of Directors from liability for the affairs of the Company for the year 2013

Pursuant to the TCC and Bylaws, the activities, transactions and accounts of our Board of Directors members for the year 2013 shall be released separately and submitted to the General Assembly for its approval.

6. Presentation for discussion and approval, to the shareholders, of the Dividend Policy of the Company for 2013 and the subsequent years in accordance with the Capital Markets Board legislation

Our Company's dividend policy, included in Appendix 1, shall be submitted to the General Assembly for its approval.

7. Approval, approval with modifications, or disapproval of the Board of Directors' proposal on distribution of profits for the year 2013 and the distribution date

According to our financial tables, prepared by our Company within the framework of the Turkish Commercial Code and Capital Markets Law and related regulations in compliance with International Financial Reporting Standards and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Ernst & Young Global Limited) covering the accounting period between 01.01.2013 – 31.12.2013; the parent's consolidated net profit in the amount of TL 2,679,713,000 has been obtained. The statement concerning dividend payment proposal drawn up in accordance with the Dividend Distribution Table format provided in the Dividend Communiqué numbered II-19.1 and the Dividend Manual announced in accordance with the said Communiqué, and taking into account the Company's funding requirements for the significant investment period it currently is in, expectations in the market, and the financing policies, is provided in Appendix 2.

8. Resolution of the number of the members of the Board of Directors and their terms of office, and election of the members of the Board of Directors in accordance with the resolved number and election of the independent Board Members

The number of members on the Board of Directors and their terms of office shall be designated in accordance with CMB regulations, TCC and Bylaws and the principles governing the selection of Members of the Board of Directors in the Articles of Association. New members to replace Board members whose terms of office have expired accordingly shall be elected. In addition, Independent Members of the Board of Directors shall be elected in compliance with the CMB's Corporate Governance Communiqué No. II-17.1.

According to Article 11 of the Articles of Association, provided that rights of the General Assembly regarded as inalienable by the provisions of the TCC, all of the Company's business and management are conducted by a General Board of Directors consisting of at least nine but no more than 15 members, elected in line with TCC and CMB regulations. The number of the independent members to serve on the Board of Directors and their qualifications are determined according to regulations created in accordance with the CMB's Corporate Governance Principles.

Accordingly, a Board of Directors consisting of 15 members shall be proposed to the General Assembly. Five of these members must meet the criteria of independence specified in the CMB's Principles of Corporate Governance.

The Board of Directors, upon receipt of a proposal by the Candidate Nominating and Remuneration Committee, announced the following candidates for Independent Members of the Board of Directors: Sanford I. Weill, Peter D. Sutherland, Dr. Victor K. Fung, Muharrem Kayhan and Kutsan Çelebican.

Because three of the five Independent Members on the 15-Member Board of Directors do not reside in Turkey, which violates the requirement of that at least three of the Board of Directors' Independent Members shall be deemed as resident in Turkey under the Income Tax Law, permission was obtained from the Capital Markets Board in writing on 14 February 2014 to enable Peter D. Sutherland to become an Independent Board Member for a term of one year.

The CVs and Declarations of Independence of the candidates for membership on the Board of Directors are provided in Appendix 3.

9. In accordance with the Corporate Governance Principles, presentation to the shareholders and approval by the General Assembly, of the "Remuneration Policy" for the members of the Board of Directors and the Senior Executives and the payments made thereof

In keeping with the CMB's mandatory Corporate Governance Principle No. 4.6.2, the principles for the remuneration of Board of Directors' members and senior management shall be written down. Moreover, this information should be included as a separate article on the General Assembly Meeting agenda so that shareholders can express their opinions about it. The remuneration policy is included in Appendix 4 for this purpose. As indicated in footnote No. 28 of our financial report, attached, to the 2013 Annual Report, Koç Holding paid its Board of Directors' members and senior management a total of TL 93.5 million.

10. Resolution of the monthly gross salaries to be paid to the members of the Board of Directors

Article 9 on the agenda contains our Remuneration Policy proposal submitted for shareholder approval. The policy calls for our shareholders to determine the monthly gross remuneration to be paid to members of the Board of Directors in 2014.

11. Approval of the appointment of the Independent Audit Firm as selected by the Board of Directors, in accordance with the provisions of the Turkish Commercial Code and the Capital Markets Board regulations

In accordance with the Turkish Commercial Code and Capital Markets Board regulations, and taking into consideration the opinion of the Audit Committee, the Board of Directors resolved at their 18 February 2014 meeting to have Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (a member firm of Ernst & Young Global Limited) serve as the independent auditors of the Company's financial reports for the financial year 2014 and to let it conduct the other activities that fall within its purview within the context of the regulations. This decision shall be submitted to the General Assembly for ratification.

12. Presentation to the shareholders, of the donations made by the Company in 2013, and resolution of an upper limit for donations for the year 2014

Pursuant to Article 6 of the CMB's Communiqué on Dividends No. II-19.1, the limit of donations to be made must be determined by the General Assembly, in cases not specified in the Articles of Association, and information concerning the donations and payments made must be provided to shareholders at the General Assembly. Donations totaling TL 1,466,253.75 were made to foundations and associations in 2013. The upper limit of donations to be made in 2014 shall be made by the General Assembly.

13. In accordance with the Capital Markets Board legislation, presentation to the shareholders, of the securities, pledges and mortgages granted in favor of the third parties in the year 2013 and of any benefits or income thereof

Pursuant to Article 12 of the Capital Markets Board Corporate Governance Communiqué No. II-17.1, income or benefits derived by our Company and/or its Subsidiaries from indemnities, mortgages and sureties against third parties must be stipulated in a separate article of the agenda of the General Assembly. This is indicated in footnote No. 31 of our Financial Tables dated 31 December 2013.

14. Authorization of the shareholders with management control, the members of the Board of Directors, the senior executives and their spouses and relatives related by blood or affinity up to the second degree as per the provisions of articles 395 and 396 of the Turkish Commercial Code and presentation to the shareholders, of the transactions carried out thereof in the year 2013 pursuant to the Corporate Governance Communique of the Capital Markets Board

The members of the Board of Directors can do business only with the approval of the General Assembly, as stipulated in the first subsection of Articles 395 and 396 of the TCC entitled Competition Ban and Ban on doing Business with the Company and Borrowing for the Company.

Pursuant to the Capital Markets Board Mandatory Corporate Governance Principles No. 1.3.6, the General Assembly shall be informed in the event that shareholders having managerial control, shareholder board members, senior management and relatives up to the second degree of blood or affinity engaged in a significant business transaction creating a conflict of interest with the Company or its subsidiaries, competed with the company in the same line of business on their own behalf or on the behalf of others, or was involved in the same business as that of the Company as unlimited partner in another company. Information about said transactions must be included as a separate article on the agenda and recorded into the minutes of the General Assembly.

To fulfill the requirements of these regulations, permission shall be sought from the shareholders at the General Assembly and notification that no such transaction was performed in 2013 shall be provided.

15. Wishes and Opinions

APPENDICES:

APPENDIX 1 - Dividend Distribution Policy

See page: 22

APPENDIX 2 - 2013 Dividend Distribution Table

See page: 23

APPENDIX 3 - CVs of Board of Directors Candidates (see page 24) and Independence Declarations of Independent Member Candidates

January 22, 2014

DECLARATION FOR INDEPENDENCY

I hereby declare my candidacy to serve as an independent board member on the Board of Directors of Koç Holding A.Ş. ("Company") within the framework of the applicable legislation, articles of association of the Company and the criteria stated in the Communique on Corporate Governance Principles nr. II-17.1 of the Capital Markets Board ("CMB") subject to the consent of the CMB in view of the criteria of "qualifying *as a Turkish resident under the IncomeTax Law*". In this regard, I also confirm that;

a) In the last five years, there has not been any relationship in terms of employment for key management positions assuming significant duties and responsibilities; any joint or several ownership exceeding 5% of capital or voting rights or privileged rights; or any material commercial transactions between the Company, or the entities where the Company has the managerial control or substantial influence thereon, or any shareholders which has the managerial control or substantial influence over the Company, or any legal entity where such shareholders have the managerial control thereon; and myself, my spouse and my blood or affinity relatives up to the second degree;

b) In the last five years, I have not had a shareholding of or over 5% therein, or been employed by for any key management position, assuming significant duties and responsibilities, in a company, or served as a board member for any company, which the Company purchases from or supplies to any goods or services at a substantial level under any respective contract, particularly for the audit (including tax, legal and internal audit), rating and consultancy services over the course of the provision of such goods or services;

c) I have the adequate skills, competence, knowledge and expertise to fulfill my duties as an independent board member;

d) After my election, I will not work full time in a public institution or organization, except for the academic membership in compliance with the applicable legislation,

e) I have strong ethical standards, professional reputation and expertise to make effective contributions to the business of the Company, to protect my objectivity and independence in case of any conflict of interest between the Company and its shareholders and to make objective business decisions considering the rights of the stakeholders of the Company;

f) I will devote my time to fulfill my duties in full extent and for the supervision of the activities of the Company;

g) In the last ten years, I have not served on the board of the Company more than six years;

h) I do not serve as an independent board member in any Koç Group company or any company listed on Borsa Istanbul.

i) I have not been registered or announced in the name of any legal entity elected as a board member.

Peter D. Sutherland

January 22, 2014

DECLARATION FOR INDEPENDENCY

I hereby declare my candidacy to serve as an independent board member on the Board of Directors of Koç Holding A.Ş. ("Company") within the framework of the applicable legislation, articles of association of the Company and the criteria stated in the Communique on Corporate Governance Principles nr. II-17.1 of the Capital Markets Board ("CMB") subject to the consent of the CMB in view of the criteria of "qualifying *as a Turkish resident under the IncomeTax Law*". In this regard, I also confirm that;

a) In the last five years, there has not been any relationship in terms of employment for key management positions assuming significant duties and responsibilities; any joint or several ownership exceeding 5% of capital or voting rights or privileged rights; or any material commercial transactions between the Company, or the entities where the Company has the managerial control or substantial influence thereon, or any shareholders which has the managerial control or substantial influence over the Company, or any legal entity where such shareholders have the managerial control thereon; and myself, my spouse and my blood or affinity relatives up to the second degree;

b) In the last five years, I have not had a shareholding of or over 5% therein, or been employed by for any key management position, assuming significant duties and responsibilities, in a company, or served as a board member for any company, which the Company purchases from or supplies to any goods or services at a substantial level under any respective contract, particularly for the audit (including tax, legal and internal audit), rating and consultancy services over the course of the provision of such goods or services;

c) I have the adequate skills, competence, knowledge and expertise to fulfill my duties as an independent board member;

d) After my election, I will not work full time in a public institution or organization, except for the academic membership in compliance with the applicable legislation,

e) I have strong ethical standards, professional reputation and expertise to make effective contributions to the business of the Company, to protect my objectivity and independence in case of any conflict of interest between the Company and its shareholders and to make objective business decisions considering the rights of the stakeholders of the Company;

f) I will devote my time to fulfill my duties in full extent and for the supervision of the activities of the Company;

g) In the last ten years, I have not served on the board of the Company more than six years;

h) I do not serve as an independent board member in any Koç Group company or any company listed on Borsa Istanbul.

i) I have not been registered or announced in the name of any legal entity elected as a board member.

Kwok King Victor Fung

January 22, 2014

DECLARATION FOR INDEPENDENCY

I hereby declare my candidacy to serve as an independent board member on the Board of Directors of Koç Holding A.Ş. ("Company") within the framework of the applicable legislation, articles of association of the Company and the criteria stated in the Communique on Corporate Governance Principles nr. II-17.1 of the Capital Markets Board ("CMB") subject to the consent of the CMB in view of the criteria of "qualifying *as a Turkish resident under the IncomeTax Law*". In this regard, I also confirm that;

a) In the last five years, there has not been any relationship in terms of employment for key management positions assuming significant duties and responsibilities; any joint or several ownership exceeding 5% of capital or voting rights or privileged rights; or any material commercial transactions between the Company, or the entities where the Company has the managerial control or substantial influence thereon, or any shareholders which has the managerial control or substantial influence over the Company, or any legal entity where such shareholders have the managerial control thereon; and myself, my spouse and my blood or affinity relatives up to the second degree;

b) In the last five years, I have not had a shareholding of or over 5% therein, or been employed by for any key management position, assuming significant duties and responsibilities, in a company, or served as a board member for any company, which the Company purchases from or supplies to any goods or services at a substantial level under any respective contract, particularly for the audit (including tax, legal and internal audit), rating and consultancy services over the course of the provision of such goods or services;

c) I have the adequate skills, competence, knowledge and expertise to fulfill my duties as an independent board member;

d) After my election, I will not work full time in a public institution or organization, except for the academic membership in compliance with the applicable legislation,

e) I have strong ethical standards, professional reputation and expertise to make effective contributions to the business of the Company, to protect my objectivity and independence in case of any conflict of interest between the Company and its shareholders and to make objective business decisions considering the rights of the stakeholders of the Company;

f) I will devote my time to fulfill my duties in full extent and for the supervision of the activities of the Company;

g) In the last ten years, I have not served on the board of the Company more than six years;

h) I do not serve as an independent board member in any Koç Group company or any company listed on Borsa Istanbul.

i) I have not been registered or announced in the name of any legal entity elected as a board member.

Sanford I. Weill

Sanford I. Weill

January 24, 2014

DECLARATION FOR INDEPENDENCY

I hereby declare my candidacy to serve as an independent board member on the Board of Directors of Koç Holding A.Ş. ("Company") within the framework of the applicable legislation, articles of association of the Company and the criteria stated in the Communique on Corporate Governance Principles nr. II-17.1 of the Capital Markets Board ("CMB") subject to the consent of the CMB in view of the criteria of "qualifying *as a Turkish resident under the IncomeTax Law*". In this regard, I also confirm that;

a) In the last five years, there has not been any relationship in terms of employment for key management positions assuming significant duties and responsibilities; any joint or several ownership exceeding 5% of capital or voting rights or privileged rights; or any material commercial transactions between the Company, or the entities where the Company has the managerial control or substantial influence thereon, or any shareholders which has the managerial control or substantial influence over the Company, or any legal entity where such shareholders have the managerial control thereon; and myself, my spouse and my blood or affinity relatives up to the second degree;

b) In the last five years, I have not had a shareholding of or over 5% therein, or been employed by for any key management position, assuming significant duties and responsibilities, in a company, or served as a board member for any company, which the Company purchases from or supplies to any goods or services at a substantial level under any respective contract, particularly for the audit (including tax, legal and internal audit), rating and consultancy services over the course of the provision of such goods or services;

c) I have the adequate skills, competence, knowledge and expertise to fulfill my duties as an independent board member;

d) After my election, I will not work full time in a public institution or organization, except for the academic membership in compliance with the applicable legislation,

e) I have strong ethical standards, professional reputation and expertise to make effective contributions to the business of the Company, to protect my objectivity and independence in case of any conflict of interest between the Company and its shareholders and to make objective business decisions considering the rights of the stakeholders of the Company;

f) I will devote my time to fulfill my duties in full extent and for the supervision of the activities of the Company;

g) In the last ten years, I have not served on the board of the Company more than six years;

h) I do not serve as an independent board member in any Koç Group company or any company listed on Borsa Istanbul.

i) I have not been registered or announced in the name of any legal entity elected as a board member.

Muharrem Hilmi Kayhan

January 22, 2014

DECLARATION FOR INDEPENDENCY

I hereby declare my candidacy to serve as an independent board member on the Board of Directors of Koç Holding A.Ş. ("Company") within the framework of the applicable legislation, articles of association of the Company and the criteria stated in the Communique on Corporate Governance Principles nr. II-17.1 of the Capital Markets Board ("CMB") subject to the consent of the CMB in view of the criteria of "qualifying *as a Turkish resident under the IncomeTax Law*". In this regard, I also confirm that;

a) In the last five years, there has not been any relationship in terms of employment for key management positions assuming significant duties and responsibilities; any joint or several ownership exceeding 5% of capital or voting rights or privileged rights; or any material commercial transactions between the Company, or the entities where the Company has the managerial control or substantial influence thereon, or any shareholders which has the managerial control or substantial influence over the Company, or any legal entity where such shareholders have the managerial control thereon; and myself, my spouse and my blood or affinity relatives up to the second degree;

b) In the last five years, I have not had a shareholding of or over 5% therein, or been employed by for any key management position, assuming significant duties and responsibilities, in a company, or served as a board member for any company, which the Company purchases from or supplies to any goods or services at a substantial level under any respective contract, particularly for the audit (including tax, legal and internal audit), rating and consultancy services over the course of the provision of such goods or services;

c) I have the adequate skills, competence, knowledge and expertise to fulfill my duties as an independent board member;

d) After my election, I will not work full time in a public institution or organization, except for the academic membership in compliance with the applicable legislation,

e) I have strong ethical standards, professional reputation and expertise to make effective contributions to the business of the Company, to protect my objectivity and independence in case of any conflict of interest between the Company and its shareholders and to make objective business decisions considering the rights of the stakeholders of the Company;

f) I will devote my time to fulfill my duties in full extent and for the supervision of the activities of the Company;

g) In the last ten years, I have not served on the board of the Company more than six years;

h) I do not serve as an independent board member in any Koç Group company or any company listed on Borsa Istanbul.

i) I have not been registered or announced in the name of any legal entity elected as a board member.

K. Çelebican

Kutsan Çelebican

APPENDIX 4 - Remuneration Policy for Board of Directors and Executive Management

See page 25

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 registers 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 TİCARET 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

VEHBİ 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 become 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.

2005-2010

LARGE INVESTMENTS IN ENERGY AND FINANCE

While continuing its path of sustainable growth, Koç Group acquires majority stakes in Tüpraş, **Turkey's largest industrial enterprise** and Yapı Kredi Bank, a giant of the Turkish banking sector.

KOÇ HOLDİNG 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 with an international dimension.

2011-2013

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 revenues, exports, share of the Borsa İstanbul capitalization and employment generation. Awarded nationally and internationally, Koç Holding is the Turkish economy's driving force, continually striving to consolidate its global position. The Holding is today the **217th 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 in accordance with international standards of corporate governance, customer satisfaction, social responsibility and environmental protection principles.

2014

READING THE SPIRIT OF THE TIME!

Koç Holding has defined its slogan for 2014 as "Reading the Spirit of the Time"; throughout its 88-year history, it has succeeded in differentiating itself from its competitors by reading the trends accurately at the right time and 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.

Identity

Trade Name	Koç Holding A.Ş.
Address	Nakkaştepe, Azizbey Sokak No:1 Kuzguncuk 34674 Üsküdar / İstanbul
Trade Registry and Number	İstanbul Trade Registry /85714
Web Site Address	www.koc.com.tr
Registered Capital Ceiling	TL 5,000,000,000
Paid-in Capital	TL 2,535,898,050

Disclaimer

The Board of Directors' Report, Auditors' Report, Consolidated Financial Statements and Independent Audit Report regarding the operations and financials of the year 2013, 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, 2 April 2014 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 reflects 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.

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AWARDS AND ACHIEVEMENTS

Koç Holding continues to be the **only Turkish company on the "Fortune Global 500"** list (the 217th largest according to the 2012 financial results).

Koç Holding was named as **"Most Admired Company" in the world** in the energy sector in **Fortune's** 2013 rankings.

Koç Group remains Turkey's largest industrial group. According **to the Istanbul Chamber of Industry's** "Turkey's Top 500 Industrial Enterprises 2012" ranking, **five of the top ten companies are Koç Group companies.**

Four of the top ten companies in the **Turkish Exporters'** Assembly's ranking of the "Top 1,000 Exporters of Turkey" in 2012 are Koç Group companies (1st, 2nd, 5th and 6th).

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 **eight consecutive years** ranking 614th place in 2013. 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's **"For My Country Project– Donate Your Status"** social media application garnered two awards at the Farmaskop National Health Communication Awards: The **Best Corporate Responsibility Campaign and The Best Disability Awareness Campaign.**

Koç Holding received the **Corporate Social Responsibility Communication of the Year** award at the European Digital Communication Awards 2012, organized by Berlin-based Quadriga University. The award was given for the Holding's **"The High Schools Compete with Vocations"** contest held as part of the **"Vocational Education - a Crucial Matter for the Nation"** project.

"The High Schools Compete with Vocations" project won the **Gold Mixx** award in 2013 in Turkey in the **Social Marketing** category at the Mixx (Marketing and Interactive Excellence) Awards, an international digital creativity and interactive marketing competition.

"The High Schools Compete with Vocations" project garnered **firs place in three categories** at the MediaCat Felis Awards - Target Audience Children and Youth (5-18 years old), Corporate Image and Information, and Philanthropic Institutions, Public Health/Public Awareness-Raising Messages.

"The High Schools Compete with Vocations" project garnered **first place** in the Target Audience - Community Loyalty category of the DP Awards held by the Direct Marketing Communicators Association.

Koç Holding won the **Gold Mixx** in the Social Marketing, Viral, WOMM category and **Bronze Mixx** awards in two categories, Brand Awareness Positioning and Viral category, at the Mixx Awards, one of the most prestigious competitions of the digital world, for its **"10 November" communication campaign** it prepared in 2013. Thereby, it received **awards in all the categories** to which it applied.

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