

KOÇ HOLDİNG
ANNUAL REPORT 2015



We remain deeply saddened by the untimely death of our Chairman
Mustafa V. Koç.

Mustafa V. Koç leaves behind a substantial, highly successful and proud legacy from his 32-year professional career, which included 13 years as Chairman of Koç Holding.

During his tenure as Chairman, groundbreaking investments were undertaken with determination. The Holding's position in the domestic market was reinforced through successful acquisitions. Koç corporate banner was planted in new countries and our international operations expanded. The Holding's and nation's overseas revenues significantly increased through large-scale export projects. Mustafa V. Koç's global vision turned the Holding into one of the world's leading corporations and Koç Holding achieved the honor of being the only Turkish firm on the Fortune 500 list.

During his life, Mustafa V. Koç was committed to the motto of Holding founder Vehbi Koç, "I exist as long as my country exists and prospers." He was not only a leader who took on ambitious business ventures, but also a pioneer in social responsibility projects, which he wholeheartedly embraced to contribute to the nation's social advancement.

Always a firm believer in Turkey's bright future, Mustafa V. Koç leaves behind a permanent mark with his vision, philanthropy, leadership and most important of all, humanitarian values. He was truly a man of the people. A leader who energized and supported his employees, he was also a source of inspiration with his global perspective, determination, values and business ethics.

Going forward, we shall transform Koç Holding from a company with international operations into a truly global company in line with his values, broad vision and dynamism...

We will remember him with respect, affection and gratitude.



Mustafa V. Koç
(1960-2016)

KOÇ GROUP AT A GLANCE

OUR STRATEGY



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


















MINIMIZE SECTOR AND GEOGRAPHIC RISKS THROUGH A DIVERSIFIED PORTFOLIO STRUCTURE

EXECUTION POWER

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

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 ⁽¹⁾
 ENERGY Refinery Fuel Distribution LPG Distribution Power Generation Natural Gas Other	43% 	35% 
 AUTOMOTIVE Automotive Automotive Retailing Farm Tractors Defense Industry	25% 	22% 
 CONSUMER DURABLES White Goods & Consumer Electronics Air Conditioners	10% 	10% 
 FINANCE Banking Leasing Real Estate Investment Trust Factoring Brokerage Asset Management Consumer Finance	15% 	31% 
 OTHER LINES OF BUSINESS Food Production Food Product Distribution Do It Yourself Retailing Tourism Marina Operations Information Technology Ship & Yacht Construction	7% 	2% 

⁽¹⁾ Excluding FX gains/losses and credit finance income/charges on trade receivables and payables.



MAKE THE MOST OF OUR BRAND STRENGTHS AND TECHNOLOGICAL COMPETENCE

SUSTAINABLE GROWTH

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

COMPANIES/INTERNATIONAL PARTNERSHIPS

Tüpraş⁽²⁾
Opet
Aygaz⁽²⁾
Entek
Aygaz Doğal Gaz
Akpa, Demir Export

Ford Otosan⁽²⁾ / Ford Motor Co.
Tofaş⁽²⁾ / Fiat Chrysler Automobiles

Otokoç Otomotiv
TürkTraktör⁽²⁾ / Case New Holland

Otokar⁽²⁾

Arçelik⁽²⁾

Arçelik LG Klima / LG Electronics

Yapı Kredi Bankası⁽²⁾ / UniCredit
Yapı Kredi Leasing
Yapı Kredi Koray⁽²⁾
Yapı Kredi Faktoring
Yapı Kredi Yatırım Menkul Değerler
Yapı Kredi Portföy Yönetimi
Koç Finansman

Tat Gıda⁽²⁾ / Kagome, Sumitomo
Düzey
Koçtaş / Kingfisher
Setur, Divan, Mares⁽²⁾
Setur Marinaları
KoçSistem, Bilkom
RMK Marine

MARKET POSITION

Leader & Sole active refiner
2nd - 18%
Leader - 29%

Leader - 24%⁽³⁾

Leader
Leader - 48%

Leader

Leader

Leader

4th(4), Leader⁽⁵⁾ - 21%
Leader - 20%

Leader - 18%
2nd
2nd
Leader

Leader⁽⁶⁾

Leader

Leader



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

LEADERSHIP

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

COMPETITIVE ADVANTAGES

- Strong refinery complexity
- Wide range of crude oil processing capacity
- Proximity to oil producers in the Middle East
- Operating in a high demand environment
- High storage capacity
- Widespread LPG and fuel oil distribution network
- Strong brand value
- High and sustainable customer satisfaction

- 45% of Turkey's automotive production
- 24% of domestic automotive sales
- 43% of Turkey's automotive exports
- High growth potential due to low penetration rates
- Widest sales, post-sales and service network
- Strong international partnerships
- Highest number of R&D employees in Turkey's automotive industry
- Ongoing investment program
- Focus on efficiency and product diversification
- Turkey's largest private capital defense company

- Low cost production centers: Turkey, Romania, Russia, China, South Africa and Thailand
- Widest sales, post-sales and service network in Turkey
- One of Europe's leading home appliance manufacturers
- Exports to more than 100 countries around the world
- Strong brand value
- Focus on growth with the target of becoming a global brand
- High and sustainable level of customer satisfaction
- Patent champion of Turkey

- Deep rooted experience of 71 years
- Continuously expanding, innovative service and branch network
- Market leading bank with 1,000 branches
- Customer oriented, smart growth strategy
- Strong and diversified funding base
- Structured to deliver a wide range of services that meet all the financial needs of customers under one brand

- Leadership positions in sectors with high growth potential
- Strong brand values
- Widespread distribution networks
- Ongoing investments in line with growth opportunities

⁽²⁾ Publicly traded companies. ⁽³⁾ Ford Otosan, Tofaş and Otokar's share in total domestic automotive sales. ⁽⁴⁾ By asset size among private banks. ⁽⁵⁾ Credit card balances.

⁽⁶⁾ Tomato products, tomato paste, ketchup, premium pasta and pasteurized milk.

CORPORATE VALUES



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

A handwritten signature in black ink, which appears to be 'Vehbi Koç'.

Vehbi Koç
Founder

KOÇ GROUP

KOÇ HOLDİNG: TURKEY'S LEADING INVESTMENT HOLDING COMPANY

KOÇ HOLDİNG IS TURKEY'S LEADING INVESTMENT HOLDING COMPANY AND KOÇ GROUP IS TURKEY'S LARGEST INDUSTRIAL AND SERVICES GROUP IN TERMS OF REVENUES, EXPORTS, TAXES PAID, 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 AIM OF BECOMING AN IMPORTANT PLAYER WORLDWIDE.

CREATING VALUE FOR ITS STAKEHOLDERS FOR 90 YEARS

GROWING STEADILY OVER THE PAST 90 YEARS DESPITE ECONOMIC VOLATILITY IN TURKEY, KOÇ HOLDİNG'S MAIN OBJECTIVE IS TO CREATE VALUE FOR ITS STAKEHOLDERS.

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AGENDA FOR 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 prepared by the Board of Directors for the year 2015,
3. Presentation of the summary of the Independent Audit Report for the year 2015,
4. Presentation for discussion and approval of the Financial Statements of the Company for the year 2015,
5. Release of each member of the Board of Directors from liability for the Company's activities for the year 2015,
6. Approval, amendment and approval, or disapproval of the Board of Directors' proposal on the distribution of profits for the year 2015 and the distribution date,
7. Approval, amendment and approval, or disapproval of the Board of Directors' proposal on the amendment of Article 11 of the Articles of Association of the Company "Board of Directors, Election of Directors and Board Decisions" and Article 12 of the Articles of Association of the Company "Structure, Representation And Delegation Of Powers Of The Board Of Directors,"
8. In the event the amendment of the Articles of Association on item 7 of the agenda is approved, 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 newly 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 on that basis,
10. Resolution of the annual 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 2015, and resolution of an upper limit for donations for the year 2016,
13. In accordance with the Capital Markets Board regulations, presentation to the shareholders of the securities, pledges and mortgages granted in favor of the third parties in the year 2015 and of any benefits or income thereof,
14. Authorization of the shareholders that have 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 2015 pursuant to the Corporate Governance Communique of the Capital Markets Board,
15. Wishes and opinions.

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT

(Convenience translation of a report originally issued in Turkish)

To the Board of Directors of
Koç Holding Anonim Şirketi

Report on the Audit of the Annual Report of the Board of Directors in accordance with the Independent Auditing Standards

We have audited the annual report of Koç Holding A.Ş. ("the Company"), and its subsidiaries and joint ventures (together referred to as "the Group") for the year ended 31 December 2015.

Responsibility of the Board of Directors on the Annual Report

In accordance with Article 514 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Markets Board ("CMB"), the management of the Group is responsible for the preparation and fair presentation of the annual report consistent with consolidated the financial statements and for the internal controls considered for the preparation of a report of such quality.

Responsibility of the Independent Auditor

Our responsibility is to express an opinion, based on the independent audit we have performed on the Group's annual report in accordance with article 397 of the TCC and the Communiqué, on whether the financial information provided in this annual report is presented fairly and consistent with the Group's consolidated financial statements there on which auditor's report dated 15 February 2016 has been issued.

Our independent audit has been performed in accordance with the Independent Auditing Standards as endorsed by CMB and Independent Auditing Standards ("ISA") which are a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the consolidated financial statements. This independent audit involves the application of auditing procedures in order to obtain audit evidence on the financial information. The selection of these procedures is based in the professional judgment of the independent auditor. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited consolidated financial statements in all material respects.

Independent auditor's responsibilities arising from other regulatory requirements

In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code ("TCC") 6102, within the framework of the Independent Auditing Standards 570 "Going Concern," no material uncertainty has come to our attention which causes us to believe that the Company will not be able to continue as a going concern in the foreseeable future.

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



Kaan Birdal, SMMM
Partner

10 March 2016
Istanbul, Turkey

HONORARY CHAIRMAN'S MESSAGE

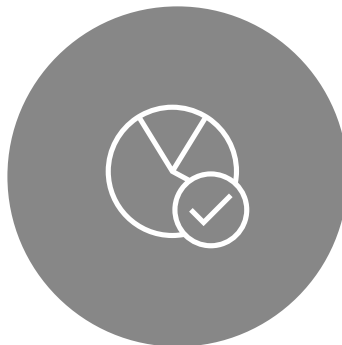


Rahmi M. Koç
Honorary Chairman



ANALYTICAL

We analyze the opportunities through our successful investments and risk management policies.



WELL-PREPARED

We remain vigilant by working on alternative scenarios.



COMPETITIVE

We are focused on technology, innovation, efficiency, and global competition.



IN RECENT YEARS, KOÇ GROUP CONTINUED TO INVEST WITHOUT INTERRUPTION DESPITE DECLINING PRIVATE SECTOR INVESTMENTS.

Esteemed Shareholders,

I greet you with great pleasure and utmost respect and warmly welcome you.

As you all know, the recent sudden and untimely passing of my son Mustafa V. Koç grieved both our family and all of you. Our greatest consolation was the countless messages of condolence we have received from across the country. On behalf of myself and my family, I would like to sincerely thank everyone, including all of you, for this unique solidarity and support.

Last year many major events were witnessed both in Turkey and in the international arena. While new elections and terrorist attacks caused a tumultuous period domestically, the economic and political upheavals around the world showed no signs of easing.

One of the most significant changes of late is the loss of appeal of those countries that international investors had favored in previous years. Of the BRICs, China, Brazil and Russia saw their growth rates decline while India positively decoupled from these slowing economies. Projections that China's pace of economic

expansion would fall below 7% much concerned the world's markets, and especially those with broad economic ties to the country. However, the addition of the Chinese yuan to IMF's SDR currency basket, as the fifth currency, affirmed China's heft in the global economy. From this point on, the Chinese authorities' policies on currency operations will be closely monitored. Market perceptions of Brazil, which was unable to establish political stability, deteriorated due to the pairing of domestic political turmoil with the economic woes. Similarly, Russia's economy began to falter as a result of the ongoing Ukraine issue and plunging oil and natural gas prices.

As the perceptions of emerging markets trended negatively, the US Central Bank (Fed) hiked interest rates in December, for the first time almost in 10 years. This major announcement had a negative impact on countries with external financing needs.

The world's developed economies registered some improvements during the year. The United States recorded solid growth of 2.5% and a healthy unemployment rate of 5% thanks to the prudent policies of the administration. The rate hike by the Fed despite these positive data is noteworthy as it demonstrates the priority placed on inflation in the country.

HONORARY CHAIRMAN'S MESSAGE

In Europe, where our economy and foreign trade are most intertwined, the economic recovery that began in 2014 gained strength last year. While developments in Greece continued to raise concerns about the Eurozone for a while, the last-minute deal reached with creditors put this issue on the back burner for now.

The European countries that teetered on the edge of a full-blown financial crisis a few years ago – Portugal, Italy and Ireland – managed to drop from the headlines thanks to the effective measures they instituted. This bright spot shows that it is possible to turn the corner successfully, even under the most difficult circumstances, if proper economic measures are implemented and populist policies are avoided.

One of the most surprising developments of 2015 was the steep plunge in commodity prices, led by oil. One reason for this was the weakness in global demand during the year. Increased production in the United States, spurred by new drilling technologies, and a glut in overall supply via incremental investments also weighed heavily on oil prices. Add to this mix the lifting of restrictions on Iran's oil exports and OPEC's unwillingness to cut production, and the world oil market became significantly oversupplied.

As plunging commodity and oil prices caused major economic, social, and even political problems in oil exporter countries, this environment allowed importing countries such as Turkey to improve their foreign currency reserves. However, falling prices prompted new concerns, including the prospect of a recessionary contagion passed from producer nations to other countries, and halts in investment in production capacity leading to an eventual decrease in supply and price spikes.

While these events topped the global agenda, two general elections held within a five month time span created political uncertainty in Turkey. Economic activity slowed from time to time, for example when these developments were coupled with terrorist attacks rising during the summer months. On the other hand, geopolitical developments and military rumblings in the region dampened exports to a number of neighboring countries that are significant foreign trade partners with Turkey.

Against this challenging backdrop, Koç Holding demonstrated a very successful performance last year, thanks to the timely measures implemented by the management, and aided by our 90 years of experience. We continued to invest, without interruption, despite the declining private sector investments in recent years. We undertook large-scale projects – to the tune of USD 12 billion over the course of the last four years – that will generate significant value-added for our country and for the Group. The USD 3 billion investment project at Tüpraş commenced operation early last year. This investment alone will reduce Turkey's current account deficit by USD 1 billion annually. During the same period, our automotive companies Ford Otosan and Tofaş launched brand

new, export-oriented models with a combined investment of USD 3 billion. These products met with great success and admiration in both domestic and export markets. They also garnered a number of international awards. In an effort to further bolster its position in the global white goods market, Arçelik continues to make investments, with production starting up at its new factory in Thailand.

We safeguard our robust balance sheet and strong cash flow while we assess the market opportunities through our successful investment and risk management policies and carefully plan our investment projects. On the other hand, we remain vigilant against possible alternative scenarios and focus on technology, innovation, efficiency and global competition. Another area of key importance for the Group is boosting the educational attainment and skills of employees at every level of the organization in an ongoing manner.

A challenging period awaits us, not just economically and operationally, but also in terms of corporate social responsibilities. Our Group's commitment to always strive for the best, as part of Koç Group's founding principles, also guides the fulfillment of our social responsibilities. We are always working to generate significant benefits for our country in healthcare, education, arts and culture through our hospitals, schools, universities, museums, research centers and dozens of other projects and we will continue to move forward in this direction.

Dear Shareholders,

This is a meaningful year for us as the 90th anniversary of the foundation of the Group. We will continue to adhere to core values such as strong corporate governance, transparency and continuity in management that have allowed us to sustain our leadership position for such a long time. We have always appreciated the value of your support, confidence, and contributions in our successful results, and we will continue to do so.

I would like to extend my gratitude once again to our shareholders, customers, dealers, suppliers, subsidiary companies, business partners, trade unions, managers and employees for their support in achieving last year's results, as well as their comforting condolences for our great loss.



Rahmi M. Koç
Honorary Chairman

We had a very successful performance last year thanks to the timely measures implemented by the management, aided by our 90 years of experience.

We have invested a total of **USD 12 billion** over the last four years.

Our Group's commitment to always strive for the best also guides the fulfillment of our social responsibilities.

CORPORATE GOVERNANCE, TRANSPARENCY
AND CONTINUITY IN MANAGEMENT: THE
VALUES THAT ENABLED US TO SUSTAIN OUR
LEADERSHIP POSITION FOR 90 YEARS.

Leadership

CHAIRMAN'S STATEMENT



Mustafa V. Koç
Chairman of the Board of Directors



VALUE-ORIENTED

We strive to work for our country and partner with our stakeholders to generate common benefit.



INSTITUTIONALIZED

We are committed to universal values, business ethics, and our corporate culture.



STRATEGIC

We are preparing for the new rules of competition by assessing the prevailing trends correctly.

BY SHARING HIS LAST STATEMENT, WE ONCE AGAIN REMEMBER OUR CHAIRMAN, WHO PASSED AWAY ON JANUARY 21, 2016, WITH RESPECT, AFFECTION, AND GRATITUDE.



WE MAINTAIN OUR LONG-TERM PERSPECTIVE AND OUR PASSION TO BE THE BEST UNDER ALL CIRCUMSTANCES.

Esteemed Koç Holding investors and stakeholders, dear business partners and employees,

In the year 2015, we witnessed a number of important political, economic and social developments set to shape our future. These developments changed the risk perception in global markets and led to new discourses in politics, while proving the importance of social peace to the entire world once again.

Geopolitical developments, along with rising uncertainty, and loss of stability in certain countries, remained at the top of the public agenda in 2015. The largest refugee flow of recent years took place in our region, with very important social consequences. In addition to this flow of refugees, symbolized in losses of many lives, we were deeply shocked by terrorist attacks that took place in Turkey and the world, targeting innocent civilians. Due to rising incidents of terrorism, the world shifted its attention to our region, which had dire consequences on Turkish commerce, a lifeline of the economy.

On the economic front, foreign risk factors were translated into price increases, which triggered a reversal of global capital flows to commodity-exporting countries. As for Turkey, despite two general elections in five months, political and economic hardship in our export markets, the Fed's interest rate decision and the slower-than-anticipated recovery in Europe, the year 2015 was a generally positive era for our national economy. Considered to be the vulnerable underside of the national economy for many years, the current account deficit fell by a considerable margin.

Market fluctuations, which are the reflections of geopolitical risks to a large extent, and the 25% depreciation of the TL against the dollar, had a negative impact on growth figures. However, despite these challenges, the year 2015 was yet more proof of the resilience and strength of the national economy and companies. Domestic demand remained generally strong especially in industries such as automotive, housing and durable white goods. Furthermore, foreign, especially European, demand for the automotive sector and durable white goods led to a better export performance.

CHAIRMAN'S STATEMENT

Koç Group maintained its successful operations and began to reap the benefits of its long-term investments in 2015. The Group continued to make bold new investments resolutely, grow steadily, and enhance its competitive strength amid the growing uncertainties and fluctuations in today's global business environment.

We owe this strength to the characteristics that we built through 90 years of experience and know-how. These include:

- Our focus on working for our country and creating common benefit with our stakeholders at all times,
- Our commitment to global values, business ethics, and our corporate culture,
- Our ability to adapt the Group to the new competitive environment by assessing the prevailing trends correctly,
- And maintaining our long-term perspective and our passion to be the best under all circumstances.

In addition to these virtues, we continued to solidify our leadership with our strategy and management capabilities in 2015, and to create value for our stakeholders. We continued to pay particular attention to our management quality and risk management systems in order to be able to grow sustainably and manage our way through all possible turbulences. We maintained a sound financial position in order to be prepared for new ventures at all times. We continued to develop strong leadership skills and corporate capabilities that will lead the Group into the future.

We are proud to see the positive outcomes of these elements that we managed painstakingly in our financial results, stakeholder relations, and the shareholder value we created.

In addition to its economic success, Koç Group also maintained its stewardship in creating social benefits. The Vehbi Koç Foundation increases its influence in the areas of education, healthcare, and culture with each passing year with its invaluable institutions and pioneering initiatives, continuing to make us proud of its accomplishments.

In addition to the Foundation and the Group's respected institutions, we continued to create "shared value" through valuable social responsibility projects that are undertaken both under Koç Holding umbrella and by the individual Group companies. We take great satisfaction in watching our projects, carried out with the participation of our employees and our dealers with a strategic long-term perspective, generate permanent solutions.

I would like to share with you an African proverb which I appreciate very much: "If you want to go quickly, go alone. If you want to go far, go together." At Koç Group, our aim is to go far, in line with our global vision. Due to this reason, we shall continue on this long journey, as always, shoulder to shoulder with our employees, dealers, suppliers and business partners, as a robust team. I believe that this partnership with stakeholders is the secret underlying our leadership and the guarantee of our future achievements.

As a result of this teamwork, we turned many of our dreams into reality. We expanded our Group, initiated new partnerships and reinforced our leadership. Our next dream is to achieve much more ambitious accomplishments in the international arena, to carry overseas our well-established leadership on the domestic front, and to reinforce our portfolio with companies and organizations operating in the global arena. I wholeheartedly believe that we shall make this dream come true as well.

I would like to take this opportunity to thank our shareholders, customers, dealers, business partners, trade unions, managers, and employees for sustaining our economic and social accomplishments and moving us forward toward a better future for many years.

Respectfully yours,



Mustafa V. Koç
Chairman of the Board of Directors

We continued to develop strong leadership skills and corporate capabilities that will lead our Group into the future and achieve our global vision and goals.

My dream for our Group is to register much more significant and much larger accomplishments on the international stage.

WE ARE MOVING FORWARD SHOULDER TO SHOULDER WITH OUR STAKEHOLDERS.

Sustainability

BOARD OF DIRECTORS' REPORT

Esteemed Shareholders,

Welcome to Koç Holding's 52nd General Assembly Meeting.

We hereby present for your evaluation Koç Holding's 2015 Annual Report. The first section of the report provides general information about Koç Holding, its goals, strategies and operations in 2015, 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 2015, 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 the communique numbered II-14.1 "Communique on the Principles of Financial Reporting in Capital Markets" 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 year-end exchange rates.

Dear Shareholders,

I would now like to share, on behalf of Koç Holding's Board of Directors, our main assessments of the fiscal year ending 31 December 2015.

ECONOMIC DEVELOPMENTS

Overview of 2015 and Expectations for 2016

The world economy, unable to completely shake off the effects of the global financial crisis, demonstrated disappointing growth in 2015. According to the latest IMF projections, global economic growth of 3.1% in 2015 underperformed that of 2014, itself a lackluster year.

While lingering below pre-crisis levels, economic expansion in the developed countries continued to improve moderately. Growth in the United States, estimated at 2.5%, had a favorable impact on the job market with the unemployment rate declining to 5%. Even though the inflation rate remains significantly below the targeted level, the Federal Reserve announced a rate hike in December for the first time almost in 10 years.

Despite the relatively strong economic expansion in the developed world, growth in emerging markets was weak in 2015. After depending on exports and investments to drive economic growth for many years, China began looking for ways to stimulate domestic demand in the aftermath of the global crisis to cushion ebbing external demand. However, the expansionary fiscal and monetary policies pursued by China proved inadequate in spurring domestic demand to targeted levels. China's growth rate began to decline, dropping all the way down to 7% in 2015. This resulted in weaker economic expansion in many countries whose economies are linked directly or indirectly to China.

INFLATION (CPI) (%)

2016 Projection of Central Bank of Turkey	7.5
2015	8.8
2014	8.2

The slowdown in many countries led by China caused commodity prices to plunge. Anemic worldwide demand for commodities coupled with rising supply put pressure on commodity prices. Although a significant benefit for net commodity importers such as Turkey, falling commodity prices are putting a strain on many commodity-exporting countries, led by Brazil and Russia.

While the world grapples with these developments, two general elections held in Turkey within the span of five months riddled the country's agenda with uncertainties. In addition, confidence in the economy was shaken from time to time due to terrorist attacks that re-erupted during the summer months as well as the resulting security concerns. Coinciding with a period of weak risk appetite toward emerging markets globally, these developments weighed heavily on Turkish financial markets throughout the year.

Despite these difficulties both in the world and in Turkey, the Turkish economy outperformed expectations in 2015. Domestic demand grew sharply, particularly in the first eight months of the year, in the housing, automotive, and white goods industries. Agricultural output grew strongly in 2015 due in part to favorable weather conditions. Thanks to these favorable developments, the Turkish economy expanded 3.4% in the first three quarters of 2015, with full year growth expected to come in between 3.0% and 3.5%.

CURRENT ACCOUNT DEFICIT / GDP (%)

2016 Government's Projection	3.9
2015	4.4
2014	5.8

In 2015, inflation hovered far above the 5% target set by the Turkish Central Bank. Certain tax increases in the beginning of the year, fluctuations in food prices and a weak TL all pushed up the inflation rate which closed the year at 8.8%. Inflation is expected to drop to around 7.5-8.0% in 2016 as a result of falling commodity prices, especially oil prices, and a high base year effect.

Turkey's exports to Europe increased in euro-denominated terms thanks to the economic rebound there. However, difficulties in other major export markets, led by Russia and the Middle East, did not allow exports to contribute to growth at the desired levels. Turkey's total exports declined 8.7% in 2015 in US dollar terms, hampered by the appreciating US dollar against the euro. On the flipside, sharply lower oil and other commodity prices reduced Turkey's import bill in 2015. Total imports were down 14.4% in 2015 due in part to weak intermediate goods imports, since investments were also weak during the year. As a result of the larger drop in imports than in exports, both the foreign trade deficit and the current account deficit contracted in 2015.

THE TURKISH ECONOMY: KEY INDICATORS

	2014	2015	2016 GOVERNMENT'S PROJECTIONS ⁽¹⁾
GDP (USD billion)	799	722 ⁽¹⁾	736
Growth (%)	2.9	4.0 ⁽¹⁾	4.5
Inflation (CPI, %)	8.2	8.8	7.5 ⁽²⁾
Budget Deficit / GDP (%)	1.3	1.2	1.3
Exports (USD billion)	157.6	143.9	155.5
Imports (USD billion)	242.2	207.2	210.7
Current Account Deficit / GDP (%)	5.8	4.4 ⁽¹⁾	3.9

⁽¹⁾ 2016-2018 Medium Term Program of the Turkish Government.

⁽²⁾ Projection of Central Bank of Turkey.

BOARD OF DIRECTORS' REPORT

KOÇ GROUP AND KOÇ HOLDİNG

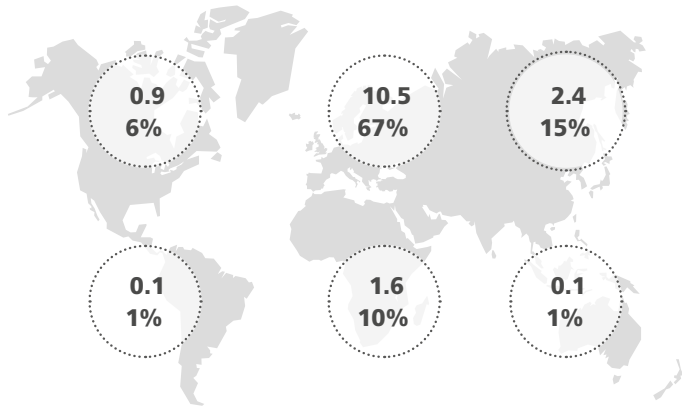
General Assessment of 2015

With its strong domestic and international position, Koç Holding is among the leading companies globally. In 2015, it was ranked 381st in the Fortune Global 500 list, as one of the world's largest 500 companies.

Koç Group's combined revenues correspond to 7% of Turkey's GDP, while our listed subsidiaries in total make up 18% of Borsa Istanbul's market capitalization. The total combined exports of our subsidiaries and joint ventures make up nearly 9% of Turkey's total exports.

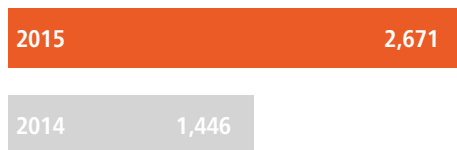
Through our strategy of diversifying and expanding our global reach, we achieved market share gains in our existing markets, and also expanded into new ones. Our companies maintained their leadership position among Turkey's top exporters in 2015.

2015 REGIONAL BREAKDOWN OF INTERNATIONAL REVENUES (COMBINED-USD BILLION)



In 2015, the main developments in our businesses were as follows:

NET PROFIT OF ENERGY COMPANIES (COMBINED-TL MILLION)



85%
INCREASE



In 2015, combined net profit of our energy companies increased by 85% and reached TL 2.7 billion.

- ✓ Due to the start of full-capacity production of the Residuum Upgrade Project in May 2015, which came on line at year-end 2014 with test production, as well as the high margin refining outlook, Tüpraş achieved 28.8 million tons of charge, 27.6 million tons of which was crude oil, with a record capacity utilization of 102.5%. Due to the rising production volume and effective selling strategies, the Company sold 28.7 million tons of products, 22.2 million tons in the domestic market and 6.5 million tons in exports, up 6.5 million tons, or 29%, compared to 2014.
- ✓ Opet renewed its dealership agreements in 2015. The company completed this process with an increase in the number locations as well as in sales. Opet maintained its market share in the fuel distribution sector, which grew about 11% in 2015, bolstering its position as the second largest player in the market.
- ✓ Aygaz maintained its leading position in the LPG market with 29% market share. The company expanded its auto gas distribution network by 7% to more than 1,700 licensed auto gas stations.
- ✓ In 2015, Demir Export commissioned Turkey's first fully mechanized underground coal mine in Manisa Soma.
- ✓ Entek generated TL 179 million in sales revenue from natural gas-fired plants, TL 36 million from hydroelectric plants, TL 128 million from trade in 2015 while combined revenue amounted to TL 343 million.

SALES REVENUES OF AUTOMOTIVE COMPANIES (COMBINED-TL MILLION)

34%
INCREASE



Combined revenues of our automotive companies increased 34% in 2015 and reached TL 35.9 billion. As our companies maintained their strong positions, Koç Group's leadership continued in the Turkish automotive market which rose 25% YoY and reached a record level.

- ✓ Production of the Group's automotive companies totaled 617,000 vehicles with an annual increase of 31%, constituting 45% of Turkey's total production.
- ✓ With an annual rise of 29%, we exported 427,000 vehicles, comprising 43% of Turkish automotive exports.
- ✓ Koç Group Companies accounted for 24% of domestic sales, with Ford Otosan ranking 2nd and Tofaş 4th in the market.
- ✓ After completing its investments, increasing production capacity, and rolling out new models in 2014, Ford Otosan registered significant accomplishments and broke records in numerous areas with its new manufacturing facilities and product range in 2015. The commercial vehicle segments led the domestic market share gains, while new passenger car models were launched during the

year. Ford Otosan exported a record-breaking number of vehicles; as a result, it became the largest exporter in Turkey in 2015 after being the export champion of the Turkish automotive industry for four consecutive years.

- ✓ Tofaş accounted for 20% of total production in Turkey with a volume of 278,000 vehicles and 17% of Turkey's overall automotive exports with 174,000 units in 2015. Egea, launched in November, placed among top three best-selling sedan models in December. The company also began marketing Egea in the EMEA export markets under the Tipo brand. In addition, Tofaş was recognized with the "Best R&D Center" award in the automotive industry.
- ✓ TürkTraktör sold 14,122 tractors in overseas markets and 33,002 tractors in Turkey in 2015. The company set new records in its 61-year history with a production volume of 47,536 tractors and more than EUR 1 billion in revenue. During the year, the 50,000th tractor rolled off the assembly line at the Sakarya Erenler factory, which had commenced service in 2014.
- ✓ Otokar closed 2015 as Turkey's top bus manufacturer for the sixth time while becoming the top small bus exporter. The company also maintained its position as a leading land vehicles manufacturer in Turkey for the defense industry. Nearing the end in its design efforts for ALTAY, Turkey's main battle tank project, Otokar built its mass manufacturing infrastructure and put together its proposal.
- ✓ Otokoç sold some 79,000 new vehicles with 8% market share. Continuing to grow both in the short-term car rental market and in the operational leasing.

OPERATING PROFIT OF ARÇELİK (CONSOLIDATED-TL MILLION)

13%
INCREASE

2015 1,157

2014 1,024



* 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 to maintain consistency with prior years' operating profit calculation.

Despite challenging conditions in both local and export markets, Arçelik increased its operating profit from TL 1.0 billion in 2014 year-end to TL 1.2 billion in 2015 year-end, with a rise of 13%. In addition to its strong leadership in the Turkish market, Arçelik continued to raise its market share in many overseas markets and bolstered its number 3 ranking in terms of total white good sales in Europe.

- ✓ The Turkish white goods market grew 6% in 2015 to 7.1 million units.
- ✓ Maintaining its undisputed leadership in the Turkish white goods market, Arçelik ranked second in Europe under the Beko brand while leading the market in free-standing white goods.
- ✓ The Beko brand is the market leader in six products in Poland as well as in free-standing white goods in France and in Italy; it ranks second in the UK white goods market.
- ✓ The Thailand manufacturing plant, whose foundation was laid in 2015, rolled out its first refrigerator in December.

- ✓ Arçelik bolstered its market presence in Southeast Asia with the new offices in Malaysia and Vietnam.
- ✓ The number of overseas sales offices rose to 27 after the opening of Beko Balkans in Serbia.
- ✓ Arctic in Romania and Defy in South Africa preserved their market leadership by a large margin.
- ✓ Arçelik-LG maintained its market leadership with a domestic market share of 50%, owing to its innovative approach and strong technological infrastructure, as well as a wide distribution and service network. The company is boosting its productivity and competitiveness with the new products it develops, such as the fan-coil and the heat exchanger.

TOTAL CASH LOANS OF YAPI KREDİ (CONSOLIDATED-TL MILLION)

21%
INCREASE

2015 152,489

2014 125,534



Celebrating its 71st anniversary in 2015, total cash loans of Yapı Kredi rose to TL 152.5 billion.

- ✓ In 2015, Yapı Kredi continued to pursue its growth strategy that was initiated in 2014 in order to reinforce its market position and achieve sustainable profitability over the long term.
- ✓ Yapı Kredi opened 77 new branches in 2014 and 2015, expanding its total network to 1,000 branches, while increasing headcount by 2,661 to 19,345 employees.
- ✓ Continuing to expand its alternative delivery channels, Yapı Kredi placed in service 1,299 new ATMs in the last two years while the digital banking customer base surged 80%, climbing to 2.6 million.
- ✓ As a result of these investments, the pace of customer acquisitions accelerated compared to previous years, as the number of new active customers increased by 1.2 million in two years, rising to 11 million.
- ✓ Yapı Kredi's total cash and non-cash loans grew 21% in 2015. By this measure, it ranks fourth among all banks with 11% market share while ranking third among private sector banks with a 17% share. Yapı Kredi's market share in cash loans rose 10 basis points to 10.3%.
- ✓ Total deposits volume grew by 21%, at a rate the sector average, and Yapı Kredi's market share grew by 20 basis points to reach 10.2%.

Tat Gıda, our company in the food industry, continued to bolster its market position and brand perception with young and healthy new products. The company increased its capacity utilization and profitability in the tomato products segment in 2015 while raising its dairy processing capability to 1,200 tons per day thanks to its investments in the cheese segment.

Koçtaş is the leader in the Do It Yourself retailing market with 45 Koçtaş and 12 KoçtaşFix stores in 22 provinces boasting a combined sales area of 241,000 square-meters. The company served some 11.5 million customers in 2015.

BOARD OF DIRECTORS' REPORT

KOÇ HOLDİNG CONSOLIDATED FINANCIAL STATEMENTS (TL MILLION)	2015	2014	CHANGE %
Revenues	69,492	68,622	1
Operating profit	6,677	3,222	107
Profit before tax	5,557	3,181	75
Profit for the year	5,829	4,214	38
Profit for the year attributed to equity holders of the parent	3,568	2,710	32
Earnings per share (Kr)	1.407	1.069	32
Earnings before interest, taxes, depreciation and amortization - EBITDA	7,944	4,180	90
Operating profit/Revenues (%)	9.6	4.7	4.9 ⁽¹⁾
Total assets	72,985	63,941	14
Total liabilities	39,309	34,640	13
Total equity	33,676	29,301	15
Equity attributed to equity holders of the parent	23,135	20,348	14
Capital expenditures	3,798	4,416	-14
Depreciation and amortization	1,266	958	32
Revenues / Total assets (%)	0.95	1.07	-0.12 ⁽¹⁾
Operating profit / Total assets (%)	9.1	5.0	4.1 ⁽¹⁾
Return on equity (%)	18.2	15.4	2.9 ⁽¹⁾
Current ratio	1.43	1.33	0.11 ⁽¹⁾
Total liabilities/Total equity	1.2	1.2	0 ⁽¹⁾

⁽¹⁾ 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 2015 due to its diversified and balanced portfolio structure, strong cash position, prudent risk management and productivity-raising practices.

Koç Holding's combined revenues increased 8% YoY to TL 144,311 million in 2015. After TL 71,183 million is deducted due to accounting of joint ventures by equity method and TL 3,636 million is deducted for consolidation eliminations and adjustments in accordance with international accounting standards, net consolidated sales revenue of Koç Holding amounted to TL 69,492 million.

Koç Holding's consolidated operating profit increased 107% YoY to TL 6,677 million, with consolidated profit before tax up 75% YoY to TL 5,557 million.

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

32%
INCREASE

2015

3,568

2014

2,710



Consolidated net profit in 2015 rose 38% to TL 5,829 million. Net profit attributed to equity holders of the parent grew 32% YoY to TL 3,568 million.

At end-2015, Koç Holding's total consolidated assets were up 14% YoY to TL 73 billion. Total consolidated equity attributed to equity holders of the parent company grew 14% YoY to TL 23.1 billion at the end of the year.

Capital expenditures (capex) for the year reached TL 3.8 billion on a consolidated basis and TL 6.8 billion on a combined basis (excluding advances payments). The majority of capex was diverted to the automotive sector for projects related to new model and factory investments as well as fleet purchases. The energy sector followed with investments in energy efficiency, operational efficiency and profitability enhancement as well as environmental investments and fuel station investments. Consumer durables was third with investments in new models and technologies that are environmentally-friendly.

Group companies generated combined international sales of USD 15.7 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 Koç Holding's TL 2.5 billion in issued capital is more than indemnified with its TL 23.1 billion total equity attributable to the equity holders of the parent as of 31 December 2015 and that the Company's net financial debt/ total equity multiple of 0.44 was sufficient to continue operations in a healthy manner.

Employment and Union Relations

Koç Holding's employees, including its subsidiaries and joint ventures, numbered 91,304 at the end of 2015. On a sector basis, the highest number of employees was in the consumer durables sector, with 29% of total employees. The automotive sector employed 28% of the Group total, while the finance sector employed 21% of the total.

Collective bargaining negotiations were completed at Tüpraş, Yapı Kredi, Tat Gıda, Demir Export, Ditaş, RMK Marine, and Aygaz (shipbuilding sites) in 2015. In keeping with developments across all of Turkey, 2015 was an eventful year in terms of labor relations in our companies in the metals industries. Some of our companies experienced disruptions in production due to the actions that afflicted the Turkish automotive industry during May and June.

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 contributions.

In 2016, Koç Group will continue to operate towards its objective of profitable and sustainable growth and maintain a 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,

Board of Directors

INDEPENDENT AUDITOR'S REPORT (INTRODUCTION & OPINION)

Independent Auditor Report's conclusion section is available in full detail on page 171, and introduction and conclusion sections are provided for your information here below:

Introduction

We have audited Koç Holding Joint Stock Company's ("Koç Holding" or "Company"), its associate companies' and business partners' (will be referred as the "Group") consolidated balance sheets of the 31st of December 2015, consolidated income statements for the year ending on the same date, other consolidated comprehensive income statements, consolidated statements of changes in equity, consolidated cash flow statements, and footnotes summarizing the important accounting policies, and attached consolidated financial statements composed of other descriptive notes.

Conclusion

We have concluded that the attached consolidated financial statements do indicate Koç Holding Joint Stock Company's, its associate companies' and business partners' financial status as of the 31st of December 2015, and their financial performances for the accounting period ending on the same date, and their cash flows, in conformity with the Turkish Accounting Standards truly reflecting facts including all important aspects.

KOÇ HOLDİNG A.Ş. CONSOLIDATED BALANCE SHEET

TL 000	2015	2014
Total Current Assets	29,992,478	25,230,847
Total Non-current Assets	42,992,424	38,710,161
TOTAL ASSETS	72,984,902	63,941,008
Total Short Term Liabilities	20,902,762	19,016,744
Total Long Term Liabilities	18,406,542	15,622,795
TOTAL LIABILITIES	39,309,304	34,639,539
TOTAL EQUITY	33,675,598	29,301,469
TOTAL LIABILITIES & EQUITY	72,984,902	63,941,008

KOÇ HOLDİNG A.Ş. CONSOLIDATED INCOME STATEMENT

TL 000	2015	2014
Total Revenue	69,491,707	68,622,432
Total Costs	-58,038,031	-61,110,517
Gross Profit	11,453,676	7,511,915
Operating Profit	6,677,310	3,221,912
Profit before Tax	5,557,102	3,181,007
Tax Income/Expense	272,249	1,033,275
Profit for the Period	5,829,351	4,214,282
Equity Holders of the Parent	3,567,593	2,710,145
Earnings per Share (Kr)	1.407	1.069

2015 BOARD OF DIRECTORS*,**



Rahmi M. Koç
Honorary Chairman



Mustafa V. Koç***
Chairman of the Board



Temel K. Atay
Vice Chairman



Ömer M. Koç***
Vice Chairman



Semahat S. Arsel
Member



Ali Y. Koç***
Member



Dr. Bülent Bulgurlu
Member



Prof. Dr. John H. McArthur
Member



Prof. Dr. Heinrich V. Pierer
Member

* For the CVs of the BoD members, see page 154-155.

** For information about the BoD and executive management members' transactions on behalf of themselves or someone else within the framework of the permission granted 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 268).

*** The Chairman of our Board of Directors, Mr. Mustafa V. Koç, passed away on the 21st of January 2016. The Board of Directors has decided to appoint, until the first General Assembly to be held, the Vice Chairman of the Board of Directors, Mr. Ömer M. Koç, as the Chairman of the Board of Directors, and the Member of the Board of Directors Mr. Ali Y. Koç for the vacant position of the Vice Chairman.



Peter Denis Sutherland
Member



Dr. Kwok King Victor Fung
Independent Member



Muharrem Hilmi Kayhan
Independent Member



Kutsan Çelebican
Independent Member



Mustafa Kemal Olgaç
Independent Member



Jacques Albert Nasser
Independent Member

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, a 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, the long-term strategy of our Group, the capital requirements of our Company, our affiliates and subsidiaries, our investment and financing policies, profitability and cash position, a 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 Capital Markets Legislation is allocated to Koç Holding Pension and Assistance Foundation. Additionally, without prejudice to the first level dividend established under 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 to be paid to holders of usufruct certificates cannot exceed 1/10 of the amount remaining from the net profit after the deduction of the first series of the legal reserve fund and first level dividend to shareholders established under Capital Markets Legislation.

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

It is expected to distribute dividends within a month following the General Assembly Meeting at the latest. The General Assembly decides the date of the dividend distribution. The 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 it is done in parallel with Capital Markets Board regulations.

DIVIDEND PROPOSAL

It is concluded that, TL 3,502,140,915.57 is determined as distributable dividend base after deduction of 5% legal reserve stated under Article 519 of the Turkish Commercial Code amounting to TL 65,452,084.43 from the net profit achieved in the consolidated financial statements for the accounting period of 1 January - 31 December 2015 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 3,503,500,360.57 is determined as first category dividend base after the addition of donations made to foundations and associations amounting to TL 1,359,445.00 to distributable dividend base.

Meanwhile, TL 1,243,589,604.14 is determined as distributable profit after deduction of 5% legal reserve stated under article 519 of the Turkish Commercial Code amounting to TL 65,452,084.43 from the net profit achieved in the statutory financial statements.

We are submitting the following decisions for the approval of the Shareholders General Assembly:

- i. By considering Capital Market Board Regulations and Company Articles of Association, the profit distribution is determined as:

TL 175,175,018.03	As first category dividend to shareholders,
TL 10,000,000.00	To Koç Holding Foundation for Pensions and Assistance as per Article 19/c of our Articles of Association
TL 101,260,380.39	To holders of usufruct certificates as per Article 19/d of our Articles of Association,
TL 562,771,314.52	As second category dividend to shareholders,
- ii. The sum of first category dividend and second category dividend amounting TL 737,946,332.55 is proposed to be paid in cash;
- iii. Dividend payments of TL 737,946,332.55, TL 101,260,380.39 payment allocated to usufruct shareholders and TL 10,000,000.00 payment allocated to Koç Holding Foundation for Pensions and Assistance, amounting to a total amount of TL 849,206,712.94 will be paid in cash and sourced from current year taxable earnings.
- iv. 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 0.2910 for shares with a nominal value of TL 1 (29.1%) and, to the rest of our shareholders as gross TL 0.2910 (TL 0.24735 net) for shares with a nominal value of TL 1 (gross: 29.10%; net: 24.735%).
- v. 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 394,382,891.20, is transferred to extraordinary reserves.
- vi. The profit distribution date is determined as 12 April 2016.

DIVIDEND DISTRIBUTION TABLE

KOÇ HOLDİNG A.Ş. PROFIT DISTRIBUTION PROPOSAL FOR 2015 (TL)		
1. Paid-in capital		2,535,898,050.00
2. General legal reserves (as per statutory records)		434,131,844.88
Information concerning preferred shares, if, as per the Company's 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	5,557,102,000.00	1,412,194,068.92
4. Taxes (-)	-272,249,000.00	103,152,380.35
5. NET PROFIT (=)	3,567,593,000.00	1,309,041,688.57
6. Prior years' losses (-)	-	-
7. Legal reserve fund (-)	65,452,084.43	65,452,084.43
8. NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	3,502,140,915.57	1,243,589,604.14
9. Grants made during the year (+)	1,359,445.00	
10. NET DISTRIBUTABLE PROFIT INCLUDING GRANTS	3,503,500,360.57	
First category dividend to shareholders		
11. - Cash	175,175,018.03	
- Shares	-	
- TOTAL	175,175,018.03	
12. Dividends distributed to preferred shareholders	-	
13. OTHER DIVIDENDS DISTRIBUTED	10,000,000.00	
- Members of the Board of Directors	-	
- Employees (Koç Holding Pension and Assistance Foundation)	10,000,000.00	
- Non-shareholders	-	
DIVIDENDS DISTRIBUTED TO HOLDERS OF USUFRUCT RIGHT		
14. CERTIFICATES	101,260,380.39	
15. SECOND CATEGORY DIVIDEND TO SHAREHOLDERS	562,771,314.52	
16. Legal reserve fund	-	
17. Status reserves	-	
18. Special reserves	-	
19. EXTRAORDINARY RESERVES	2,652,934,202.63	394,382,891.20
Other sources planned for distribution		
- Prior years' income	-	
20. - Extraordinary reserves	-	
Other distributable reserves as per the legislation and Articles of Association		
	-	

KOÇ HOLDİNG A.Ş. INFORMATION ON DIVIDEND PER SHARE FOR 2015

GROUP	TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND		DIVIDEND PER SHARE FOR TL 1	
			AMOUNT / NET		NOMINAL VALUE	
	CASH (TL)	SHARES (TL)	FOR THE PERIOD	RATIO (%)	AMOUNT (TL)	SHARE (%)
A	197,523,065.89		5.64		0.291000	29.1000
NET B (registered as legal entities)	127,049,497.08		3.63		0.291000	29.1000
B (unknown shareholders)	351,367,704.15		10.03		0.247350	24.7350
TOTAL	675,940,267.11		19.30			

(*) Preferred shares do not have privileges in dividends.

(**) No withholding tax is calculated for all 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 Group B shareholders are subject to withholding tax.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

After receiving approval from the Capital Markets Board and Ministry of Customs and Trade for amendments to Articles of Association Article 11, pertaining to the Board of Directors, "Election of Board Members and Board Resolutions," and Article 12, relating to the "Board of Directors Division of Tasks, Representation and Transfer of Management," it was decided at the Board of Directors meeting dated 1 February 2016 to submit the proposed changes for the approval of shareholders at the next General Assembly.

The texts of the amendments to the Articles of Association approved by the Capital Markets Board on February 5, 2016 as well as by the Ministry of Customs and Trade on February 23, 2016 and submitted to the shareholders as Item 7 of the General Assembly are as follows:

FORMER TEXT

ARTICLE 11: BOARD OF DIRECTORS, ELECTION OF DIRECTORS, AND BOARD DECISIONS

- 11.1.** Without prejudice to the non-transferable powers of the General Assembly of Shareholders pursuant to the relevant provisions of the Turkish Commercial Code, the Company will be managed and directed by a Board of Directors consisting of minimum 9 and maximum 15 members to be elected by the General Assembly of Shareholders in accordance with the relevant articles of the Turkish Commercial Code, and regulations of the Capital Markets Board. Number and qualifications of independent members of the Board of Directors will be governed by the regulations of the Capital Markets Board pertaining to Corporate Governance Principles.
- 11.2.** Members of the Board of Directors are elected for a maximum term of three years. Any Director whose term of office is over may be re-elected.
- 11.3.** The General Assembly of Shareholders is authorized to determine the number of and to elect members of the Board of Directors. Without prejudice to the obligations with regard to independent members arising out of the Corporate Governance Principles of the Capital Markets Board, the General Assembly of Shareholders may at all times replace all or any of the Directors if and when deemed necessary pursuant to provisions of article 364 of the Turkish Commercial Code.
- 11.4.** If and when a vacancy occurs in the Board of Directors for any reason whatsoever, the Board of Directors temporarily elects a member who is eligible and meets the legal requirements, and submits such election to the approval of the next subsequent meeting of the General Assembly of Shareholders. If any independent member loses its independence, or resigns, or becomes incapable of performing its duties, the procedures envisaged in the pertinent regulations of the Capital Markets Board shall apply.

NEW VERSION

ARTICLE 11: BOARD OF DIRECTORS, ELECTION OF DIRECTORS & BOARD DECISIONS

- 11.1.** Without prejudice to the non-transferable powers of the General Assembly of Shareholders pursuant to the relevant provisions of the Turkish Commercial Code, the Company will be managed and directed by a Board of Directors consisting of minimum 9 and maximum **18** members to be elected by the General Assembly of Shareholders in accordance with the relevant articles of the Turkish Commercial Code, and regulations of the Capital Markets Board. Number and qualifications of independent members of the Board of Directors will be governed by the regulations of the Capital Markets Board pertaining to Corporate Governance Principles.
- 11.2.** Members of the Board of Directors are elected for a maximum term of three years. Any Director whose term of office is over may be re-elected.
- 11.3.** The General Assembly of Shareholders is authorized to determine the number of and to elect members of the Board of Directors. Without prejudice to the obligations with regard to independent members arising out of the Corporate Governance Principles of the Capital Markets Board, the General Assembly of Shareholders may at all times replace all or any of the Directors if and when deemed necessary pursuant to provisions of article 364 of the Turkish Commercial Code.
- 11.4.** If and when a vacancy occurs in the Board of Directors for any reason whatsoever, the Board of Directors temporarily elects a member who is eligible and meets the legal requirements, and submits such election to the approval of the next subsequent meeting of the General Assembly of Shareholders. If any independent member loses its independence, or resigns, or becomes incapable of performing its duties, the procedures envisaged in the pertinent regulations of the Capital Markets Board shall apply.

- 11.5.** Meeting and decision quorum in the Board of Directors is the simple majority of the total number of Directors. Provided, however, the decisions pertaining to the participation in a company or disposal of any existing shares require an affirmative votes of 7 Directors in a Board of Directors comprising 9 members, or of 8 Directors in a Board of Directors comprising 10 members, or of 9 Directors in a Board of Directors comprising 11, 12 or 13 members, or of 10 Directors in a Board of Directors comprising 14 members, or of 11 Directors in a Board of Directors comprising 15 members. The obligations arising out of the Corporate Governance Principles of the Capital Markets Board are, however, reserved.
- 11.6.** Unless any one of the Directors requests a negotiation, the Board of Directors may take its decisions by way of receiving written consents and approvals of all Directors on a motion submitted by any one Director. Such decisions may, however, require the written consent and approval of the number and composition of the members as stipulated in Article 11.5 of these Articles of Association. The Board of Directors can only validly take decisions without a meeting if such motion has been submitted to all of the members of the Board of Directors. Consents/approvals of the members of the Board of Directors are not required to be placed on the same paper, but all of the papers containing the related consents/ approvals must be affixed to the decision book of the Board of Directors, or a single decision document containing signatures of all of the consenting members must be prepared and incorporated in the decisions book for a valid resolution without a meeting.
- 11.5.** Meeting and decision quorum in the Board of Directors is the simple majority of the total number of Directors. Provided, however, the decisions pertaining to the participation in a company or disposal of any existing shares require an affirmative votes of 7 Directors in a Board of Directors comprising 9 members, or of 8 Directors in a Board of Directors comprising 10 members, or of 9 Directors in a Board of Directors comprising 11, 12 or 13 members, or of 10 Directors in a Board of Directors comprising 14 members, or of 11 Directors in a Board of Directors comprising **15, 16 and 17 members, or of 12 Directors in a Board of Directors comprising 18 members.** The obligations arising out of the Corporate Governance Principles of the Capital Markets Board are, however, reserved.
- 11.6.** Unless any one of the Directors requests a negotiation, the Board of Directors may take its decisions by way of receiving written consents and approvals of all Directors on a motion submitted by any one Director. Such decisions may, however, require the written consent and approval of the number and composition of the members as stipulated in Article 11.5 of these Articles of Association. The Board of Directors can only validly take decisions without a meeting if such motion has been submitted to all of the members of the Board of Directors. Consents/approvals of the members of the Board of Directors are not required to be placed on the same paper, but all of the papers containing the related consents/approvals must be affixed to the decision book of the Board of Directors, or a single decision document containing signatures of all of the consenting members must be prepared and incorporated in the decisions book for a valid resolution without a meeting.

AMENDMENTS TO THE ARTICLE OF ASSOCIATION

ARTICLE 12: STRUCTURE, REPRESENTATION AND DELEGATION OF POWERS OF THE BOARD OF DIRECTORS

- 12.1.** The General Assembly or if not elected by the General Assembly, the Board of Directors itself shall elect a Chairman of the Board of Directors and a Vice Chairman of the Board of Directors to act as deputy in the absence of the Chairman. The Vice Chairman of the Board of Directors will also be granted the powers allotted to the Chairman of the Board of Directors under the Turkish Commercial Code for convening meetings and request of information.
- 12.2.** The Board of Directors may, specifically initiate lawsuits in the name and on behalf of the Company, settle, apply to arbitration, request bankruptcy, suspension of bankruptcy and concordat, undertake foreign exchange transactions, make donations subject to compliance with the regulations of the Capital Markets Board, become guarantor, transfer immovable and establish encumbrance on the same. If need be, the Board of Directors may authorize third persons in this respect.
- 12.3.** The Board of Directors is authorized to delegate all or some of its managerial powers to one or more directors or non-directors (executive directors) by an internal directive to be prepared pursuant to article 367 of the Turkish Commercial Code. By the said internal directive, the Board of Directors determines the powers and responsibilities of the executive directors, and may delegate to the relevant persons all kinds of powers and responsibilities of the Board of Directors under conditions, provisions and restrictions to be determined again by the Board of Directors, and if and when deemed necessary, may change or withdraw all or some of these powers. The provisions of articles 371, 374 and 375 of the Turkish Commercial Code are reserved. Provided, however, in any case, the following actions require the decision of the Board of Directors; purchase, lease, sale or rent of real properties, and sea and air transportation means and vehicles, and subject to compliance with the regulations of the by the Capital Markets Board, establishment of all kinds of rights, including, but not limited to mortgages and pledges, on such properties in favor of itself and/or third parties, , and removal and annulment of such encumbrances, and establishment and removal of such rights on the real properties and other assets and properties of the third parties by the Company, and carrying out commercial passenger and cargo transportation by its own aircrafts.

ARTICLE 12: STRUCTURE, REPRESENTATION AND DELEGATION OF POWERS OF THE BOARD OF DIRECTORS

- 12.1.** If not elected by the General Assembly, the Board of Directors itself shall elect the Chairman of the Board and **at least one** Vice Chairman of the Board of Directors to act as deputy in the absence of the Chairman. The Vice Chairman of the Board of Directors will also be granted the powers allotted to the Chairman of the Board of Directors under the Turkish Commercial Code for convening meetings and request of information.
- 12.2.** The Board of Directors may, specifically initiate lawsuits in the name and on behalf of the Company, settle, apply to arbitration, request bankruptcy, suspension of bankruptcy and concordat, undertake foreign exchange transactions, make donations subject to compliance with the regulations of the Capital Markets Board, become guarantor, transfer immovables and establish encumbrance on the same. If need be, the Board of Directors may authorize third persons in this respect.
- 12.3.** The Board of Directors is authorized to delegate all or some of its managerial powers to one or more directors or non-directors (executive directors) by an internal directive to be prepared pursuant to article 367 of the Turkish Commercial Code. By the said internal directive, the Board of Directors determines the powers and responsibilities of the executive directors, and may delegate to the relevant persons all kinds of powers and responsibilities of the Board of Directors under conditions, provisions and restrictions to be determined again by the Board of Directors, and if and when deemed necessary, may change or withdraw all or some of these powers. The provisions of articles 371, 374 and 375 of the Turkish Commercial Code are reserved. Provided, however, in any case, the following actions require the decision of the Board of Directors; purchase, lease, sale or rent of real properties, and sea and air transportation means and vehicles, and subject to compliance with the regulations of the by the Capital Markets Board, establishment of all kinds of rights, including, but not limited to mortgages and pledges, on such properties in favor of itself and/or third parties, and removal and annulment of such encumbrances, and establishment and removal of such rights on the real properties and other assets and properties of the third parties by the Company, and carrying out commercial passenger and cargo transportation by its own aircrafts.

- 12.4.** Pursuant to article 370 of the Turkish Commercial Code, the Board of Directors may delegate its representation rights to one or more persons who need not to be a member of the Board of Directors or a shareholder. Provided, however, the representation rights of at least one member of the Board of Directors must be retained. Unless otherwise resolved by the Board of Directors, the Board of Directors, with the joint signatures of any two members of the Board of Directors, who are not the independent members as per the pertinent regulations of the Capital Markets Board, affixed under the title of the Company may represent the Company in all circumstances.
- 12.5.** The Board of Directors shall have full authority with respect to the delegation of its management and representation powers as stipulated above.
- 12.6.** The Company shall have a Planning and Coordination Council (the "Council") consisting of members to be designated by the Board of Directors. The Chairman of the Board of Directors shall preside the meetings of the Council. The main purpose of the Council is to review, assess, and advise on the operating results, business plans, long-term plans and personnel policies of the companies which are directly or indirectly controlled by the Company or of the Company participates in management of.
- The meeting and functioning principles of the Council shall be determined by the Board of Directors.
- 12.7.** Besides, the Board of Directors may, as deemed appropriate and subject to compliance with the applicable laws and regulations, establish committees or sub-committees for advisory, coordination, audit or similar purposes which may consist of the directors of the Board and/or members other than the directors of the Board. The composition, meeting, functioning and reporting principles of the committee Chairman and the members shall be determined, regulated and revised by the Board of Directors.
- 12.4.** Pursuant to article 370 of the Turkish Commercial Code, the Board of Directors may delegate its representation rights to one or more persons who need not to be a Member of the Board of Directors or a shareholder. Provided, however, the representation rights of at least one Member of the Board of Directors must be retained. Unless otherwise resolved by the Board of Directors, the Board of Directors, with the joint signatures of any two members of the Board of Directors, who are not the independent members as per the pertinent regulations of the Capital Markets Board, affixed under the title of the Company may represent the Company in all circumstances.
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- The meeting and functioning principles of the Council shall be determined by the Board of Directors.
- 12.7.** Besides, the Board of Directors may, as deemed appropriate and subject to compliance with the applicable laws and regulations, establish committees or sub-committees for advisory, coordination, audit or similar purposes which may consist of the directors of the Board and/or members other than the directors of the Board. The composition, meeting, functioning and reporting principles of the committee Chairman and the members shall be determined, regulated and revised by the Board of Directors.

2016 BOARD OF DIRECTORS CANDIDATES

Rahmi M. Koç*

Ömer M. Koç*

Ali Y. Koç*

Semahat S. Arsel*

Temel K. Atay*

Dr. Bülent Bulgurlu*

Caroline Nicole Koç**

İpek Kıraç**

Levent Çakıroğlu**

Prof. Dr. John H. McArthur*

Prof. Dr. Heinrich V. Pierer*

Peter Denis Sutherland*

Dr. Kwok King Victor Fung* (Independent Board Member Candidate)

Muharrem Hilmi Kayhan* (Independent Board Member Candidate)

Kutsan Çelebican* (Independent Board Member Candidate)

Mustafa Kemal Olgaç* (Independent Board Member Candidate)

Jacques Albert Nasser* (Independent Board Member Candidate)

Anne Lawergeon (Independent Board Member Candidate)**

* For the CVs, see page 154-155.

** For the CVs, see pages 269.

REMUNERATION POLICY

This policy determines the remuneration system for the Board of Directors* and key executives within 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.

Executive members of the Board are compensated in accordance with the policy established for senior executives, as outlined below.

In addition to the fixed remuneration that is determined by the Board of Directors, additional payment can be granted to the Board members who have been assigned specific duties to support the activities of the Company, the amount of which is to be determined in consultation with the Nomination and Remuneration Committee.

To the Chairman and members of the Executive Committee of the Board which supports the Board in the proper management of the Company in all respects, additional compensation to the fixed remuneration that is determined by the Board of Directors can be granted in consultation with the Nomination and Remuneration Committee by taking into account such Committee Members' contributions, attendance at the meetings, functions, and the like. Payments made thereof to Executive Committee members during 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 (e.g. transportation, telephone, insurance) can be paid by the Company.

The remuneration of senior executives consists of two components, which are fixed and performance based.

Fixed salaries of executives are determined in accordance with international standards and legal obligations by taking into account the prevailing 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 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 and vary depending on the workload of each executive position. When updating the bonus bases, senior management bonus policies in the market are taken into account.

Company Performance: The performance of the Company is determined at the end of the year by measuring the financial and operational targets (i.e. market share, exports, overseas operations, productivity) assigned to the Company at the beginning of each year. In determination of the Company's targets, the sustainability of success and the degree to which it incorporates improvements over previous years are the principles taken into account.

Individual Performance: In the determination of individual performance, along with the targets of the Company, those related to the employee, customer, process, technology and long-term strategy are taken into account. In the measurement of individual performance, in line with the performance of the Company, the principle of achieving long-term sustainable improvement in areas apart from the financial dimension 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, as well as contributions made to the Company, the recent bonus base, and the salaries and bonuses paid in the last year of service.

Total amounts determined by the above principles and paid to the members of the Board of Directors during the year are submitted for shareholder approval at the next General Meeting.

* The key management of Koç Holding is identified as the members of the Board of Directors, CEO and the Presidents. Total key management compensation incurred by Koç Holding in 2015 amounted TL 177,373 thousand (31 December 2014: TL 100,877 thousand).

CEO'S LETTER

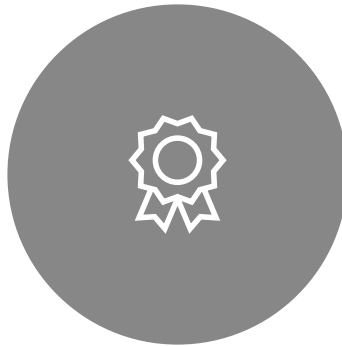


Levent Çakıroğlu
CEO



GLOBAL

We will expand our international operations pursuant to our global vision.



INNOVATIVE

We will always stay a step ahead of the competition with new technologies and business models.



LEADER

We will clinch our leading market positions through superior quality products and services.



ONE OF OUR CORE
FOCUS AREAS IS **OUR
TECHNOLOGICAL
PROWESS TO BOLSTER
THE SUSTAINABLE
COMPETITIVENESS
OF OUR COMPANIES AND
OUR COUNTRY.**

Esteemed shareholders and stakeholders,

As is known, the beginning of the year 2016 brought immense grief to our Group. It is with respect, affection and gratitude that I shall always remember the late Mustafa V. Koç, who left behind an indelible mark with his global perspective, philanthropy, leadership, and most important of all, humanitarian values.

We shall strive to live up to his vision and values, and carry our Group higher in the global leagues, as he always aimed to.

Dear partners,

We are going through a period of uncertainty and instability where geopolitical, economic and social problems are intertwined. The challenges are deep-rooted and have a large impact area. It will take time to find long-lasting solutions. The wars and terrorist attacks that are transpiring not just in our region, but in many parts of the world are shameful for the day and age we live in.

We are wishing for an immediate end to these ongoing wars and devastating terrorist attacks.

We observe that the corporate sector constantly reinvents itself in response to the political and economic changes and global trends in the world. The head-spinning pace of advances in technology are opening new horizons and creating new opportunities while rewriting the rules in many industries. In addition to new products, technological transformation also brings about new lines of business, new lifestyles, and new business models.

Koç Group also reinvents itself by assessing the opportunities and the risks amid changing conditions in the world, and by persevering, showing courage, and constantly learning in the face of challenges. Despite the uncertainties, we put into practice new and ambitious investment projects on the one hand, and adapt our current business models to the new reality on the other. We aim to be among the pioneers of tomorrow's ideas and dreams while operating successfully in today's world.

CEO'S LETTER

Koç Group had a solid performance in 2015 despite all the challenges and uncertainties that prevailed during the year. Our steady growth is also reflected in our financial results. Consolidated revenue reached TL 69.5 billion while the net profit attributed to equity holders of the parent came in at TL 3.6 billion.

The recent years have been a period of huge investments for us. In 2015, too, we continued to invest with determination and closed the year with a total investment of TL 6.8 billion. Our investments and expanding production were important factors driving forward the growth of the Turkish manufacturing sector.

A key factor underlying the Group's accomplishments is our human resources, which continue to grow and expand. In 2015, our total workforce exceeded 91 thousand individuals.

We reinforced our global market position by developing large-scale export-oriented projects and entering new markets. Our total combined exports account for 9% of Turkey's overall exports. Koç Group companies continued to be the country's export champions.

One of our core focus areas for the sustainable competitiveness of our companies and our country is our technological prowess. To this end, we continued to invest in technology at full speed, develop higher value-added products and services, and modernize our business processes and conduct. We once again clinched our leadership in R&D and innovation this year. Our companies made us proud by winning many awards regarding our patent portfolio, R&D centers, and investments.

Each of our companies registered a number of high-profile accomplishments in their respective business segments in 2015. I would like to provide a brief summary of our large-scale investments and some major developments here.

Tüpraş's USD 3 billion Residuum Upgrading Project was commissioned last year, with all units completed. As such, the Company sharpened its competitive edge, and became more resistant to fluctuations in global refining margins. As was expected, the project made a very positive contribution to Tüpraş's financial results and to the Turkish economy in general.

In 2015, with the launch of the new compact New Egea, Tofaş once again proved that it is a world-class enterprise in R&D. Developed with a total investment of USD 1 billion; the Egea family will boost Turkey's exports, increase the share of domestic production in the local Turkish automotive market, and generate major gains for the Turkish economy.

Another of our important automotive subsidiaries, Ford Otosan significantly boosted its domestic and overseas sales with investments exceeding USD 1 billion in the last three years and a brand new product range. Having inaugurated Turkey's largest R&D Center in the beginning of 2015, the Company continues to make new international production deals for trucks designed and developed by in-house engineers, expand its dealer network and sustain its international growth drive.

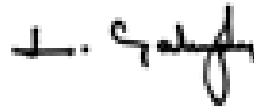
Arçelik, the leader in the white goods industry, is constantly strengthening its position in its existing markets while expanding into various new regions in the world. The USD 100 million refrigerator factory that the Company began building in Thailand carried out test production in late 2015; it will commence production at full capacity in 2016. The Company continues to expand its R&D network and enhance its innovation power by establishing new global R&D centers and partnerships.

Despite the high level of risk perception in the financial markets, Yapı Kredi increased the number of its active customers by 650,000 to 11 million thanks to its investments in human capital, its growing delivery channels, and digitalization. Yapı Kredi achieved a 21% increase in deposits and total loans.

As Koç Group, we will continue to expand our international operations pursuant to our global vision; stay a step ahead of the competition with new technologies and business models; create value for our consumers through superior quality products and services; and bolster our market leaderships in the period ahead.

I would like to take this occasion to extend my gratitude to our shareholders, customers, dealers, suppliers, trade unions and employees, for their immense contributions to these achievements. As always, our objective is to make the best use of our resources to yield consistent, high returns for our stakeholders. We shall continue with determination to move Koç Group forward in line with our global vision, and create value for our Group.

Respectfully yours,



Levent Çakıroğlu
CEO

We aim to be among the pioneers of tomorrow's ideas and dreams while operating successfully in today's world.

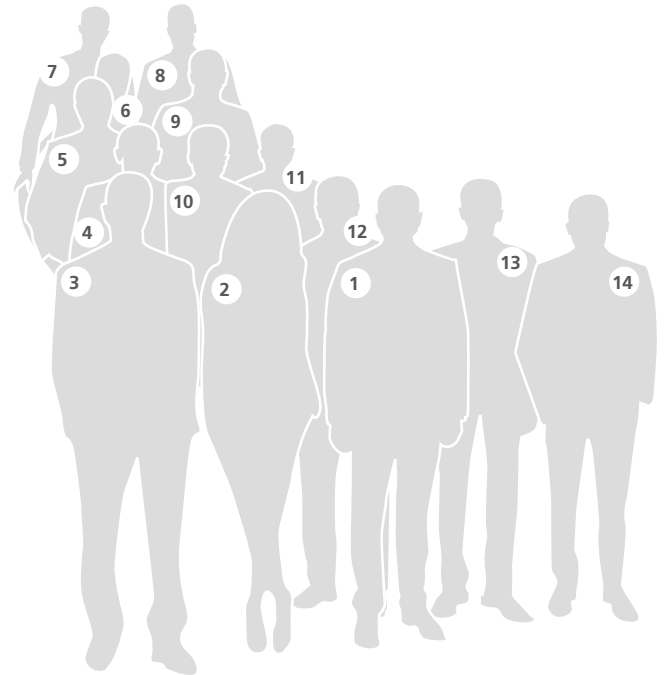
Each of our companies registered a number of high-profile accomplishments in their respective business segments in 2015.

**DEVELOPING SUPERIOR
QUALITY PRODUCTS
AND SERVICES THROUGH
INVESTMENTS IN TECHNOLOGY**

Innovation

EXECUTIVE MANAGEMENT*, **

- (1) **Levent Çakıroğlu**, CEO
- (2) **Oya Ünlü Kızıl**, Corporate Communication and External Relations Director
- (3) **Ahmet Ashaboğlu**, CFO - President, Finance and Strategic Planning Group
- (4) **Kudret Önen**, President, Defense Industry, Other Automotive and IT Group
- (5) **Tamer Haşimoğlu**, President, Tourism, Food and Retailing Group
- (6) **Erol Memioğlu**, President, Energy Group
- (7) **Cenk Çimen**, President, Automotive Group
- (8) **Faik Açıkalin**, President, Banking and Insurance Group
- (9) **Yağız Eyüboğlu**, Deputy President, Energy Group
- (10) **Ufuk Çıplak**, Public Affairs Director
- (11) **Ali Tarık Uzun**, President, Audit Group
- (12) **Kenan Yılmaz**, Chief Legal Advisor
- (13) **Özgür Burak Akkol**, Human Resources Director
- (14) **Dr. Fatih Ebiçlioğlu**, President, Consumer Durables Group

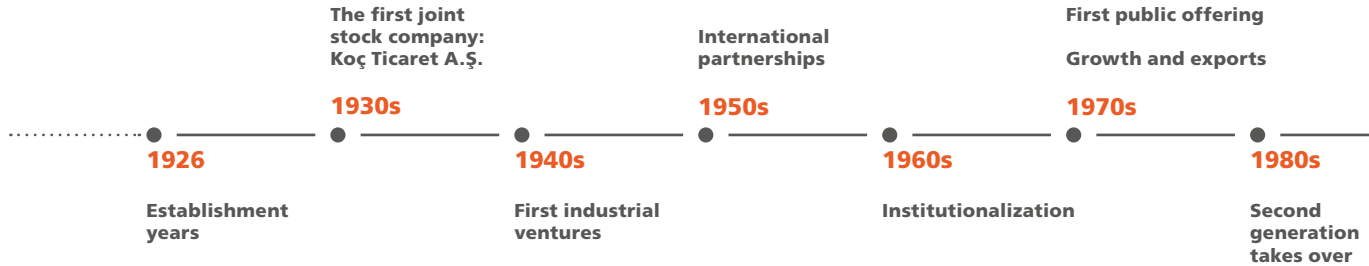


* For the CVs of the executive management, see page 156.

** For information about the BoD and executive management members' transactions on behalf of themselves or others 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 268).



MILESTONES



1926

ESTABLISHMENT YEARS

Sixteen-year-old Vehbi Koç begins 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 Koç Group.

1930s

THE FIRST JOINT STOCK COMPANY: KOÇ TICARET A.Ş.

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

1940s

FIRST INDUSTRIAL VENTURES

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

1950s

INTERNATIONAL PARTNERSHIPS

In 1951, **the first Turkish light bulb** was introduced to the market, following **the first Turkish-American joint investment** together with General Electric. An agreement is made with Ford, which will evolve into the Ford-Otosan partnership in the coming years.

1960s

INSTITUTIONALIZATION

Koç Holding A.Ş. is founded in 1963 with Vehbi Koç as Chairman of the Board to facilitate rapid growth and development and build a corporate 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 remains as Honorary Chairman of Koç Holding.

1987

VEHBI KOÇ IS NAMED "BUSINESSMAN OF THE YEAR"

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

FIRST PRIVATE MUSEUM

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

Vehbi Koç is named
"Businessman of the
Year"

First private museum

1987

A new vision
for the new
millennium

Third generation
assumes command

2000s

Turkey's
largest...

2011-2015

1990s

February 25, 1996:
The end of an
extraordinary life

Koç Group grows in
banking

2005-2010

Large investments in
energy and finance

Koç Holding signs the
UN Global Compact

2016

January 21, 2016:
Passing away of
Mustafa V. Koç

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 continues to hold.

2005-2010

LARGE INVESTMENTS IN ENERGY AND FINANCE

While continuing along 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 HOLDING SIGNS THE UN GLOBAL COMPACT

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

2011-2015

TURKEY'S LARGEST...

Koç Holding is Turkey's leading investment holding company and 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. 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 381st largest company in the world**. Koç Holding's foremost objective is to continue creating higher added value for all stakeholders and to manage all its business activities in accordance with international standards of corporate governance, customer satisfaction, social responsibility and environmental protection principles.

2016

JANUARY 21, 2016: PASSING AWAY OF MUSTAFA V. KOÇ

Koç Holding Chairman Mustafa Vehbi Koç passed away on January 21, 2016.

2016 and BEYOND

Koç Group, with its 90-year history, has differentiated itself from competitors by achieving numerous breakthroughs in Turkey, from industrialization to globalization, playing key roles with its market leading positions. Today, as Turkey's largest group of companies, Koç Group will continue to create value for all its shareholders.

AWARDS AND ACHIEVEMENTS

AWARDS



CARNEGIE MEDAL OF PHILANTHROPY

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



CERTIFICATE FOR DISTINGUISHED PHILANTHROPY

Ankara University's Rector's Office has presented Koç Holding with the "Certificate for Distinguished Philanthropy" in recognition of its long-standing contributions to society, education and Ankara University.



LEGION D'HONNEUR AWARD

Koç Holding's Honorary Chairman Rahmi M. Koç was awarded the "Legion d'Honneur," the highest decoration granted by the French government since 1802.



FELIS AWARD

With the "HeForShe" campaign, Koç Holding was granted the "Felis," one of the most prestigious awards of the communication world in the category of Corporate Social Responsibility.



THE GROUP WITH THE HIGHEST NUMBER OF FEMALE EMPLOYEES

At the "Women-Friendly Companies Survey" award ceremony, held by Capital magazine to draw attention to the importance of female employment in the business community, Koç Group was named "The Group with the Highest Number of Female Employees."



COMPANYBEST 2015

Manufactured at Tofaş's Bursa factory and exported to overseas markets, Fiat Egea garnered the AutoBest 2016 award for the best automobile of the year while Koç Holding Automotive Group won the CompanyBest 2015 award.



THE MOST ADMIRER COMPANY

Koç Holding came in first place in "The Most Admired Company" category at the 14th Stars of the Year Awards held by Yıldız Technical University's Management Club.



PRESTIGE AND BRAND VALUE PERFORMANCE MEASUREMENT SURVEY

At "The ONE Awards "2015 for Integrated Marketing, conducted jointly by Marketing Türkiye magazine and Akademetre, Koç Holding was recognized as the holding to enhance its prestige by the greatest extent according to the "Prestige and Brand Value Performance Measurement Survey."



SILVER PRIZE IN MERCURY EXCELLENCE AWARDS

Turkey's largest youth festival Koç Fest, held by Koç Holding since 2006 to bring together the best in sports, music, technology and entertainment, garnered the "Silver Prize" in the "Media Relations" category of the "Mercury Excellence Awards." The competition is conducted by the independent awards organization MerComm to celebrate the best in worldwide communications in arts and sciences.

ACHIEVEMENTS



THE WORLD'S 381ST LARGEST COMPANY

Koç Holding continues to be the only Turkish company on the "Fortune Global 500" list. (The world's 381st largest company according to 2014 year-end results.)



5 KOÇ GROUP COMPANIES RANK AMONG THE TOP 10 TEN INDUSTRIAL CORPORATIONS

Koç Group has successfully maintained its position as Turkey's top industrial group. According to the Top 500 Industrial Enterprises Survey 2014 by the Istanbul Chamber of Industry, five Koç Group companies rank among the top 10 industrial corporations in Turkey.



FOUR KOÇ GROUP COMPANIES AMONG THE COUNTRY'S TOP 10 EXPORTERS

The Turkish Exporters Assembly's "Top 1,000 Exporters in 2014 Survey" ranks four Koç Group companies as first, second, sixth and seventh among the country's top 10 exporters.



"2015 VALUE CREATORS" ONLY TURKISH COMPANY TO PLACE IN THE TOP 10

Koç Holding is the one and only Turkish company to place in the top ten of the "Holding" category in Boston Consulting Group's "2015 Value Creators" list, based on 2010-2014 data on the average shareholder return of public companies across the world.



KOÇ HOLDING AND 3 OTHER KOÇ GROUP COMPANIES IN 2015 LIST FOR WORLD R&D INVESTORS

The European Commission's 2015 list for "The World's Top 2,500 R&D Investors" based on R&D spending figures includes Koç Holding as well as three other Koç Group companies.



FIRST IN "TURKEY'S MOST ADMIRER COMPANIES" SURVEY

Koç Holding ranked first in "Turkey's Most Admired Companies" survey carried out by Capital magazine among 1,602 managers from over 700 companies representing a cross-section of business world.



FIRST IN THE "TURKEY'S BEST EMPLOYERS ACCORDING TO GENERATION Y" SURVEY

In the "Turkey's Best Employers according to Generation Y" survey, conducted by the global research company Universum among 35 thousand students from over 30 universities, Koç Holding ranked first in the economics, administrative and social sciences categories, and fourth in engineering and information technologies. In addition, Koç Holding placed first in the holdings category.

HUMAN RESOURCES AND ORGANIZATIONAL CHART

While striving to achieve Koç Group's vision and goals, our most valuable asset is a highly qualified workforce strongly dedicated to the Company.

As of the end of 2015, Koç Group employed 91,304 people, of whom 81,912 were in Turkey and 9,392 in other countries.

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 the utilization of 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 being 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, the management of employee data, and ensuring the transparency of policies and applications.

Performance Management System

The Performance Management System enables effective deployment of the Company's goals to all employees. During the year, goals are reviewed and at the end of the year, evaluations are carried out on the basis of these goals, thus completing the performance management process. The system provides a measurement and rewarding tool for success in goal realization and helps in determining employees' competencies and planning their individual development.

Management by objectives, effective communication with employees, as well as mutual feedback and consensus constitute the pillars of the performance management system.

Compensation Management System

Koç Group's Compensation Management System is based on factors such as the salary market, current salary structure of the Company, purchasing power, compensation policy, individual performance and employee job grade. Based on regular market analyses, a competitive and fair compensation policy is applied.

Job grades which are the basis of the compensation 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.

The bonus system in use encourages high performance, while rewarding continuity and superior achievement.

Moreover, for senior 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 senior managers' salary and bonus notifications.

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. Accordingly, enhancement to fringe benefit packages are undertaken each year and new practices are put into use.

In line with our employee-focused, flexible and innovative approach, the Flexible Benefit Project was initiated at our companies to offer a wider array of benefits for different generations and needs, in addition to the current range of employee benefits.

KPI Monitoring & HR Process Improvement System

Forming the basis of the Group's human resources strategy, the KPI Monitoring & HR Process Improvement System helps to monitor set benchmarks for human resources processes on an annual basis, and compare with other companies in or outside Turkey.

On top of our strengths as a Group, areas that need to be focused are identified and accordingly, enhancements that increase the level of standardization within the Group human resources processes and ensure utilization are undertaken. Company specific most effective human resources practices are shared among the Group in the annual Best Practices Day event.

Talent Management Approach

At Koç Group companies, potential employees involve in competency based evaluation processes designed for different organizational levels and positions. The employees who carry out top executive level competences are identified by the Assessment Center. This enables the Group that there is an effective succession plan in place for top executive positions and proactively develop them for their positions.

Koç Leadership Programs – LEAD

Koç Leadership Programs, which are designed to cultivate and maintain a culture of excellent management and leadership across the Group, were completely overhauled in 2015. In addition to the training programs organized at each company, LEAD programs offer leadership support to employees at different stages of their careers. LEAD includes a total of 16 different programs that are geared for all staff members, from new recruits to top executives. Furthermore, training and development programs from prominent Turkish and international universities are specially designed for our Group and presented to our employees.

KoçAcademy Development Planning and Learning Platform

KoçAcademy which serves as the learning and development infrastructure of the Group provides activities to support the development of Koç Group strategies. Activities are planned and implemented according to Company and employee needs. KoçAcademy supports the professional development of our employees with its training programs, e-training modules and articles. In 2015, the KoçAcademy platform has become even more comprehensive with investments in video-based learning and English education.

Corporate Coaching and “Learn from the Master” Programs

These two programs, which initiated as a part of the Group's Talent Management Approach, one-on-one coaching and/ or mentorship support is provided to future leaders within the Group. In-house coaches or mentors trained within Group companies are matched with employees at various companies in order to contribute to their leadership development progress and enhance communication within the Group.

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 manage the application process. Furthermore, it enables employees to actively participate in shaping their career paths. With the approach, more than 200 employees benefited the opportunity to rotate between Companies in 2015.

EBK – Most Successful Koç Employees Award System

The Most Successful Koç Employees Award System (EBK) was formed to recognize, spotlight, share and reward successful employees as well as best practices.

In 2015, a total of 10 projects were selected for recognition in the categories “Making a Difference,” “Developing Cooperation” “Creating Customer Satisfaction,” “Creative Innovations and Adding Value to Society and the Environment.” The 87 employees who were engaged in these projects received awards.

Employee Engagement and Satisfaction

The Employee Engagement Survey is conducted every year to measure the engagement of employees across the Group. Factors that impact employee engagement are analyzed and improvement actions are planned based on the survey results. Group companies are given objectives on employee engagement, and their progress toward meeting these goals are closely monitored.

Industrial Relations

Koç Group negotiates collective labor agreements with 7 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 2015, 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. Advanced training programs in industrial relations were pursued and support was given to the activities of the B20 Employment Task Force.

HUMAN RESOURCES AND ORGANIZATIONAL CHART

Continually enhanced with new investments, our exceptional human resource systems and practices clearly demonstrate the value Koç Group places on its employees.

Occupational Health and Safety (OHS) Board

Amendments to Occupational Health and Safety regulations continued in 2015. 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 goal to comply with regulations, worked even more effectively in 2015. The Board regularly reviews practices and efforts to improve Group practices by ensuring greater compliance with regulations. It thus aims to develop and disseminate best practices within the Group adopted by other Group companies and to identify high occupational safety standards. In 2015, seminars and trainings on occupational health and safety are increased.

Koç Holding Pension and Assistance Foundation

Koç Holding Pension and Assistance Foundation was set up in 1967 to provide additional social security and support to Koç Group 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 2015, Koç Holding Pension and Assistance Foundation had 58,760 active members and 374 retired members.

KoçAilem

The KoçAilem Program provides Koç Group employees, their relatives, Group retirees, dealers and students of Koç University with various advantages in using Koç Group products and services, and also those of other contributing companies. Its objectives are to increase employee satisfaction and loyalty, and establish a common corporate identity through the offered benefits, social activities organized and social responsibility projects. KoçAilem has around 100,000 members.

Sports Festivals and Koç Group Sports Association

The 26th Annual Sports Festival took place in 2015. The festival strengthens the Group culture, improves cooperation, contributes to the physical and mental health of employees, and helps employees make the most of their leisure time in an exciting environment. In 2015, over 3,700 employees participated in the festival in 13 different categories.

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

Awards and Achievements

Koç Holding continues to lead the pack in human resources practices, as in all other areas of operation. The Holding has been deemed worthy of numerous awards and achievements with various projects designed to improve human resources processes. Some of the human resources awards granted to Koç Holding to date include SAP's very first "Mobility of the Year Award" for Turkey, Brandon Hall Group's "Best Human Resources Strategy and Measurement Model" award and Stevie Awards for "Company of the Year" and "Human Resources Team of the Year."



SHAREHOLDER AND INVESTOR RELATIONS

Our priority is to increase shareholder value by implementing world-class corporate governance and investor relations practices.

Koç Holding and Koç Group's 11 publicly traded companies in total represented 18% of total market capitalization on the Borsa Istanbul (BIST) as of 2015 year-end.

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

In 2015, Koç Holding Investor Relations attended a total of 16 roadshows and conferences in Turkey and abroad and held over 600 meetings with current and potential investors. It organizes webcasts on a quarterly basis to announce financial results with the participation of high-level management.

In 2015, besides the continuously updated website, Koç Holding introduced the "Koç Holding Investor Relations Application" (Koç Holding IR App) in order to support 24/7 investor communication via smart phones and tablets.

WHY KOÇ HOLDİNG?

Koç Holding's Value Added for 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
- ✓ High growth potential with leading position in sectors with low penetration and advantages of economies of scale
- ✓ Distinct competitive advantages with strong brands, large distribution network and outstanding service quality
- ✓ Strong net cash position and solid balance sheet structure
- ✓ Superior and sustainable improvement of operating performance
- ✓ Portfolio structure resilient to economic volatility and risk
- ✓ Efficient risk and opportunity management supported by an extensive customer database as well as effective early warning systems
- ✓ High transparency with around 90% of its NAV in publicly listed companies
- ✓ 90 years of proven track record, built by proactive restructuring, M&As, privatizations, and domestic and international partnerships
- ✓ Continuous investments which enable the Company to remain a strong and competitive player globally

Koç Holding's Added Value for Its Group Companies

- ✓ Reliability, strong reputation and powerful brand management based on 90 years of experience
- ✓ Guidance in defining long-term strategies and exchange of best practices throughout the Group
- ✓ Strong balance sheet management, risk management systems and ability to access advantageous terms of financing
- ✓ Embracing universal standards of corporate governance, business practices, ethical principles, environmental policies and working conditions through the 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
- ✓ Strong human resources systems



Koç Holding introduced the "Koç Holding IR App" for smartphones and tablets.

Koç Holding stock has consistently outperformed both the BIST-30 index and peer holding average over the last five years.

As a sign of the high shareholder value created by Koç Holding, Koç Holding stock trades with much lower discounts, at times even with premium, to its NAV compared to other holding companies both in Turkey and internationally.

Koç Holding shares continued their consistent superior performance in 2015. The average share price for 2015 was up 21% over the 2014 average, thus largely outperforming the BIST-30 and BIST Holding indices which rose by 7% and 10% during the same period, respectively.

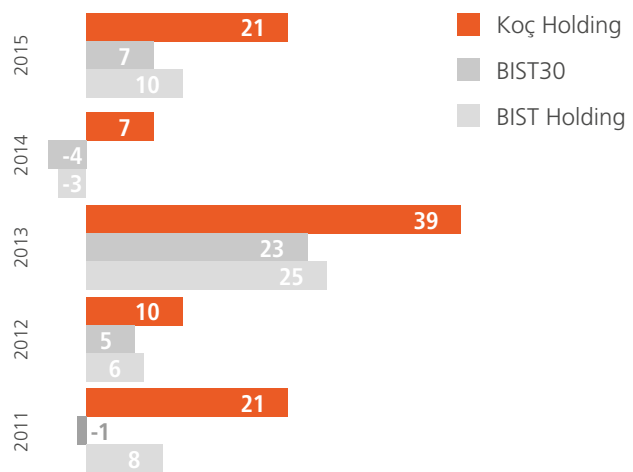
As a result of the consistent high performance of Koç Holding shares, there was an increase in foreign investors' interest. The percentage of foreign holders of Koç Holding's free floating shares went up from 55.9% in 2009 to 82.0% as of year-end 2015. During the same period, the share of foreign investors in BIST as a whole went down from 67.2% to 62.4%.

PREMIUM/DISCOUNT TO NET ASSET VALUE (%)

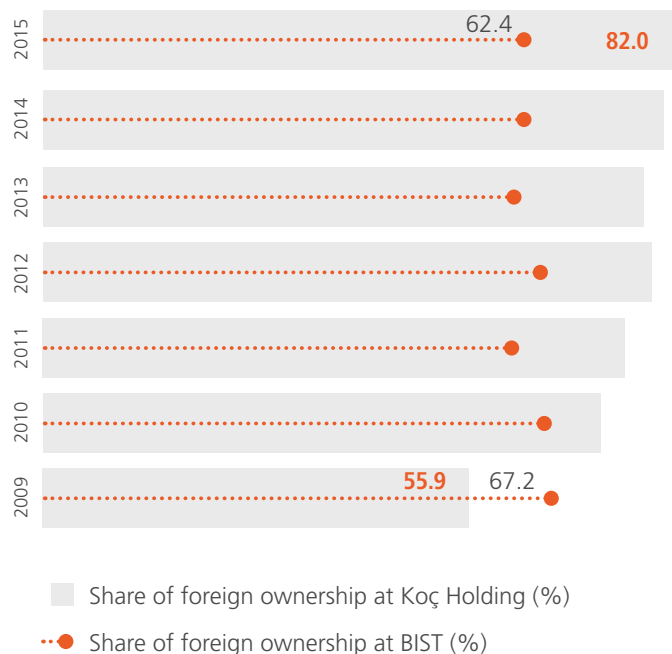
AVERAGE	2013	2014	2015
Koç Holding	-3	+1	-2
Peer Holding Average	-34	-39	-35

SHARE PERFORMANCE

(ANNUAL CHANGE IN AVERAGE PRICES - %)



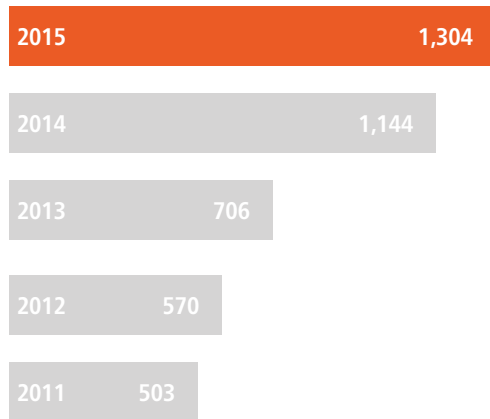
SHARE OF FOREIGNER HOLDERS IN FREE FLOAT (%)



RESEARCH & DEVELOPMENT

We pioneer technology and innovation; and we focus on innovative, environmentally-friendly, and energy efficient products and services.

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



14%
INCREASE



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

In addition to TL 4.6 billion R&D investments between 2007-2014, Koç Group made an additional TL 1.3 billion investment in R&D in 2015. Koç Group constitutes nearly 13% of total private sector R&D expenditure in Turkey.

European Union Projects

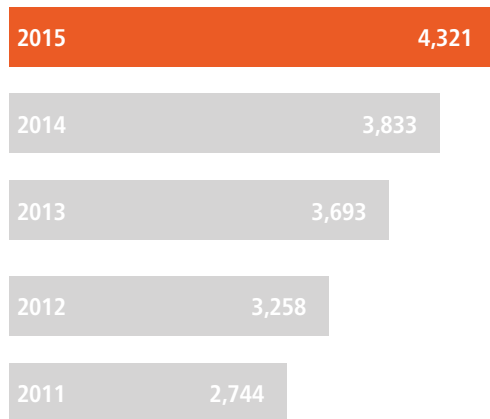
Koç Holding companies geared up their efforts in EU-supported project platforms, with the number of projects under the EU 7th Framework Program (FP7) and in the Horizon 2020 (H2020) rising to 22, and the number of Eureka projects to 27.

Arçelik is the Turkish private company with the highest number of projects in the scope of the 7th Framework Program, with 12 projects in total. In H2020, too, the Company maintains its leadership with a total of six projects, four of which were accepted recently. Arçelik has joined forces with Koç University in the project entitled Nano Hybrids, initiated in 2015, to explore the industrial applications of nanoporous organic and hybrid aerogel materials. The consortium meeting for the H2020 project "ProRegio," which took off last year, was held at the Arçelik head office. In addition to five completed Eureka projects, Arçelik plays a leading role in the Eureka platform with nine ongoing projects, and applications pending approval.

Otokar and KoçSistem are project partners of the "CoMoSeF" project (aiming to develop the hardware and applications with respect to Intelligent Traffic Systems), which was completed with success in June, according to the Celtic Plus cluster assessment.

With seven ongoing projects, KoçSistem represents Turkey in the EUREKA cluster programs ITEA2 and ITEA3 with the highest number of projects. KoçSistem plays an active role on the ITEA Board of Directors, contributing to the allocation of the international fund.

TOTAL R&D EMPLOYEES OF KOÇ GROUP COMPANIES



13%
INCREASE



Koç Group's R&D centers are acknowledged as the most successful in their respective industries.

As the first Turkish firm to become "Project Coordinator" in the production technologies category of the 7th Framework Program, Tofaş continued its project "Robopartner" in 2015.

In 2015, Tüpraş successfully completed 2 Eureka projects, namely ASPHALTGEN and HEROS. As part of the H2020 program, the Company received approvals for three of its projects in 2015. Of these, the initiation meeting of the "Indus3s-Industrial Energy and Environmental Efficiency" project took place in October in İzmit. The project "Safeast-Continuous Structural Condition Tank Integrity Monitoring of Above Ground Storage Tanks" on enterprise safety and the project "IntegrOil-Demonstration of a Decision Support System for a Novel Integrated Solution aimed at Water Reuse in the Oil & Gas Market" on environmental technologies became Tüpraş's first EU-sponsored projects.

Yapı Kredi Bank is the "Project Coordinator" of the CyberWI consortium, where it collaborates with 20 firms from five countries.

Awards and Activities

The 4th Private Sector R&D Centers Summit was held in Ankara in October, and the top ranking R&D centers, out of a total of 117, were announced according to R&D data for 2014. Arçelik and Tofaş ranked among the top three R&D centers. Arçelik, Tofaş and Tüpraş were also selected as the most successful R&D centers in their sectors. As for the recently introduced prizes given by specific criteria, Tofaş garnered first prizes in two criteria. Opened in late December 2014, Ford Otosan Sancaktepe R&D Center, which is the largest R&D center in Turkey with its over 1,200 personnel, received its certificate at the summit. During the event, the Arçelik, Ford Otosan, Tofaş and Otokar booths drew much attention from visitors.

The model Egea, developed by Tofaş and rolled out in the third quarter of 2015, was deemed worthy of the Autobest 2016 prize. The model Promaster City, also developed by Tofaş, was designated the "Commercial Green Vehicle of the Year" by Green Car Journal.

At the 42nd edition of the "Adding Value to the Economy-2015" awards organized by Bursa Chamber of Commerce and Industry, Tofaş garnered the first prize in the "Innovation" category and the second prize in the "Exports" category.

Koç Group Companies placed their stamp on the 4th edition of the Turkish Patent Awards Ceremony. Arçelik became first, Ford Otosan second and Otokar fifth in the patent league, where the prizes were presented by President Recep Tayyip Erdoğan. At the award ceremony, Arçelik was also deemed worthy of the "Company with the Highest Number of International Patent Applications" award.

Arçelik supported the 4th edition of the Turkish Innovation Week organized by Turkish Exporters' Assembly as a strategic partner. Arçelik garnered the "R&D Leadership" and "Technology Development Leadership" awards as in the previous year, and became the only company to make it to the finale of the International IMP³rove Innovation Competition, in the large-scale firms' category.

Eight scientific publications by TürkTraktör R&D Center were accepted by domestic and international journals; three of these will be published in journals in the A category of international indices. TürkTraktör's paper entitled "MSC Adams Dynamic Simulation of Tractor Powertrain" was presented at the international symposium and deemed worthy of the third prize in the "MSC Software 2015 Simulating Reality Contest Winners" category.

At the 6th edition of the Energy Efficiency Forum between 14-17 January 2015, TürkTraktör garnered the first prize in the "Energy-Efficient Industrial Plant (EVET)" category of the "Industrial Energy Efficiency Project Competition (SENVET)" organized by the Ministry of Energy and Natural Resources for the energy optimization in its offices and production hubs. At the project competition, Tüpraş Batman Refinery came in first in the Sevap-2 category, Kırıkkale Refinery came 2nd in the Sevap-3 category, and the İzmit Refinery came in third in the Sevap-3 category.

RESEARCH & DEVELOPMENT

The "Project for Energy Recycling with Membrane Deaerator Cold Boiler Feed Water," implemented for the first time in the world at Tüpraş's İzmit Refinery, received the first prize at the European Union Environment Awards Turkey Program's "Process" category.

The Opet project management process was put in practice with Microsoft Project Server support. The project became a Microsoft success story, published on microsoft.com and presented in various international platforms.

Yapı Kredi launched Turkey's first "Finansal (Financial) Apple Watch" application in April 2015. Furthermore, the application "Yapı Kredi Wallet," which digitizes all credit cards, was introduced in late 2015.

Yapı Kredi R&D presented three academic papers at international conferences in 2015. Among these, the article entitled "A Supervised Learning Approach for the Fusion of Multiple Classifier Outputs" garnered the "Best Presented Article Award" at the ICOPR2015 conference in Dubai.

Defense Industry

Based on a performance evaluation it conducted for the last three years, the Undersecretariat for Defense Industries awarded the 2015 Defense Industry First Prize to Otokar, Turkey's leading land systems manufacturer.

Designed and developed by Otokar, the National Tank Production Project (ALTAY) continued in 2015 and the Company began systems qualification testing, a highly important process in the final stage of Phase I.

As the first private shipyard in Turkey to design and build naval ships, RMK Marine completed the design, construction and delivery of four Coast Guard Search and Rescue vessels in 2015. Subsequently, the Company received a Superior Achievement Award from the Turkish Coast Guard Command in recognition of its exceptional services.

RMK Marine evaluated the requirements detailed in the official request for information document, which was issued by the Undersecretariat for Defense Industries regarding the Turkish-Type Assault Boat Project (TTAB). The project involves the acquisition of new assault boats for the Turkish Naval Forces in order to meet operational needs. Based on the results of the Company's evaluation, RMK Marine designed and developed two assault vessels, both of which meet the technical and operational requirements, in collaboration with its partners. The two designs were displayed at IDEF 2015 (International Defense Industry Fair).

Energy

In 2015, Tüpraş carried out 11 projects approved by the Technology and Innovation Funding Programs Directorate (TEYDEB), three H2020 projects, and one ARDEB 1003 project. Once the Catalyst Pilot Testing Facility, currently being built by the R&D center with a total capital expenditure of TL 4 million, starts operations in 2016, Tüpraş is expected to become a regional center in catalyst testing and evaluation. Developed by the R&D department, the ThinkSemArt – Ontology of Refining Information Technologies platform and AlarmRam360 – Refinery Alarm Management software launched in 2015 and international trademark registrations were filed. Tüpraş completed five projects in collaboration with KUTEM (Koç University Tüpraş Energy Center), Turkey's first energy research center, while four more projects are currently underway.

Developed by Opet, the OTOFİLO platform enables instantaneous monitoring of passenger and commercial vehicles, providing information such as vehicle location, stops, cruising, emergency braking, speeding, and other key data. This information can then be reported to customers. Thanks to this platform, which is integrated into the OTOBİL system, vehicle and fuel management services can be offered together, a first-of-its-kind service in the sector.

Kuantag is currently developing semiconductor nanocrystals and sensors under three R&D projects funded by TÜBİTAK (Scientific and Technological Research Council of Turkey). To that end, the Company filed three patent applications with the United States Patent and Trademark Office in 2015.

In 2015, Aygaz continued work on two funded R&D initiatives, including the Olefin Oligomerization Light and Medium Distillate Production project, which is carried out in collaboration with Tüpraş. Aygaz also received a grant from SANTEZ (Industrial Thesis Program) for its project Removing Sulfur Compounds from LPG to Produce Aerosol Propellants. In 2015, the Company filed applications for three international and five domestic patents, and published two scientific papers.

Automotive

In July 2015, Ford Otosan commenced mass production of its next-generation Ecotorq engine, the product of a four-year effort. The project involved the development of a new range of innovative, competitive engines that meet Euro-6 emissions standards and that are Euro-7 standards compliant, to be launched in global markets. The Company also developed EGAS, the exhaust after-treatment system. In addition to the revamped Ford Cargo vehicles, Ecotorq engines, and EGAS, Ford Otosan plans to introduce new technology products in 2016, including the Smart Driver Support System, also developed by the Company.

Ford Otosan continues to provide support to the national economy by exporting not only products but also engineering services. In 2015, the Company began export of the Global Duratorq engines used in Transit, Transit Custom, Ranger and Everest models; and the twin-sequential turbocharged 210 PS 2.0-litre Premium diesel engine, which has recently been used in a number of models, such as Mondeo, Edge, S-MAX and Galaxy.

In 2015, Otokar delivered the first fleet of its right-hand drive Vectio model, entirely developed by the Company's own R&D department. Otokar also launched its 25-passenger Sultan Mega VIP bus (with 2+1 seating) in 2015.

Otokar was among the companies to receive a Gold award at the 40th Export Achievement Awards, held by the Automotive Manufacturers Association. Additionally, the Company unveiled its newest model – the 18.75-meter long, articulated bus – at international trade shows.

Sales of Promaster City, the RAM-branded version of Doblo, designed and developed by Tofaş for the US market, continued to rise in 2015.

Tofaş completed development of a passenger car platform and a new sedan car aimed at meeting the needs of Turkish, European and American consumers. The company also launched a new passenger car under the brand name Egea. Development of HB and SW models is currently underway with plans to commence mass production in 2016.

In 2015, TürkTraktör completed the R&D phase of its TEYDEB-funded project "Development of Engines compliant with Tier IV Emission Standards". As part of this project, an engine test room was set up and began operations. The laboratory is comprised of two testing rooms for conducting performance and emissions measurements – including TierIV emissions – on 220kW-900Nm engines.

In 2015, TürkTraktör obtained funding from TEYDEB for five of its projects, and also from Ankara Development Agency for another project.

Consumer Durables

As part of efforts to expand its global R&D organization, Arçelik took an important step forward and opened an R&D center in the UK. The Company's R&D center is located at Cambridge Science Park, which is managed by Trinity College of the University of Cambridge and houses the most important technology companies in the world. The R&D center carries out R&D projects in a wide range of areas such as software design, new materials, advanced manufacturing techniques and development of innovative white goods.

RESEARCH & DEVELOPMENT

Arçelik, boasting the largest booth space at the IFA trade show in Berlin 4-9 September, exhibited its latest products and technologies at specially designed Beko and Grundig booths. One of the most remarkable products was the HomeWhiz application, which enables connection to and remote management of white goods through smart TVs, tablets or smart phones. Additionally, users can receive feedback on the operation of these products via their smart phone or tablet devices. Arçelik R&D Center carries out R&D projects in areas such as the Internet of Things (IoT) and data analytics to provide remote access to home appliances along with many other benefits to users. Other innovative products displayed at the trade show included a smart refrigerator equipped with four cameras and a connectivity feature, allowing the user to see inside the refrigerator while shopping; VUX (virtual user experience) system; a dishwasher equipped with auto-dosing liquid detergent system, a first-of-its kind in Europe; a refrigerator that reduces the ice-making interval to 40 minutes from 80 minutes, the average time required in other, similar products; a washing machine equipped with the Prosmart Inverter motor which minimizes energy and water consumption; and Fine Arts Curved TV incorporating UltraHD 4K, the new smart TV platform.

During the year, Arçelik joined the MIT (Massachusetts Institute of Technology) Media Lab at MIT, a prominent American university. Thus, the Company has now access to Media Lab's anti-disciplinary research projects aimed at human adaptability and exploration of radical innovations. Carrying out numerous projects related to the Internet of Things, objects sure to shape the future world, Arçelik has become a premier member of the AllSeen Alliance, formed by the world's leading technology companies to work in this emerging area and establish shared practices.

Founded in 2015, Koç University–Arçelik Research Center for Creative Industries (KUAR) collaborates with various departments at Koç University on the research and development of conceptual prototypes at university workshops and labs, and also on feasibility studies, and technology transfer. KUAR received approval to present two papers at ACM CHI 2016, the top conference for human-computer interaction (HCI).

In light of an increasing competitive market environment, Arçelik-LG completed development of an energy-efficient, low-cost indoor AC unit in 2015. With the Arçelik brand gaining prominence in the commercial air-conditioning systems market and for import substitution purposes, Arçelik-LG started to design and manufacture fan-coil units.

Leveraging its heat exchanger production capabilities, Arçelik-LG began manufacturing heat exchangers – previously imported – for use by Arçelik A.Ş. in high-efficiency heat pump dryers. As a result, for the first time the Company became a supplier to another Arçelik company.

Other

KoçSistem is currently conducting 10 funded projects and one SAN-TEZ project in both national and international arena. In 2015, the Company filed two H2020 project applications, one TEYDEB application and four ITEA applications.

The Innovation Program initiated at Tat Gıda continued throughout 2015 with a special focus on open innovation in search of new product, service and process ideas.

Inventram A.Ş., an early-stage high tech investment firm and a subsidiary of Koç Holding, has, to date, undertaken three equity investment, three patent licensing, 44 patent investment and 18 technology commercialization projects. The "Spinal Disc Implant" product, licensed by Inventram, is now being used in patients in Turkey. Additionally, for the first time in the country, the Ministry of Health approved clinical trials on the device the Company developed for Parkinson's patients. Furthermore, Inventram's Robot Tactile Sensor technology attracted the attention of NASA and the Nobel Committee, and it is headed toward becoming the first US-based investment. The US Department of Defense has named the "Hemorrhage Preventing Electro-stimulator" among the most innovative inventions.

Design and construction of T. ESRA and T. AYLIN, the biggest asphalt tankers in the global market, were completed and both tankers were delivered in 2015.

After receiving approval, Yapı Kredi Technology started up operations at İTÜ ARI Teknokent in July 2015. İTÜ ARI Teknokent accepts a very limited number of companies engaged primarily in informatics and software, research and development, and consulting.

Yapı Kredi obtained funding from the Ministry of Science, Industry and Technology for two SAN-TEZ projects. The "Q-Track" project, carried out in collaboration with Gebze Institute of Advanced Technology, is aimed at monitoring customers' physical movements at the bank's branch locations. The other SAN-TEZ project is carried out in collaboration with Galatasaray University and is related to Synesthetic Augmented Reality Application.

Yapı Kredi has successfully completed three TEYDEB and one EUREKA projects, which were initiated in 2013. The bank is effectively using the products developed under these projects.

Scoring more than 80% on the Accenture Digital Density Index, Koçtaş was selected as the "Digital Pioneer" from among Turkey's most successful 17 companies. Additionally, the e-mail campaign conducted jointly by Koçtaş and Tanı under the "Axion Project" won the Bronze Award in the category of "Creativity Inspired by Data" at Mixx Awards Turkey.

According to a survey conducted by the Shopping Centers and Investors Association, Koçtaş was voted the "Most Desirable Brand" in the "Furniture and Decor" category. Koçtaş ranked 49th on the Turkey's Most Valuable Brands list compiled by Brand Finance.

KOÇ INNOVATION PROGRAM

Industrial powerhouse with a start-up mindset

Koç Group's innovation strategy is based on the following principles:

1. Building a culture of innovation and creating the right working environment to enhance our innovation capacity,
2. Cultivating corporate entrepreneurship ("intrapreneurship") across the Group, and supporting employee entrepreneurial dispositions and efforts,
3. Extending innovative endeavors not only across product and service development activities, but also towards all business units and operations,
4. Increasing partnerships with external stakeholders, an important source of innovation, and managing such collaborations in a more efficient manner,
5. Managing innovative operations within specific processes to ensure their sustainability.

In order to implement its innovation strategy, the Group launched Koç Innovation Program in 2013. As part of this program, innovation management systems are either built up or enhanced at Koç Group companies. These systems are established in line with the Innovation Management Model, devised by Koç Group according to its specific needs.

As part of the program "Corporate Entrepreneurs," the key force in putting innovation into practice, are supported with various training programs, mentors, new project management techniques and awards. Great emphasis is placed on "Corporate Entrepreneurship (Intrapreneurship)" efforts. Furthermore, many activities are conducted on "Business Model Innovation," a key area of innovation, as well as on increasing the "Open Innovation" capacity. In innovation projects which are carried out as part of this program in Koç Group companies, working methods similar to start-ups are encouraged; thus, commercialization periods and costs are cut drastically. Thanks to all these efforts, the Group aims to enter new markets and grow, build the culture of innovation in companies and cultivate Corporate Entrepreneurs. Built with company volunteers rather than driven by corporate targets, this program was attended by one company in the first year, one in the second year and three in the last year. The program is spreading rapidly across the Group, underscoring the importance placed on innovation by Group companies. Designed both for companies with R&D departments as well as sales and service companies, the program supports our strategy of embracing innovation across every business line.

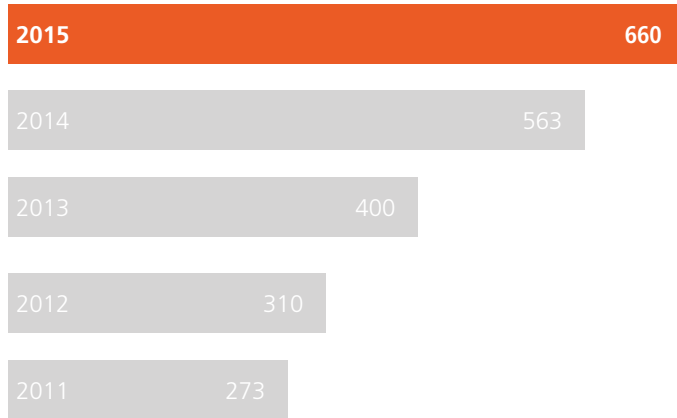
Under Koç Innovation Program, the innovation management systems of Koç Group companies are enhanced and the innovation competencies of Koç Group companies are monitored on an annual basis and developed through Koç Innovation Index.

INTELLECTUAL PROPERTY

The Group that leads in intellectual property rights

7,000+ trademarks
3,600+ patent families
8,400+ patents
800+ industrial designs
4,800+ internet domain names
 Turkey's largest intellectual property portfolio

YEARLY PATENT APPLICATIONS OF KOÇ GROUP



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 investors, Koç Group increases investment in intellectual property year after year and places great importance on intellectual property management.

Koç Group defines its intellectual property rights strategy as follows:

1. Maximizing its use of the intellectual property rights system to obtain a 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 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.

Koç Group is the first group in Turkey to have established and shared an intellectual property strategy with its stakeholders. Koç Group initiated Koç Intellectual Property Management Project to implement the Group's intellectual property strategy. This project has facilitated important gains and it will strive to do more.

Koç Group intellectual property rights portfolio –consisting of over 7,000 trademarks, 3,600 patent families and 8,400 patents, 800 industrial designs and 4,800 internet domain names – is the largest in Turkey and the most important one in the region in which it operates.

Koç Group of Companies filed 563 patent and utility model applications in 2014 and 660 such applications in 2015. Koç Group companies are Turkey's patent champions. According to "The Top Local Patent Applicants List – 2014" of the Turkish Patent Institute, four Koç Group Companies rank on the top 10 list and three other Koç Group Companies are on the top 30 list. Arçelik takes the 1st place, while Ford Otosan is 2nd, Otokar is 5th and Tofaş is 6th. Other Koç Group Companies that rank on the top 30 list are Türk Traktör, Arçelik-LG and Tüpraş.

In 2015, Koç Holding organized an event to celebrate "Second World Intellectual Property Day." On this occasion, the most recent international intellectual property rights practices were discussed. Group companies which are patent champions were awarded by Koç Holding top management.

In addition, Koç Group has pioneered many efforts to develop Turkey's intellectual property rights ecosystem and to spread intellectual property rights usage more actively in Turkey's commercial arena. The Group also shares its experience in this area through various seminars and conferences.

An aerial photograph of a large body of water, likely a port or bay. In the foreground, there is an industrial facility with various structures and pipes. Two ships are visible in the water: a larger cargo ship in the upper middle and a smaller tugboat in the lower middle. The background shows a hilly coastline with some buildings.

ENERGY

WE FUEL TURKEY'S
GROWTH WITH OUR
INVESTMENTS, MARKET
LEADING BRANDS AND
CONSUMER FOCUS



ENERGY

Developments in the oil sector in 2015

Having started the year at USD 55 per barrel, the price of crude oil rose to USD 67 later in 2015 due to the drop in number of wells, geopolitical factors and a higher-than-anticipated rise in demand. However, developments in the second half of the year, including the expected rise in supply due to the nuclear deal with Iran, increased economic risks in emerging countries, OPEC's decision to increase the above-quota production volume and the lifting of the US crude oil export ban, caused the price of oil to close the year down by 41%, at USD 36 per barrel.

Despite the increased need for funding, losses stemming from the exchange rate, and losses on inventory caused by falling oil prices, the low price environment also had a positive effect, especially by bolstering individual consumption, and thereby boosting the Mediterranean refinery margin and raising the profitability of the refining sector in 2015.

Turkey's Energy Market Regulatory Authority (EMRA) decided to implement a two-month price ceiling in the distribution sector starting from 20 February 2015, thus intervening in profit margins and profit margin distribution rates. The drop in product prices had a negative impact on companies that had not taken hedging precautions, while the volatility in exchange rates had an adverse effect on companies with open foreign exchange positions.

2015 was a year in which a large portion at the dealer contracts were due to be renegotiated within the framework of the law enacted in 2010 regarding the issue of signing contracts for a 5-year period.

LPG sector developments in 2015

In Turkey, the overall LPG sector grew 8% over the prior year with the drop in LPG prices leading to a rise in domestic demand for LPG. The autogas market posted 9% growth, while the Turkish cylinder gas market expanded again after a 15 year lull, at a rate of 2%.

Boasting the largest autogas market in Europe, Turkey accounts for 11% of the world's total autogas market. Some 4.2 million vehicles, 41% of the total number of automobiles in the country, run on autogas. This vehicle number corresponds to 17% of the global LPG car fleet, which totals more than 25 million. In 2015, the LPG end-consumer price (pump price) was 15% below its 2014 level, which had a positive effect on autogas demand. The Turkish autogas market sets a model for other countries with its sustainable growth trajectory.

Power sector developments in 2015

Turkey's installed generation capacity rose to 73,150 MW as of year-end 2015 and is divided between three sub-sectors. State-owned power plants account for 29% of the total, while power plants based on the Build-Operate and Build-Operate-Transfer model and selling electricity to the state-owned Electricity Wholesale Company (TETAŞ) have a 12% share. Private sector companies that operate in the free market account for the largest share, the remaining 59%.

A breakdown of the installed capacity by fuel type shows that hydroelectric power plants have a 35% share. Natural gas power plants account for 34%, and imported or domestic coal-fired power plants make up 21%. The remaining 10% share comes from other renewables and thermal power plants.

The electricity market is managed by the Energy Markets Operation Company (EPIAŞ), which operates according to secondary legislation issued by EMRA based on Electricity Market Law No. 6446. Meanwhile, the market's physical administration is carried out by the Turkish Electricity Transmission Company (TEİAŞ).

Koç Group in the energy sector

Over the last decade (2006-2015), Tüpraş's total investment spending amounted to USD 5.5 billion. In the oil sector, where competition grows fiercer by the day, Tüpraş boosts its productivity in line with market demand in order to continue creating maximum value for Turkey and shareholders. The Company aims to take operational excellence to the highest level while reaching the top ranks in terms of enterprise availability and energy index among regional refineries. To this end, the largest one-off private sector industrial investment in Turkish history, the USD 3 billion Residuum Upgrade Project, was completed. As such, a large volume of imported products, especially diesel, were replaced with domestic production, which is expected to narrow the national current account gap by USD 1 billion annually.

During the year, Opet bolstered its second place position and maintained its market share in the fuel distribution sector, which grew by 11% in 2015. Opet aims to be the first choice of consumers in the sector through its "Supreme Service Philosophy." Efforts to this end yielded significant achievements crowned with awards in 2015.

Boosting PRODUCTION POWER



Koç Group is the market leader in refining and LPG sectors while ranking 2nd in fuel distribution.

Aygaz maintains its competitive edge with its efficient dealership network throughout Turkey, strong corporate business culture, close proximity to the end consumer along with an excellent service quality and speed. In 2015, Aygaz captured a 29% market share in the total LPG market, thus remaining the market leader.

In 2015, Demir Export commissioned Turkey's first fully mechanized underground coal mine in Manisa Soma.

Boasting total installed capacity of 364 MW, Entek posted consolidated sales revenue of TL 322 million in 2015.

TL 62 billion

Combined sales revenue of Koç Group's energy companies increased to TL 62 billion in 2015.



ENERGY/TÜPRAŞ



DOMESTIC MARKET POSITION

Turkey's **sole** active oil refining company

60% share in the petroleum fuel products market, including only gasoline, diesel, fuel oil and jet fuel



INTERNATIONAL MARKET POSITION

Europe's **7th** and the world's **26th** largest refining capacity



SHAREHOLDER STRUCTURE

51.00%
Enerji Yatırımları A.Ş.

49.00%
Free Float

Tüpraş, Turkey's sole oil refiner, operates 4 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 ranks among the most complex refiners in the Mediterranean region, with an average Nelson Complexity Index of 9.5.

Strategy

The main focus of Tüpraş's strategy is meeting the nation's need for petroleum products, shaping the sector with its innovative practices and maximizing customer satisfaction. Tüpraş is keen on lowering its cost base and standing out among its peers by implementing the best technologies available in operational advancement.

Total capital expenditures of Tüpraş in the last 10 years (2006-2015) stands at USD 5.5 billion. 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 excel among refineries in the region, in terms of technical availability, energy intensity, and operating cost efficiency indices. To this end, the largest one-off private sector industrial investment in Turkish history, the USD 3 billion Residuüm Upgrade Project, was completed. As such, a large volume of imported products, especially diesel, were replaced with domestic production. This replacement is expected to narrow the national current account gap by USD 1 billion annually.

The Residuüm Upgrade Project was commissioned in 2014 and test production began soon thereafter. The full capacity production started in May 2015. Coupled with the added effect of high margins, Tüpraş posted a record capacity utilization rate of 102.5% with a total charge of 28.8 million, of which 27.6 million was crude oil. Despite the high capacity utilization rate, Tüpraş increased white product yield to 75.4% through the efficient use of the Residuüm Upgrade Plant and the upgrade units, realizing a total production of 27.3 million tons with maximum added value.

In 2015, as a result of full capacity utilization and efficient sales strategies, the Company sold 28.7 million tons of products, of which 22.2 million tons went to the domestic market while the remaining 6.5 million tons were exported. This represented a 6.5 million ton, or 29%, increase over the previous year. The Company broke records in domestic jet fuel and diesel sales volumes and in total gasoline, jet fuel, diesel and aggregate sales volumes.

Robust corporate governance

Today's investors place as much importance on the corporate governance practices of companies as they do on financial performance. Tüpraş's corporate governance rating went up from 9.31 in 2014 to 9.44 in 2015. Thus, the Company maintained its position among the top ranks of this index since its inception in 2007.



As Turkey's only active refining company as well as the seventh largest in Europe, Tüpraş ranks among the most complex refiners in the Mediterranean region.



TOTAL
REVENUES

36,893

(TL million)



PROFIT BEFORE
TAX

2,225

(TL million)



NET
INCOME

2,550

(TL million)



SHARE OF
INTERNATIONAL
REVENUES

20%



ENERGY/TÜPRAŞ

Total investments made by Tüpraş over the last 10 years have amounted to USD 5.5 billion.

Awards and achievements

- 1st place in Istanbul Chamber of Commerce (ISO) 500 Companies, Fortune 500 and Capital 500 listings
- Turkey's 2014 export champion
- An overall score of 9.44 in the BIST Corporate Governance rating
- Tüpraş features in the Sustainability Index from among BIST-50 companies.
- The Company placed first at the European Union Environment Awards in the Turkey Program "Process" category.
- Kırıkkale Refinery placed first, İzmit Refinery came in second, and İzmir Refinery placed third at the Industrial Energy Efficiency Project Competition SENVER-2; meanwhile, Batman Refinery received the Jury Special Award at SENVER-3.
- According to Aegean Region Chamber of Industry EBSO data, İzmir Refinery placed first in the "Industrial Sales," "Exports" and "R&D Expenditure" categories.
- Boğaziçi Business Awards named Tüpraş the "Industrial Company of the Year."
- Tüpraş won the "Best R&D Center" designation at the Fourth Private Sector R&D Centers Summit.
- Tüpraş placed 28th on the List of Companies with the Highest Number of Domestic Patent Applications in 2014.

Outlook, targets and strategies for 2016

Set to be shaped by the OPEC quota revisions, US crude oil production and China's economic performance, the price for Brent is expected to fluctuate between USD 45-55 per barrel in 2016. The Mediterranean refinery margin is expected

to be between USD 3.5-4.5 per barrel while the Tüpraş net refinery margin to be between USD 5.8-6.3 per barrel. Tüpraş is foreseen to reach a total production volume of 28 million tons and a total sales volume of 30 million tons with full capacity utilization including crude oil and semi-finished products.

MARINE TRANSPORT: DİTAŞ

Ditaş, a 79.98%-owned subsidiary of Tüpraş, delivers significant operational and cost advantages with its over 40 years of know-how. The Company provides crude oil and petroleum products logistics and transportation services to Tüpraş. In 2015, Ditaş carried 6.6 million tons of crude

oil and 5.2 million tons of petroleum products. Tüpraş refineries accounted for 100% of the Company's crude oil transport, and 44.4% of its petroleum products transport. Ditaş's tanker fleet, which started operations in 1974, now includes a 164,859 dwt crude carrier; four refined products carriers with a total 79,685 dwt capacity; two 39,936 dwt asphalt carriers which joined the fleet in 2014 and 2015; and three time-chartered product carriers with 46,031 dwt capacity. In addition, Ditaş provides pilotage, tugboat and mooring services with 11 tugboats and seven mooring boats and a pilot boat.





The USD 3 billion Residuum Upgrade Project commenced full-capacity production in May 2015.

102.5%

Record Capacity Utilization
Capacity utilization increased with the commissioning of the Residuum Upgrade Project while white product yield jumped to 75.4%.



ENERGY/OPET



DOMESTIC MARKET POSITION

2nd in white products with **17.7%** market share

2nd in black products with **11.5%** market share



SHAREHOLDER STRUCTURE

50.00%

Öztürk Group

40.00%

Tüpraş

10.00 %

Other Koç

Opet conducts retail, wholesale and industrial sale operations in the fuel distribution sector. It also provides storage services and engages in the international trade of petroleum products. The Company also produces and markets mineral oils through Opet-Fuchs, a 50-50% partnership with German lubricant producer Fuchs; and supplies and sells jet fuel through THY-Opet, a 50-50% partnership with Turkish Airlines.

During the year, Opet maintained its market share, thus bolstering its position as the second largest company in the fuel distribution sector, which expanded about 11% in 2015.

2015 saw Opet renewing a large number of its dealership agreements. The Company closed the year by increasing both the number of gas stations and sales volume. Meanwhile, in response to price and exchange rate fluctuations during the year, the Company took steps to minimize any adverse impact on its operations, which translated into positive results in year-end financial figures.

In 2015, the Company generated additional revenue by leasing a section of the capacity at its Marmara Ereğlisi Terminal, one of its strategic assets, and by delivering services to third parties at the terminal.

THY-Opet serves numerous domestic and foreign airlines at all of Turkey's 51 airports. THY-Opet increased its jet fuel sales volume by 15% over 2014 to reach 4.0 million m³ in 2015.

Awards and achievements

Serving customers with nearly 1,400 Opet and Sunpet dealers, Opet aims to be the first choice of consumers through its "Supreme Service Philosophy." As a result of efforts carried out to meet this goal, the Company's achievements were crowned with numerous awards in 2015.

following awards:

- Capital Magazine – "Most Admired Company" in the fuel oil sector
- Felis Award in the Film category for the commercial entitled "When You Love"
- IPSOS and Mediacat – Turkey's Most Sincere Brand
- Association of Advertisers – Crystal Apple Award for the commercial entitled "When You Love"
- Association of Advertisers – Silver Award in the Corporate Image category
- Mediacat – "A Brand That Creates Buzz"
- Marketing Türkiye – "Most Appreciated Brand" in its sector
- Turkish Confederation of Employers' Unions (TİSK), Corporate Social Responsibility Awards – Best Practice Award for "OPET Traffic Detectives Project"

Respect for the environment and social responsibility

Opet conducts all its operations in accordance with the highest ethical standards and with 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," "Clean Toilet" and "Traffic Detectives."

Outlook, targets and strategies for 2016

In 2016, the Company plans to grow above the sector average without compromising overall profitability, by carrying out capital investments necessary to achieve these targets. In addition, customer satisfaction will remain Opet's top priority and the Company will maintain its market position as the first choice of customers.

Please use the adjacent QR code to reach detailed information about Opet.



During the year, the Company received the

Opet is the second largest company in Turkey's fuel distribution sector.



TOTAL REVENUES

18,485
(TL million)



PROFIT BEFORE TAX

221
(TL million)



NET INCOME

203
(TL million)



SHARE OF INTERNATIONAL REVENUES

18%

AYGAZ

ENERGY/AYGAZ



DOMESTIC MARKET POSITION

Leader in the LPG market since its founding in 1961

Leader with **42%** market share in cylinder gas

Leader with **25%** market share in autogas, highest level of its history

Leader with **29%** share in total LPG markets



SHAREHOLDER STRUCTURE

40.68%
Koç Holding

24.27%
Free Float

24.52%
Liquid Petroleum
Gas Development Co.

10.53%
Other Koç

Aygaz, the first Koç Holding company in the energy sector, ranks 10th on the Istanbul Chamber of Industry's listing of Turkey's largest industrial enterprises. It is also the country's first and only publicly traded LPG Company.

An efficient dealer and distribution network

Providing services across the country through more than 2,000 cylinder gas sales points with the Aygaz, Mogaz and Lipetgaz brands, Aygaz maintains a competitive edge owing to its well-established dealership structure, an institutionalized business culture, proximity to customers as well as high quality and swift services.

According to EMRA 2015 data, Turkey's domestic cylinder gas consumption grew 2% to 816 thousand tons. Aygaz enjoyed a market share of 42%, maintaining its market leading position.

Aygaz's autogas sales rose 13% over the previous year to 777 thousand tons. In 2015, Aygaz expanded its distribution network by 7% which is the most extensive in Turkey with over 1,700 licensed autogas stations.

In 2015, the communication campaigns of the Aygaz Otogaz and Mogaz Otogaz brands were designed to bolster the emotional bond with consumers. Aygaz Otogaz's high performance-themed communication campaign, carried out for many years, was repeated twice during summer. With the winter-time campaign "Turkey Hits the Road with Aygaz," Aygaz transitioned to the concept "Becoming the Brand of Choice in the Sector." The campaign also pointed out that LPG is the automotive fuel of choice in Turkey, thus highlighting the expression "Turkey Hits the Road with Aygaz."

Investments

The capital expenditures of Aygaz and its subsidiaries reached TL 156 million in 2015. As part of efforts to modernize the marine fleet and increase its capacity, the Kandilli – built in 1991 and sold in 2014 – was replaced with Beykoz – built in 2009 in Japan with a transport capacity of 11,000 m³. As such, the Company's overall transport capacity was boosted to 33,800 m³ and the average age of the ships in the fleet was lowered from 16 to 11.5 years. The other two largest investment items were capital investments in cylinder gas and autogas stations.

Pürsu

In 2015, Pürsu conducted water sales in 33 provinces via 500 dealers. The Company's carboy water sales, on the rise since 2011, went up 22% in 2015 to 8.1 million units. With this sales figure, Pürsu ranked in the top five in the water sector where over 300 enterprises compete.

Please use the adjacent QR code to reach detailed information about Aygaz.



Aygaz has been the leader in the LPG market since its establishment in 1961.



TOTAL
REVENUES

6,420
(TL million)



PROFIT BEFORE
TAX

458
(TL million)



NET
INCOME

418
(TL million)



SHARE OF
INTERNATIONAL
REVENUES

7%



ENERGY/AYGAZ

Aygaz exports to 17 countries in Europe, Africa and the Middle East.

Main Awards

- First prize in the "Mineral Fuels" category of the 2014 Export Stars Awards held by Istanbul Mining and Metal Exporters Union (İMMİB).
- "Golden Sculpture" award for "Sustainable Success" after being designated the top brand in the cylinder gas sector for three years in a row in the Turkish Customer Satisfaction Index by the Turkish Quality Association and KA Araştırma.
- Mogaz Otogaz's ad campaign "Git Git Bitmez" garnered the "Bronze Effie" at the 7th Effie Turkey Advertising Activity Competition held jointly by the Association of Advertising Agencies, Association of Advertisers and Effie Worldwide Inc.
- Turkey's first and the sector's only company to receive "Customer Friendly Brand – Customer Friendly Company" certification from the Turkish Standards Institute (TSE).
- Following an assessment by the Turkish Patent Institute's Intellectual Property Rights Committee, in recognition of the improvements in process productivity and customer satisfaction, the Company was presented with the "Best Invention of the Year" award for the "Cylinder Gas Monitoring System," and the "Second Best Invention of the Year" award for the "One Cylinder Transportation Vehicle," which boosts process productivity and occupational health and safety.
- The Company's corporate governance rating went up from 9.29 to 9.36, and it once again was included in the World Corporate Governance Index covering 152 countries issued by Saha Rating on 3 July 2014. The Company also continued to participate in the BIST Corporate Governance Index.

Outlook, targets and strategies for 2016

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

AYGAZ DOĞAL GAZ

Founded in 2004, Aygaz Doğal Gaz, an Aygaz subsidiary, sells natural gas obtained in the domestic market via pipelines to eligible consumers. It also sells and transports liquefied natural gas (LNG) with special vehicles to consumers without pipeline access. The Company operates with the vision of "Becoming the Versatile Player of the Natural Gas Market" and keeps a close watch on market dynamics and opportunities.

In 2015, Aygaz Doğal Gaz maintained its standing in the sector with a sales volume of 930 million m³ and turnover of TL 781 million.





Aygaz serves customers in 81 provinces across Turkey with 2,129 cylinder gas and 1,748 autogas stations.

29%

Aygaz, which commands 29% market share, provides cylinder gas service to 800,000 homes each day while more than 1,000,000 vehicles run on Aygaz autogas.

ENERGY/ENTEK

Entek is the only power generation company of Koç Group that is active in the free market.

Koç Group's power generation company, Entek, operated with an installed capacity of 364 MW in 2015. This includes two natural gas combined cycle plants with a total capacity of 300 MW (in Kocaeli and Bursa), one 2 MW gas motor-based cogeneration facility (Istanbul Koç University) and three hydroelectric power plants with a total capacity of 62 MW (two in Karaman and one in Samsun).

In addition to its power plants in operation, Entek also has a 50% share in a 625 MW imported coal-fired power plant project. The Company also acquired a 0.05% stake in EPIAŞ, the newly established company to operate the Energy Exchange.

Despite the decommissioning of several low productivity natural gas power plants, Turkey's total installed capacity went up from 69,520 MW to 73,150 MW in 2015 due to the commissioning of around 4,250 MW in new investments. The installed capacity of power plants operated by private sector companies active in the free market amounted to 43,130 MW.

Entek's total combined sales revenue reached TL 343 million in 2015. Of this total amount, TL 179 million originated from natural gas power plants (895 million Kwh), TL 36 million came from hydro

power plants (255 million Kwh), and TL 128 million was from commercial sales (655 million Kwh). Some TL 21 million was deducted due to 158 million Kwh in sales from hydro power plants to Eltek, resulting in consolidated sales revenue of TL 322 million.

Competition in the electricity sector intensified further with the arrival of new players in the market. This trend encourages companies with low productivity natural gas power plants to exit the market. As such, it was decided to decommission the natural gas cycle power plant in Bursa and the cogeneration plant at Koç University, and to terminate their licenses. The Kocaeli plant continues to operate as it is able to perform direct busbar and steam sales.

The flexibility of Entek through Eltek is a significant mitigant for occasionally low system prices and natural gas take-or-pay risks by purchasing electricity from the system and selling it to customers, thereby minimizing production and margin risks. Eltek's ability to make purchases from alternative sources adds to Entek's competitive edge.

Outlook, targets and strategies for 2016

Entek, by focusing on alternative resources, targets to pursue organic and inorganic investment opportunities and increase its market share.



Please use the adjacent QR code to reach detailed information about Entek.

ENERGY/DEMİR EXPORT

Demir Export has the most comprehensive product lineup among mining companies in Turkey.

Koç Group's mining company Demir Export boasted a production capacity of 1.6 million tons of iron, 10 million tons of coal (open pit and underground) and 25 thousand ounces of gold as of year-end 2015, further bolstering its position as Turkey's most comprehensive mining company. Since its founding in 1957, the Company has been operating iron ore, base metals and open pit coal mines. Since 2015, it has focused on underground coal and precious metal production as well.

After winning the tender held by the Turkey Coal Mining Company (TKİ) to extract 36.5 tons of coal over 18 years in Manisa's Soma region, the Company started a three-year investment drive at Eynez Coal Mine, which became operational in March 2015. As a result, the first phase of completely mechanized production was commissioned. In October, the equipment installment for the second phase was completed and full capacity production started in November.

Implemented for the first time in Turkey, the fully mechanized coal extraction method called Longwall Top Coal Caving (LTCC) takes occupational safety to the highest level, creates a secure workplace and boosts productivity.

At Sivas Kangal open pit coal mine, in line with the agreement entered into with the power plant operating company in September 2013, 6.5 million tons of coal was extracted and sold as planned.

Capital investments in the iron ore

segment continued at six enterprises during the year. A second ore processing plant at the Divriği Iran ore mine with a capacity of 500 tons/hour was completed and commissioned in January 2015.

Outlook, targets and strategies for 2016

In 2015, the Company focused on project development related to iron and coal production, base metals such as copper and zinc; and precious metals, especially gold.

Some 37 thousand meters of drilling work for reserve exploration and development was completed at the Erzurum İspir Copper-Zinc Project which was awarded to the Company in a public tender held

by the General Directorate for Mining in 2012. Feasibility studies will continue in 2016.

After the lifting of the stay of execution motion concerning the revised Favorable Environmental Impact Assessment (EIA) report for the Bakırtepe Gold Mine Project, work resumed in June 2015. Production is scheduled to commence in early 2016.

Demir Export maintains its robust position in the Turkish mining industry thanks to a well-experienced staff of specialists coupled with the Company's high capacity machinery and equipment that can carry out excavation and extracting efforts of 40 million m³ per year.



Please use the adjacent QR code to reach detailed information about Demir Export.

A silver sedan is positioned on a test rig inside an anechoic chamber. The chamber's walls, floor, and ceiling are covered with numerous white, pyramid-shaped electromagnetic wave absorbers designed to eliminate reflections. The car is mounted on a platform with various sensors and cables attached. The scene is lit with a soft, even light, highlighting the metallic finish of the car and the geometric patterns of the absorbers.

AUTOMOTIVE

**WE ARE CHALLENGING
OUR RECORDS WITH OUR
TECHNOLOGY AND R&D
CAPABILITIES THAT LEAD
TURKEY'S AUTOMOTIVE
SECTOR**



AUTOMOTIVE

Developments in the automotive sector in 2015

2015 saw records shattered in the Turkish automotive market, in terms of total automotive sales, manufacturing and exports.

Sector-wide automotive sales exceeded 1 million units in 2015, up 25% over the prior year. Passenger car sales rose 24%, light commercial vehicle sales were up 36%, medium commercial vehicle sales increased by 33% and truck sales went up 8%. The share of passenger cars in the overall automotive industry fell by 1 percentage point over the previous year to 72%, while the share of light commercial vehicles went up from 12% to 13%. In addition, the share of diesel automobile sales to total sales fell to 62%, while the proportion of automatic transmission cars rose to 50%. Vehicles in the low-tax A, B and C segments constituted 83% of the overall automobile market.

Total automotive production hit 1 million 359 thousand vehicles and total exports climbed to 992 thousand units, both all-time highs. Some 73 out of every 100 vehicles manufactured were exported. The Turkish automotive sector ranked 16th globally in terms of total automotive manufacturing. In the EU, Turkey placed first in terms of commercial vehicle production and seventh in automobile production.

According to European Automobile Manufacturers' Association (ACEA) data, in Europe, Turkey's biggest export market, sales of light commercial vehicles of up to 3.5 tons grew 12% for the year, rising for 28 months in a row.

Automotive Industry Association data showed that as a result of the economic recovery in Turkey, especially after October 2015, the number of buses sold with a 35-person capacity and up grew by 47%, while the midibus segment, with less than 35 passengers, expanded by 10%. Total bus exports rose 23%, although midibus exports fell 46%. Small truck segment production grew by 42% during the year. The international logistics sector was adversely affected by difficulties along Turkey's borders in 2015; however, the trailer market continued to grow thanks to the ongoing dynamism of the domestic construction industry and new regulations such as ADR.

Developments in the tractor market in 2015

After a strong four-year performance, global tractor sales started to weaken in 2014 and 2015. Numerous national markets were negatively impacted by the fall in end-product prices and attractive bargains in previously owned vehicles. The world tractor market totaled 1.3 million vehicles according to data for the first 11 months of 2015, and Turkey became the fourth largest national market after India, China and the USA.

The impressive vigor in Turkey's tractor market in 2014 was followed by favorable developments in the agriculture sector in 2015, leading to a rise in tractor sales. According to Turkish Agricultural Equipment and Machinery Manufacturers Association data, 66,615 tractors were sold in Turkey in 2015 with sector-wide production up 4% over the prior year. Even as tractor sales declined across the globe, the Turkish tractor market extended the momentum it gained in 2014 to become the fastest growing in the world with 12% growth according to TÜİK data, with a total of 66,775 sales in 2015.

Koç Group in the automotive sector

In 2015, Koç Group's share in the total automotive production in our country was 45% while its shares in total automotive exports and automotive sales were 43% and 24% respectively.

With a 24.1% market share, Koç Holding remained the leader in the automotive market including buses, which expanded 25% in 2015. Ford Otosan came in second in the overall automotive market with a 12.5% share and Tofaş closed the year in the fourth place by capturing a 11.3% market share.

Having completed its capital investments and rolled out new models in 2014, Ford Otosan advanced from strength to strength in 2015 with its new facilities, setting sales and production records. Due to the favorable domestic market environment, which posted record high sales in 2015, positive developments in overseas markets, and the fast pace of sales of the Company's new products, the Company boasted its highest sales ever – 380,742 vehicles. In parallel, the total production volume broke another record with 334,622 vehicles while the capacity utilization rate in the three shifts hit 81%.

Tofaş, under the Fiat brand, ranked second in the domestic light and medium commercial vehicles segment with a 25.6% market share. In the overall automotive market, the Company was fourth with a 11.3% share gained from the various brands it markets. In 2015, the fourth generation Fiat Doblo, Fiat 500, Fiat 500X in the SUV segment and the new compact sedan Egea models rolled out. Launched in November, Egea became the third best-selling sedan model in December and started being exported to EMEA markets under the Tipo brand.

Otokoç Otomotiv sold about 79 thousand new cars in 2015 and captured an 8% market share. In used car sales, the Company continues to lead among corporate brands with 24 thousand in unit sales. In short term car rentals, Avis saw its turnover rise 33% while Budget reported a 46% increase in sales. In operational leasing, the Company increased its turnover by 11% with its 23-thousand car fleet.

Leadership

IN THE AUTOMOTIVE INDUSTRY



Koç Holding Automotive Group was chosen "The Best Company of the Year" by Autobest.

In 2015, Otokar was Turkey's most preferred brand for the sixth year in a row in buses with 25 or more passengers. It was also the export leader of small, 7-meter buses. In the defense industry, the decision to support national projects to reduce dependency on imports had a positive impact on the domestic sector and manufacturers. The Company maintained its position as Turkey's leading land vehicle manufacturer in the defense industry; additionally, it was presented with 1st Prize in 2015 by the Undersecretariat of Defense Industry in recognition of its successful performance over the last three years.

TürkTraktör broke a new record in its 61-year history by producing 47,536 tractors, selling 33,002 tractors in the domestic market and posting turnover of more than EUR 1 billion in 2015. The Company's facilities in Erenler, Sakarya, the largest tractor factory in Europe, manufactured its 50,000th tractor in December.

USD 3 billion

Ford Otosan and Tofaş launched brand new, export-oriented models with a combined investment of USD 3 billion over the last four years.



DOMESTIC MARKET POSITION

6th in the passenger car market with a **6.5%** share

2nd in the light commercial vehicle market with a **25.9%** share

Medium commercial vehicle market **leader** with a **33.7%** share

2nd in the heavy truck segment with a **23.3%** share

Leader in total commercial vehicles (excluding buses) with a **28.7%** share

2nd in the overall industry with a **12.5%** share



INTERNATIONAL POSITION

Exports to **82** countries

Accounts for **65%** of Turkey's commercial vehicle exports



SHAREHOLDER STRUCTURE

41.04%

Ford Motor Co.

38.46%

Koç Holding

17.89%

Free Float

2.61%

Other Koç

Turkey's export champion

Having completed its capital investments and launched new models in 2014, Ford Otosan advanced from strength to strength in 2015 with new facilities, setting records in sales and production. Strong domestic demand and the robust pace of sales translated into a 35% increase in sales over the prior year. Ford Otosan's domestic market share ticked up led by the commercial vehicles segment, with the Company taking 12.5% of the overall market in 2015 to rank second sector-wide. Meanwhile, the Company captured a 28.7% share of the commercial vehicles market, and remained the sector leader. In the passenger car segment, with the introduction of new models, Ford Otosan grew above sector with 26% rise in sales and achieved 6.5% market share.

Due to the ongoing growth in the Company's export markets, and the Ford brand's leadership in the European commercial vehicle market as result of its strategy focused on market share growth, Ford Otosan posted record-breaking exports of 253,644 vehicles for the year. As a result, the Company translated its four-year export champion title in the automotive sector to national leadership in 2015.

A year of records in production and sales

Ford Otosan is Turkey's largest automotive manufacturer. The Company boasts a total annual production capacity of 415 thousand vehicles: 400 thousand at the Kocaeli factories and 15 thousand at the İnönü facility. Record sales in the domestic market coupled with robust overseas markets and strong sales of the Company's newly launched products enabled Ford Otosan to post an all-time high sales volume of 379,039 units in 2015. In parallel, the Company's manufacturing output also hit a record level of 334,622 units, with a total capacity utilization of 81% on three shifts.

As Turkey's largest commercial vehicle manufacturer and exporter, Ford Otosan operates five campuses and three head offices. With 10,676 employees at year's end, the Company remained an employment champion and continued to create significant value for the country and its stakeholders.

The success of new products translated into substantial growth in operational and financial performance. As a result, Ford Otosan bolstered its cash flow and the Company made a total annual dividend payment of TL 400 million in two installments.



Ford Otosan is the market leader in the overall commercial vehicles segment with a 28.7% market share.



TOTAL REVENUES

16,746
(TL million)



PROFIT BEFORE TAX

866
(TL million)



NET INCOME

842
(TL million)



SHARE OF INTERNATIONAL REVENUES

64%

Ford Otosan reached the highest sales volume in its history in 2015.

Restructuring in the heavy commercial vehicle segment

As part of the Company's growth strategy in heavy commercial vehicles, Ford Otosan expanded its network across the country to 27 locations as of year-end 2015, largely completing its sales and service restructuring in Turkey. Reorganization of the overseas dealer network also continued, as it grew to 19 facilities in 15 countries. Ford Otosan plans to continue expanding its overseas dealer network in the period ahead.

The largest R&D power of the Turkish automotive sector

Ford Otosan, which is Ford's global engineering center for heavy commercial vehicles and related diesel engine and engine systems, is also a support center for light commercial vehicle design and engineering. While Gölcük Engineering Center focuses on engines and vehicle tests; Ford Otosan's technology and R&D center in Sancaktepe, the largest in the Turkish automotive sector, works on the development of trucks, engines and engine systems. Sancaktepe R&D Center, opened in 2015, was certified by the Ministry of Science, Industry and Technology, becoming Ford Otosan's second R&D Center.

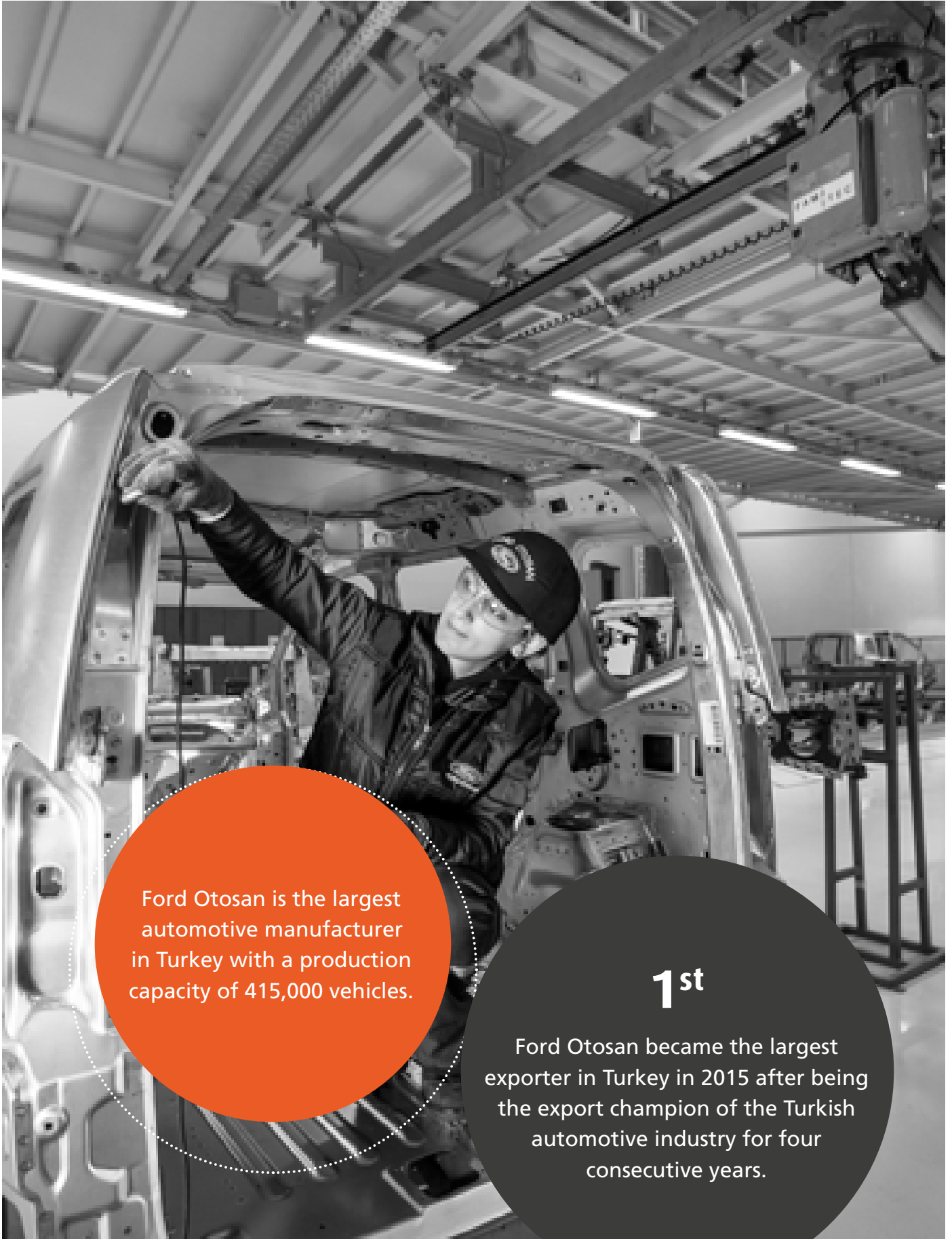
Ford Otosan, with its 56 year history, is a technology company, having a perfect business model with vehicle and engine manufacturing capability, high engineering competency, competitive R&D organization and experience in exporting engineering. The Company continues to raise its level through new projects and investments.

Upon completion of the capital investments at the Kocaeli Factories, all production lines and vehicles were launched as planned. At the İnönü Factory, R&D process investments in truck testing track and engine test dynamometer continue, as well as investments in engines and trucks.

Outlook, targets and strategies for 2016

After setting a record in 2015 by selling over 1 million vehicles, the Turkish automotive industry is expected to demonstrate a similar performance in 2016, despite a minor deviation due to the high base year effect. The industry has positive expectations for Europe, Ford Otosan's main export market, for the commercial vehicles segment of up to 3.5 tons. Thanks to the strong market share performance of the Ford brand, the Company aims to maintain its export growth drive and raise its capacity utilization rate. As a result of efforts to reduce costs, Ford Otosan is also expected to increase its profitability.





Ford Otosan is the largest automotive manufacturer in Turkey with a production capacity of 415,000 vehicles.

1st

Ford Otosan became the largest exporter in Turkey in 2015 after being the export champion of the Turkish automotive industry for four consecutive years.



AUTOMOTIVE//TOFAŞ



DOMESTIC MARKET POSITION

2nd in light commercial vehicle market with a **25.6% share**: Fiat

Best-selling automobile: Fiat Linea:
35,041 units

Longstanding leader in sales from domestic manufacturing with an **87%** share

20% of total production in Turkey:
278,254 vehicles



INTERNATIONAL POSITION

3rd in the sector with 174,000 vehicles exported

17% of Turkey's total automotive exports

5% of Turkey's total exports to USA

Export Revenues: USD **2,102** million

Foreign Trade Surplus: USD **415** million



SHAREHOLDER STRUCTURE

37.86%
Koç Holding and
Koç Family

37.86%
Fiat Chrysler
Automobiles

24.28%
Free Float

USD 1.5 billion in new product investments in three years

Product investments – which started with the Doblo America and Doblo Innovation projects and continued with the Egea family in 2015 – are scheduled to continue in 2016 with the 356 HB, SW and Fiorino face-lift investments. Together, these product investments will total USD 1.5 billion.

Automotive market and Tofaş performance

During the year, the Turkish automotive market sold more than 1 million vehicles and set a historical record. Manufacturing and exports also reached all-time highs of 1 million 359 thousand vehicles, and 992 thousand vehicles, respectively. Some 73 out of every 100 vehicles produced were exported. The industry ranked 16th in global automotive production. Additionally, it ranked first in commercial vehicle manufacturing and seventh in automobile production in Europe.

Tofaş brands reached a total market share of 11.8% in the Turkish passenger car and light commercial vehicle market.

Tofaş is the 2nd of the domestic light commercial vehicle market with its Fiat brand, reaching a market share of 25.6%. Meanwhile, the Company is fourth in the overall passenger car and light commercial vehicle market, with an 11.3% market share and 109,490 unit sales.

New models

In 2015, the Company rolled out the fourth generation Fiat Doblo, Fiat 500, Fiat 500X in the SUV segment and the new compact sedan Egea models. Launched in November, Egea became the third best-selling sedan model in December and started being marketed in EMEA export markets under the Tipo brand.

The Jeep brand reached its highest level of unit sales

The Jeep brand, present in the Turkish market for 22 years, hit its highest sales figures ever, with 3,499 Jeep vehicles sold in 2015, up 79% from 2014.

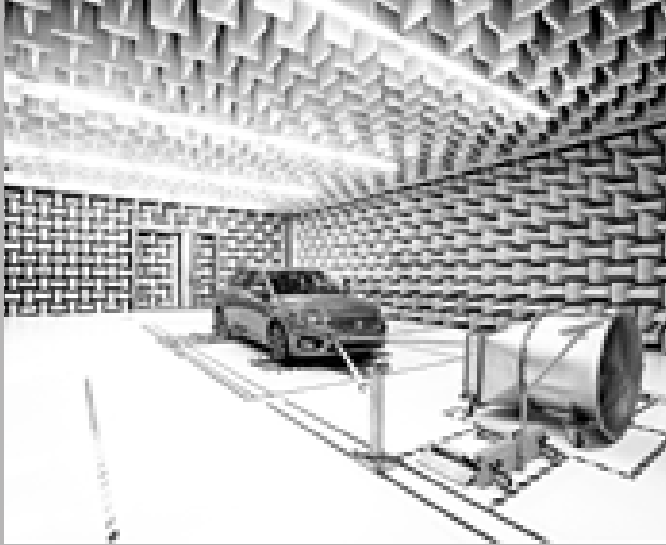
Main awards and achievements

- Autobest named Fiat Egea the "Automobile of the Year in Europe." At the ODD Sales and Communication Awards 2015 Gladiators, Fiat Egea garnered the "Special Jury Award of the Year."
- Fiat Linea became Turkey's top selling vehicle.
- Fiat Doblo's Ram-branded version ProMaster City – exported to the USA – was designated "Green Commercial Vehicle of the Year 2016" by "Green Car Journal."
- At the UK's "Commercial Vehicle Fleet Awards," Fiat Doblo Cargo was named the "Small Van of the Year" while Fiorino Cargo received the "City Van of the Year" designation.
- At the R&D Centers Summit, Tofaş was presented with the "Best R&D Center" award in the automotive sector, the "Third Best R&D Center" award among all R&D centers, and the top prize for "R&D Spending Intensity" and "Project Capacity."
- In the "EU R&D Scoreboard 2015" rankings, Tofaş was the highest scoring Turkish company.
- At the "2015 Sustainable Business Awards," Tofaş was named the best performing company in the "Carbon and Energy Management" category.
- The company's corporate governance rating went up from 9.01 to 9.06.

Please use the adjacent QR code to reach detailed information about Tofaş.



Tofaş has the second largest R&D capacity of Fiat Chrysler Automobiles in Europe.



TOTAL
REVENUES

9,920

(TL million)



PROFIT BEFORE
TAX

617

(TL million)



NET
INCOME

830

(TL million)



SHARE OF
INTERNATIONAL
REVENUES

58%



AUTOMOTIVE/TOFAŞ

Tofaş is the only domestic automotive manufacturer in Turkey that produces both passenger vehicles and light commercial vehicles.

Outlook, targets and strategies for 2016

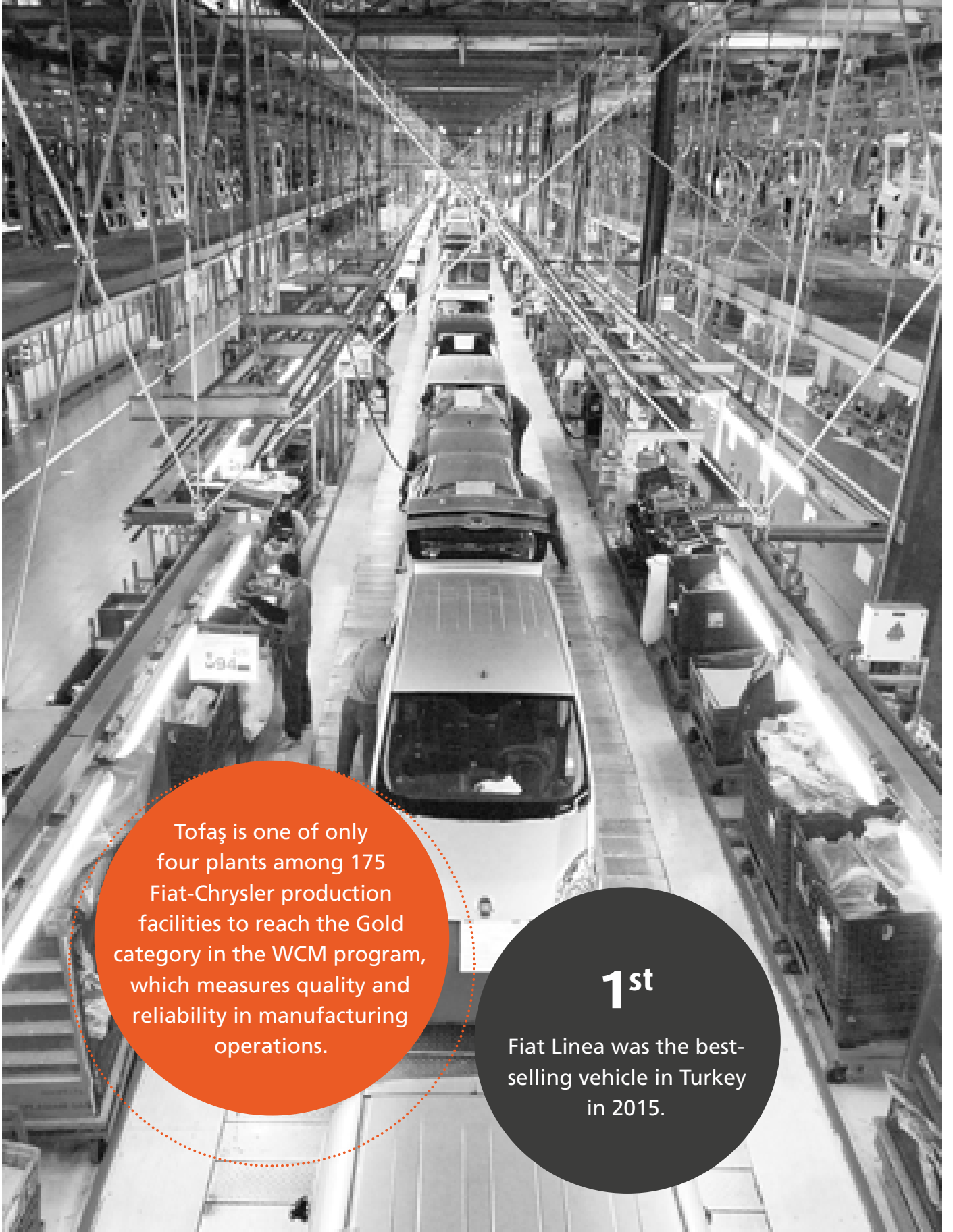
Tofaş plans to continue new model investments and product launches in 2016. The Company aims to deliver the fully automatic, gasoline version of Egea to customers starting in February. Tofaş will commence manufacturing the 356 HB and the face-lifted Fiorino in the first half of the year and the 356 SW in the second half of the year. Together with the new models in 2016, the Company's exports of the 356 family are projected to reach 100 thousand units. New product investments are expected to add momentum to Tofaş's manufacturing and export drive, while the added employment and export potential will make a positive contribution to the Turkish economy.

KOÇ FIAT KREDİ

Koç Fiat Kredi provides consumer financing for the brands sold via Tofaş. The Company provided loans of TL 1,895 million for 63 thousand vehicles in 2015, thereby financing 70% of Tofaş's retail sales. Its loan portfolio totaled TL 1,922 million.

Koç Fiat Kredi financed its lending by issuing securities with a total nominal value of TL 327.4 million, of which TL 112.4 million was obtained by security issuance.





Tofaş is one of only four plants among 175 Fiat-Chrysler production facilities to reach the Gold category in the WCM program, which measures quality and reliability in manufacturing operations.

1st

Fiat Linea was the best-selling vehicle in Turkey in 2015.

TürkTraktör

AUTOMOTIVE/TÜRKTRAKTÖR



DOMESTIC MARKET POSITION

Leader with a **48%** market share



INTERNATIONAL MARKET POSITION

Most extensive design and manufacturing center in the world for the New Holland TDD, Case IH JX series tractors

Sole manufacturing center in the world for Utility Medium series tractors and transmissions

Sole engineering and manufacturing center for the TD Series transmissions and **main manufacturing center** for the S8000 series power engines



SHAREHOLDER STRUCTURE

37.50%
Koç Holding A.Ş.

24.95%
Free Float

37.50%
CNH Industrial
Österreich GmbH

0.05%
Other

Record in tractor sales

Having become one of the largest tractor manufacturing facilities in Europe, the Company's plant in Erenler, Sakarya produced its 50,000th tractor in December 2015.

Despite a global downtrend in tractor sales, the Turkish tractor market expanded by 12% to 66,775 tractors in 2015, becoming the fourth largest in the world. TürkTraktör set yet another record in its 61-year history: The Company manufactured 47,536 tractors, sold 33,002 units in the domestic market, and posted turnover of over EUR 1 billion thanks to its effective management.

In 2015, TürkTraktör continued to grow in the construction equipment segment with the brands New Holland and Case, and expanded its dealer network to deliver the Company's products and services to customers in the fastest way.

New products

The Company has responded to the long-standing demand for a domestic orchard tractor with the Case IH JXB in the Case IH product category, which comes in three models: JX 65B, JX 75B and JX 90B.

The Case IH Magnum 380 CVX, which was designated "Tractor of the Year" at the EIMA Fair and "Machine of the Year 2015" at the SIMA Agricultural Fair, went on sale in Turkey simultaneously with the world market.

Another product rolled out in Turkey during the year was New Holland Satellite-Supported Accurate Agricultural System (PLM)s, which allows farmers to assess their fields in the most efficient manner, saving time and resources including fuel oil, fertilizer and seeds.

Equipped with CVT transmission, the New T8 Auto Command™ series tractors were offered for sale with four models, ranging from 280 HP to 380 HP.

Puma 230 CVX Platinum Edition was put on sale in Turkey as the most powerful tractor in its category.

The New Holland harvester model TC5070 was replaced by the TC5.80, which renders harvesting more comfortable and hassle-free with a spacious and quiet cabin, InfoView™II monitor and easy-to-use control console.

The New Holland SP 3000 Field Pulverizer offers high capacity, accurate spraying.

The Herbicide Kit was added to the New Holland product range to help farmers combat invasive vegetation more systematically.

TürkTraktör branded machines to smash stems and branches were rolled out in 2015.

Investments

Having expanded its manufacturing capacity with a second plant in Erenler, Sakarya in 2014, TürkTraktör will continue creating added value for the Turkish economy and agricultural industry with its 61 years of know-how and R&D capability and ongoing investments.



TürkTraktör is the dominant leader of the Turkish tractor market with a 48% market share.



TOTAL
REVENUES

3,103
(TL million)



PROFIT BEFORE
TAX

302
(TL million)



NET
INCOME

257
(TL million)



SHARE OF
INTERNATIONAL
REVENUES

30%

TürkTraktör

AUTOMOTIVE/TÜRKTRAKTÖR

TürkTraktör is the sole design and manufacturing center in the world for certain tractor and transmission models.

Awards

TürkTraktör ranked 24th in the ISO 500 survey which lists Turkey's most successful industrial enterprises, and 45th in the Fortune 500 which compiles the country's 500 largest companies.

TürkTraktör won the first prize at the TİM 2014 Export Champions Award Ceremony, as the top exporter in the category "Machinery and Spare Parts."

As part of Automotive Manufacturers' Association "40th Anniversary Awards," the Company was deemed worthy of the "Gold Medal" for its exceptional export performance in 2014.

At the annual Industrial Energy Efficiency Project Competition held by the Ministry of Energy and Natural Resources, General Directorate of Renewable Energy, the Company placed first in the category "Energy-Efficient Industrial Plant."

The Company's Annual Report 2014, published on the occasion of its 60th anniversary and designed to resemble a business magazine, was presented with some of the world's most prestigious awards for design and creativity. At the international ARC Awards, the report was designated the "Best Design" in the agriculture category and received the "Gold Prize." In addition, the report was named the "Second Best in Design" at the Creativity International Awards and granted the "Silver Prize."

Outlook, targets and strategies for 2016

In due consideration of Turkish agricultural policies and developments in the tractor sector, the Company plans to manufacture more advanced, efficient, user-friendly and ergonomic tractors with a higher horse power featuring more enhanced electronic and hydraulic systems, and to focus on cost cutting initiatives.





TürkTraktör achieved new records with its production, domestic sales, and revenue in 2015.

12%

The Turkish tractor market, led by TürkTraktör, grew 12% in 2015 and became the 4th largest market in the world.

Otokar

AUTOMOTIVE/ OTOKAR

Please use the adjacent QR code to reach detailed information about Otokar.



LEADERSHIP POSITIONS

Leader in the Turkish bus market for the **6th** time (25+ passengers)

Export **leader** of small buses in Turkey

Leading supplier of armored vehicles to the Turkish Armed Forces

Largest private company **defense sector** in Turkey



SHAREHOLDER STRUCTURE

44.68% Koç Holding A.Ş. **30.51%** Other

24.81% Ünver Holding A.Ş.

Otokar, a leading Turkish automotive and defense industry company, grew 16% in 2015, posting turnover of TL 1,434 million and net profit of TL 80 million. In the market for buses with 25 or more passengers, the Company was Turkey's most preferred brand for the sixth year, and it became the export leader of buses under 7 meters. In 2015, Otokar maintained its position as Turkey's leading armored vehicle manufacturer in the defense industry. It was also recognized by the Undersecretariat of Defense Industry with a 1st Prize for its successful performance over the last three years.

Otokar increased its exports by 77% on a TL basis in 2015, bringing the share of exports in total turnover up to 29%. Otokar took international orders for armored vehicles to be used in United

Nation's Peacekeeping Missions; the first exports of the Ural 4x4 vehicles took place in 2015. The Company reported increased sales for buses in its target market Europe – particularly in Germany, Belgium, France, Spain and Italy – and maintained its position as France's small bus brand of choice. Otokar also carried out Turkey's largest export shipment of right-hand drive buses to Malta in 2015. In addition, the Company rolled out its articulated city bus at the Busworld expo in Belgium.

The Company remained the domestic market leader in the small to medium bus segment; one out of every three buses sold in this segment in Turkey bore the Otokar brand. The Otokar Atlas light truck continued to be extensively used in the public services sector. Furthermore, Otokar was a standout in the trailer market with its domestic transport vehicles.

As Turkey's largest private sector defense industry company, Otokar collected the first two orders for the COBRA II vehicle from the domestic market in 2015; in addition, it carried out shipments of the URAL and COBRA vehicles specially designed for security forces. The Company expanded its product range with the ARMA 8x8 exploration vehicle, which is designed to counter chemical, biological, radiological and nuclear threats, and with the addition of the tracked armored vehicle TULPAR-S.

As part of the Phase I Turkish National Main Battle Tank Design and Prototype Manufacturing Contract signed under the Modern National Tank Manufacturing Project (Altay) between Otokar and the Undersecretariat of Defense Industry (SSM) on 28 July 2008, development processes and prototype manufacturing were completed in 2015. Work on system qualification and approval testing is ongoing. Pursuant to the applicable articles of the contract in force, Otokar submitted to the SSM its bid for the Altay Project Phase II Mass Production Project, which covers the mass production of 250 tanks and the provision of their Integrated Logistic Support activities. SSM is expected to issue an opinion on the mass production process following an assessment on the submitted bid.

Otokar places great emphasis on key issues such as the environment, human rights, corporate governance, supplier relations and social responsibility, and embraces the UN Global Compact principles. The Company joined Borsa Istanbul Sustainability Index in 2015. The same year, Otokar received OHSAS 18001 certification in occupational health and safety.

Awards

- Ministry of National Defense, Undersecretariat of Defense Industry's "Defense Industry First Prize for 2015"
- Turkish Patent Awards, "Fifth in the Patent League"
- Turkish Metal Industrialists' Union (MESS), Golden Glove Occupational Health and Safety Practices Awards, "Golden Glove" award
- Association of Automotive Industrialists, 40th Anniversary Export Success Awards, "Gold Medal"
- İstanbul Gelişim University, "Automotive Company of Choice" award

Outlook, targets and strategies for 2016

Otokar expects a contraction in the commercial vehicle market in 2016 as a result of new Turkish regulations for Euro 6 emission that will go into effect and rise vehicle sales prices. However, the municipality bus market is forecast to gain momentum due to previously postponed demand. Keen to maintain its leadership position in the Turkish bus market, the Company also aims to expand its exports by entering new overseas markets. The Company plans to boost its trailer market share and increase light truck sales with new products specially designed for the domestic market.

In the defense industry, Otokar plans to continue its efforts in export markets while focusing on the delivery of orders it collected last year. The attention garnered from Turkey's allies toward the Altay Project, whose first phase is scheduled for completion in 2016, suggests that Turkish defense industry exports are set to rise over the long term.

Otokar is among the leading automotive and defense industry companies in Turkey.



TOTAL
REVENUES

1,434

(TL million)



PROFIT BEFORE
TAX

88

(TL million)



NET
INCOME

80

(TL million)



SHARE OF
INTERNATIONAL
REVENUES

29%

AUTOMOTIVE/OTOKOÇ OTOMOTİV

Otokoç is the market leader in automotive retailing and car rental in Turkey.

Leading the Turkish automotive retailing and car-rental markets

Otokoç Otomotiv carries out activities with Otokoç and Birmot brands in automotive retailing; Avis and Budget brands in rent-a-car services; Otokoç Insurance brand in insurance services. Besides its wide network in Turkey, Otokoç Otomotiv also provides services outside the country in Kazakhstan, Azerbaijan, Northern Iraq and Hungary, at 177 spots in total. Otokoç Otomotiv carries out sales and post sales activities of Ford, Ford Trucks and Volvo with Otokoç brand; and Fiat, Alfa Romeo, Lancia and Jeep with Birmot brand. Furthermore, the hourly rent-a-car services Zipcar provides service in more than 40 locations in İstanbul and Antalya.

In 2015, in the automotive retail segment, Otokoç Otomotiv had a 32% market share in Ford sales, 31% share in Fiat sales, 36% share in Alfa Romeo, Lancia and Jeep sales, and 41% share in Volvo sales. The Company garnered an 8% share in new vehicle sales with 79 thousand units sold. In second-hand vehicle sales, the Company continued to lead corporate brands with 24 thousand cars sold. With combined new and second-hand vehicle sales totaling 103 thousand, Otokoç Otomotiv sold more vehicles than most distributor brands in Turkey. In short-term car rentals, Avis increased its turnover by 33% while Budget's turnover rose 46%. In operational leasing, the Company increased its turnover by 11% with a fleet of 23 thousand vehicles.

In 2015, Otokoç Otomotiv continued to invest in Ford Trucks Plaza and inaugurated its third Ford Trucks 4S plant in Konya.

The Company continued to grow under the brands Avis and Budget, expanding the Avis network to 90 offices while the number of Budget offices rose to 50.

During the year, Otokoç Otomotiv ramped up its investments, especially in vehicles, by 24% to TL 1.2 billion.

Launched in April 2015, Zipcar now operates in 40 locations across İstanbul, serving individuals and companies that demand short-term car rentals.

Awards and achievements

Celebrating its 41st year in 2015, Avis Turkey won the Skal International "Best Car Rental Company Award" for the sixth time. It also placed first among 110 companies operating under ABG Group's EMEA region in terms of customer satisfaction. Budget, Turkey's most dynamic car rental brand, launched its new web site, leading to an 84% annual growth in online bookings. As such, Budget's web-site accounted for the largest share among all sales channels, including the call center and office locations.

Overseas investments

Rapidly expanding its overseas car rental operations, Otokoç Otomotiv undertook its first European investment in 2015 under the Budget brand. In 2016, the Company will conduct operations in six overseas markets: Azerbaijan, Northern Iraq, Kazakhstan, Hungary, Northern Cyprus and Georgia.

Outlook, targets and strategies for 2016

Otokoç Otomotiv plans to expand its service network with new investments and renew its current facilities. The Company is restructuring its second hand vehicle operation to achieve growth. Otokoç Otomotiv targets market leadership and 31% growth in short-term rentals and 40% growth and a strong second position with the Budget brand. In 2016, the Company plans to increase its expansion in İstanbul under the Zipcar brand, thus offering the market and alternative means of transport. In addition, the Company will enter new markets in the rental car segment and run operations in different regions as part of its growth strategy. In 2015, Otokoç Otomotiv initiated efforts in Customer Relationship Management. As part of the Innovation Management Process launched in 2015 and the 360-degree Customer Experience project, the Company developed technology-oriented projects in both the automotive retail and car rental units in order to boost business process productivity and customer satisfaction.





Otokoç maintains its growth in the Turkish car rental industry under the Avis and Budget brands while continuing to make investments abroad.



**CONSUMER
DURABLES**

**WE ARE BOLSTERING
OUR PRESENCE IN
THE INTERNATIONAL
ARENA BY PROVIDING
SEAMLESS INTEGRATION
OF TECHNOLOGY AND
DESIGN**



CONSUMER DURABLES

Robust AND SUSTAINABLE GROWTH

Developments in the consumer durables sector in 2015

It is estimated that, in 2015, the global consumer durables industry grew 1% in volume and shrank 7% in USD terms, while the global TV industry contracted 2% in volume and declined 13% in USD terms (based on eight months of data).

Turkey has maintained its position as the largest manufacturing center for consumer durables in Europe.

According to 2015 year-end data from the White Goods Manufacturers' Association of Turkey (TURKBESD), exports grew more than 7% year-on-year to 18.1 million units, while the domestic market grew 5.7% to 7.1 million units.

Koç Group in the consumer durables sector

While maintaining its leadership in Turkey as well as being the third biggest consumer durables company in Europe in sales volume, Arçelik A.Ş. also continued to hold a significant lead in the Romanian and South African markets, with its Arctic and Defy brands, respectively.

Beko, Arçelik A.Ş.'s global brand, was the fastest growing consumer durables brand in terms of market share in the highly competitive European market between 2000 and 2015. Taking the leadership position in the European freestanding white goods market, Beko has increased its market share in major markets, including among others, Germany, Italy, Spain, Russia and Poland.

Beko retained its strong position in the Middle East and Europe. The Company has increased its export volume in Southeast Asia in line with its market diversification objective, reinforcing its presence with new companies in Malaysia and Vietnam, subsequent to its launching in Singapore and Thailand in 2014.

With the inclusion of the consumer durables category into its portfolio in 2013, Grundig became the only European brand to offer products in all categories of home electronics. Maintaining its growth in Germany, Scandinavia, and the United Kingdom, Grundig has introduced its white goods portfolio to consumers in Spain, Italy, Belgium, Croatia, France, Austria, Malta, South Korea, and South Africa.



Beko became the second largest brand in the overall white goods market in Europe in 2015.

1st

The dominant leader of the Turkish durable goods industry, Arçelik is Europe's third largest white goods manufacturer by sales.

Arçelik A.Ş.

CONSUMER DURABLES/ARÇELİK



DOMESTIC MARKET POSITION

Leader in white goods, built-in appliances, and air conditioner markets with a market share of more than 49%

Leader in the TV market with a share over 22%



INTERNATIONAL POSITION

The unrivaled **market leader** in Romania and South Africa with its Arctic and Defy brands, respectively

The global brand Beko is:

The **2nd** largest white goods brand in Europe and the **leader** in the freestanding white goods market

2nd largest white goods brand in the UK

Market **leader** in Poland's white goods market

Leader in the freestanding white goods market in France

2nd largest brand in the Italian freestanding white goods market



SHAREHOLDER STRUCTURE

40.51%
Koç Holding

25.15%
Free float

17.61%
Burla Group

16.73%
Other Koç



Please use the adjacent QR code to reach detailed information about Arçelik A.Ş.

R&D, Innovation, and Sustainability

By capitalizing on its 25-years of R&D experience, innovative power, and technological competence, Arçelik introduces distinctive, value-added, innovative, and environmentally-friendly products to global markets. In 2015, Arçelik opened an R&D center at the Cambridge University Science Park in the UK, which is an important step towards the expansion of global R&D activities for the Company.

Thanks to its R&D efforts in 2015, Arçelik developed:

- The most energy-efficient A++ energy class built-in oven in Europe,
- A+++ (-70%) energy class washing machine,
- A+++ (-10%) energy class drier,
- 75% energy saving washing machine with cold water washing program,
- A+ energy class 90 cm wall-type range hood,
- A+++ (-30%) energy class no-frost combi refrigerator,
- A+++ energy class no-frost side-by-side type refrigerator.

Some of the innovations include:

- The connective app HomeWhiz® that allows users to effortlessly control white goods with their smartphone, tablet or television and follow the operating status of the devices,
- A refrigerator with four cameras in the cabin, enabling users to check the content during shopping,
- A refrigerator that makes ice cubes in 40 minutes,
- VUX (Virtual User eXperience) interface controlling the dishwasher, cooker and range hood from a single center,
- Europe's first automatic dosing system for dishwashers,
- ProSmart Inverter washing machine, minimizing energy and water consumption,

- New Fine Arts Curved TVs that come with the new smart TV platform UltraHD 4K

The Company continued to support global climate change initiatives in 2015. Indeed, Arçelik participated in the "New Global Alliance for Energy-Efficient Appliances" program by UNEP in South Africa and Thailand. It represented the Turkish white goods industry in the UNFCCC – 21st Paris session of the Conference of the Parties in December 2015.

Arçelik has also contributed to the country's energy saving corresponding to a total capacity of six wind turbines each with 2.5 megawatt by recycling over 100,000 products consuming a high level of energy at the Eskişehir and Bolu facilities, which is a first in the country's industry.

Investments

The number of global sales and marketing companies reached 27 with new Beko offices in the Balkans, Malaysia and Vietnam.

The Thailand refrigerator production plant, which broke ground in January 2015, started production in December 2015.

Strong and consistent growth

Despite contractions and economic fluctuations in key markets, Arçelik A.Ş. has maintained its strong and consistent growth, boosting its operational profitability.

In 2015, the Company grew 13.2%, posting consolidated turnover of TL 14,166 million.

The Company's net profit totaled TL 893 million. International revenues accounted for 59.6% of its consolidated turnover.

Arçelik provides products and services to its customers in more than 100 countries with its manufacturing plants in Romania, Russia, China, South Africa, and Thailand, in addition to Turkey.



TOTAL
REVENUES

14,166

(TL million)



PROFIT BEFORE
TAX

785

(TL million)



NET
INCOME

893

(TL million)



SHARE OF
INTERNATIONAL
REVENUES

60%

Arçelik A.Ş.

CONSUMER DURABLES/ARÇELİK

Arçelik, the top ranked company in the Turkish Patent League, filed the highest number of international patent applications.

Awards and achievements

- Among the first 30 companies in BIST Sustainability Index, and an "AAA" rating in the Morgan Stanley Capital International (MSCI) Global Sustainability Index Series, the best ranking in the industry.
- 2015 Turkey CDP Leader.
- "E-waste Heroes" award by WEEE Management System.
- TPE, Turkish Patent League champion and the "Company with the Highest Number of International Patent Applications."
- Arçelik, the "Most Popular Brand" in white goods and consumer electronics category based on the Lovemarks of Turkey Survey.
- Beko, the first home appliances brand awarded with "Green Brands" in Germany.
- Grundig Drier with "Test Winner" award given by the German testing agency Stiftung Warentest.
- Two IF Design awards for LUMINIST Cast Cookers with VUX technology (Virtual User Experience).
- The Turkish Exporters' Assembly "R&D Leadership" and "Technology Development Leadership" awards, as the only Turkish company to be the finalist at the International IMP3rove Innovation Contest, large-scale companies category.

Outlook, targets and strategies for 2016

In line with its long-term goals, Arçelik A.Ş. supports its vision "Respects the Globe, Respected Globally" with a sustainable profitable growth strategy. Having defined brand, design, quality, technology, and innovation as the main pillars of the Company strategy, Arçelik will continue to invest relentlessly in these areas in all regions. Arçelik aims to enhance its capability to offer pioneer, distinctive, value-added, innovative, and environmentally-friendly products and solutions. The Company will continue to consider new markets and business opportunities with higher potential, through its strong and consistent financial structure, reinforcing sustainable growth. In this regard, it will focus on growing in the ASEAN region with its plant

established in Thailand, while maintaining its investments in its current businesses, and prioritizing the opportunities in regions where it is not currently operating.

Arçelik A.Ş. aims to bolster its global position by boosting its international revenues, firming up its domestic market leadership, and supporting its growth with new business fields and investments in new regions. The Company recognizes its employees as the greatest asset in its quest to set and achieve ambitious future goals, investing in current and new business fields. Therefore, Arçelik continues to invest in human resources by helping its employees to develop professionally, for the ultimate goal of maximizing the effectiveness of its global organization.



CONSUMER DURABLES/ARÇELİK-LG



Arçelik LG is the leader in the air-conditioner industry with more than 50% market share.

Established in 2000 with a production capacity of 300 thousand units, Arçelik-LG today boasts a capacity of 1.5 million units and 686 personnel. Indirectly, the Company creates employment for around 1,000 individuals in the supply chain.

Arçelik-LG is the largest air-conditioner manufacturer in the Middle and Near East, and Europe. Its innovative approach, strong technological infrastructure and extensive distribution and service network help the Company to maintain leadership in the domestic market with a share of over 50%. The Company currently exports nearly 45% of its production mainly to Europe, the Middle East, Africa and the CIS.

In response to intensifying competition in the market, Arçelik-LG has completed R&D work on a new Inverter model with high energy efficiency (A++ and above) and lower cost, for roll out in 2016.

In the commercial air conditioner segment,

Arçelik-LG's R&D department has designed and produced domestically manufactured fan-coil units. As a result, Arçelik-LG now offers a competitive "Made in Turkey" product line.

Arçelik-LG can now manufacture exchangers domestically that were formerly imported by Arçelik Dryer Plant for its high efficiency dryers with heat pump. As a result, it has become a by-product supplier to an Arçelik plant for the first time.

Outlook, targets and strategies for 2016

Arçelik-LG provides Turkish consumers with high-quality energy-efficient products, while maintaining 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 to focus on increasing its market share and maintaining its leadership in the newly-developing commercial air-conditioner segment by expanding its product range.



DOMESTIC MARKET POSITION

Leader in air-conditioning with a **51%** market share



INTERNATIONAL MARKET POSITION

Largest air-conditioner manufacturer **in the Middle & Near East and Europe**



TOTAL REVENUES

486
(TL million)



SHARE OF INTERNATIONAL REVENUES

28%

Please use the adjacent QR code to reach detailed information about Arçelik-LG.



The image shows the exterior of a Yapı Kredi bank branch at night. The bank's logo, a stylized white 'Y' with a red and blue swirl, is illuminated above the entrance. To the right, the name 'Yapı Kredi' is written in large, white, sans-serif letters. The storefront is made of glass, reflecting the interior lights and some posters. One poster on the left says 'İnçken', another in the middle says 'KOBİ'ler Yapı Kredi'ye', and a third on the right says 'Super Erkek Yapı Kredi'.

Yapı Kredi

FINANCE

**WE ARE OFFERING THE
MOST CREATIVE SOLUTIONS
TO OUR CUSTOMERS
THROUGH OUR FOCUS ON
DIGITILIZATION AS WELL
AS EXTENSIVE BRANCH
NETWORK**

redi

COOP



FINANCE

Sustainable PROFITABILITY

Developments in the finance sector in 2015

The banking sector was affected by economic and political developments in both Turkey and abroad in 2015. The focal issues globally included the timing and amount of the Fed's interest rate hike, ECB's policies and geopolitical risks. Furthermore, the economic slowdown in China put pressure on emerging markets.

The increase in economic and political uncertainties during the year triggered the depreciation of the Turkish lira as well as a rise in interest rates, which in turn slowed credit growth. Capital adequacy ratios were also adversely affected by these developments in 2015. Despite this challenging environment, the banking sector's profitability increased 4% over the prior year.

Against this backdrop, it is possible to view 2015 as a year of success for the banking industry. The sector's solid performance once again confirmed that Turkish banking is built on a sound foundation.

Koç Group in the finance sector

In the finance sector, Koç Group operates through Koç Financial Services, a Koç Holding and UniCredit Group 50%-50% joint venture, and Koç Finansman, Turkey's first consumer finance company.

Koç Financial Services is the parent company of Yapı Kredi, established in 1944 as Turkey's first private nationwide bank, and of various subsidiaries that are leaders in their own segments. Yapı Kredi ranks among Turkey's top ten most valuable brands with its sustainable, customer-focused banking philosophy and innovative approach. As a strong financial services group, Yapı Kredi's operations include: Retail Banking (individual banking, SME banking, Platinum Banking and card payment systems); Corporate and Commercial Banking; Private Banking and Wealth Management. The Bank's operations are supported by domestic

subsidiaries engaged in portfolio management, brokerage, financial leasing and factoring as well as overseas banking subsidiaries based in the Netherlands, Russia, Azerbaijan and Malta.

In 2015, Yapı Kredi's branch network climbed to 1,000 branch locations and its ATM network expanded to 4,332 ATMs. With a total workforce of more than 19 thousand employees, Yapı Kredi's customer base includes 11 million active customers and 21.3 million total customers. During the year, the Bank garnered nearly 30 awards presented by prestigious domestic and international institutions.

For Yapı Kredi, 2015 was a year of developing and enriching all digital channels, mobile banking in particular, with the rapidly changing world and diversifying customer demands. Pioneering the digital transformation of banking, Yapı Kredi's digital banking active customer base has expanded 80% and reached 2.6 million customers over the last two years. In this period, Yapı Kredi's internet banking market share increased 330 basis points to reach 14.9%. Likewise, its mobile banking market share increased 147 basis points and reached 12.4%. As of 2015 year-end, alternative distribution channels' share in total banking transactions is around 85%, which is one of the higher figures in the sector.

Established to provide customers with financing alternatives at sales locations, Koç Finansman delivers loan services, primarily in the automotive sector, but also in mortgage, education, durable goods and other areas. Koç Finansman is the only financing company to provide a service independent of the brand and sector in question. Financial solutions are delivered without the intermediation of branches, directly by the dealers who sell the products and services covered by the loan. Koç Finansman's total assets amounted to TL 3 billion as of year-end 2015.



Yapı Kredi maintained its growth-oriented investment strategy in 2015.

Leader

Turkey's 4th largest private sector bank by assets, Yapı Kredi is the market leader in credit cards, factoring, and financial leasing.



FINANCE/YAPI KREDİ



MARKET SHARES

Asset Size

4th largest among private banks

Total cash and non-cash loans

4th largest bank with an 11% market share

3rd largest private bank with a 17% market share

Cash Loans

4th largest bank with a 10.3% market share

3rd largest private bank with a 16% market share

Deposits

5th in total with a 10.2% market share

4th largest private bank with a 15.3% market share

Credit Cards

Sector leader in credit cards' outstanding volume with a 21.2% market share, credit cards revenues with 19.5%, POS revenues with 20.9% and number of credit cards with 18.1% shares

Financial Leasing

Sector leader in financial leasing transaction volume with 20.3%

Factoring

Sector leader in revenue with a 17.6% market share

Mutual Funds

2nd in with a 17.5% market share

Equity Transaction Volume

2nd with a 7.2% market share

Branch Number

3rd with an 8.9% market share

ATM Number

4th with a 9% market share

Internet Banking

Pioneer with a 14.9% market share

Mobile Banking

Pioneer with a 12.4% market share

Yapı Kredi ranks among Turkey's top ten most valuable brands with its sustainable, customer-focused banking philosophy and innovative approach.

As a strong financial services group, Yapı Kredi's operations include: Retail Banking (individual banking, SME banking, Platinum Banking and card payment systems); Corporate and Commercial Banking; Private Banking and Wealth Management. The Bank's operations are supported by domestic subsidiaries engaged in portfolio management, brokerage, financial leasing and factoring as well as overseas banking subsidiaries based in the Netherlands, Russia, Azerbaijan and Malta.

Smart growth: Sustainable and healthy

In 2015, Yapı Kredi continued to build on the Growth-Focused Investment Strategy, which the Bank initiated in 2014. This strategy helps bolster Yapı Kredi's standing in the sector and maintain a sustainable profitability performance.

The main pillars of the strategy are investments in digital channels, ATMs and the branch network coupled with measures to boost customer acquisition and operational efficiency. To this end, Yapı Kredi opened 77 new branches over the last two years, expanding the branch network to 1,000 locations; in addition, it increased the ATM network to 4,332 ATMs by adding 1,299 new ATMs. With a total workforce of more than 19 thousand employees, Yapı Kredi's customer base includes 11 million active customers and 21.3 million total customers.

For Yapı Kredi, 2015 was a year of developing and enriching all digital channels, mobile banking in particular, with the rapidly changing world and diversifying customer demands. Pioneering the digital transformation of banking, Yapı Kredi's digital banking active customer base expanded 80% and reached 2.6 million customers in the last two years. In this period, Yapı Kredi's internet banking market share increased 330 basis points and reached 14.9%. Likewise, its mobile banking market share increased 147 basis points and reached 12.4%. As of 2015 year-end, alternative distribution channels share in total banking transactions was around 85%, one of the higher figures in the sector.

In 2015, Yapı Kredi increased its total cash and non-cash loans volume by 21% to TL 210.1 billion. The Bank is the 4th in this field with an 11% market share among all banks while it is the 3rd bank with a 17% market share among private banks.

As a result of strong growth in general purpose loans and SME loans, which generate significant value for the Bank, Yapı Kredi's total cash loan portfolio increased 21% to TL 152.5 billion. In this segment, the Bank ranked fourth in the sector with a market share of 10.3%. Among private banks, Yapı Kredi held a market share of 16%, and ranked third having moved up one place over the last two years.

Please use the adjacent QR code to reach detailed information about Yapı Kredi.



Yapı Kredi is among the 10 most valuable brands in Turkey.



TOTAL ASSET
SIZE

235

(TL billion)



RETURN ON
AVERAGE EQUITY

9.2%

(9.7% Return on Average Tangible Equity)



SHAREHOLDER
STRUCTURE

81.80%

Koç Financial
Services

18.20%

Free Float



FINANCE/YAPI KREDİ

Yapı Kredi's digitalization efforts were recognized with the "World's Best Mobile Banking Application" award.

During the year, total deposits grew 21% – above the sector average – to TL 130 billion. Yapı Kredi ranked fifth in total deposits industry-wide with a market share of 10.2%. Among private banks, Yapı Kredi ranked fourth and has a 15.3% market share.

Yapı Kredi posted TL 1,909 million in net profits in 2015. The Bank's return on average tangible equity stood at 9.7% and its capital adequacy ratio amounted to 13.8% despite strong loan growth.

Robust and diversified funding base

The Bank continued to diversify its funding sources in 2015. During the year, the Bank raised USD 4.6 billion through syndications, securitizations, bond issuance and other financial instruments.

Awards received for a successful year

Yapı Kredi is on the mark when it comes to identifying banking and social needs and has received considerable praise for its performance. The Bank received nearly 30 awards from both national and international organizations in different fields. In "Turkey's Most Appreciated Companies" survey, conducted by the leading Turkish business magazine Capital, Yapı Kredi was designated one of the country's top three banks. Meanwhile, Marketing Türkiye named Yapı Kredi as "The Bank that Makes Life Easiest for Clients" and "The Bank that Best Understands the Client." Yapı Kredi's focus on digitization earned it "The World's Best Mobile Banking App Award" at the renowned Stevie Awards.

Corporate Governance Rating

In 2015, Yapı Kredi's Corporate Governance rating was raised from 92.51 to 93.35.

Outlook, targets and strategies for 2016

In 2016, the banking sector is expected to demonstrate loan growth of 13% and deposit growth of 11%. The net interest margin is anticipated to remain at its 2015 level while non-performing loans could increase 40 basis points.

Over the last two years, Yapı Kredi has invested heavily in branches, ATMs and employees in order to strengthen its service network. Currently, the Bank will focus on further bolstering its operational performance and efficiency. At the same time, Yapı Kredi will maintain profitability while sustaining its asset quality, capital and liquidity base. A leader of the digital transformation in banking, Yapı Kredi will continue investing in this area in 2016 to boost its standing in the sector. In 2016, Yapı Kredi is expected to expand its total loan and deposit portfolio in line with the sector average, while outpacing the sector in higher value-creating products such as general purpose and SME loans. Despite rising deposit costs, the net interest margin will be sustained by efficient loan pricing, while fee and commission growth will be driven by customer acquisition.

FINANCE/ KOÇ FINANSMAN



Koç Finansman is the only financing company to offer loan services to all brands and industries.

Asset size 2015: TL 3 billion

Established to provide customers with financing alternatives at sales locations, Koç Finansman delivers loan services, primarily in the automotive sector, but also in mortgage, education, durable goods and other areas. Koç Finansman is the only financing company to provide a service independent of the brand and sector in question. Financial solutions are delivered without the intermediation of branches, directly by the dealers who sell the products and services covered by the loan.

Celebrating its 20th anniversary in 2015 around the theme "20 Splendid Years," Koç Finansman conducts operations on two cultural axes: Innovation and customer focus. This approach has helped the Company win various awards in the areas of technology and social responsibility.

In line with its portfolio diversification strategy, Koç Finansman ventured into the durable goods and consumer electronics areas, forged new partnerships and launched the Kredidakik brand.

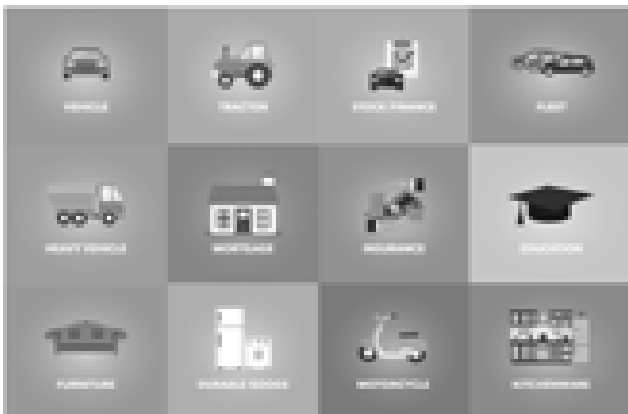
In 2015, the Company's short term national credit rating was affirmed as (TR) A1, while its long term national credit rating was upgraded from (TR) A to (TR) A+.

Outlook, targets and strategies for 2016

Koç Finansman is keen to diversify its business lines and services, maintain a competitive edge, and bolster its market position with customer-focused, innovative projects in 2016.



We have been serving our customers in every field of life.



Please use the adjacent QR code to reach detailed information about Koç Finansman.



**OTHER
SECTORS**

**WE SERVE OUR
CONSUMERS WITH HIGH
QUALITY PRODUCTS,
EXCEPTIONAL SERVICES
AND RELIABLE BRANDS**





FOOD/TAT GIDA



DOMESTIC MARKET POSITION

Leader in various categories including:

Ketchup with a **29%** revenue share,

Tomato paste with a **30%** revenue share,

Tomato products with a **69%** revenue share,

Pasteurized milk with a **38%** revenue share, and

Premium pasta with a **50%** volume share



SHAREHOLDER STRUCTURE

43.65%

Koç Holding

9.68%

Other Koç

1.53%

Sumitomo Corp.

41.41%

Free Float

3.73%

Kagome Co. Ltd.

Production

Tat factories processed some 400 thousand tons of fresh tomatoes during the 2015 tomato season, the highest level in recent years. This tomato processing volume led to increases in the Company's capacity utilization rate as well as productivity. Tat Gıda helped to initiate agricultural banking practices in contract farming in order to create more value for farmers.

With the acquisition of the Söke cheese factory in 2014, Tat Gıda's daily milk processing capacity increased by 33% in 2015, climbing to 1,200 tons. In the milk and dairy products business line, and especially in the cheese category, the brand continues to undertake investments in pursuit of its growth targets.

The collective labor agreement between Tat Gıda Sanayi A. Ş. and the trade union Tekgıda-İş started in 6 January 2015 and ended in the agreement signed on 13 May 2015, valid from 1 January 2015 until 31 December 2016.

Financial position

In 2015, the Company's revenues grew around 11% over the prior year. Operating profit rose 37% over the previous year to TL 70 million while earnings before taxes from ongoing operations went up 81% over 2014 to TL 64 million.

Despite the overall economic challenges in 2015, Tat Gıda recorded strong profit thanks to efforts to increase productivity. In addition, the Company reduced its debt and strengthened its financial structure.

Leading brands and new products

In order to bolster its market leadership position in 2015, Tat Gıda conducted digital promotional campaigns targeting children and youth, in addition to engaging in other communication activities that strengthen emotional bonds that consumers feel with the Company's brands.

In order to modernize and rejuvenate the Tat brand, which leads the market in the tomato paste, ketchup and tomato products

categories and to help it to grow closer to consumers, the Company launched the "Sweet Tomatoes Family" campaign in 2015. The SEK brand initiated a communication campaign that underscores the brand's vision of preserving and multiplying kindness. SEK also strived to raise consumer awareness in the cheese category with the promise of "quality cheese from quality milk."

SEK, leader in the pasteurized milk category, launched the product "Fresh Milk for Yogurt," for consumers who want to produce delicious and creamy yogurt at home. Furthermore, SEK Cold Coffee products were relaunched and promoted via digital channels. SEK also worked on increasing the turnover of new products launched in previous years.

Main awards

The commercial campaign "Hipsters Cried" launched by SEK for the promotion of the product "SEK Cold Coffee" received one Silver and two Bronze awards at the 2015 Crystal Apple Festival.

The press advertisement for the product Tat Acı Sos (Tat Hot Sauce) won the Bronze award at the Crystal Apple Creativity Festival, in the food category. Furthermore, the project "AçkenBakma (Don't Stare When Hungry)" received the first prize at the 13th Golden Spider Web Awards in the categories "Best Micro Site" and "Best Food Web Site."

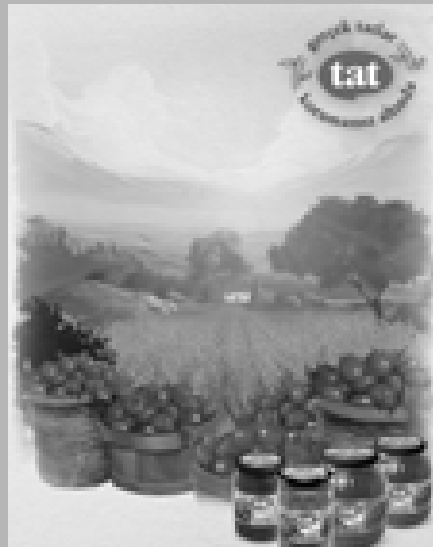
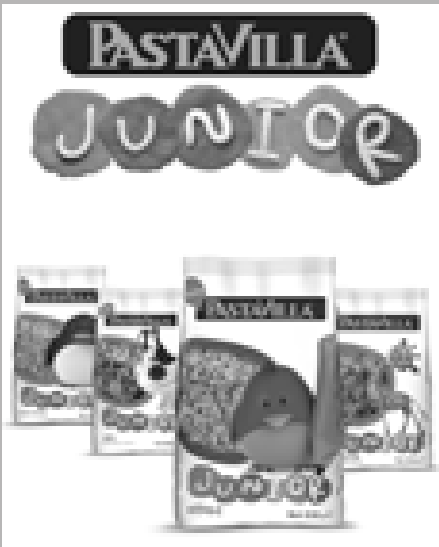
At the competition Stars and Crescents of Packaging, the packages for Pastavilla Junior pasta and the Special April 23rd Pasteurized Milk packages for SEK were awarded with the Gold prize. The packaging for SEK Pasteurized Milk with Chocolate and Fruit and SEK Fruit Juice received the Silver prize at the same event. In addition, the Tat Ketchup package collected the Competence award.

Outlook, targets and strategies for 2016

Tat Gıda closed reporting year 2015 with positive results in terms of productivity and operating profit. In 2016, the Company aims to boost its sales and market position while maintaining strong profitability.



Tat Gıda is the leading brand in tomato products, tomato paste, ketchup, pasteurized milk and premium pasta.



TOTAL REVENUES

911
(TL million)



PROFIT BEFORE TAX

64
(TL million)



NET INCOME

67
(TL million)



SHARE OF INTERNATIONAL REVENUES

9%

FOOD/DÜZEY

Düzey further expanded its sales and distribution network in 2015 and remained a pioneer in the industry.

Founded in 1975, Düzey increased sales revenues by 15% in 2015.

Düzey has made improvements to the distribution system it launched in 2003 through which it distributes Koç Group brands Tat, SEK and Pastavilla, as well as Maret products, Ekin Bakliyat grain, Prenses sugar, Tedy fruit juice and Sony batteries. The Company has established its own sales teams in large urban areas with high growth potential and invoices to over 78 thousand sales points.

In 2011, Düzey expanded its domestic distribution portfolio to include the Nutella and Kinder brands of the leading Italian food manufacturer Ferrero. In parallel to the new brands it is authorized to distribute, Düzey is continuously developing its logistics and technological infrastructure.

An agreement with Marmara Birlik, the leading olive products company in Turkey, regarding distribution of MB-branded olive products was signed in 2015. In fourth quarter 2015, Düzey entered into a sales and distribution deal with Dardanel, Turkey's largest canned fish products manufacturer.

Outlook, targets and strategies for 2016

Düzey will continue to grow in 2016 and beyond, and will remain a pioneer in the sector with the support of its suppliers and employees.



Please use the adjacent QR code to reach detailed information about Düzey.



TOURISM/SETUR

With its broad range of service offerings, Setur has been the biggest player in the sector since 1973.

Duty-free shops

Setur runs its duty-free sales operations with 781 employees at 21 locations: Seven airports, five land border gates, eight seaports and one diplomatic store.

The Istanbul Sabiha Gökçen Airport store, with some 3,800 square meters of retail space, is Setur's biggest retail location. The stores on the international departures level were renovated in 2015. In addition, a new Burberry concept store and shops selling high end watch, eyewear and bag brands were opened during the year.

Tourism

Setur operates in diversified areas of the tourism industry, including air ticket sales, domestic and international tours, incoming, congress and seminar events, online travel services, cruise travel, educational services abroad and visa services. Setur serves customers through five centers, 32 authorized agents and 236 online agencies.

Setur is the Turkish representative of BCD Travel, which delivers corporate ticketing services to 1,250 companies in 110 countries. Setur organizes nearly 400 conferences and meetings each year, with its deep know-how in event planning.

During the year, Setur was recognized for its social responsibility efforts. Its web-site engelsiz.setur.com.tr, specially designed for visually impaired visitors, was deemed worthy of the "Silver Stevie" Award at the world-renowned "Stevie Awards," which recognizes excellence in business. In addition, the web site won the Bronze award at the "International CSR Excellence Awards" and first prize in the "NGO/ Social Responsibility" category of the "Golden Spider Awards," one of the most prestigious awards in the Turkish web community.

Outlook, targets and strategies for 2016

Setur started to work on the disaggregation of arrival/departure passenger traffic at its duty-free shop locations, in line with the new regulations issued by the Ministry of Customs and Trade; these efforts will continue in 2016.

In 2016, Setur plans to upgrade its online platforms to reach out to a wider audience, deliver more online travel process solutions to companies, increase overseas collaborations, and further enrich its portfolio in order to continue the Company's growth.



Please use the adjacent QR code to reach detailed information about Setur.



TOURISM/SETUR MARINAS

Setur Marinas provides world-class services to yachters at 11 marinas.

Setur Marinas provides world-class services to yachters at its 11 marinas in Kalamış and Fenerbahçe, Yalova, Ayvalık, Çeşme, Kuşadası, Gökova Ören, Marmaris, Finike, Kaş, Antalya and Mytilene. Setur Marinas has 6,058 berths, of which 5,801 are in Turkey and 257 are abroad. It leads the Turkish marina sector with a 24% market share and had a 89% occupancy rate in 2015.

Setur Marinas provides yachters many services including accommodation on land and sea, travel lifts, hull cleaning, and utilities. The Company also provides services such as restaurants, shops, fuel oil and technical maintenance through its tenants.

Tek-Art A.Ş., a subsidiary of Setur Marinas, won the privatization tender for the Kalamış and Fenerbahçe Marina in May 2014, submitting the highest bid of USD 664 million. However, since the court dismissed a motion for stay of execution with regard to the development plan, Tek-Art A.Ş. has withdrawn from the tender and the tender process is still ongoing.

Outlook, targets and strategies for 2016

Setur Marinas maintains domestic market leadership by expanding its market share in Turkey and abroad and targets to become an international brand. Therefore, the Company explores opportunities regarding marina acquisitions both domestically and internationally.



Please use the adjacent QR code to reach detailed information about Setur Marinas.

TOURISM/DİVAN GROUP

With new contracts, Divan Group's hotel portfolio will expand to 27 properties.

The Divan Group operates 20 hotels, two residences, 17 patisseries, 44 bakeries, 13 restaurants, two stadium and Eatly concessions and two catering units. The Group creates synergy and implements its growth strategy by consolidating hotel management, production, banquet organization and cafe-restaurant management under one roof.

In the domestic market, the Group has created sub-brands under the "Divan" name such as "Divan Suites" and "Divan Express" for hotels and "Divan Residence" and "Managed by Divan" for residences.

The 180-room Divan Adana opened in September 2015, followed by the 170-room Divan Mersin in December 2015.

Outlook, targets and strategies for 2016

The Company signed three hotel operation contracts under the Divan and Divan Express brands in Algeria and under the Divan Express brand in Kayseri.

The 556 unit residence G Marin, Managed by Divan, is expected to open in second quarter 2016.

With new contracts, the Company's hotel portfolio will expand to 27 properties, including hotels under construction.

Alongside the units which will be opened in Turkey, the first patisserie at Lagoon Mall in Qatar is expected to open in February 2016.

In 2016, another stadium will be added to stadiums which are operated by Divan: BJK Stadium is scheduled to commence operations, and the new concept Divan Restaurant with a dining capacity of 800 is expected to open.



Please use the adjacent QR code to reach detailed information about Divan.

RETAILING/KOÇTAŞ

Koçtaş, the leader in the Do It Yourself retailing market, was once again voted the “Most Recommended Brand” in the furnishing and decor sector.

The market leader with a total sales area of 241 thousand m² in 45 Koçtaş and 12 KoçtaşFix stores located across 22 provinces, Koçtaş served some 11.5 million customers in 2015.

Koçtaş continued to revise its business plan and modernized its category/product management and retail stores to become the destination of choice for customers in 2015. In return, the Company reached a brand recognition of close to 100%, and a customer satisfaction index 4 points higher than the sector average for customer loyalty.

Given the effect of rapidly changing technologies and socioeconomic conditions on customer expectations and shopping habits, the Company has introduced numerous firsts such as KoçtaşFix stores with an average sales space of 200 m², the multiple channel shopping experience and “Tıkla&Gelsin (Click to Order)” kiosks.

The Fix format, aims at greater proximity to customers to meet their simpler, on the spot repair and maintenance needs, continued its growth with six new stores launched in Istanbul in 2015.

The renewed Internet shopping channel grew by 18% over the previous year, while the rate of mobile shopping rose by 110%.

The “Tıkla&Gelsin (Click to Order)” kiosks currently present in all KoçtaşFix stores and allowing access to 17 thousand additional products are planned to be installed in other Koçtaş stores in the coming period.

Awards and achievements

Koçtaş ranked 49th in “The 100 Most Valuable Turkish Companies” survey by Brand Finance. In addition, a study by Accenture Turkey, Vodafone, Boğaziçi University, METU and the Turkish Foundation for Information Technologies showed that Koçtaş was one of the 17 most successful Turkish brands that are “Digitalization Pioneers,” with an index above 80%.

Digital marketing campaigns carried out in 2015 helped Koçtaş win a total of five awards at Crystal Apple, Mixx Awards and the Direct Marketing Communication Awards.

Furthermore, in the annual survey by the Association for Shopping Center Investors, Koçtaş was once again named “The Most Preferred Brand” in the furniture and decoration category.

Social responsibility

In the process of inaugurating new stores and carrying out social responsibility projects, Koçtaş delivers its vision of “better homes, better lives” to new provinces. In this sense, Koçtaş renovated the Mentally Handicapped Children’s Dormitory in Samsun, after the Adana and Kocaeli.

Outlook, targets and strategies for 2016

After the opening of two new stores at Istanbul Kurtköy Viaport and Göztepe Emaar Shopping Center, Koçtaş will expand its extensity. In addition to the large format Koçtaş stores, the Company plans to rapidly open smaller scale KoçtaşFix stores in urban, downtown locations. By prioritizing those cities where it has no store presence yet, Koçtaş will continue to create value for its stakeholders and its customers across Turkey.



SHIP & YACHT CONSTRUCTION/ RMK MARINE

RMK Marine delivered the largest warship ever manufactured by a Turkish private sector shipyard.

RMK Marine realizes construction projects for tankers, off-shore vessels, tugboats, military ships and superyachts in Tuzla. RMK Marine is the only Turkish private sector shipyard to hold AQAP 2110 NATO Quality Management System certification, confirming that it meets "NATO Quality Assurance Requirements for Design, Development and Production."

Building the largest warship

The four Coast Guard Search and Rescue vessels, which are Turkey's largest warship ever built by a private sector shipyard, were completed and delivered in 2014 and 2015. These vessels successfully perform the challenging duties ascribed to them in the open seas.

Continuing to introduce firsts

Designed and constructed by RMK Marine, and delivered on 17 September 2014 and 20 October 2015, the asphalt carriers T.ESRA and T.AYLİN are the largest and most innovative carrier vessels of their kind. This project attracted such attention in the European market that sales agreements with two European customers were signed for two more asphalt carriers and one chemical carrier in 2015. The design stages of the vessels were completed in 2015 and construction began in 2016. Deliveries are scheduled for 2017.

A global brand in superyachts

Constructed by RMK Marine, Nazenin V, Karia and Sarafin all garnered Special Jury Awards at the "Oscars" of the superyacht sector, the World Superyacht Awards. The marketing of special design over 50-meter yachts are among the Company's top business targets for 2016.

Outlook, targets and strategies for 2016

RMK Marine's strategic business plan include the "I" Class Frigate and the Turkish Fast Attack Boat projects, where

tenders will be launched soon by Turkish Marine Forces. RMK Marine has produced original designs for the Turkish Fast Attack Boat project. The Company also carries out work on the following projects:

- Environmentally-friendly chemical carriers and asphalt carriers with low operating costs,
- LPG/LNG supply ships that will support the use of environmentally friendly and cost effective fuel,
- Superyachts with original design and advanced technologies.



Please use the adjacent QR code to reach detailed information about RMK Marine.

INFORMATION TECHNOLOGIES/ KOÇSİSTEM

KoçSistem leads the IT services market in Turkey with its deep experience and know-how.

Celebrating its 70th anniversary in the Turkish IT sector in 2015, KoçSistem posted 21% revenue growth during the year by expanding its portfolio of technology-centered business solutions and strategic partnerships.

KoçSistem is the information technology service market leader in Turkey according to IDC reports in 2014. The company capitalizes on its 70 years of know-how to meet the IT demands of clients from various sectors. KoçSistem has also implemented numerous projects and initiatives related to current technology trends, including the internet of things (IoT), big data analytics, cloud computing, corporate mobility and smart solutions, all of which are set to play key roles in the digital transformation of enterprises.

In 2015, KoçSistem was a sector standout with its various innovative projects that included "Global Voice and Video Infrastructure," which covers 4,500 users on four continents; "Smart Production Monitoring and Control," which is based on the IoT and helps monitor over 100 work stations in real time; "Fresh Tea Procurement Automation," which digitizes the purchase of fresh tea worth TL 867 million per annum; the new generation smart transportation solution "Electronic Ticketing Infrastructure"; and "Integrated IT Systems" which delivers high quality and uninterrupted electricity to 500 thousand households.

KoçSistem started to deliver hosting and managed service solutions to clients at the "Istanbul One" data center. The Company has also maintained its leadership in corporate cloud computing services and built upon its investments in R&D. According to the Ministry of Industry's 2014 R&D Centers Performance Index, the Company operates one of the top three R&D centers in the sector. In addition, the Company has transferred the know-how it has accumulated in Turkey to Azerbaijan by establishing an R&D Center at Caucasus University. KoçSistem's R&D operations also attracted international attention: It was selected to the Board of

Directors of EUREKA ITEA 3, which was set up by the European Union to develop new technologies and initiatives. As such, the Company can influence R&D projects that will shape Europe's future.

Outlook, targets and strategies for 2016

In 2016, KoçSistem plans to continue its digital transformation parallel to the current IT trends, outperform the sector average in its current business lines, and invest in new business lines in order to formulate the competencies and business models of the future.



Please use the adjacent QR code to reach detailed information about KoçSistem.

INFORMATION TECHNOLOGIES/ BİLKOM

Bilkom is the Turkey distributor for global information technology brands.

For 30 years, as part of its value added service strategy, Bilkom has provided distribution services in Turkey to global IT brands that shape the digital and mobile transformation across the world. In line with its mission as Turkey's "Digital Life Coach," the Company raises the bar of success each day with forward looking, dynamic and creative practices that make a difference in the sector.

At over 1,500 sales points spread across 81 cities in Turkey, Bilkom provides sales and distribution services to leading companies such as Apple and Asus. In 2015, the Company's sales increased 45% in TL terms to above TL 1.1 billion. Year after year, Bilkom works to bolster its sector leading position, in terms of company size and growth rate, workforce competitiveness, employee and customer satisfaction, operational productivity and return on equity.

Bilkom, which was the 73rd largest Turkish IT company ranked by sales according to the IT 500 survey in 2009, recorded average annual growth of 68% between 2009 and 2014 in TL terms to rise to 19th place according to the 2014 edition of the same survey. Furthermore, on the Capital 500 list of Turkey's top companies across all sectors, Bilkom ranked 10th in sales growth, climbing 214 places in a single year to become the 260th largest company.

As part of its social responsibility efforts, the Company established the Bilkom Memorial Forest of 20 thousand tree saplings in Urla, İzmir, on the 30th anniversary of its founding. Bilkom's best and award winning corporate social responsibility project "History Comes Alive 3D" created a mobile 3D representation of the ancient city of Pergamon.

Bilkom joined forces with Kadir Has University to establish the "UNESCO Chair in the Management and Promotion of World Heritage Sites: New Media and Community Involvement" to protect and promote world heritage sites in Turkey.

As the technology partner of the Chair, the Company works on projects that will promote the cultural heritage of Turkey and the Middle East via modern technologies, especially among the younger generations.

Outlook, targets and strategies for 2016

Bilkom plans to continue pursuing profitable and sustainable growth above the sector average, with a focus on leading brands, forward-looking mobile technologies and other information and communication technology solutions.



Please use the adjacent QR code to reach detailed information about Bilkom.

FOREIGN TRADE/ RAM DIŞ TİCARET

Ram Dış Ticaret continued to strengthen Koç Group's presence in global markets in 2015.

In 2015, Ram Foreign Trade successfully fulfilled its mission of bolstering the presence of Group companies in global markets and providing support to them in high-risk markets.

Ram continued the central procurement process for the flat steel products required by Koç Group companies, from Erdemir and Borçelik. Approximately 352,000 tons of supplies were acquired with considerable advantages for the Group.

The Company continued to represent Boeing and Sikorsky in the aviation industry and delivered a 747 cargo plane to Azerbaijan Airlines.

The intensifying conflicts in the Middle East and Africa have led to the displacement of some 5.5 million persons, around half of whom have taken refuge in Turkey. By participating in tenders held by the UN and other aid organizations, Ram has helped to deliver various materials and consumables to refugees.

Ram Foreign Trade closed 2015 with turnover of about TL 1 billion.

Outlook, targets and strategies for 2016

The Company plans to continue efforts in the central procurement of iron and steel, in order to boost both the import volume and pass the benefit to Group companies.

In addition, the Company has planned five aircraft shipments while new regional representative offices are scheduled to open for the aviation sector.

Furthermore, efforts will continue to improve coordination of Group companies' overseas operations and trade in products and services, and to market innovative products developed in Turkey and across the region.



Please use the adjacent QR code to reach detailed information about Ram Dış Ticaret.

Please use the adjacent QR code to reach detailed information about Zer.



CENTRAL PURCHASING/ ZER MERKEZİ HİZMETLER

Zer Merkezi Hizmetler creates value for its customers and suppliers through collective procurement and technological services.

Zer Merkezi Hizmetler ve Ticaret A.Ş. has been providing procurement services to companies within or outside Koç Group for 12 years. During this period, Zer has included over 20 thousand suppliers in its portfolio to serve more than 500 corporate customers. As such, the Company creates significant productivity and saving advantages by managing over 5 thousand tenders every year.

Zer is proud to provide clients with a wide range of services that fall in two main categories:

End-to-End Procurement Services

Zer meets corporate procurement needs via outsourcing, capitalizing on today's business process outsourcing (BPO) trends. Zer provides end-to-end services at all stages of the supply process, using specialized solutions in Materials Procurement, Service Procurement, Logistics Procurement and Media Procurement.

Procurement Technologies Services

Zer conducts services in procurement technology via Promena, an e-sourcing platform. Promena is a separate platform service in addition to Zer's own operations and is also offered as a standalone product for procurements self-managed by customers.

The Company now delivers a comprehensive range of services typically offered by a digital marketing agency, as of 2015. These include ad display, search engine advertising, mobile marketing, social media marketing, search engine optimization, among others. As such, customers can monitor their footprint at lower costs, and in a more efficient way.

Another important development was the 86% increase in the use of electronic tender and bid collection services under Promena over the prior year, rising to 6,400 tenders.

Outlook, targets and strategies for 2016

In 2016, Zer plans to launch new products and services and maintain rapid growth in its operations outside the Group. Zer is focused on implementing excellence in procurement in all processes and creating satisfaction and loyalty among stakeholders.



Materials Procurement Solutions

Zer delivers specialized procurement solutions related to packaging materials, industrial materials, corporate identity products, office materials and technology products to corporate customers.



Service Procurement Solutions

Zer provides specially designed procurement solutions such as outsourcing personnel, equipment, transport and site management services to its clients.



Logistics Procurement Solutions

Zer presents customers with specialty procurement solutions related to multimodal transport, international land transport, railway transport, maritime container transport, air transport, domestic land transport, cargo and courier transport.



Media Procurement Solutions

Zer delivers procurement services related to TV, newspaper, radio and open-air productions, as well as end-to-end digital marketing, from strategy formulation to purchasing and planning.

END-TO-END PROCUREMENT SERVICES



1
EXPENSE
ANALYSIS



2
SUPPLIER
MANAGEMENT



3
TENDER AND
NEGOTIATION



4
CONTRACT
MANAGEMENT



5
ORDER AND
SUPPLY



6
SERVICE
CONFIRMATION



7
BILLING AND
PAYMENT

CORPORATE SOCIAL RESPONSIBILITY

Koç Holding became a signatory to the United Nations Global Compact in 2006.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY PERFORMANCE MANAGEMENT AT KOÇ

From year one, Koç Holding has been aware that corporate sustainability is only made possible with complete social welfare. "Fulfilling our responsibilities towards current and future generations is the essential principle by which we pioneer." These visionary words from the late Vehbi Koç, the founder of Koç Holding, constitute the basis of our management approach. Embracing sustainability as a management model, Koç Group aims to integrate sustainability across all its operations and processes.

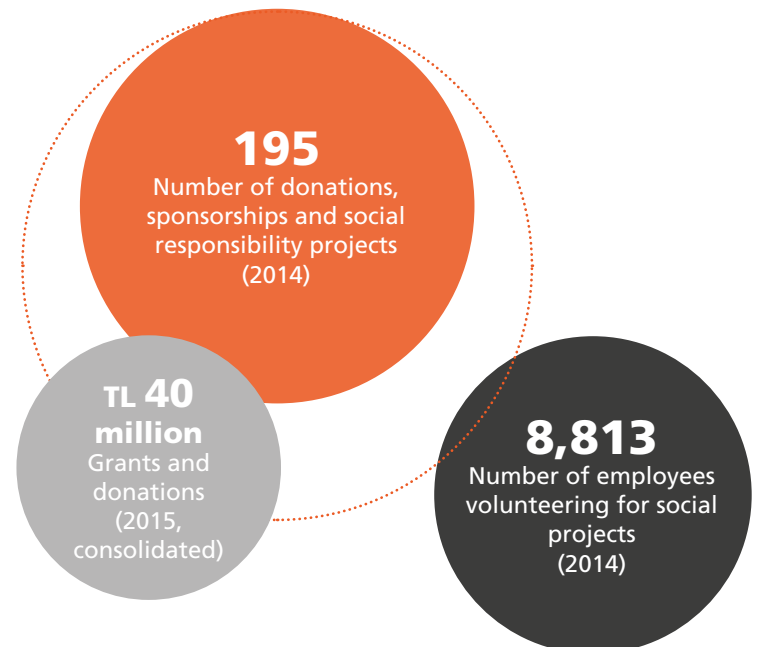
Our responsible and sustainable management structure was recognized in the results of the Borsa İstanbul (BIST) Sustainability Index launched in 2014 and continued in 2015. All our companies included in the BIST 50 have fulfilled the criteria of the index in 2015. Koç Holding, Arçelik, Ford Otosan, Otokar, Tofaş, Tüpraş and Yapı Kredi are all included in the index.

In 2015, as part of Koç Group Sustainability Management Project, which is designed to help Group companies develop sustainable business models within the framework of an integrated strategy, Group priorities were identified and a new era began in sustainability reporting. The objective is to employ an issue-specific and integrated approach in order to manage sustainability across Group companies.

GLOBAL COMPACT

The United Nations Global Compact, signed by our Chairman of the Board, the deceased 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 Board member of the Global Compact Local Network Turkey, Koç Holding continued to support efforts in 2015 to extend and institutionalize the Global Compact in Turkey. Furthermore, UN Women's Empowerment Principles (WEPs) were signed by Koç Holding in 2015. An active role was taken in Global Compact Turkey Women's Empowerment Study Group, which was established in order to support the learning processes among companies and contribute to spreading them across the country by merging private sector initiatives on gender equality.



Koç Group strives to improve its environmental performance continually and become a leader in this area.

ENVIRONMENTALLY FRIENDLY PRACTICES AT KOÇ

Koç Group is committed to compliance with international environmental laws, rules and standards in all its operations and activities. The Group aims to work for a world inhabitable today and in the future. To this end, the Group continually raises environmental awareness among employees, the community and suppliers, while shaping its business operations to become a leader in environmental performance.

The Environmental Committee, formed to share best practices, create common long-term plans and develop common projects within Koç Group, works on formulating the Group's long-term strategies, goals and relevant actions plans in the area of environmental management.

The Audit Group and the Environment Committee jointly conduct periodic environmental audits at Koç Group companies to determine possible environmental impacts and indirect risks. Environmental data collected as a result of these audits are monitored on the basis of sustainability criteria and indicators.

With a track record of numerous environmental achievements and initiatives, Koç Group companies divide their environmental management efforts into four main areas: Climate Change Management, Resource-Use Efficiency Management, Environmentally-Friendly Product Development, and Environmental Protection and Improvement.

Climate Change Management

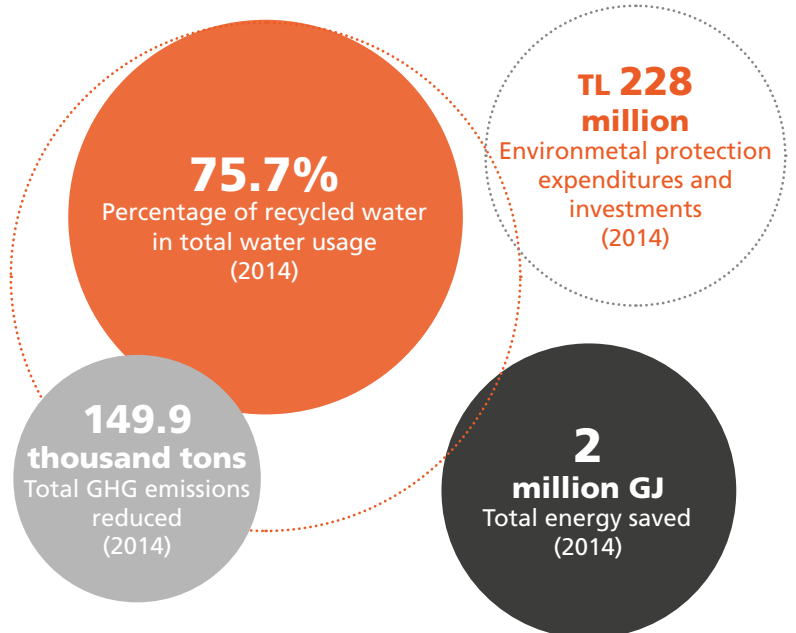
Koç Group Climate Change Strategy elaborates the fight against climate change for Group companies and provides direction for their work. All Group companies expend efforts to effectively measure and reduce greenhouse gas emissions. The report "Climate Change and Greenhouse Gas Emissions: Good and Bad Scenarios" is issued for companies in order to take the necessary precautions in response to possible changes related to the climate.

Since 2011, Koç Group and the Turkish business community are represented on international platforms such as the World Climate Summit. In 2015, Koç Group representatives participated in the twenty-first session of the United Nations Climate Change Conference held in Paris.

Details of Koç Group Climate Change Strategy can be found in the Sustainability Report.

Arçelik is committed to the fight against climate change initiated by CDP.

As part of their emission management efforts, Group companies Arçelik, Ford Otosan, Tofaş, TürkTraktör, Opet Fuchs, THY Opet and Yapı Kredi Bank calculated their greenhouse gas emissions for 2014 according to the ISO 14064-1 Greenhouse Gas Emission Reporting Standard. These figures were later confirmed and certified by independent accredited institutions. Arçelik and Tofaş also confirmed the Scope 3 consumption of their greenhouse gas emissions. At the Entek's Ayas coal-fired power plant, emission values dropped following the redesign carried out in line with IED standards, while the total carbon amount was reduced in parallel to the rise in productivity.



CORPORATE SOCIAL RESPONSIBILITY

Efficiency management in using resources

As part of their energy efficiency efforts; Tüpraş, Aygaz, Arçelik, TürkTraktör, Tofaş, Ford Otosan and Tat Gıda obtained ISO 50001 Energy Management System certification following audits by independent institutions.

Arçelik applied to and obtained VAP (Efficiency Boosting Project) incentives for a total of six projects. The washing machine plant received first prize at the "Most Efficient Industrial Plant" competition held by the Ministry of Energy and Natural Resources.

Tüpraş started to utilize greywater from İSU; as a result, 73% of the Company's water needs began to be met with recycled water.

Opet Head Office Building holds LEED (Leadership in Energy and Efficiency Design) certification. The building uses energy-saving LED lighting and air conditioners, water-conserving photocell faucets, special glass that preserves internal heat and water-saving smart flowerpots.

Projects implemented at Tat Gıda facilities resulted in 725,972 kWh of energy savings. The Company has conserved energy and water with basin and fittings upgrades, and the use of energy efficient engines. Tat Gıda's use of energy efficient equipment, practices and line upgrades have yielded some TL 500 thousand in savings per year. During the year, the Company continued to implement energy efficiency projects.

Tofaş has reported some 19,725,000 kWh in energy savings with 90 energy efficiency projects. Tofaş also saves 35% on energy every year with the Solarwall® Technology Process Air Heating initiative and reduces 122 tons/year equivalent of greenhouse gas. The Company's water preparation unit has minimized water consumption with the use of recycled water obtained from Körfez Municipality.

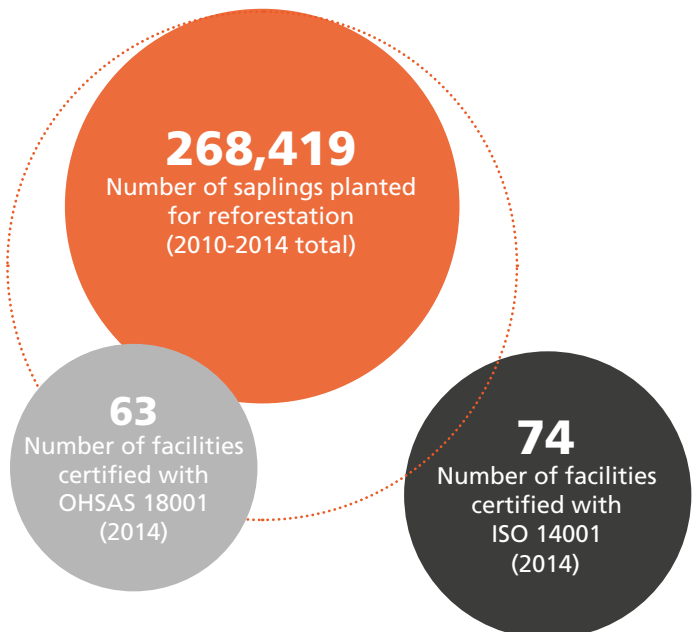
At Aygaz's Yarımca Terminal, after implementation of the waste water and rain water recycling process, water consumption has fallen at three locations that recycle industrial waste water. Aygaz has also experienced 163,223 kWh in energy savings with the use of LED lighting in the environmental lighting systems of five Terminal Offices. At the Aygaz Gebze Plant, reducing air leaks from pressurized has resulted in 110 thousand kWh in electricity savings.

Ford Otosan's energy efficiency projects reaped over 24 million kWh in energy savings.

Otokar set up the Test Water Recycling System to recycle tanker hydrostatic and calibration test water. In addition, the Company has carried out various other environmentally-friendly projects including Increasing Lighting Efficiency at Production Areas, Replacement of Environmental Lighting with LED Projectors, Installation of Time-Wise at Compressors, and Transition to Efficient Engines.

Environmentally friendly product development

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 2015. Details pertaining to the work are provided in the Sustainability Report.



Reducing the environmental impacts of production is among the priorities of the Group companies.

Protect and improve the environment

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 companies' production processes.

As part of Arçelik's replacement campaign "Let the Return to Nature Begin," dealers and authorized services collect old products from consumers and dispatch these to the Company's recycling plants in Eskişehir and Bolu. As such, these disused products' burden on the national grid was eliminated, resulting in energy equivalent savings of the annual generation of six wind plants at 2.5 MW.

THY Opet received Green Airport Company certification for 22 more airports.

Tofaş reduced treatment sludge by 20% with the use of new chemicals. At the tree planting activities designed to rehabilitate the fire-damaged Mudanya and Gölyazı forests, Tofaş employees and their families planted some 5 thousand saplings.

As part of the external training scheme at Tat Gıda's canned good facilities, contract farmers participated in training programs on drip irrigation, among other environmentally friendly practices.

Ford Otosan initiated the Green Port project for its Yeniköy Factory port and received sector criteria certification from TSE.

In the second edition of its Environment Day event held on June 5, World Environment Day, Koç Holding focused on the theme of climate change. The event was attended by members of the Environment Committee, company managers, specialized institutions and academics.

Koç Group companies carried out the following activities on June 5, World Environment Day:

- Arçelik held the "Arçelik Respect for Nature Photo Contest" on the theme "Climate Change."
- Aygaz placed posters on "Carbon Footprint Reduction" at its relevant facilities and head office.
- Ford Otosan Kocaeli Factories implemented the project "Educate One Child, Change the Society" designed to raise children's awareness about sea pollution.
- Opet distributed cloth bags to all employees to underscore the importance of avoiding plastic bag use.
- Otokar's social responsibility efforts consisted of educational programs on the environment and energy at three schools.
- With the sponsorship of Tofaş, students at various schools painted on canvases using environmental themes.

Awards

- Arçelik received the CDP Turkey 2015 Carbon Transparency Leadership Award. At the Sustainable Business Awards, Arçelik was recognized in the category "Waste Management." At the Istanbul Electric and Electronic Waste Summit, the Company received the "E-Waste Hero Award" for its recycling plants in Eskişehir and the WEEE Management System.
- Aygaz was presented with the "Environmental Plant Award" by the Turkish Union of Healthy Cities.
- Tofaş received the "Green Business Award" at the Sustainable Business Awards with its project "Proactive Energy and Carbon Management System in Seven Steps." At the EHS Leadership Awards, Tofaş placed third with the Company's "Waste Heat Recycling Practices Project."

Tüpraş's project application INTEGROIL to Horizon 2020 WATER-2015-2-STAGE was approved.

CORPORATE SOCIAL RESPONSIBILITY

Koç Holding supported the HeForShe campaign as part of its cooperation with the United Nations Entity for Gender Equality and the Empowerment of Women.

SOCIAL DEVELOPMENT

Koç Holding's goal is to contribute to raising the level of prosperity at its locations of operation, promote the expansion of social creativity, and encourage social development according to stakeholder needs and expectations. An advanced level of institutionalization of social development is important for Koç Holding. Accordingly, it concentrates its efforts on education, healthcare, the environment, culture and art.

Support for Vocational Education: Schools and Workplaces Join Forces for Vocational Education

Implemented successfully in different sectors in 81 provinces through a collaboration among the Vehbi Koç Foundation, the Ministry of National Education, Koç Holding and Koç Group companies, the project, "Vocational Education: A Crucial Matter for the Nation (MLMM)," was completed in 2013. The project continues in the form of the School-Workplace partnership model, which helps complete the cycle of vocational education-employment-development.

The Vocational High School Coaches Program, designed to support the personal and vocational development of students, was transferred to the Private Sector Volunteers Association (ÖSGD) in 2012. After which time, the program reached out to some 6,800 students at 73 schools in 12 provinces from 2012 until 2015, with the help of 904 volunteers from 41 companies.

After this project came to a close, as part of the School-Business Partnership Program, work started to expand the School-Business Partnership Model from 2014 onwards in collaboration with stakeholders of vocational education institutions, including Ministry of National Education (MEB), the Turkish Enterprise and Business Confederation (TÜRKONFED), the Turkish Confederation of Employer Associations (TİSK) and Turkish Industry and Business Association (TÜSİAD), the Private Sector Volunteers Association (ÖSGD), the Education Reform Initiative (ERG), and the MESS Education Foundation. This program was also included in the chapter on Skills and Human Resources of the Turkey Industrial Strategy Action Plan, drawn up by the Ministry of Science, Industry and Technology for the period 2015-2018.

Activities for gender equality

In 2015, Koç Holding focused on the social and economic empowerment of women as part of its collaboration with the United Nations Entity for Gender Equality and the Empowerment

of Women (UN Women). Under this partnership, Koç Holding supported the Turkish leg of the "HeForShe" campaign which aims to establish gender equality by 2030. The IMPACT program is designed to gear up efforts to reach this goal and Koç Holding Chairman, the deceased Mustafa V. Koç, became one of 10 global impact leaders. Koç Holding's goals include reaching 4 million supporters by 2017, delivering gender equality awareness education to at least 100 thousand persons by 2020, and recognizing gender-sensitive workplace cultures in order to help establish equality. In addition, the Holding formulated Koç Group Equality Guidelines and Implementation Principles and set up Implementation Committees.

One of the important investments made to support social development in the issue of social gender is the Project to Eradicate Domestic Violence organized in collaboration with Üsküdar District Police Department and the Humanist Bureau. Under the project, a training program was prepared. This program was implemented for 84 police officers working at the Domestic Violence Bureaus covering all districts of Istanbul while a team of trainers composed of 19 members participated in the program. Istanbul Police Department aims to implement the program with the trainers who have been trained under this project.



The “For My Country” project aims to encourage the spread of individual entrepreneurship as part of the concept of responsible citizenship.

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 concept of responsible citizenship. The Project strives to create a participatory attitude that encourages Koç Holding companies, employees, dealers and suppliers to become involved in solving social problems. “For My Country” focuses on a particular social need every two years. In the 2006-2007 implementation periods, “For My Country” led to the realization of 387 local projects in support of local development, whereas in 2008-2009, in the latest phase of the Project, 1,084,000 saplings were planted in seven “For My Country” forests around the country with environmental education provided to 18,000 children. The 2010-2011 implementation period of “For My Country” focused on increasing the number of volunteer and regular blood donors through raising the awareness among 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 to Turkish Red Crescent, at 83,579 units, through the efforts of a single enterprise.

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. Between 2012 and 2015, this project had raised the awareness of 125,982 people at 34 Koç Holding companies, through the efforts of Koç Holding employee volunteers, and in 36 provinces, through our distributors acting as “For My Country” ambassadors.

Some 372 volunteers were prepared as instructors under the Right Approach to Disability training program and 2,433 training sessions were held. In addition, 1,361 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 underway to develop products and services for disabled consumers. Some 39 social responsibility endeavors were launched in support of the project through inter-company cooperation and NGO-public institution collaboration.

The project “For My Country” launched the “I Support Gender Equality For My Country” program for the 2015-2017 period. As part of the initiative, the Mother Child Education Foundation (AÇEV), Turkey Family Health and Planning Foundation (TAP), Koç University Center for Gender Studies (Koç-Kam) and UNESCO have joined forces. The goals of the project include creating gender-sensitive workplaces by holding gender equality seminars among dealers, employees and managers; taking action across Koç Group to raise the profile and increase the percentage of women employees; reinforcing the project’s impact through creative practices and social responsibility activities; and enhancing the capacity and raising the gender equality awareness of stakeholders – youth, public employees, employers – at a local level with the help of dealers.

In this module of the “For My Country” project, “Information Windmill” seminars were held at 32 Koç Group companies since September 2015 and reached 6,648 individuals. In order to spread these seminars to the entire Group workforce, AÇEV trained 350 volunteer employees to be trainers. In addition, 200 senior and mid-level managers from Koç Group companies participated in awareness seminars by Koç-Kam.



CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SPONSORSHIP AND BRAND PROJECT

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 start a tradition. Koç Fest has been to 34 cities and organized 89 festivals in its 10 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 since 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 22,000 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.

Striving to make contact with youth on Turkey's campuses, Koç Holding implements Koç Fest, where various activities are held to cultivate a sporting culture among young people in everyday life. To this end, the project includes various events which brings sports celebrities together with university students.

Koç Fest visited seven universities in 2015. The grand finale was held at Isparta Süleyman Demirel University with the participation of some 5 thousand students.

Sponsorship of the National Olympic Committee of Turkey

Continuously undertaking numerous economic and social investments that will add value to Turkey, Koç Holding has raised the bar higher in its support for sports and become the main sponsor of the National Olympic Committee of Turkey for three years, contributing to Turkey's Olympic journey.

The first national main sponsor of the National Olympic Committee of Turkey, Koç Holding aims to contribute to the Olympic spirit in Turkey and across the globe through this sponsorship.

Committed to the importance of developing Turkey into a country with strengths across different sports disciplines, Koç Holding has also become the sponsor of Turkey's candidacy to host the 2020 Olympics and Paralympics. The Holding carries out efforts to promote an active lifestyle in the country and to ensure that sports are practiced more widely.



KidZania – Earthquake Simulation Center

Koç Group puts maximum effort into the support of projects that have a positive effect on children's development, turn education into entertainment and help raise more enlightened generations. KidZania Children's Republics, which have 16 offices in 13 countries across the globe, opened an office in Istanbul in 2014, which was fully embraced by Koç Holding and numerous Koç Group companies with pleasure.

This project allows children aged between 4 and 14 the chance to experience 90 professions, and Koç Holding supports the project with an earthquake simulation center.

In the activity area, which is open to children aged 9 and above, the young visitors are informed on proper procedures prior to, during and after earthquakes. Carried out with support from Boğaziçi University's Kandilli Observatory, the project features a theoretical lesson followed by an applied program about the earthquake and its aftermath. Recognizing that earthquake awareness must be raised in Turkey, a country vulnerable to earthquakes, Koç Holding offers a training program to the youngest age groups and helps inform the wider population.

International Nasreddin Hodja Cartoon Contest and Symposium

With a view to supporting the social development of different arts disciplines in Turkey and the overseas presence of Turkish arts, Koç Holding has been the main sponsor since 2008 of the International Nasreddin Hodja Cartoon Contest organized by the Association of Cartoonists. First held in 1974 with the participation of world cartoonists, the contest has witnessed success by numerous Turkish cartoonists.

Istanbul Biennial

Koç Group also provides support to meaningful projects that promote social and cultural heritage. As a contemporary arts organization directly involved in social problems, the Istanbul Biennial is supported under these efforts.

In 2007, the Holding signed a 10-year sponsorship agreement with the Istanbul Biennial, organized by the Istanbul Foundation for Culture and Arts. Viewing the arts as a key indicator of social development, Koç Holding decided to extend this support by another 10 years, on the basis of its philosophy of establishing long term, sustainable partnerships. With a decision made in 2015, the sponsorship was extended to cover the period 2007-2026.

The Istanbul Biennial is the Turkish arts event that draws the most attention globally. Today, the Istanbul Biennial is the largest contemporary arts platform in the country, and one of the four top biennials in the world. As a result, the Holding's support to the Biennial is equivalent to support to Istanbul as a brand. Koç Holding plans to continue providing significant support to enrich and augment the Istanbul Biennial.

"SALTWATER" This Year: The 14th edition of the Istanbul Biennial was organized around the theme "Saltwater: A Theory of Thought Forms" from 5 September – 1 November 2015. Some 545 thousand visitors enjoyed the event free of charge under the sponsorship of Koç Holding. Designed by Carolyn Christov-Bakargiev, the 14th Istanbul Biennial featured the works of over 80 artists and artist groups from the world over, displayed in 36 different locations on the Asian and European sides of the city. The "Arts Education Programs for Children" initiative, supported by Koç Holding, helped children aged 8-18 become acquainted with contemporary arts. The project aimed to foster an interest in museums and exhibitions, especially contemporary art, among young people while introducing them to basic artistic concepts. Educational programs held with the support of Koç Holding were attended by about 3 thousand students in 2015. The Guided Tour of the 14th Istanbul Biennial was also sponsored by Koç Holding. Around 5,700 individuals enjoyed the privilege of visiting the Biennial with guides expert in their respective fields.

VEHBI KOÇ FOUNDATION

The Vehbi Koç Foundation was established in 1969 as Turkey's first private foundation.

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

Vehbi Koç Foundation continued to make a difference in 2015 with the institutions it manages and the projects it sponsors. The following Foundation activities during the year deserve special attention.

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

Having reached out to over 50 thousand successful students in financial need to date, Vehbi Koç Foundation awarded a total of 6,685 scholarships in the academic year 2014-2015.

2015 Vehbi Koç Award goes to Prof. Dr. Ali Nesin and the Mathematics Village Project

The Vehbi Koç Foundation presents the Vehbi Koç Award to encourage individuals and institutions to work to improve people's quality of life. Awarded annually and rotating between the fields of culture, education and healthcare, the Vehbi Koç Award this year went to Prof. Dr. Ali Nesin and his Mathematics Village Project.

Among the three candidates nominated by the Selection Committee – composed of Prof. Gülsün Sağlamer (President), Prof. Ekrem Ekinci, Prof. Sabih Tansal, Sönmez Köksal and Batuhan Aydagül – Vehbi Koç Foundation Board of Directors selected Prof. Dr. Ali Nesin. Mr. Nesin has dedicated his life to science and mathematics, and his innovative Mathematics Village Project.

In addition to the Mathematics Village, established to spark an interest in math among young people, Mr. Nesin has also significantly contributed to the world of mathematics with his academic articles as well as popular works. Having changed many young individuals' perspective on math with his efforts over the last two decades, Ali Nesin has not only made math more accessible to a wider audience, but also turned it into a popular subject.

New science building at Koç Private High School

Having opened its doors at the beginning of the new academic year in September 2015, the science building offers new horizons in science education with its advanced technology infrastructure, and varied learning areas. Boasting a covered space of 4,400 m², the facility features flexible learning amenities on its physics, chemistry and biology floors, arts installations in common spaces, and areas where teachers and students can interact.

A year of accomplishments at Koç University

Having risen to the top tier of Turkey's universities since its founding in 1993, Koç University moved from strength to strength in 2015 in the field of research. Turkey's first Byzantine research center was established at Koç University during the year; as a result, the University now boasts 17 research centers. In addition, a total of 326 articles authored by Koç University faculty were published in ISI-indexed journals. The university also maintained its position among the top ranks of institutions of higher learning in terms of publications per faculty member. During the year, 14 faculty members were presented with various scientific awards, while the Law School Dean, Prof. Bertil Emrah Oder was named the new president of the Law Schools Global League.

In 2015, Koç University ranked in the 251st - 300th category of Times Higher Education (THE)'s World's University Rankings. The University placed 51st in the Under 50 (years old) University Rankings, 47th in the Asian University Rankings, and 29th in the BRICS & Emerging Economies Rankings issued by THE.

The Vehbi Koç Foundation fulfills its responsibilities in the healthcare field through its hospitals, medical centers, and nursing schools.

HEALTHCARE

Work on Koç University Hospital Phase II initiated

The second phase of Koç University Hospital, which opened in September 2014, is currently underway. All construction work is scheduled for completion in May 2016, when the hospital will have total use area of 220 thousand m². When the campus is complete, Koç University Hospital will include general, pediatrics and oncology departments, advanced simulation education and application center, education and research labs, auditorium, classrooms and social facilities, 400 single-bed patient rooms and 77 intensive care units.

“Living Heart” Center established

A VKV Healthcare Institution, the “Yaşayan Kalp (Living Heart)” cardiovascular disease center has been inaugurated, complete with heart surgery, cardiology and vascular surgery sections. The Center employs specialized cardiologists, invasive cardiologists, heart surgeons, vascular surgeons, cardiac anesthetists, radiologists, interventional radiologists, nuclear medicine experts, cardiac intensive care specialists and nurses, and echocardiography specialists. The Center has started to provide high quality services with not only efficient multidisciplinary teamwork, but also state-of-the-art medical equipment, smart solutions and meticulously planned processes.

MedAmerikan is now a Medical Center

Operating since 1997 in Istanbul’s Çiftehavuzlar district as a polyclinic for clinical diagnosis and outpatient care under the umbrella of American Hospital, MedAmerikan outpatient care was rebuilt with a USD 10 million investment and put into service as fully-equipped medical center on Istanbul’s Bagdat Street.

Koç University School of Nursing moved to the Topkapı Campus

Established in 1998 to offer a four-year undergraduate nursing degree, Koç University School of Nursing moved to the Health Sciences Campus, which includes Koç University Hospital, in July 2015. Equipped with state-of-the-art medical equipment, the new

campus makes for a more spacious and comfortable learning environment, while clinical practice continues at Koç University Hospital.

Haydarpaşa Numune Hospital Vehbi Koç Emergency Center modernized

The Haydarpaşa Numune Hospital Vehbi Koç Emergency Center was established in 1985 and underwent a reconstruction in 2002. The facility’s comprehensive modernization project to increase the capacity of its emergency ward is now complete. In order to meet rising demand, the Center was restructured to serve a thousand people per day. The emergency ward floor was overhauled and the number of intensive care beds was increased. Additionally, the building entrance was reconfigured to bring ambulance, vehicle and pedestrian traffic under control. Following six months of work, the Haydarpaşa Numune Hospital Vehbi Koç Emergency Center reopened its doors in December 2015.



VEHBI KOÇ FOUNDATION

The museums and research centers of the Vehbi Koç Foundation shine a light on our cultural heritage and unearth the gems of history.

CULTURE

Sadberk Hanım Museum uncovers the jewels of history

During its 35th anniversary year, Vehbi Koç Foundation's Sadberk Hanım Museum is hosting an exhibition that takes visitors on a glittering, historical journey. Featuring jewelry crafted in the Ottoman Empire between the 17th and 20th centuries, the exhibition "Cevher (Jewel)" will be open from 3 December 2015 to 31 May 2016 at Sadberk Hanım Museum.

Bringing together a collection of 139 exquisite pieces, the exhibition features articles set with precious gems such as diamonds, emeralds and rubies, reflecting the ornate tastes of Ottoman times, as well as enameled pieces that stand out with their meticulous craftsmanship. These valuable artifacts and objects include belt buckles, writing boxes, pen cases, spoons, coffee cup holders, mastic jars, sherbet cups, pocket watches, fans, fly whisks, tobacco pipes, snuff boxes, brooches, Ottoman decorations and slippers.

ANAMED celebrated its 10th year

Established in 2005 under the umbrella of Koç University, the Research Center for Anatolian Civilizations (ANAMED) celebrated its 10th anniversary in 2015. ANAMED decided to provide support to 34 new research projects selected among scholarship applications for the academic year 2015-2016. The Center also organized three new exhibitions and printed accompanying catalogues. In addition to its program of conferences and symposia, ANAMED hosted three summer school sessions in 2015.

Busy event calendar at VEKAM

Founded in 1994 and becoming affiliated with Koç University in 2014, Vehbi Koç and Ankara Research Center (VEKAM) had an ambitious calendar in 2015. Aside from the VEKAM monthly conferences held at Yapı Kredi Conference Hall, the Vineyard House in Keçiören hosted various conferences, symposia and exhibitions on the cultural history of Ankara and the capital's environs. VEKAM also launched the "Ankara Research Award" in 2015 in order to support new research on Ankara and the area, and granted the first awards under this initiative.



AKMED acquires another house in Kaleiçi

The first and only private research institute in Turkey's Mediterranean Region, the Suna-İnan Kiraç Research Institute for Mediterranean Civilizations (AKMED) was established in 1995 to support research on the historical, archaeological, ethnographic and cultural heritage of Antalya and its environs, and to shed light on relations across the Mediterranean. AKMED has remained a regional center for research on the Mediterranean with conferences, scientific events, research scholarships and publications.

Contemporary art and ARTER

Launched in 2010 with the sub-title "Space for Art," Arter continues to organize individual and mixed exhibitions at its edifice on İstiklal Avenue in order to contribute to the visibility of contemporary art and to support the production of artworks in Turkey. In 2015, ARTER played host to the exhibitions "Timemaker," "Spaceliner" and "When the Heart Goes Bing Bam Boom."

In addition to these events, ARTER was one of the official exhibition spaces of the 14th Istanbul Biennial in September and October 2015. Constructed in İstanbul Dolapdere, The Museum of Contemporary Art will host the Vehbi Koç Foundation Contemporary Art Collection – launched by the foundation in 2007 with a strategic decision – which is composed of more than 1,000 pieces today. The name of the museum scheduled to open in 2018 will also be Arter.

Ankara University Mustafa V. Koç Marine Archaeology Research Center opened

The result of a collaboration between Ankara University, Vehbi Koç Foundation, Turkey Marine Archaeology Foundation and Urla Municipality, Ankara University Mustafa V. Koç Marine Archaeology Research Center opened its doors to visitors in the Urla district of İzmir. Established across a 11-decare tract in Çeşmealtı allocated by Urla Municipality in 2009, the center consists of five separate units that stand out with their modern appearance and structure. The center comprises a restoration lab, crucial for marine archaeology; warehouse; a library, which will host domestic and international research efforts; a conference hall, which will serve the center and the region; a 4-decare exhibition space, which will display advances in maritime technology from ancient times to the current day; and a dormitory facility with 30 beds for the participants of various projects.



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LEGAL DISCLOSURES

Shareholder Structure and Voting Rights

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

Our shareholders' voting rights, taking into account the privileged shares, are presented below:

SHAREHOLDER	AMOUNT (TL)	SHARE STAKE (%)	VOTING RIGHT	VOTING RIGHT STAKE (%)
Koç Family (Group B)	621,881,145	24.52	62,188,114,515	19.35
Temel Ticaret ve Yatırım A.Ş. (Group B)	401,210,786	15.82	40,121,078,578	12.48
Temel Ticaret ve Yatırım A.Ş. (Group A)	678,773,422	26.77	135,754,684,460	42.23
Koç Holding Emekli ve Yardım Sandığı Vakfı (Group B)	50,451,548	1.99	5,045,154,831	1.57
Vehbi Koç Vakfı (Group B)	184,171,754	7.26	18,417,175,384	5.73
Rahmi M. Koç ve Mahdumları Maden İnşaat Turizm Ulaştırma Yatırım ve Ticaret A.Ş. (Group B)	35,385,424	1.40	3,538,542,410	1.10
Publicly Held (Group B)	564,023,971	22.24	56,402,397,052	17.54
TOTAL	2,535,898,050	100.00	321,467,147,230	100.00

Information pertaining to the transaction in non-publicly held shares performed during the year was disclosed with a statement dated 30 June 2015 and information related to the transaction concerning Koç Family members and Rahmi M. Koç ve Mahdumları Maden İnşaat Turizm Ulaştırma Yatırım ve Ticaret A.Ş. was disclosed with a statement dated 23 July 2015. Following the share transfer disclosed on 23 July 2015, the percentage of total shares belonging to Rahmi M. Koç fell below 5%.

LEGAL DISCLOSURES

Important changes in ownership structure of Koç Holding's financial fixed assets in 2015

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

Information on the changes in the ownership of financial fixed assets Koç Holding A.Ş. holds indirectly that exceed or fall below the threshold of 5%, 10%, 20%, 25%, 33%, 50%, 67% or 100% can be found in the table below.

COMPANIES	2015 (%)	2014 (%)	CHANGE	DISCLOSURE
Beko Balkans	40.51	0.00	40.51	Established as a sales and marketing company in February 2015.
Beko Malaysia	40.51	0.00	40.51	Established as a sales and marketing company in October 2015.
Beko UK	40.51	20.26	20.26	Following Arçelik's decision to acquire the non-controlling shares that constitute 50% of Beko UK's capital, Koç Holding's effective rate at the referenced company has changed.
Blomberg Werke	0.00	40.51	-40.51	Merged with Beko Deutschland in 2015.
CoVii	20.66	0.00	20.66	Following Arçelik's acquisition of a 51% stake in CoVii on 26 June 2015, it was included in the scope of consolidation.
Defy Kindoc	0.00	40.51	-40.51	Liquidated in 2015.
Defy Trust Two	0.00	40.51	-40.51	Liquidated in 2015.
Grundig Slovakia	0.00	40.51	-40.51	Liquidated in 2015.
Moova	0.00	43.82	-43.82	Merged with Tat Gıda on 29 May 2015.
Otokoç Hungary	96.42	0.00	96.42	Established in 2015.
Tedi İçecek	0.00	21.91	-21.91	A 50% stake in Tedi İçecek owned by Tat Gıda was sold to Maspex-Gmw Sp. z.o.o. Sp.k. on 29 May 2015.
UniCredit Menkul	0.00	40.21	-40.21	Liquidated on 12 May 2015.
Vietbeko	40.51	0.00	40.51	Established as a sales and marketing company in November 2015.
Yapı Kredi Teknoloji	32.89	0.00	32.89	Established in 2015.

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 (31.12.2015)	: 82.0%

Extraordinary General Assembly Meeting, if held during the year

An Extraordinary General Assembly meeting was not held during the year.

Organizational changes during the year

There were no material 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 relations with its controlling shareholders and their associated companies for the previous operating year, and to include the conclusion section of this report in the annual report.

Koç Holding A.Ş. Board of Directors report of 10 March 2016 states: "In all transactions conducted in 2015 with Koç Holding A.Ş.'s controlling shareholders and their associated companies, based on the circumstances and conditions known by us at the moment the transaction was conducted, measures were taken, or avoided; it was determined that appropriate action had been taken in each transaction, 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 a material 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

SECTION I - DECLARATION FOR COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

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 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 main inviolable principles.

Koç Holding's management structure, processes and policies have been established in compliance with the prevailing regulations, ensuring clarity and transparency in the areas of decision making and responsibility. Koç Holding is one of the first Turkish companies to appoint independent members to its Board of Directors ("BoD"). Koç Holding is also one of the few companies in Turkey to link the remuneration of its senior management to sustainable financial and operational performance. Koç Holding, in accordance with laws and regulations, provides the requisite information to all investors and analysts simultaneously in a timely, reliable, consistent and orderly manner. In order to ensure continuous and effective communication, Koç Holding organizes investor meetings, conferences and panels and targets to reach a wider audience through media interviews and press bulletins.

Koç Holding has adopted the "Corporate Governance Principles" that the Capital Markets Board (CMB) first enacted in July 2003 and the Holding has implemented most of these universal principles. Our Company fully complies with the compulsory principles within the scope of the Corporate Governance Communiqué n.II-17.1 that was in force in 2015, and Koç Holding has also widely implemented most of the non-mandatory principles. However, 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 manner. 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 non-compulsory Corporate Governance Principles that we have not yet achieved full compliance with are explained below while detailed information regarding this issue is included in the related sections of the report. Our Company was not exposed to any conflict of interest due to non-compliance with such principles.

- Regarding principle n. 1.5.2: In the Articles of Association, minority rights are not granted to those who are in possession of less than one twentieth of the capital, and in parallel to the general practices in the country, rights were granted to the minority within the general legislative framework.
- Regarding principle n. 4.3.9: No target ratio and timing has been determined for female members in the Board of Directors. Our evaluations regarding this issue continue.
- Regarding principle n. 4.4.7: Since business and sectorial experiences of the members of the Board of Directors have significant contribution to the Board of Directors, there are no limitations for the members of our Board of Directors to assume duties outside the Company.
- Regarding principle n. 4.5.5: Know-how and experience of the members of our Board of Directors is taken into consideration when appointing members to the committees in line with the relevant regulations. Some of the members of our Board of Directors can assume duties in more than one committee. However, members who assume duties in more than one committee enable communication among the committees that carry out activities in connected subjects and increase the opportunity of collaboration.
- Regarding principle n.4.6.5: remuneration of the members of the Board of Directors and managers who have administrative responsibilities is disclosed on a non-individual basis – in parallel to the general practices – in the footnotes of our financial statements and at the general assembly meetings.

The primary efforts in the area of Corporate Governance in 2015 were to ensure compliance with: the Capital Markets Law that includes the new regulations regarding CMB's Corporate Governance Principles; advices; and the renewed Corporate Governance Principles. In our Ordinary General Assembly meeting held in 2015; our Board of Directors and the Committees of the Board of Directors were established in compliance with the regulations stipulated in the Corporate Governance Communiqué. Before the General Assembly, 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 disclosure note that contains the compulsory information such as information on preferred shares, voting rights and organizational changes, as well as the CVs of BoD membership applicants, the remuneration policy for Board Members and Senior Executive Managers was 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. The Company's updated Disclosure Policy was updated and announced on 29 April 2015.

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

SECTION II - SHAREHOLDERS

2.1. Investor Relations Department

In the Board of Directors meeting held on the 26th of June 2014, the Board of Directors decided that the duties stipulated in the 11th Article of the Corporate Governance Communiqué will be carried out – under the management of the CFO, Ahmet F. Ashaboğlu – by the Investor Relations Coordinator, Ms. Funda Güngör Akpınar, and the Finance Coordinator Responsible for Ensuring Compliance with Corporate Governance and Capital Markets Regulations, Ms. Nevin İmamoğlu İpek.

In this framework, the Investor Relations Department (IR) is responsible for liaising in the relations between Koç Holding and its shareholders in coordination with other relevant departments. IR is responsible for providing information, excluding confidential information and 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 cause any inequality of information, by consulting the relevant departments and coordinating with the Group companies when required. Some of the activities that are stipulated in the Corporate Governance Communiqué are carried out by the Department of Legal Consultancy (ensuring that the General Assembly meetings are held in compliance with the regulations in force, the Articles of Association and other internal regulations of the Company) and Finance Department (fulfilling all obligations of public disclosure - required by the regulations – such as, preparation of documents that shareholders will use at the General Assembly meetings, public disclosure of financial reports and material events).

IR prepares an activity report, at least annually, to the Corporate Governance Committee and CEO to be submitted to the BoD. The report regarding the activities in 2014 was submitted to the Corporate Governance Committee in order to be presented to the Board of Directors on March 5th 2015. The report regarding the activities of 2015 was submitted to the Corporate Governance Committee and the Board of Directors on March 2016. In addition, at the beginning of every year, an investment relations strategic plan is prepared.

Investor Relations Contacts

CFO-Finance and Strategic Planning Group President: Ahmet F. Ashaboğlu

Investor Relations Coordinator: Funda Güngör Akpınar

Finance Coordinator Responsible for Ensuring Compliance with Corporate Governance and Capital Markets Regulations: Nevin İmamoğlu İpek

Investor Relations Manager: Gizem Bodur

Investor Relations Manager: Neslihan Aycıl

Finance Manager: Ayça Sandıkçıoğlu

Nevin İmamoğlu İpek, Gizem Bodur and Ayça Sandıkçıoğlu each have a Capital Market Activities Advanced Level License and Corporate Governance rating Specialist License. Funda Güngör Akpınar has already fulfilled the prerequisites (exam and training) for the Capital Market Activities Advanced Level License and the Corporate Governance rating Specialists License and is currently waiting to receive her licenses.

In 2015, IR attended 16 roadshows and conferences in Turkey and abroad and held more than 600 meetings with existing and potential investors. To keep shareholders better informed of the current trends and developments, the roadshow presentations were posted on the website. One-on-one interviews were held with analysts at more than 20 meetings. In addition, four times per annum when quarterly financial results were announced, IR held a webcast to discuss the financial results with the investment community where the questions of the investment community were answered by senior management. The voice records and transcripts of the webcasts, as well as the relevant investor presentations were published on the Company website for the convenience of those investors who were unable to participate in the broadcast 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. In December 2015, Koç Holding Investor Relations mobile app was launched, allowing easy, instant access via mobile devices to the Company's entire investor relations content. 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. Numerous information requests were sent to the Investor Relations Department mainly via e-mail from the analysts and investors regarding the Company financials and developments in business areas and all questions were answered in parallel to the publicly available data/information.

CORPORATE GOVERNANCE COMPLIANCE REPORT

2.2. Exercise of Shareholder 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 3.1 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, any shareholder can request from the General Assembly clarification of an issue via a special audit, even if the issue is not on the agenda. This request can be made provided it is necessary for the exercise of 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 periodically by an Independent Auditor elected at the General Assembly.

2.3. 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 in a manner to enable wide participation by the shareholders and to provide adequate information to the shareholders.

One Ordinary General Assembly Meeting of Koç Holding was held in 2015. It was held on March 31, 2015 with 90.16% 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 Law 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 compliance report, profit distribution proposal, independent 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 made available 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. All questions asked by our shareholders at the General Assembly meeting held on the 31st March of 2015 were answered during the meeting. 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 at 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.

Information about aid and donations made within the related year is provided with a separate agenda item at the Ordinary General Assembly meetings. At the Ordinary General Assembly held on 31 March 2015, the donation limit for 2015 was set at TL 18 million; TL 1.4 million in donations and aid was distributed by the Company during 2015.

In 2015, there was no issue left to the decision of the General Assembly for which affirmative votes of the majority of the independent members of the Board of Directors were required in order to take a decision at the Board of Directors according to CMB regulations, and such affirmative votes could not be received.

In 2015, our Company's majority shareholders (who control the management of the Company), Board of Directors' members, managers who have administrative responsibilities, and their spouses and blood relatives and relatives by marriage up to second-degree did not make any important transaction with Koç Holding or its associate companies which may lead to conflicts of interest and/or did not make any material transaction, related to a commercial business that is within the scope of Koç Holding's or its associate companies' field of activity, for their own account or for the account of others or did not become unlimited partners in other companies carrying out similar commercial businesses, according to knowledge at the Company.

2.4. Voting Rights and Minority Rights

Restrictions on the use of voting rights at our Company are avoided; all shareholders are provided the right to vote equitably, easily and appropriately.

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. However, for decisions concerning the amendment to the Articles of Association or filing a lawsuit of acquaintance and responsibility, all shares have 1 (one) right to vote. As stated in Company's Articles of Association, shareholders of preferred stock do not have the privilege to nominate candidates to the BoD.

If amendments are required to the Articles of Association, and if deemed necessary by TCC, Group A preferred shareholders meet and approve the decisions taken at the General Assembly Meeting. Group A shares represent 26.77% of the paid-in capital and 42.23% of the total voting rights. Group B shares, each of which is entitled to 1 (one) 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.

2.5. Dividend Right

Koç Holding's Dividend Policy is determined at the General Assembly Meeting in 2 April 2014 within the framework of the provisions of the Capital Market Legislation and our Articles of Association. There are no privileges in dividend distribution between A and B type shareholders.

The dividend 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 2015, gross dividend of 19.70% was distributed to the shareholders.

Dividend Distribution Policy

Our Company makes profit distribution within the framework of; the provisions of the Turkish Commercial Code, Capital Markets Regulations, Tax Regulations and other relevant regulations as well as the article regarding profit distribution in our Articles of Association. In profit distribution, a balanced and consistent policy is pursued between the interests of the shareholders and the interests of the Company in compliance with the Corporate Governance Principles.

In principle, as long as the relevant regulations and financial means are convenient, at least 5% of the distributable period profit – calculated within the framework of the Capital Markets Regulations by taking into consideration the market expectations, our long-term group strategy, and capital requirements, investment and financing policies, profitability and cash status of our Company, our subsidiaries and associated companies – is distributed to the shareholders in cash.

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.

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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.

Unless reserve funds that must be set aside according to the Turkish Commercial Code and the dividend determined for the shareholders above are not reserved, no decision can be taken; to set aside other reserve funds, or to transfer the profit to the following year, to distribute dividend to the holders of jouissance shares and Koç Holding Pension and Aid Fund Foundation; and unless dividend determined for the shareholders is not paid in cash, no dividend payment can be made to these persons.

The aim is to make profit distribution within one month at the latest following the General Assembly meeting. Profit distribution date is decided by the General Assembly. General Assembly or the Board of Directors (if authorized) may decide to make dividend payment with instalments in compliance with the Capital Markets Regulations.

According to the Company's Articles of Association; As long as it gets authorized by the General Assembly and complies with the Capital Markets Regulations, the Board of Directors may distribute "advance dividend."

2.6. 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 III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. 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.

3.2. Annual Report

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 IV - STAKEHOLDERS

4.1. Disclosure to Stakeholders

As a holding company, our Company does not have any direct contact with customers, vendors, and the like, 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 media meetings, press releases and interview 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, stakeholders can report practices that violate regulations and ethically inappropriate transactions to the Audit Group Chairman to be communicated to the Audit Committee.

4.2. Support of Stakeholder 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.

4.3. Company Human Resources Policy

"Our Most Important Asset is our People," the statement of our Founder, Vehbi Koç, best summarizes the basic approach of Koç Group to human resources. 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,
- Creating equal opportunity with all Human Resources applications,
- Increasing employees' engagement to the Company with career opportunities and awarding processes,
- Improving engagement 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. Employees' rights are structured within the scope of the regulations in force, labor contacts, personnel guidelines and code of ethics.

Koç Holding's Human Resources Directorate determines the strategies and basic policies and principles pertaining to these procedures and conducts relations with all employees of the Group companies. The Directorate has four functional units: The managers of the Human Resources Department and their main responsibilities are as follows:

Human Resources Director: Özgür Burak Akkol
Human Resources Coordinator (Compensation, Performance, Koç Holding HR Process): Fatih Ay
Human Resources Coordinator (Organizational Development, Training, Recruitment): Damla Tamakan
Human Resources Coordinator (Project and System Development): Özgür Barut
Industrial Relations Coordinator: 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. There have not been any claims regarding discrimination from employees.

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During recruitment, prospective employees are provided with detailed job descriptions and information about the Human Resources Directorate's procedures. The Directorate's operations are conducted in an integrated fashion with the participation of employees once they have been hired. Employees are given information about job descriptions and task distribution as well as performance and awarding criteria. 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. Bonus systems are in place to help the Company attain high performance levels. In addition to remuneration, employees are offered various benefits depending on their position or rank. The Flexible Benefit Scheme provides a wide range of employee benefits appealing to different generations and needs.

Detailed information about Human Resources policies and applications are available in page 44 of the Annual Report.

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 Directorate 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 deployment 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.

As part of Company's emphasis of creating equal opportunities for its employees, employees with high development potential are determined 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 the 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 all potential employees are reviewed. Succession plans are discussed as well.

A special Talent Management Program is conducted to identify talented leaders who we believe may play an important role in the future success of our entire Group, and to ensure their development. Our employees in this program have a variety of development opportunities such as; learning from the expert, participating in projects, getting corporate coaching, getting to know different functions and positions, sharing their expertise. Additionally, the LEAD Leadership Program features an array of training programs that meet the leadership needs of all employees at different levels.

In line with the regulations, in workplaces with unionized workers included in collective bargaining agreements, union representatives are designated to manage employee relations. Koç Holding Human Resources Directorate works in cooperation with the Human Resources and Industrial Relations departments of the Group companies and Union Representatives to ensure the sustainability of a peaceful business environment.

In order to fully implement the provisions of the collective bargaining agreement and labor legislation for our employees and to expand good applications, Industrial Relations Coordination Committee meetings are held on a quarterly basis during the year within the scope of the agenda determined in line with the requirements of our companies. Also with the aim of ensuring correct implementation of labor legislation and Group HR policies and procedures, detailed technical trainings about different disciplines of work and seminars and trainings about new regulations are regularly developed.

The Group aims to achieve complete 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 Group 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 Coordination Committee set up in line with our principle of complying with relevant legislation continually manages the occupational health and safety issues of the Group. The goals of the Coordination 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 the Group. Work accident reports are consolidated and tracked as they get centrally piled up every year.

Employee engagement and satisfaction are assessed via surveys conducted by specialized companies on an annual basis and factors that influence employee engagement are determined. In addition, employees' opinions regarding the issues like "human resources applications" and "management style" are received with these surveys. Accordingly, Group companies are given targets that will improve employee engagement while enhancement activities are closely monitored and employees are encouraged to participate in the management.

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, details of which are explained page 46 of Annual Report, Koç Holding Pension and Assistance Foundation and Koç Group Sports Club, which have been created to benefit employees both during and after working life.

4.4. Ethical Principles and Social Responsibility

Koç Holding and Group companies continue their approach in the field of corporate social responsibility by embracing our founder Vehbi Koç's motto "I live and prosper with my country" as a fundamental principle. In light of this founding philosophy, since the day it was founded, Koç Group has always strived to channel the strength and know how it has gotten from the society in which it developed into projects that would in turn create shared value for the very same society. Koç Group confirmed that it has adopted corporate social responsibility as a way of doing business in 2006 by signing the UN Global Compact which constitutes an official and international framework for corporate social responsibility.

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. Our sustainability management, consisting primarily of environmental practices, value chain, social development and work life, is reported and reviewed by our internal auditor in guidance with our corporate goals and promises and internationally accredited processes using Koç Group Sustainability Performance Assessment and Reporting System. 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. In accordance with the GRI Standard reporting requirements and as per the UN Global Compact parameters; the received results are periodically reported in order to be reviewed by Koç Group shareholders. Koç Group Corporate Social Responsibility Report has been published since 2006, first biennially and then annually. In 2014, it was issued as Koç Holding Sustainability Report. Koç Group Corporate Social Responsibility Report, can be accessed by the public through our website. Information on Koç Groups performance regarding human rights, worker rights, environmental policy, ethical values and development can be found at www.koc.com.tr in our report. In order to carry these efforts further, Koç Group Sustainability Management Project was launched in 2014 aiming to help Koç Group companies develop sustainable business models within the framework of an integrated strategy. Koç Group's top priority sustainability agenda items were identified in 2015 with the participation of employees. Adopting sustainability as a management approach, Koç Group seeks to integrate it into all the Company's activities, operations and business processes.

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Code of Ethics

Koç Holding aims to be 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 while achieving customer satisfaction. Our values guide us on the path of attaining these goals and are shared via our website with the public. In order to ensure these values are spread to our employees and passed down to future generations the "Code of Ethics and Business Conduct and its Implementation Principles" were drawn up in writing and announced on 11 October 2010 to all Koç Holding employees.

Koç Holding's "Code of Ethics and Business Conduct and its Implementation Principles" regulate relations between employees, customers, the state, shareholders, competitors, subcontractors, distributors, authorized dealers and services and hold for all Group companies. All new employees are informed about these principles and practices, which are an appendix to the personnel regulations; in addition, our employees can access this resource over the intranet portal. Koç Group's Code of Ethics and Business Conduct can be accessed on Koç Holding website.

The application of Code of Ethics and Business Conduct and the monitoring of compliance with them are executed by separate Board of Ethics in each Koç Holding company. In the event of updating or, if necessary amending, the changes are submitted to Koç Holding BoD for approval by the Board of Ethics.

Social Investments

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 conduct business.

In the Corporate Social Responsibility section of our Annual Report, detailed information is available about the Social Responsibility projects carried out in 2015 by Koç Holding A. Ş. and Vehbi Koç Foundation ("Foundation") – Turkey's first private foundation.

SECTION V - BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

The structure of Koç Holding BoD complies with CMB Corporate Governance Principles. The CEO, Levent Çakıroğlu, the chief executive, is not a member of the BoD.

In the table below, brief information is given about our Members of the Board of Directors who all are non-executive members in accordance with the definition made in the CMB Corporate Governance Principles. All Board Members were elected at the General Assembly dated 31 March 2015 to serve until the General Assembly where the operations of 2015 will be discussed.

NAME SURNAME	POSITION	CURRENT POSITIONS HELD OUTSIDE THE COMPANY	INDEPENDENT BOD MEMBER?	COMMITTEES AND POSITION
Rahmi M. Koç	Honorary Chairman	BoD Member in companies within and outside the Group, Member and Chair of Committee in companies within the Group	Not independent Member	Executive Committee Member
Mustafa V. Koç*	Chairman*	BoD Member in companies within and outside the Group, Member and Chair of Committee in companies within the Group*	Not independent Member*	Executive Committee Chairman*
Temel K. Atay	Vice-Chairman	BoD Member in companies within the Group, Member and Chair of Committee in companies within the Group	Not independent Member	Executive Committee Member; Risk Management Committee Member
Ömer M. Koç**	Chairman/ Vice-Chairman**	BoD Member in companies within the Group, Member and Chair of Committee in companies within the Group	Not independent Member	Executive Committee Member
Semahat S. Arsel	Member	BoD Member in companies within the Group, Member and Chair of Committee in companies within the Group	Not independent Member	Executive Committee Member
Dr. Bülent Bulgurlu	Member	BoD Member in companies within the Group, Member and Chair of Committee in companies within the Group	Not independent Member	Corporate Governance Committee Member; Nomination and Remuneration Committee Member
Ali Y. Koç**	Vice-Chairman/ Member*	BoD Member in companies within the Group Member and Chair of Committee 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	
Peter Denis Sutherland	Member	BoD Member in companies outside the Group	Not independent Member	
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 Consultant, Independent BoD Member at Arçelik A.Ş. and Tüpraş A.Ş., Member and Chair of Committee in companies within the Group	Independent Member	Audit Committee Member; Risk Management Committee Chairman; Nomination and Remuneration Committee Chairman
Kutsan Çelebican	Member	BoD Member in companies outside the Group	Independent Member	Audit Committee Chairman; Corporate Governance Committee Chairman
Mustafa Kemal Olgaç	Member	BoD Member in companies outside the Group	Independent Member	
Jacques Albert Nasser	Member	BoD Member in companies outside the Group	Independent Member	

* Information on the responsibilities fulfilled by the late Mustafa V. Koç, who passed away on 21 January 2016 is found above.

** The BoD resolved on 22 February 2016 that the Vice Chairman Ömer M. Koç be elected as the Chairman of the Board; Board Member Ali Y. Koç be elected as the new Vice Chairman to be on duty until the earliest general assembly meeting.

The CVs of BoD Members and CEO can be found on our website and in our annual report. (See pages 154-155.)

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The duties of the BoD Chairman and CEO are performed by two different persons. Attention is paid to the allotment of enough time BoD members need for corporate business; there are no restrictions for BoD members on assuming other positions or duties outside the Company. Such a restriction is not deemed necessary as the business and sectorial experience of BoD members makes a vital contribution to the BoD. Prior to the General Assembly, the CVs of the BoD Independent Members and the positions they held outside the Company are provided to shareholders.

The candidacy statements and curricula vitae of the five independent members nominated for the Nomination and Remuneration Committee prior to the General Assembly dated 31 March 2015 were evaluated at the Committee and Board meetings dated 28 January 2015, and their nomination for independent membership was approved. The statements of independence of all Independent Board Members are found in the annual report. These statements show that the Independent Board Members meet all the criteria set forth by CMB's Corporate Governance Principles except: "Being a resident of Turkey according to the Income Tax Law." The latter criterion is met by half of all Independent Board Members. CMB's favorable opinion on independent member candidates was received and they were elected at the General Assembly.

All of the BoD independent Members submitted their independence declarations to the Corporate Governance Committee and no condition eliminating independence appeared during the 2015 activity period.

We believe that creating diversity in terms of knowhow, experience and point of view within our Board of Directors, will have positive impacts on the Company activities and on the effective working of the Board of Directors. In this regard, our evaluations continue to determine a target ratio and timing for female members of the Board of Directors who contribute to representation of different opinions in the Board of Directors.

5.2. BoD Operating Principles

The agenda for Board meetings is determined through notification of Executive Management and BoD members by the related departments about the issues which the Company's Articles of Association exclusively requires discussion and decision at BoD level. 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.

A General Secretariat has been assigned the duties of determining the agenda for Koç Holding 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 2015, the Board made 29 decisions, four of which were during meetings at which strategic issues were discussed. At least three Independent Members attended all of the meetings.

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.

Board Members and Senior Executives of our Company are covered by a Directors and Officers Liability Insurance policy.

While monitoring the Company activities, the Board of Directors evaluates whether there is a possibility of developing a conflict of interest or not and, if so, estimates the results of this conflict of interest for the Company and takes necessary decisions to ensure that most appropriate action for Company interests is taken. Furthermore, in related party transactions, the Board of Directors evaluates the possible risks of misconduct besides compliance with legal regulations and determined regulations. Related party transactions are evaluated with scrutiny in the Board of Directors.

5.3. 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.

At the Company's Board meeting dated 1 April 2015, it was decided that the Audit Committee would be composed of two Independent Board Members. The Audit Committee President will be Mr. Kutsan Çelebican and the Committee Member will be Mr. Muharrem Kayhan.

In 2015, the Committee, the working 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.

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 1 April 2015 that the Corporate Governance Committee shall consist of three members and decided to appoint the Independent Member Kutsan Çelebican as its Chairman and Bülent Bulgurlu and Ahmet F. Ashaboğlu as the member. The Committee's working principles are outlined on the Company's web site. The Committee made an assessment of the Company's corporate governance principles and Corporate Governance Compliance Report in 2015, and informed the Board of Directors on the activities of the Investor Relations Unit.

Nomination and Remuneration Committee

The BoD decided on 17 July 2012 to create a Nomination and Remuneration Committee to be responsible for nominating candidate for BoD membership and determining BoD's and senior managers' remuneration according to CMB Corporate Governance Principles. The BoD also decided on 1 April 2015 that the Committee shall consist of two members, with Independent Member Muharrem Hilmi Kayhan as Chairman and Dr. Bülent Bulgurlu as Member. According to its operating principles outlined on the Company's web site, the Committee meets at least twice every year. In 2015, the Committee worked on the nomination of Independent Board Members, and on the benefits provided to Board Members and senior management.

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Risk Management Committee

The BoD decided on 17 July 2012 to create a Risk Management Committee set up under the BoD to identify early on any 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 01 April 2015 that the Committee shall consist of two members: Independent BoD Member Muharrem Hilmi Kayhan as Chairman and Temel K. Atay as Member. The Company has posted the Committee's working principles on our website. The Committee convenes at least six times per year. In 2015, the Committee worked to assess the Company's risk profile, identify measures to be taken in risk prone areas, and prepare the risk management chapters in the annual report. Detailed information on the activities of the Risk Management Committee are available in the report on page 159.

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 01 April 2015, Rahmi M. Koç, Mustafa V. Koç, Semahat S. Arsel, Ömer M. Koç, Ali Y. Koç and Temel K. Atay, A. Ümit Taftalı were elected as Committee members.

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.

5.4. 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.

5.5. 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 with the budget, monitors strategic developments and develops new strategies and makes investment decisions taking into account the management's 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/penalties.

5.6. 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 shareholders through the "Disclosure Note," published three weeks before the Ordinary General Assembly held on 31 March 2015, and was implemented after the General Assembly. The policy that was publicly announced on our Company website and in the Annual Report, is added to the agenda of the Ordinary General Assembly Meeting that will be held on the 5th of April 2016 to discuss the activities of 2015 so that our shareholders will be given the opportunity to present their opinions on the Policy. 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 remuneration of the members of the Board of Directors and managers who have administrative responsibilities is disclosed on a non-individual basis – in parallel to the general practices – in the footnotes of our financial statements and at the general assembly meetings. 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.

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 Directors 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 Industry and Business Association, Member of the Advisory Board of the Turkish Employers Association, Honorary Member of the Foreign Policy Association, Honorary Member of the NY Metropolitan Museum Board of Trustees and Founder Member of Global Relations Forum.

Mustafa V. Koç, Chairman

As a third-generation member of Koç Family, Mustafa V. Koç graduated from high school at Switzerland's Lyceum Alpinum Zuoz in 1980 and received a Bachelor's degree in Business Administration from George Washington University in 1984.

The same year, Mr. Koç started his professional career as a Consultant at Tofaş; Subsequently, he worked as Sales Manager and Assistant General Manager for Sales at Ram Dış Ticaret. In 1992, he joined Koç Holding to serve as Vice President and President of various business groups. At Koç Holding, he became a Member of the Board of Directors in 2001, Vice Chairman in 2002, and ultimately served as Chairman between 2003 and 2015.

Mr. Koç was Chairman of the Turkish Industry and Business Association (TÜSİAD)'s High Advisory Council between 2005 and 2010, Honorary Chairman of the Advisory Council from 2011 to 2015, and Member of the Presidential Council and Honorary Chairman of TÜSİAD in 2015. Having held office as Finland's Honorary Consul in Istanbul between 2006 and 2013, Mr. Koç was also a member of the Istanbul Chamber of Industry and Council for Foreign Economic Affairs in Turkey. In the global arena, he served as a member of JP Morgan's International Council, Kuveyt International Bank's Advisory Board, Rolls Royce International's Advisory Board, Council on Foreign Affairs' International Council and Bilderberg Meetings' Executive Board.

In 2005, he was presented with the Cavaliere D'Industria medal by the Italian government and in 2012 he was deemed worthy of the International Leonardo Award.

Mustafa V. Koç was a Board Member at Vehbi Koç Foundation, which manages the social and cultural activities organized by Koç Family, and that has garnered awards from many prestigious institutions including the World Monuments Fund, Carnegie Foundation and BNP Paribas. He also sat on the Board of Trustees at the Educational Volunteers Foundation of Turkey.

Mr. Koç was born in 1960 and passed away on 21 January 2016. He was married and had two daughters. He was fluent in German and English.

Temel K. 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 Otoyal 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.

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 became member of Board of Directors in 2004 and Vice Chairman in May 2008. On February 22, 2016, he was appointed as the Chairman of Koç Holding. 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.

Semahat S. Arsel, Member

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.

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 has been a member of Koç Holding Board of Directors since 30 January 2008 and was named Vice Chairman on February 22, 2016.

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 Strømme 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 TÜSİAD and TURMEPA.

Prof. Dr. John H. McArthur, O.C., 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. In 2013 he was made an Officer of the Order of Canada. John H. McArthur has been a member of Koç Holding Board of Directors since 1999.

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 Law and Economics. He has been a member of Koç Holding Board of Directors since 2008.

Peter Denis Sutherland, Member

Peter Denis Sutherland studied civil law at Gonzaga College, University College Dublin and the King's Inns. Prior to his current position, Mr. Sutherland 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), Chairman of Goldman Sachs International (1995-2015), Chairman of BP Plc. (1997-2009), and Chairman of London School of Economics (2008-2015). Mr. Sutherland has served as Special Representative of the UN Secretary-General for International Migration and Development since 2006. He also serves on the Board of Directors of Allianz and BW Group Limited. In addition, he is a member of the Advisory Board of Eli Lilly and a member of the Trilateral Commission and the Federal Trust. Mr. Sutherland has received 16 honorary doctorates from universities in Europe and America. He has numerous publications to his credit and has received many awards. Mr. Sutherland has been a Member of Koç Holding Board of Directors since 2009.

Kwok King Victor Fung, Independent Member

He received his Bachelor's 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, a member of WTO Panel on Defining the Future of Trade (2012-2013) and a vice Chairman of China Centre for International Economic Exchanges. 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, Global Brands Group Holding Limited, Convenience Retail Asia Limited and Trinity Limited. In July 2015, Dr. Fung was appointed Chairman of the Advisory Board of Asia Global Institute at Hong Kong University. Asia Global Institute, of which Dr. Fung is a co-founder, is a multi-disciplinary think tank. He is also a member of the Chinese People's Political Consultative Conference, a member of the Economic Development Commission of the Hong Kong Government and Chairman of the Steering Committee on the Hong Kong Scholarship for Excellence

Scheme from September 2014. Dr. Fung is an independent non-executive Director of 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 has been a member of the Board of Directors since 2011.

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 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 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 Izmir since 2003. He is the recipient of the Turkish National Assembly Distinguished Service Award (2009). Muharrem Hilmi Kayhan has been a member of the Board of Directors since 2012.

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 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 a member of the Board of Directors since 2013.

Mustafa Kemal Olgaç, Independent Member

He graduated from Boğaziçi University in Mechanical Engineering and completed two master degrees at Galler University Controlling Engineering and Edinburgh University Fire Engineering. He started his career in 1977 at Koç Allianz Sigorta A.Ş. He worked as General Manager in Koç Allianz Hayat ve Emeklilik A.Ş. between 1991 and 2006, as CEO of Allianz Turkey between 2001 and 2006, as member of Board of Directors of Allianz Sigorta A.Ş. and Allianz Hayat ve Emeklilik A.Ş.; and as Chairman of Magdeburger Insurance between 2001 and 2014. He served as member of Turkey Insurance Association, as Chairman of Turkish Insurance Institute Foundation, as member of YASED International Investors Association, as member and Chairman of EGM Pension Monitoring Center. He is independent member of Avicennia Capital Sdn Bhd (subsidiary of Khazanah group which is strategic investment fund of Malaysian government) and Acıbadem Sağlık ve Hayat Sigorta A.Ş. He is also the Chairman of Akasya Bakım ve Yaşam Merkezi A.Ş. He is a member of TÜSİAD and 1907 Fenerbahçe Association. Mustafa Kemal Olgaç has been a member of the Board of Directors in 2014.

Jacques Albert Nasser, Independent Member

Jacques Nasser was born in 1947 in Lebanon and has received a Doctorate of Technology honoris causa and graduated in Business from Royal Melbourne Institute of Technology. Following a 33-year, global career with Ford Motor Company, Mr. Nasser served as the Chairman and Chief Executive Officer of Ford from 1998 to 2001. In addition, he has served on the Boards of Brambles Industries and British Sky Broadcasting. He is a Partner of One-Equity Partners, the private equity investment arm of JPMorgan Chase. Mr. Nasser is the Chairman of BHP Billiton. He has been a member of the Board of BHP Billiton since 2006. He also presently serves on the Board of 21st Century Fox and the International Advisory Board of Allianz AG. In recognition of his work for industry, as an adviser to government, and for education in the area of technology, he has received numerous awards and medals in Australia and Lebanon.

EXECUTIVE MANAGEMENT

Levent Çakıroğlu, CEO

Levent Çakıroğlu graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration. He earned a Master's degree at the University of Illinois. Mr. Çakıroğlu began his professional career as an Auditor at the Ministry of Finance in 1988. From 1997 to 1998, he taught as a part-time instructor at Bilkent University, and served as Vice President of the Financial Crimes Investigation Board at the Ministry of Finance. He joined Koç Holding in 1998 as Financial Coordinator. Subsequently, he served as the General Manager of Koçtaş (2002-2007), General Manager of Migros (2007-2008), General Manager of Arçelik (2008-2015), and President of the Consumer Durables Group at Koç Holding (2010-2015). In February 2015, Mr. Çakıroğlu was appointed Deputy Chief Executive Officer of Koç Holding, and he has been the Chief Executive Officer of Koç Holding since April 2015.

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, TURMEPA and Alumni Association of Ankara University Faculty of Political Science.

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. In addition, he has been serving as the Chairman of Yapı Kredi's Subsidiaries and Koç Finansman, as the Vice Chairman of Allianz Yaşam ve Emeklilik and as the member of the Banks Association of Turkey.

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 Management Consultant 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.

Dr. Fatih Ebiçlioğlu, President of Consumer Durables Group

After graduating from Ankara University, Department of International Relations, Fatih Ebiçlioğlu received a Master's degree in Finance from the Commonwealth University, and earned a PhD in Finance-Accounting from Ankara University. Between 1989 and 1992, Mr. Ebiçlioğlu worked as Assistant Tax Auditor at the Ministry of Finance, and later as Tax Auditor and Senior Tax Auditor (1992-2002). In addition, he served as a part-time instructor at Hacettepe, Bilkent and Atilım Universities from 1998 to 2002. He joined Koç Holding in 2002 as Financial Coordinator. Subsequently, he served as Audit Group Coordinator of Koç Holding (2004-2005), and Deputy General Manager of Arçelik (2005-2015). Mr. Ebiçlioğlu has been the President of the Consumer Durables Group at Koç Holding since February 2015.

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.

Yağız Eyüboğlu, Deputy President of Energy Group

Yağız Eyüboğlu graduated from Boğaziçi University with a BA degree in Economics in 1991. He went on to earn an MBA from Koç University in 1996. Mr. Eyüboğlu began his professional career as a Management Trainee at Arçelik in 1991. Starting in 1993, he worked at Koç Holding for more than 10 years, as Auditor, Senior Internal Auditor, Assistant Financial Coordinator and Financial Coordinator, respectively. Between 2004 and 2009, he served as CFO of Arçelik; CEO and Board Member of Beko Elektronik; Assistant to the President of the Foreign Trade and Tourism Group at Koç Holding; and Human Resources Director at Koç Holding. From 2009 to October 2015, he was the General Manager of Aygaz. In October 2015, he was appointed Deputy President of the Energy Group at Koç Holding. Mr. Eyüboğlu currently serves as a Member on the Boards of several Koç Holding companies. He is also the Chairman of the Turkish Confederation of Employer Associations (TİSK), the Deputy Chairman of the Turkish Employers' Association of Metal Industries (MESS), and the President of the World LPG Association (WLPGA).

Cenk Çimen, President, Automotive Group

He graduated from Istanbul Technical University in Industrial Engineering and completed Executive Development Programs at Stanford University (USA) and the University of California at 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.

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 periods. He has been a member of Turkish Employers' Association of Metal Industries (MESS) and Turkish Confederation of Employer Associations (TİSK) since 2014.

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.

Oya Ünlü Kızıl, Corporate Communication and External Relations Director

After receiving her Bachelor's degree in Business Administration from the Middle East Technical University, Kızıl started her career in 1992 as a specialist in the Republic Of Turkey Prime Ministry Privatization Administration. Kızıl received a Master's degree in International Business Administration from George Washington University in 1997, and then worked in Washington, DC for five years as a Portfolio Director of Middle East and North Africa in the World Bank. In 2001, she became the Chief Advisor of the Prime Minister in the Ministry of Economy and worked there for two years. In 2003, she started

working for Koç Holding as a CEO Advisor. Kızıl continues her career as the Corporate Communication and External Relations Director. In 2008, she was selected as a "World Fellow" by Yale University in 2008 and received leadership training in this program. Kızıl is a member of TÜSİAD and a member of the Board of Directors of İstanbul Foundation for Culture & Arts (İKSV), Sustainable Development Association (SKD), Education Reform Initiative (ERG), and Turkish Family Health and Planning Foundation (TAPV).

Özgür Burak Akkol, Human Resources Director

After receiving his Bachelor's degree in Industrial Engineering from Istanbul Technical University, Akkol completed the Executive MBA program and received a Master's degree from Koç University in 2011. As he continued his professional career, he successfully graduated from Harvard Business School and Columbia University completing the "Executive Development" and "Leadership Education" programs. Akkol started his career in 2001 in the USA, as a Production and Productivity Specialist at Nautilus Foods. After working abroad, Akkol returned to Turkey and started working for Koç Holding in 2003, as a Human Resources Assistant Specialist. He worked as a Human Resources Specialist between 2004-2005, and as an Audit Specialist and Senior Audit Specialist between 2005-2009. Akkol then worked as a System Development and Human Resources Director between 2009-2010, and as a System Development and Human Resources Director Coordinator between 2010-2014. Since April 2014, he has been working as Koç Holding Human Resources Director.

Kenan Yılmaz, Chief Legal Advisor

He graduated from Istanbul University, Faculty of Law in 1983. He was admitted to the Istanbul Bar Association in 1984. He earned an LLM in International Business Transactions from Tulane University Law School in New Orleans, Louisiana (USA) and received an EMBA from Koç University. He began his career as Legal Advisor at Koç Holding in 1989. Between 2000 and 2006, he worked as Assistant Chief Legal Advisor. Since 2006, has been working as the Chief Legal Advisor of Koç Holding. Mr. Yılmaz is a founding member of Turkish Center for Ethical Values Foundation and founding member and vice Chairman of the board of directors of Turkish Institute of Nautical Archeology (TINA) and vice Chairman of the board of directors of Koç Holding Pension and Support Fund Foundation, and a member of TÜSİAD and of Koç University Alumni Association.

Ufuk Çıplak, Director of Public Affairs

Ufuk Çıplak graduated from Hacettepe University, Department of French Language and Literature in 1987. He began his professional career in 1987 at the Ministry of Foreign Affairs, Directorate General of Protocol. Subsequently, he served as Attaché at the Embassy in Sana, Yemen (1990-1992), Attaché at the Embassy in Rome (1992-1995), Deputy Undersecretary for Financial & Administrative Affairs (1995-1996), Attaché at the Permanent Mission of Turkey to the United Nations (1996-2000), Chief of Cabinet to the General Secretary for EU Affairs (2000-2002), Attaché at the Embassy in Athens (2002-2006), and Training Coordinator (2006-2009). Mr. Çıplak joined Koç Holding in 2009 as Public Affairs Manager, and later served as Public Affairs Representative between 2012 and 2013, and Public Affairs Coordinator from 2013 to 2015. He has been the Director of Public Affairs at Koç Holding since 2015.

RISK MANAGEMENT

Since its founding, 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. To 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 management 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. In the management of risks, the Company has general response strategies that 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.

The 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 the 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 liquidity risk, the Group continues to diversify its funding sources, increase the average duration of its financial liabilities, maintain a sufficient level of cash and cash equivalents and sustain the current ratio above a certain limit in case of a sudden cash need.

Credit Risk: The Company mitigates this risk by conducting credit analysis, setting credit limits and obtaining the maximum degree 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 both its 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 affect 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 implementing all measures deemed 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 held six meetings in 2015. It has evaluated Koç Holding Risk Management System and the principles of risk reporting, and analyzed the risk reports prepared within this framework, as well as making recommendations for measures to be taken to address matters that do not conform to designated limits in the Risk Management System.

It also reviews the Risk Management System and monitors whether the departments which assume the management of risks act in compliance with the resolutions of the Committee. Reports and committee assessments are periodically provided to the Board of Directors.

INTERNAL CONTROL SYSTEM AND AUDIT

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 standard descriptions, job descriptions, authorization processes, policies and written procedures defined in the workflows.

Evaluation on Internal Control System and Internal Audit Activities

The Internal Control System is periodically reviewed and audited for effectiveness by the Internal Audit Group. Within the organizational structure, the Internal Audit Group directly reports to the Chairman of the Board of Directors to ensure independence. Audit Committee is periodically informed about the Internal Control System and Internal Audit activities.

Audit Information

There was no private or public important audit activity finalized in 2015.

Information on Preparation of Consolidated Financial Statements

As a first step, Koç Holding Reporting Unit delivers "Financial Reporting Directives" to Group Companies for the preparation of consolidated financial statements. Once financial data is reported by Group Companies through the Hyperion Koç Reporting Application, Koç Holding Financial Reporting Unit examines the data whereupon it is transferred to the consolidated financial statements. The consolidated financial statements are audited by the 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).

EVALUATION ON WORKING PRINCIPLES AND ACTIVITIES OF BOARD COMMITTEES

In 2015, all Committees of the Board of Directors fulfilled their duties and responsibilities stipulated by the Corporate Governance Principles and their working principles, and convened in conformity with their working schedules. Reports including the information about the activities of the Committees and the results of the meetings held within the year, were presented to the Board of Directors.

Board of Directors has concluded that the benefit expected from the activities of the Board of Directors' Committees was obtained.

Working Principles and Operations of the Audit Committee

The operating principles of the Audit Committee are posted on the Company website. (<http://www.koc.com.tr/en-us/investor-relations/corporate-overview-and-governance/corporate-governance/committees>)

The operations of the Committee are summarized below:

The Audit Committee monitors the implementation of the accounting and reporting systems pursuant to the relevant laws and regulations, disclosing financial data to the public, and the effectiveness of the internal audit and inspection system within our company. The Committee convenes at least every quarter with minimum of four times a year and submits its findings and recommendations in writing to the Board of Directors.

At the Company's Board meeting dated 1 April 2015, it was decided that the Audit Committee would be composed of two Independent Board Members. The Audit Committee President will be Mr. Kutsan Çelebican and the Committee Member will be Mr. Muharrem Kayhan.

In 2015, the Committee, the working 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.

Working Principles and Operations of the Corporate Governance Committee

The operating principles of the Corporate Governance Committee are posted on the Company website. (<http://www.koc.com.tr/en-us/investor-relations/corporate-overview-and-governance/corporate-governance/committees>)

The operations of the Committee are summarized below:

The Corporate Governance Committee finds out whether the corporate governance principles are applied within the Company, and, if not applied, to find out the reasons and the possible conflicts of interests that may have occurred as the result of the violation of such principles. It also gives advice to the Board of Directors on improving governance applications. The frequency with which the Committee gathers depends on what is required by the task assigned to it.

The BoD resolved on 01 April 2015 that the Corporate Governance Committee shall consist of three members and decided to appoint the Independent Member Kutsan Çelebican as its Chairman and Dr. Bülent Bulgurlu and Ahmet F. Ashaboğlu as the Member.

The Committee's working principles are outlined on the Company's website. The Committee made an assessment of the Company's Corporate governance principles and Corporate Governance Compliance Report in 2015, and informed the Board of Directors on the activities of the Investor Relations Unit.

EVALUATION ON OPERATING PRINCIPLES AND ACTIVITIES OF BOARD COMMITTEES

Working Principles and Operations of the Nomination and Remuneration Committee

The operating principles of the Nomination and Remuneration Committee are posted on the Company website. (<http://www.koc.com.tr/en-us/investor-relations/corporate-overview-and-governance/corporate-governance/committees>)

The operations of the Committee are summarized below:

The Nomination and Remuneration Committee gives advice and recommendations to the Board of Directors for the purpose of improving the corporate governance implementations on the issues of nomination of Board Members and remuneration of the key executives of our Company under the provisions defined in the Corporate Governance Principles of Capital Markets Board of Turkey (CMB). The Committee convenes at least twice a year.

The BoD also decided on 01 April 2015 that the Committee shall consist of two members, with Independent Member Muharrem Hilmi Kayhan as Chairman and Dr. Bülent Bulgurlu as member.

In 2015, the Committee worked on the nomination of Independent Board Members and on the benefits offered to Board Members and senior management.

Working Principles and Operations of the Risk Management Committee

The operating principles of the Risk Management Committee are posted on the Company website. (<http://www.koc.com.tr/en-us/investor-relations/corporate-overview-and-governance/corporate-governance/committees>)

The operations of the Committee are summarized below:

The purpose of the Risk Management Committee is to identify early on the risks that would endanger the existence, development and continuity of the Company; implement the measures and remedies required in this respect; manage and report these risks in parallel with the Company's corporate risk-taking profile; apply necessary precautions relevant to recognized risks; evaluate options while making decision and make recommendations to the Board about developing and integrating internal control systems. The Committee convenes at least six times a year.

The BoD decided on 01 April 2015 that the Committee shall consist of two members with Independent Member Muharrem Hilmi Kayhan as Chairman and Temel K. Atay as member.

In 2015, the Committee worked to assess the Company's risk profile, identify measures to be taken in risk prone areas, and prepare the risk management chapters in the annual report. Detailed information on the activities of the Risk Management Committee is available in the report's page 159.

Working Principles and Operations of the Executive Committee

The operations of the Executive Committee are summarized below:

The Executive Committee provides 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 01 April 2015, Rahmi M. Koç, Mustafa V. Koç, Semahat S. Arsel, Ömer M. Koç, Ali Y. Koç and Temel K. Atay and A. Ümit Taftalı were elected as Committee members.

The Committee convenes at least once a month. Due to the fact the Board of Directors cannot hold meetings at desired frequencies and intervals, the Committee: i) monitors more closely the developments in the Company and in sectors where the Company carries out activities, and informs the Board of Directors when necessary, ii) ensures coordination between the Company's administrative structure and the Board of Directors, iii) advises in the process of developing appropriate strategies for the Company, thus ensuring the effectiveness of the Company activities.

POLICIES

DIVIDEND POLICY

(please see page 26)

REMUNERATION POLICY

(please see page 33)

DISCLOSURE POLICY

Objective

The purpose of the Disclosure Policy is to share information concerning Koç Holding A.Ş.'s past performance, future expectations, strategies, targets and vision, excluding any trade secrets, in light of the Group strategy, equally with the relevant authorities, current and potential investors and stakeholders. The policy aims at announcing Koç Holding A.Ş.'s financial statements in an accurate, fair, timely and detailed manner as per the generally accepted financial reporting principles and Capital Markets Board (CMB) Regulations and providing a constant, efficient and open communication platform through the Investor Relations and Corporate Communications Departments.

Koç Holding A.Ş. applies an active and transparent Disclosure Policy and acts in compliance with CMB and Borsa İstanbul (BIST) Regulations in matters relating to public disclosure and aims at implementing the most efficient Disclosure Policy.

Responsibility

The Board of Directors is responsible for preparing, overseeing and updating the Disclosure Policy. The Disclosure Policy approved by the Board of Directors is disclosed to public on our website and on Public Disclosure Platform (PDP). Any changes to the Disclosure Policy will be adopted by the Board of Directors and made available on our website and on PDP.

TOOLS USED IN COMMUNICATING WITH INVESTORS

Methods and Tools

Within the framework of CMB and BIST Regulations and provisions of the Turkish Commercial Code, Koç Holding A.Ş. uses the following methods and tools for informing the public in accordance with its Disclosure Policy:

- Material event disclosures and Corporate General Information Form available on PDP
- Periodic financial statements and annual and interim activity reports available on PDP
- Corporate website (www.koc.com.tr)
- Informational Tdocuments and presentations prepared for the investors
- Investor meetings
- Prospectuses, circulars, announcements and any other documents that shall be prepared in accordance with CMB Regulations
- Press releases in the printed or visual media
- Announcements and notices that are published in the Turkish Commercial Registry Gazette and daily newspapers

Spokespersons

In principle, with the exception of the forms, declarations and reports signed in accordance with the signature circular, the announcements and disclosures on behalf of Koç Holding A.Ş. using the above stated methods and tools can be made by the Members of the Board of Directors, CEO, CFO or the Corporate Communications and External Affairs Director.

In addition, the Investor Relations Department (namely the CFO, the Investor Relations Coordinator and Investor Relations Managers) established within the Finance Group can communicate on behalf of Koç Holding A.Ş. in promoting Koç Holding vis-à-vis current and potential individual and institutional investors and intermediary institutions both in Turkey and abroad; responding to information requests coming from analyst and research staff and answering questions received within the scope of investor relations.

POLICIES

The Information Documents Prepared for Investors

Investor Relations Department was established to manage the relations with both current and potential investors and analysts, respond to investor inquiries in the most efficient manner and carry out activities to reach the fair market value of the Company.

Executive Management of Koç Holding A.Ş. and Investor Relations Department meet frequently with intermediary institutions, analysts and investors to promote Koç Holding A.Ş.'s operational and financial performance; vision, strategy and goals; and the value Koç Holding creates for its investors, in the best possible manner.

The Investor Relations Department aims to inform investors in the best possible way through investor tools such as presentations, investor bulletins, Q&A documents, company website, annual reports, teleconferences and web-casts, investor meetings. It ensures that all such tools are prepared, published and updated in compliance with the legislation.

Investor Relations officers endeavor to facilitate all meeting requests received during the year, regularly attend conferences organized in Turkey and abroad and hold one-on-one meetings with investors. These meetings are also attended by the CEO and CFO periodically, enhancing the communication between shareholders and potential investors and our Executive Management. In order to ensure effective financial communication, presentations are prepared on a quarterly basis on the financial results. In addition, analyst meetings or teleconferences and web-casts are organized with the attendance of the Investor Relations Coordinator, Economic Research Coordinator, Financial Reporting Coordinator. From time to time, the CFO and/or CEO answer the questions received from investors and analysts.

The Company website, which is updated regularly, and the informational documents shared with the stakeholders through the website aim to facilitate easy access to investor relations tools and the close monitoring of the developments in the Turkish economy and Koç Group by the stakeholders and the analysts. Detailed information has been provided below on the annual reports and the website contents.

From time to time, analyst reports are shared on the website, with the prior consent of the relevant analyst, to provide investors with a different viewpoint. Koç Holding A.Ş. is not in a position to review, verify or approve analyst reports or models. However, if requested, in order to avoid misinforming the public, Koç Holding A.Ş. can control the analyst reports before they are published to ensure that historical and public information used in the reports are correct.

The foremost objective of the Investor Relations Department is to carry out the mutual relationship between the Company and stakeholders in the most efficient manner. The Investor Relations Department assumes a bridge function between the Executive Management and stakeholders. The Department conveys Koç Holding A.Ş.'s investment messages to the investors while providing periodic reporting to the Executive Management on the evaluations and feedback received from the stakeholders, thereby facilitating a two-way communication.

POLICIES PERTAINING TO MATERIAL EVENT DISCLOSURES

Responsibility

Finance Group is authorized and responsible for carrying out Koç Holding A.Ş.'s material event disclosures obligation, in coordination with the Legal Department.

In principle, material event disclosures are sent to the PDP after being signed by the CEO and CFO. The disclosures are published in the website both in Turkish and English.

List of Individuals with Administrative Responsibility

Members of Koç Holding A.Ş.'s Board of Directors; individuals who are directly or indirectly in a position to have regular access to insider information on Koç Holding A.Ş. and who, at the same time, have the authority to make administrative decisions on Koç Holding A.Ş.'s future development and commercial objectives are on the list of individuals with administrative responsibility.

Individuals who have regular access to insider information and who, at the same time, are authorized to make administrative decisions are the members of the Board of Directors of Koç Holding's parent company, Koç Holding CEO, Presidents, Directors, Chief Legal Advisor and the General Secretary.

Up-to-date information on these individuals is provided on Koç Holding A.Ş. website.

Procedure to Be Followed in Case of Press News

Tracking Mechanism

Koç Holding A.Ş. tracks news published about Koç Group in important national media through a media tracking agency. Every morning, the news is distributed to Koç Group's senior management, Investor Relations Department and Corporate Communications Department. In addition, news published on Koç Group in Reuters is monitored.

Performing the Responsibility to Validate

In the case of news or rumors about Koç Holding A.Ş. that may potentially affect the investment decisions or the price of the capital market instruments, appearing in press or any other forms of media for the first time or including information different from the already publicly disclosed information, an announcement is made as to whether this information is correct or sufficient. As a general policy, Koç Holding applies the following principles in performing its liability to validate:

- a. If the news does not have significance in terms of insider information, in principle no announcement is issued. However, the Corporate Communications Department evaluates whether there is value added in making an announcement on such a subject, which does not require the issuance of a material event disclosure as per CMB regulations.
- b. If a material event disclosure or any other means of disclosure in accordance with CMB regulations has already been made about the news, no further action is taken.
- c. In principle, Koç Holding A.Ş. does not comment on news that clearly appears not to be sourced from Koç Holding A.Ş., or that clearly appears to be gossip, rumor and unfounded. However, if deemed necessary, Koç Holding A.Ş. may decide to make a material event disclosure about such unfounded news in order to protect the interest of the shareholders and the Company. Apart from the material event disclosure, the Corporate Communications Department may issue a press release on such news, if deemed necessary.
- d. In case of inaccurate news that may be regarded as material information or that may potentially affect the investment decisions or the price of the capital market instruments, a material event disclosure is made.
- e. If the news contains accurate information on material details about the postponed announcements and is Company sourced, the grounds for postponing the announcement is no longer valid and a material event disclosure is made.
- f. If the news contains inaccurate information about the postponed announcements, then as the confidentiality is still achieved, material event disclosure may not be made. However, if deemed necessary, Koç Holding A.Ş. may decide to make a material event disclosure about such unfounded news in order to protect the interest of the shareholders and the Company.
- g. The circulation rate and/or publicity of the media are taken into account in evaluating the responsibility to validate.

Measures to Protect Insider Information until Public Announcement

Koç Holding A.Ş. employees who are in a position to have insider information and other relevant parties are informed about their responsibility to ensure confidentiality of insider information between the time when the information subject to a material event disclosure develops until it is announced to public.

As a general principle, Koç Holding A.Ş. and the persons who work in the name and on account of Koç Holding A.Ş. cannot, by any means, share information that is not publicly available and that may qualify for a material event disclosure, with third parties. If it is determined that insider information has unintentionally been shared by these people with third parties, in case it is concluded that the confidentiality of the information cannot be protected within the scope of CMB legislations, a material event disclosure is made.

If public disclosure of such information is postponed, persons with access to the subject information at the time of postponement are informed about their obligations and sanctions applicable thereof. Confidentiality clauses are added to agreements with third parties who have access to the subject information in order to ensure that reasonable precautions to ensure confidentiality are implemented by such persons.

POLICIES

Policy on Public Disclosure of Financial Information

Koç Holding A.Ş.'s financial statements are prepared in accordance with Turkish Accounting/Financial Reporting Standards within the scope of CMB regulations. Annual financial statements disclosed are audited and semi-annual financial statements are reviewed by independent auditors.

Prior to public disclosure, financial statements and footnotes, prepared according to CMB regulations are approved by the Audit Committee and submitted to the Board of Directors for approval. After the Responsibility Statement has been signed, the financial statements, footnotes and the independent auditor's report are made public on PDP. Historic financial statements and footnotes are available on Koç Holding A.Ş. Investor Relations website.

In addition to the information disclosed on financial statements, in order to allow investors to make sufficient analysis, additional information such as Koç Holding's stand-alone net cash position and FX position can be disclosed on investor presentations prepared for each reporting period. Also, summary financial indicators about the unlisted subsidiaries of Koç Holding with material effect on Koç Holding 's consolidated financial statements can be provided in the investor kits prepared on a semi-annual basis.

Annual and Interim Reports

The contents of the annual and interim reports are prepared as per international standards, CMB regulations and CMB corporate governance principles. Following preparation by the Investor Relations Department, the reports are submitted to the Board of Directors for approval and publicly disclosed on the website together with the financial statements. The annual report is available on the website in Turkish and English. Printed copies may also be obtained from Koç Holding A.Ş. Corporate Communications and Investor Relations departments.

In addition, the quarterly interim reports are publicly disclosed via PDP and shared with the investors on the website in Turkish.

Corporate Website

The Corporate Communications Department is responsible for coordinating the preparation of Koç Holding A.Ş.'s website. The content of the website is prepared in a way to provide various information that all stakeholders will find useful. A separate section is available for investor relations, the content of which is defined by the Investor Relations Department. This sections functions as a platform where detailed, comprehensive and up-to-date information used by the investors and analysts in conducting company valuations and monitoring the Company and share price performance can be accessed.

Investors can track the upcoming conferences and investor meetings that Koç Holding A.Ş. will attend on the website and the investor presentation that will be used in the meetings is published on the website on the day the conference starts, to ensure simultaneous information sharing with all parties. Furthermore, teleconferences are aired via web-casting to facilitate a wide participation and the replay and full transcript, including the Q&A session, is made available on the website thereafter. Most of the information on the website is available in both Turkish and English. In addition to current information, analyses, evaluations and historic information and statistics are also available.

Announcements Pertaining to the Exercise of Shareholder Rights

Within the scope of CMB regulations, shareholders are informed about the general assembly meetings, capital increases, dividend payments, mergers and split-offs through the use of prospectus and announcements disclosed on PDP.

The subject documents are published on Koç Holding A.Ş. website, in addition to the media foreseen in the regulations, to facilitate easy access to investors.

Forward Looking Statements

Koç Holding discloses Forward Looking Statements in line with the following principles:

- Forward looking statements along with their main underlying assumptions shall be disclosed maximum four times within a year, in principle following the disclosure of quarterly financial statements.
- The disclosure shall be disseminated through investor presentations or quarterly activity reports both of which are published on PDP and on the Company web site or by means of a material event disclosure if deemed necessary.
- In case the disclosed expectations change materially, in other words the expectations and assumptions expressed in the forwardlooking statements disclosed to the public are not realized or turn out to be impossible to be realized, the revised expectations are disseminated to the public through material event disclosures without any limitation in terms of the number of the disclosure.
- In case material discrepancies arise between the expectations disclosed and the realizations, the reasons of those discrepancies are also explained in the forward looking statements.
- Forward looking statements may include, but are not limited to, forecasts of investments, sales, profitability rates, foreign sales and exports.

STATEMENT OF RESPONSIBILITY FOR ANNUAL REPORT

PREPARED IN ACCORDANCE WITH ARTICLE 9 OF THE CAPITAL MARKETS BOARD'S COMMUNIQUE NUMBERED II-14.1. ON FINANCIAL REPORTING IN CAPITAL MARKETS

**INFORMATION ON THE BOARD OF DIRECTOR'S RESOLUTION REGARDING THE APPROVAL OF THE ANNUAL REPORT
RESOLUTION DATE: 10 MARCH 2016
RESOLUTION NUMBER: 13**

Under the Capital Markets Board Regulations, within the framework of the information provided to us in relation to our tasks and responsibilities related to the Company, we hereby announce and declare that the attached Annual Report for the year of 2015 prepared by the Company in accordance with Turkish Commercial Code and CMB Financial Reporting Communique numbered as II.14.1. and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Ernst & Young Global Limited), according to Capital Markets Board Regulations;

- has been reviewed by us;
- does not contain any inaccuracy in all material respects and is free of omissions that may be regarded as misleading as of the issue date;
- presents fairly the progress and the performance of the business, the financial position of the company and the companies included in the scope of consolidation together with the material risks and uncertainties.

Regards,

10 March 2016

Kutsan Çelebican
Chairman of Audit Committee

Muharrem Hilmi Kayhan
Member of Audit Committee

Ahmet F. Ashaboğlu
CFO

STATEMENT OF RESPONSIBILITY FOR FINANCIAL TABLES

PREPARED IN ACCORDANCE WITH ARTICLE 9 OF THE CAPITAL MARKETS BOARD'S COMMUNIQUE NUMBERED II-14.1. ON THE FINANCIAL REPORTING IN CAPITAL MARKETS

**INFORMATION ON THE BOARD OF DIRECTOR'S RESOLUTION REGARDING THE APPROVAL OF THE FINANCIAL STATEMENTS
RESOLUTION DATE: 15 February 2016
RESOLUTION NUMBER: 5**

Under the Capital Markets Board Regulations, within the framework of the information provided to us in relation to our tasks and responsibilities related to the Company, we hereby announce and declare that: the consolidated Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flow, Statement of Changes in Equity along with the related Notes prepared by the Company and audited by the independent auditor Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Ernst & Young Global Limited) for the period of 01.01.2015 – 31.12.2015 under the CMB Financial Reporting Communique numbered as II.14.1. in accordance with Turkish Accounting Principles/ Turkish Financial Reporting Standards ("TAP/IFRS") and in line with the compulsory formats determined by the CMB;

- have been reviewed by us;
- do not contain any inaccuracy in all material respects and are free of omissions that may be regarded as misleading as of the issue date;
- The financial statements prepared in line with the Communique present fairly the assets, liabilities, financial position and the results of operations of the Company as well as of the companies included in the scope of consolidation.

Regards,

15 February 2016

Kutsan Çelebican
Chairman of Audit Committee

Muharrem Hilmi Kayhan
Member of Audit Committee

Ahmet F. Ashaboğlu
CFO

KOÇ HOLDING A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015
TOGETHER WITH THE INDEPENDENT
AUDITORS' REPORT**

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



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(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

Independent auditors' report on the consolidated financial statements

To the Board of Directors of Koç Holding Anonim Şirketi;

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 2015 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 consolidated financial statements

Group's management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the Turkish Accounting Standards issued 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 and fair presentation 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 consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Auditing Standards which are part of the Turkish Auditing Standards as issued by the POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the consolidated financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the consolidated 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 independent audit procedures that are appropriate for the circumstances in order to identify the relation between the consolidated financial statements prepared by the Company and its internal control system. Our independent 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 consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Koç Holding Anonim Şirketi, its subsidiaries and its joint ventures as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

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 2015 for the consolidated balance sheet; and the official EUR and USD average CBRT bid rates of the year 2015 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 other responsibilities arising from regulatory requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 15 February 2016.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2015 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors of the Company submitted to us the necessary explanations and provided required documents within the context of audit.

Additional paragraph for convenience translation to English:

In the accompanying consolidated financial statements, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting which ceased to apply one year earlier than IFRS and the presentation of the basic financial statements and the notes to them. Accordingly, the accompanying interim condensed consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Kaan Birdal, SMMM
Partner

15 February 2016
İstanbul, Türkiye

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2015 AND 2014

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

	Notes	2015 (*) EUR'000	2015 (*) USD'000	Audited 2015 TL'000	Audited 2014 TL'000
ASSETS					
Current assets:					
Cash and cash equivalents	4	3.321.164	3.629.568	10.553.331	9.907.831
Trade receivables	7	3.056.530	3.340.360	9.712.431	6.792.258
- Related parties	7	286.052	312.615	908.959	340.246
- Third parties	7	2.770.478	3.027.745	8.803.472	6.452.012
Receivables from finance sector operations	8	486.393	531.559	1.545.561	1.161.639
Derivative instruments	9	36.770	40.185	116.841	93.965
Inventories	10	1.787.522	1.953.511	5.680.030	5.465.868
Assets used in operational lease	11	144.549	157.972	459.320	405.608
Other receivables	20	240.119	262.416	763.001	691.795
Other current assets	21	336.079	367.287	1.067.924	558.412
Assets held for sale	23	29.594	32.342	94.039	153.471
Total current assets		9.438.720	10.315.200	29.992.478	25.230.847
Non-current assets:					
Financial assets	5	42.915	46.900	136.366	142.013
Joint Ventures accounted for using the equity method	6	3.791.169	4.143.217	12.046.819	11.006.282
Trade receivables	7	103.203	112.787	327.939	307.501
- Third parties	7	103.203	112.787	327.939	307.501
Receivables from finance sector operations	8	405.018	442.628	1.286.986	1.150.637
Derivative instruments	9	128.771	140.729	409.183	22.097
Assets used in operational lease	11	312.323	341.325	992.438	759.396
Investment properties	12	142.011	155.198	451.254	239.055
Property, plant and equipment	13	5.707.169	6.237.137	18.135.100	16.870.290
Intangible assets	14	590.458	645.288	1.876.238	1.809.467
Goodwill	15	912.611	997.356	2.899.913	2.905.658
Deferred tax assets	17	1.020.847	1.115.642	3.243.842	2.528.216
Other non-current assets	21	373.349	408.018	1.186.346	969.549
Total non-current assets		13.529.844	14.786.225	42.992.424	38.710.161
Total assets		22.968.564	25.101.425	72.984.902	63.941.008

(*) 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 2015, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

These consolidated financial statements as of and for the year ended 31 December 2015 has been approved for issue by the Board of Directors ("BOD") on 15 February 2016. These consolidated financial statements will be finalised following their approval in the General Assembly.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2015 AND 2014

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

	Notes	2015 (*) EUR'000	2015 (*) USD'000	Audited 2015 TL'000	Audited 2014 TL'000
LIABILITIES					
Current liabilities:					
Short term borrowings	16	537.157	587.037	1.706.870	1.364.548
Short term portion of long term borrowings	16	1.785.115	1.950.881	5.672.380	4.055.144
Trade payables	7	2.474.812	2.704.624	7.863.964	9.138.243
- Related parties	7	288.209	314.972	915.813	666.289
- Third parties	7	2.186.603	2.389.652	6.948.151	8.471.954
Other payables	20	763.491	834.389	2.426.070	1.675.021
Derivative instruments	9	14.198	15.517	45.117	3.879
Current income tax liabilities	17	70.831	77.408	225.072	40.495
Provisions	19	258.003	281.961	819.831	706.817
Other current liabilities	21	673.775	736.341	2.140.986	2.030.032
Liabilities related to assets held for sale	23	778	850	2.472	2.565
Total current liabilities		6.578.160	7.189.008	20.902.762	19.016.744
Non-current liabilities:					
Long term borrowings	16	5.400.345	5.901.822	17.160.137	14.401.198
Derivative instruments	9	8.640	9.442	27.453	491
Provisions for employee benefits	18	166.822	182.313	530.092	475.052
Deferred tax liabilities	17	108.608	118.693	345.113	418.970
Provisions	19	43.190	47.200	137.239	101.652
Other non-current liabilities	21	64.989	71.024	206.508	225.432
Total non-current liabilities		5.792.594	6.330.494	18.406.542	15.622.795
Total liabilities		12.370.754	13.519.502	39.309.304	34.639.539
Equity:					
Paid-in share capital	22	798.055	872.162	2.535.898	2.535.898
Adjustment to share capital	22	304.408	332.676	967.288	967.288
Total share capital	22	1.102.463	1.204.838	3.503.186	3.503.186
Share premium		2.922	3.194	9.286	9.286
Other comprehensive income/expense not to be reclassified to profit or loss	22	(5.432)	(5.936)	(17.260)	(26.418)
Other comprehensive income/expense to be reclassified to profit or loss	22	(72.380)	(79.102)	(229.996)	50.967
Restricted reserves	22	775.566	847.584	2.464.438	2.420.668
Prior years' income		4.354.788	4.759.174	13.837.773	11.680.589
Profit for the period		1.122.732	1.226.989	3.567.593	2.710.145
Equity holders of the parent		7.280.659	7.956.741	23.135.020	20.348.423
Non-controlling interests		3.317.151	3.625.182	10.540.578	8.953.046
Total equity		10.597.810	11.581.923	33.675.598	29.301.469
Total liabilities and equity		22.968.564	25.101.425	72.984.902	63.941.008

Commitments and contingent liabilities

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(*) EUR and USD amounts presented above have been translated from TL for convenience purposes only, at the official TL bid rate announced by the CBRT at 31 December 2015, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

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

		2015	2015	Audited	Audited
	Notes	(*) EUR'000	(*) USD'000	2015 TL'000	2014 TL'000
Revenue	24	22.897.315	25.407.973	69.110.098	68.336.365
Revenue from finance sector operations		126.433	140.297	381.609	286.067
Total revenue	3	23.023.748	25.548.270	69.491.707	68.622.432
Cost of sales (-)	25	(19.139.026)	(21.237.592)	(57.766.595)	(60.920.786)
Cost of finance sector operations (-)		(89.931)	(99.792)	(271.436)	(189.731)
Total costs		(19.228.957)	(21.337.384)	(58.038.031)	(61.110.517)
Gross profit non-finance		3.758.289	4.170.381	11.343.503	7.415.579
Gross profit finance		36.502	40.505	110.173	96.336
Gross profit		3.794.791	4.210.886	11.453.676	7.511.915
Marketing, selling and distribution expenses (-)	25	(1.238.466)	(1.374.262)	(3.738.015)	(3.237.032)
General administrative expenses (-)	25	(794.079)	(881.149)	(2.396.740)	(2.155.887)
Research and development expenses (-)	25	(63.747)	(70.736)	(192.404)	(155.399)
Other operating income	26	493.913	548.070	1.490.759	1.868.350
Other operating expenses (-)	26	(580.427)	(644.070)	(1.751.880)	(2.026.632)
Share of profit/loss of Joint Ventures	6	600.317	666.141	1.811.914	1.416.597
Operating profit	3	2.212.302	2.454.880	6.677.310	3.221.912
Gains from investment activities	27	94.689	105.071	285.796	529.757
Losses from investment activities (-)	27	(1.806)	(2.004)	(5.450)	(5.312)
Operating profit before financial income/(expense)		2.305.185	2.557.947	6.957.656	3.746.357
Financial income	28	1.170.076	1.298.373	3.531.596	2.126.255
Financial expense (-)	28	(1.634.103)	(1.813.280)	(4.932.150)	(2.691.605)
Profit before tax	3	1.841.158	2.043.040	5.557.102	3.181.007
Tax income		90.201	100.091	272.249	1.033.275
- Current income tax expense (-)	17	(126.820)	(140.726)	(382.776)	(220.002)
- Deferred tax income	17	217.021	240.817	655.025	1.253.277
Profit for the period		1.931.359	2.143.131	5.829.351	4.214.282
Attributable to:					
Non-controlling interests	3	749.358	831.524	2.261.758	1.504.137
Equity holders of the parent	3	1.182.001	1.311.607	3.567.593	2.710.145
Earnings per share (Kr)	35			1,407	1,069

(*) EUR and USD amounts presented above have been translated from TL for convenience purposes only, at the EUR and USD average CBRT bid rates for the year ended 31 December 2015, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

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

	2015 (*) EUR'000	2015 (*) USD'000	Audited 2015 TL'000	Audited 2014 TL'000
Profit for the period	1.931.359	2.143.131	5.829.351	4.214.282
Other comprehensive income/(expense):				
Items not to be reclassified to profit / loss:				
Actuarial gains/losses on defined benefit plans				
Actuarial gains/losses	(1.333)	(1.479)	(4.024)	(62.258)
Tax effect	267	296	805	12.452
	(1.066)	(1.183)	(3.219)	(49.806)
Items to be reclassified to profit / loss:				
Financial assets fair value reserve				
Fair value gains/losses on financial assets	(3.614)	(4.010)	(10.908)	9.300
Tax effect	181	200	545	(465)
	(3.433)	(3.810)	(10.363)	8.835
Hedging reserve				
Cumulative gains/losses on hedging	(228.109)	(253.121)	(688.493)	(1.527)
Tax effect	45.471	50.457	137.244	1.404
	(182.638)	(202.664)	(551.249)	(123)
Currency translation differences	49.019	54.394	147.951	(132.649)
Share of other comprehensive income/expense of Joint Ventures (Note 6)	(25.248)	(28.017)	(76.206)	169.433
Other comprehensive income/(loss) (after tax)	(163.366)	(181.280)	(493.086)	(4.310)
Total comprehensive income	1.767.993	1.961.851	5.336.265	4.209.972
Attributable to:				
Non-controlling interests	676.044	750.171	2.040.477	1.402.514
Equity holders of the parent	1.091.949	1.211.680	3.295.788	2.807.458

(*) EUR and USD amounts presented above have been translated from TL for convenience purposes only, at the EUR and USD average CBRT bid rates for the year ended 31 December 2015, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

(Amounts on tables 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			Equity holders of the parent	Non-controlling interests	Total equity
	Paid-in share capital	Adjustment to share capital	Share premium	Non-current assets revaluation fund	Actuarial gains/losses	Currency translation differences	Hedging reserve	Financial assets fair value reserve	Restricted reserves	Prior years income	Profit for the period				
Balances at 1 January 2014	2.535.898	967.288	9.286	28.360	(28.174)	289.326	(343.025)	(19.251)	2.375.553	9.540.044	2.679.713	18.035.018	8.155.575	26.190.593	
Transfers	-	-	-	-	-	-	-	-	45.115	2.634.598	(2.679.713)	-	-	-	
Capital increases	-	-	-	-	-	-	-	-	-	-	-	-	80.610	80.610	
Dividends paid	-	-	-	-	-	-	-	-	-	(490.219)	-	(490.219)	(662.367)	(1.152.586)	
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	-	9.295	-	9.295	(12.114)	(2.819)	
Business combinations	-	-	-	-	-	-	-	-	-	-	-	-	5.059	5.059	
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	(13.129)	-	(13.129)	(16.231)	(29.360)	
Total comprehensive income	-	-	-	(1.119)	(25.485)	(80.024)	27.007	176.934	-	-	2.710.145	2.807.458	1.402.514	4.209.972	
Balances at 31 December 2014	2.535.898	967.288	9.286	27.241	(53.659)	209.302	(316.018)	157.683	2.420.668	11.680.589	2.710.145	20.348.423	8.953.046	29.301.469	
	Capital		Items not to be reclassified to profit/loss				Items to be reclassified to profit/loss			Retained earnings			Equity holders of the parent	Non-controlling interests	Total equity
	Paid-in share capital	Adjustment to share capital	Share premium	Non-current assets revaluation fund	Actuarial gains/losses	Currency translation differences	Hedging reserve	Financial assets fair value reserve	Restricted reserves	Prior years income	Profit for the period				
Balances at 1 January 2015	2.535.898	967.288	9.286	27.241	(53.659)	209.302	(316.018)	157.683	2.420.668	11.680.589	2.710.145	20.348.423	8.953.046	29.301.469	
Adjustments related to prior years	-	-	-	-	-	-	-	-	-	178.131	-	178.131	133.292	311.423	
Transfers	-	-	-	-	-	-	-	-	43.770	2.666.375	(2.710.145)	-	-	-	
Dividends paid	-	-	-	-	-	-	-	-	-	(585.259)	-	(585.259)	(406.069)	(991.328)	
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	(102.063)	-	(102.063)	(180.343)	(282.406)	
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	175	175	
Total comprehensive income	-	-	-	3.447	5.711	90.288	(145.002)	(226.249)	-	-	3.567.593	3.295.788	2.040.477	5.336.265	
Balances at 31 December 2015	2.535.898	967.288	9.286	30.688	(47.948)	299.590	(461.020)	(68.566)	2.464.438	13.837.773	3.567.593	23.135.020	10.540.578	33.675.598	

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

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

	Notes	2015 (*) EUR'000	2015 (*) USD'000	Audited 2015 TL'000	Audited 2014 TL'000
A. Cash flows from operating activities:					
Profit for the period		1.931.359	2.143.131	5.829.351	4.214.282
Adjustments to reconcile net cash generated:					
Tax income	17	(90.201)	(100.091)	(272.249)	(1.033.275)
Share of profit/loss of Joint Ventures	6	(600.317)	(666.141)	(1.811.914)	(1.416.597)
Depreciation and amortisation	3	419.580	465.586	1.266.401	958.457
Changes in provisions	36	151.400	168.001	456.966	284.473
Interest expenses, net	28	253.150	280.908	764.074	489.712
Gains on derivative instruments, net	28	(128.326)	(142.397)	(387.322)	(174.658)
Exchange losses on borrowings, net		669.715	743.149	2.021.376	656.035
Exchange gains on cash and cash equivalents, net		(336.865)	(373.802)	(1.016.748)	(423.162)
Gain on exchange transaction	27	(73.981)	(82.093)	(223.293)	(299.284)
Gain from bargain purchases	27	-	-	-	(9.324)
Gain resulting from the change of control	27	-	-	-	(17.299)
Gain on sale of property, plant and equipment and intangible assets, net	27	(10.939)	(12.139)	(33.018)	(181.067)
Gain on sale of Joint Venture	27	(967)	(1.073)	(2.919)	-
		2.183.608	2.423.039	6.590.705	3.048.293
Changes in net working capital	36	(1.564.556)	(1.736.107)	(4.722.240)	1.047.445
Income taxes paid		(62.119)	(68.930)	(187.492)	(221.975)
Dividend income from Joint Ventures, net	6	229.812	255.008	693.627	552.415
Contribution to capital increases of Joint Ventures	6	(1.739)	(1.930)	(5.250)	(13.500)
Tax and Competition Board penalty paid		(25.628)	(28.438)	(77.353)	(309.011)
Total cash flows from operating activities		759.378	842.642	2.291.997	4.103.667
B. Cash flows from investing activities:					
Purchases of property, plant and equipment and intangible assets	3	(1.160.367)	(1.287.599)	(3.502.291)	(4.051.974)
Sale of property, plant and equipment and intangible assets		317.322	352.116	957.761	804.320
Cash inflow from sale of a subsidiary, net		-	-	-	30.294
Cash outflow from acquisitions, net of cash acquired		(440)	(488)	(1.327)	(296.728)
Sale, redemption and capital decreases of financial assets		3.938	4.370	11.886	9.757
Acquisition of financial assets and capital contributions		(1.743)	(1.934)	(5.261)	(55.134)
Total cash flows from investing activities		(841.290)	(933.535)	(2.539.232)	(3.559.465)
C. Cash flows from financing activities:					
Transactions with non-controlling interest		(93.566)	(103.825)	(282.406)	(88.017)
Contribution to capital increases of non-controlling interests		-	-	-	80.610
Dividend payments		(328.443)	(364.457)	(991.328)	(1.152.586)
Cash flows from borrowings, net		516.484	573.116	1.558.884	1.500.469
Cash flows provided by derivative transactions, net		30.520	33.866	92.116	62.217
Interest paid		(389.806)	(432.548)	(1.176.537)	(866.437)
Interest received		175.099	194.298	528.495	397.261
Total cash flows from financing activities		(89.712)	(99.550)	(270.776)	(66.483)
Effects of foreign exchange rate changes on cash and cash equivalents		336.865	373.802	1.016.748	423.162
Net increase in cash and cash equivalents		165.241	183.359	498.737	900.881
Cash and cash equivalents at the beginning of the period		3.058.366	3.393.711	9.230.949	8.330.068
Cash and cash equivalents at the end of the period	36	3.223.607	3.577.070	9.729.686	9.230.949

(*) EUR and USD amounts presented above have been translated from TL for convenience purposes only, at the EUR and USD average CBRT bid rates for the year ended 31 December 2015, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts on tables 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 2015, the number of personnel employed by the Parent Company Koç Holding, its Subsidiaries and Joint Ventures (together referred as the "Group") is 91.304 (31 December 2014: 85.517); divided into categories of 43.293 white-collar (31 December 2014: 40.623) and 48.011 blue-collar workers (31 December 2014: 44.894).

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

Koç Holding is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Borsa İstanbul ("BIST") since 10 January 1986. As of 31 December 2015, the principal shareholders and their respective shareholding rates in Koç Holding are as follows:

	%
Companies owned by Koç Family members	43,99
Koç Family members	24,52
Vehbi Koç Vakfı	7,26
Koç Holding Emekli ve Yardım Sandığı Vakfı	1,99
Other	22,24
	100,00

Koç Holding is organised 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 ship construction, none of which are of a sufficient size to be reported separately.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

The subsidiaries ("Subsidiaries"), the joint ventures ("Joint Ventures") and associates ("Associates") included in the consolidation scope of Koç Holding, their country of incorporation, nature of business and their respective business segments are as follows:

Energy Sector

Subsidiaries	Country of incorporation	Nature of business
ADG Enerji Yatırımları A.Ş. ("ADG Enerji Yatırımları")	Turkey	Natural Gas
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ("Akpa")	Turkey	Marketing
Anadoluhisarı Tankercilik A.Ş. ("Anadoluhisarı Tankercilik")	Turkey	Petroleum Shipping
Aygaz A.Ş. ("Aygaz")	Turkey	LPG
Aygaz Doğal Gaz İletim A.Ş. ("Aygaz İletim")	Turkey	Natural Gas
Aygaz Doğal Gaz Toptan Satış A.Ş. ("Aygaz Toptan Satış")	Turkey	Natural Gas
Beykoz Tankercilik A.Ş. ("Beykoz Tankercilik")	Turkey	Petroleum Shipping
Demir Export A.Ş. ("Demir Export")	Turkey	Mining
Ditaş Deniz İşletmeciliği ve Tic. A.Ş. ("Ditaş")	Turkey	Petroleum Shipping
Enerji Yatırımları A.Ş. ("Enerji Yatırımları")	Turkey	Investment
Eltek Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş. ("Eltek")	Turkey	Power Generation
Eltek Elektrik Üretimi A.Ş. ("Entek") ⁽¹⁾	Turkey	Power Generation
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
Seymenoba Elektrik Üretimi A.Ş. ("Seymenoba Elektrik")	Turkey	Power Generation
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
Yeni Dore Madencilik San. ve Tic. A.Ş. ("Yeni Dore Madencilik") ⁽²⁾	Turkey	Mining

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Ayas Enerji Üretim ve Ticaret A.Ş. ("Ayas Enerji")	Oyak Birleşik Enerji A.Ş.	Turkey	Power Generation
Güney Tankercilik A.Ş. ("Güney Tankercilik")	Türk Hava Yolları	Turkey	Petroleum Shipping
Kuzey Tankercilik A.Ş. ("Kuzey Tankercilik")	Türk Hava Yolları	Turkey	Petroleum Shipping
Opet Aygaz Gayrimenkul A.Ş. ("Opet Aygaz Gayrimenkul")	Öztürk Family	Turkey	Real Estate
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. ("Opet Fuchs")	Fuchs Petrolub SE	Turkey	Lubricant Trading
Opet International Limited ("Opet International")	Öztürk Family	The UK	Petroleum Products Trading
Opet Petrolcülük A.Ş. ("Opet")	Öztürk Family	Turkey	Petroleum Products Trading
Opet Trade B.V. ("Opet Trade BV")	Öztürk Family	The Netherlands	Petroleum Products Trading
Opet Trade (Singapore) Pte. Ltd. ("Opet Singapore")	Öztürk Family	Singapore	Petroleum Products Trading
THY Opet Havacılık Yakıtları A.Ş. ("THY Opet")	Türk Hava Yolları	Turkey	Petroleum Products Trading

(1) The company name of AES Entek Elektrik Üretimi A.Ş. was registered and changed as Entek Elektrik Üretimi A.Ş. on 20 March 2015.

(2) Established in 2015

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

Automotive Sector

Subsidiaries	Country of incorporation	Nature of business
Otokar Otomotiv ve Savunma 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
Set Auto Ltd. ("Set Auto")	Azerbaijan	Car Rental
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.

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KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Consumer Durables Sector

Subsidiaries	Country of incorporation	Nature of business
Archin Limited ("Archin") ⁽¹⁾	Hong Kong, China	Sales
Arçelik A.Ş. ("Arçelik")	Turkey	Production/Sales
Ardutch B.V. ("Ardutch")	The Netherlands	Holding
Ardutch B.V. Taiwan ("Ardutch Taiwan")	Taiwan	Procurement
Beko A and NZ Pty Ltd. ("Beko Australia")	Australia, New Zealand	Sales
Beko Appliances Malaysia Sdn Bhd. ("Beko Malaysia") ⁽²⁾	Malaysia	Sales
Beko Balkans D.O.O ("Beko Balkans") ⁽³⁾	Serbia	Sales
Beko Cesko ("Beko Cesko") ⁽¹⁾	Czech Republic	Sales
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales
Beko Egypt Trading LLC ("Beko Egypt")	Egypt	Sales
Beko Electronics España S.L. ("Beko España")	Spain	Sales
Beko France S.A.S. ("Beko France")	France	Sales
Beko Hong Kong Ltd. ("Beko Hong Kong")	Hong Kong, China	Procurement
Beko Italy SRL ("Beko Italy")	Italy	Sales
Beko LLC ("Beko Russia")	Russia	Production/Sales
Beko Plc. ("Beko UK")	The UK, Ireland	Sales
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales
Beko S.A. ("Beko Polska")	Poland	Sales
Beko S.A. Czech Republic ("Beko Czech")	Czech Republic	Sales
Beko Thai Co.,Ltd. ("Beko Thailand")	Thailand	Production/Sales
Beko Ukraine LLC ("Beko Ukraine")	Ukraine	Sales
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales
Computer Vision Interaction S.A. ("CoVii") ⁽⁴⁾	Portugal	R&D
Defy Appliances (Proprietary) Limited ("Defy")	Republic of South Africa	Production/Sales
Defy (Botswana) (Proprietary) Limited ("Defy Botswana")	Botswana	Sales
Defy (Namibia) (Proprietary) Limited ("Defy Namibia")	Namibia	Sales
Defy (Swaziland) (Proprietary) Limited ("Defy Swaziland") ⁽¹⁾	Swaziland	Sales
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales
Grundig Intermedia Ges.m.b.H ("Grundig Austria") ⁽¹⁾	Austria	Sales
Grundig Intermedia GmbH ("Grundig Intermedia")	Germany, Croatia	Sales
Grundig Magyarország Kft. ("Grundig Hungary") ⁽¹⁾	Hungary	Sales
Grundig Multimedia A.G. ("Grundig Switzerland")	Switzerland	Sales
Grundig Multimedia B.V. ("Grundig Multimedia")	The Netherlands	Holding
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Sales
Grundig Nordic No AS ("Grundig Norway")	Norway	Sales
Grundig Portuguesa Lda ("Grundig Portugal") ⁽¹⁾	Portugal	Sales
Raupach Wollert GmbH ("Raupach") ⁽¹⁾	Germany	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales
Vietbeko Limited Liability Company ("Vietbeko") ⁽⁵⁾	Vietnam	Sales

Joint Ventures

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

(1) Non-operational companies as of the balance sheet date.

(2) Established as a sales and marketing company in October 2015.

(3) Established as a sales and marketing company in February 2015.

(4) Acquired by Arçelik in 2015.

(5) Established as a sales and marketing company in November 2015.

Blomberg Werke GmbH ("Blomberg Werke") merged with Beko Deutschland in 2015.

Defy Trust Two (Proprietary) Limited ("Defy Trust Two"), Kindoc Park (Proprietary) Limited ("Defy Kindoc") ve Grundig Slovakia s.r.o. ("Grundig Slovakia") were liquidated in 2015.

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KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

Finance Sector

Subsidiaries		Country of incorporation	Nature of business
Koç Finansman A.Ş. ("Koç Finansman")		Turkey	Consumer Finance
Joint Ventures			
Joint Venture Partner	Country of incorporation	Nature of business	
Koç Fiat Kredi Finansman A.Ş. ("Fiat Finans")	Fiat Auto S.p.A.	Turkey	Consumer Finance
Koç Finansal Hizmetler A.Ş. ("Koç Finansal Hizmetler" or "KFS")	UniCredit S.p.A.	Turkey	Holding
Stiching Custody Services YKB ("Stiching Custody")	UniCredit S.p.A.	The Netherlands	Custody
Yapı Kredi Azerbaijan C.J.S.C. ("Yapı Kredi Azerbaijan")	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 Malta Ltd. ("Yapı Kredi Malta")	UniCredit S.p.A.	Malta	Banking
Yapı Kredi Bank Moscow ("Yapı Kredi Moscow")	UniCredit S.p.A.	Russia	Banking
Yapı Kredi Diversified Payment Rights Finance Company ("Yapı Kredi SPC") (*)	UniCredit S.p.A.	Cayman Islands	Special Purpose Company
Yapı Kredi 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
Associates			
Country of incorporation	Nature of Business		
Allianz Yaşam ve Emeklilik A.Ş. ("Allianz Emeklilik")	Turkey	Insurance	
Banque de Commerce et de Placements S.A. ("Banque de Commerce")	Switzerland	Banking	

(*) Although Yapı Kredi Bankası has no shareholding interest, the special purpose company established for securitization transactions is included in the scope of consolidation.

Tasfiye Halinde UniCredit Menkul Değerler A.Ş. ("UniCredit Menkul") liquidated on 12 May 2015.

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KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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
Düzye Tüketim Malları Sanayi Pazarlama A.Ş. ("Düzye")	Turkey	Trading
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")	Turkey	Food
Tek-Art Kalamış ve Fenerbahçe Marmara Turizm Tesisleri A.Ş. ("Tek-Art Marina")	Turkey	Tourism
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer Ticaret")	Turkey	Trading

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Koçtaş Yapı Marketleri Ticaret A.Ş. ("Koçtaş Yapı Market")	Kingfisher Plc	Turkey	Retail
Netsel Turizm Yatırımları A.Ş. ("Netsel")	Torunlar GYO A.Ş.	Turkey	Tourism

Moova Gıda Sanayi ve Ticaret A.Ş. ("Moova") merged with Tat Gıda on 29 May 2015.

Tedi İçecek San. ve Tic. A.Ş. ("Tedi İçecek") was sold on 29 May 2015.

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).

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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.

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 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. The accompanying consolidated financial statements are prepared in accordance with the aforementioned illustrative financial statements.

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, 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") and TAS/TFRS together with notes and explanations related to the accounting and financial reporting standards issued by POA in case of no specific regulations have been introduced by these institutions. 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 TAS/TFRS, 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.

The operational leased vehicles of Otokoç amounting to TL405.608 thousand short term and TL759.396 thousand long term, in total of TL1.165.004 thousand, which were classified in "property, plant and equipment" in consolidated financial statements of the Group as of 31 December 2014, have been reclassified in "assets used in operational lease".

Carrying value of Opet Aygaz Gayrimenkul A.Ş. amounting to TL75.306 thousand, which was classified in financial assets in consolidated balance sheets as of 31 December 2014, has been reclassified in "joint ventures accounted for using the equity method".

Rent income amounting to TL17.471 thousand which was classified in "other operating income" in consolidated income statement as of 31 December 2014, has been reclassified in "gains from investment activities".

Transactions with non-controlling interest amounting to TL88.017 thousand which was classified in "cash flows from investing activities" in statement of cash flows as of 31 December 2014, has been reclassified in "cash flows from financing activities".

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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/IFRS 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 2015 of TL3,1776 = EUR1 and TL2,9076 = 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 2015 of TL3,0183= EUR1 and TL2,7200= 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 2015 are consistent with those applied in the preparation of the consolidated financial statements as of 31 December 2014, except for the new and amended TAS/IFRS standards which are valid as of 1 January 2015 and Turkey Financial Reporting Interpretations Committee's ("TFRIC") interpretations summarised below.

Standards, amendments and interpretations effective as of 1 January 2015:

- TAS 19 - Defined Benefit Plans: Employee Contributions (Amendment)
- Annual Improvements - 2010 - 2012 Cycle
- Annual Improvements - 2011 - 2013 Cycle clarifications (Amendment)

These amendments did not have any impact on the financial position or performance of the Group.

Standards, amendments and improvements issued but not yet effective and not early adopted:

- TFRS 9 Financial Instruments - Classification and Measurement (2011 Version)
- TFRS 11 - Acquisition of an Interest in a Joint Operation (Amendment)
- TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)
- TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) - Bearer Plants
- TAS 27 - Equity Method in Separate Financial Statements (Amendments to TAS 27)
- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)
- TAS 1: Disclosure Initiative (Amendments to TAS 1)
- Annual Improvements to TFRSs - 2012-2014 Cycle

The impacts of the new standards, amendments and improvements on the financial position and performance of the Group is being assessed.

New standards, amendments and interpretations that are issued by the International Accounting Standard Boards (IASB) but not issued by POA:

- Annual Improvements - 2010 - 2012 Cycle (IFRS 13 Fair Value Measurement - Basis for Conclusions)
- Annual Improvements - 2011 - 2013 Cycle
- IFRS 15 - Revenue from Contracts with Customers
- IFRS 9 - Financial Instruments - Final standard (2014)
- IFRS 16 - Leases
- IAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)
- IAS 7 - 'Statement of Cash Flows (Amendments) - Amendments

The impacts of the new standards, amendments and improvements on the financial position and performance of the Group is being assessed.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

2.3 Changes in Accounting Policies, Estimates and Errors

Any change in accounting policies resulting from the first time adoption of a new TAS/IFRS is made either retrospectively or prospectively in accordance with the transition requirements of TAS/IFRS. 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 Group doesn't have any significant changes in accounting policy and accounting estimates in the current period.

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/IFRS" 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts on tables 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 (%):

Subsidiaries	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
	2015	2014	2015	2014	2015	2014	2015	2014
ADG Enerji Yatırımları	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Akpa	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Anadoluhisari 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
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 ⁽¹⁾	48,46	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 Balkans ⁽²⁾	40,51	-	100,00	-	-	-	100,00	-
Beko Cesko	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko China	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Czech	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Deutschland	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko 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	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 Malaysia ⁽³⁾	40,51	-	100,00	-	-	-	100,00	-
Beko UK ⁽⁴⁾	40,51	20,26	100,00	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 Shanghai	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 Tayland	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	34,95	34,95	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 ⁽⁵⁾	-	40,51	-	100,00	-	-	-	100,00
CoVii ⁽⁶⁾	20,66	-	51,00	-	-	-	51,00	-
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 Kindoc ⁽⁷⁾	-	40,51	-	100,00	-	-	-	100,00
Defy Namibia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Defy Swaziland	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Defy Trust Two ⁽⁷⁾	-	40,51	-	100,00	-	-	-	100,00
Ditaş	34,95	34,95	80,00	80,00	-	-	80,00	80,00
Divan ⁽¹⁾	11,81	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
Eltek	69,80	69,80	100,00	100,00	-	-	100,00	100,00
Enerji Yatırımları	85,68	85,68	98,50	98,50	-	-	98,50	98,50
Entek	69,80	69,80	99,23	99,23	-	-	99,23	99,23

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

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

Subsidiaries	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
	2015	2014	2015	2014	2015	2014	2015	2014
Grundig Austria	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 ⁽⁷⁾	-	40,51	-	100,00	-	-	-	100,00
Grundig Sweden	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Switzerland	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Kadıköy Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Kandilli Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Karşıyaka Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Kartal Tankercilik	34,95	34,95	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
Kuzguncuk Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Maltepe Tankercilik	34,95	34,95	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
Moova ⁽⁸⁾	-	43,82	-	100,00	-	-	-	100,00
Otokar ⁽⁹⁾	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	83,45	14,66	14,66	98,11	98,11
Raupach	40,51	40,51	100,00	100,00	-	-	100,00	100,00
RMK Marine	60,51	60,51	66,84	66,84	33,16	33,16	100,00	100,00
Şalacak Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Sarıyer Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Set Auto ⁽¹¹⁾	92,49	92,48	100,00	100,00	-	-	100,00	100,00
Setur ⁽¹⁾	46,38	46,32	81,13	81,07	18,87	18,87	100,00	99,94
Seymenoba Elektrik	69,80	69,80	100,00	100,00	-	-	100,00	100,00
T Damla Denizcilik	34,95	34,95	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
Tek-Art Marina	75,92	75,92	75,92	75,92	24,08	24,08	100,00	100,00
Tüpraş	43,70	43,70	51,00	51,00	-	-	51,00	51,00
Üsküdar Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Vietbeko ⁽¹⁰⁾	40,51	-	100,00	-	-	-	100,00	-
Yalova Marina ⁽¹⁾	47,96	47,91	100,00	100,00	-	-	100,00	100,00
Yeni Dore Madencilik ⁽¹¹⁾	2,34	-	100,00	-	-	-	100,00	-
Zer Ticaret	39,00	39,00	39,00	39,00	60,06	60,06	99,06	99,06

(1) The effective interest rate of Koç Holding has changed following Koç Holding's purchase of 0,06% shares of Setur held by non-controlling shareholders.

(2) Established as a sales and marketing company in February 2015.

(3) Established as a sales and marketing company in October 2015.

(4) The effective interest rate of Koç Holding has changed within the scope of Arçelik's acquisition of Beko UK's 50% of shares held by non-controlling interests.

(5) Merged with Beko Deutschland in 2015.

(6) Included into scope of consolidation following the acquisition of CoVii's 51% of shares by Arçelik on 26 June 2015.

(7) Liquidated in 2015.

(8) Merged with Tat Gıda in 29 May 2015.

(9) 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.

(10) Established as a sales and marketing company in November 2015.

(11) Established in 2015.

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(Amounts on tables 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.

"IFRS 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 (%):

Joint Ventures	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
	2015	2014	2015	2014	2015	2014	2015	2014
Arçelik LG Klima	23,23	23,23	50,00	50,00	-	-	50,00	50,00
Ayas Enerji	34,90	34,90	50,00	50,00	-	-	50,00	50,00
Fer-Mas	37,59	37,59	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	2,61	2,58	41,07	41,04
Güney Tankercilik	9,00	9,00	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
Kuzey Tankercilik	9,00	9,00	50,00	50,00	-	-	50,00	50,00
Netsel	41,76	41,76	55,00	55,00	-	-	55,00	55,00
Opet	18,00	18,00	41,33	41,33	8,67	8,67	50,00	50,00
Opet Aygaz Gayrimenkul	29,34	29,34	50,00	50,00	-	-	50,00	50,00
Opet Fuchs	9,00	9,00	50,00	50,00	-	-	50,00	50,00
Opet International	18,00	18,00	50,00	50,00	-	-	50,00	50,00
Opet Trade BV	18,00	18,00	50,00	50,00	-	-	50,00	50,00
Opet Trade Singapore	18,00	18,00	50,00	50,00	-	-	50,00	50,00
Stiching Custody	32,89	32,89	50,00	50,00	-	-	50,00	50,00
Tedi İçecek ⁽¹⁾	-	21,91	-	50,00	-	-	-	50,00
THY Opet	9,00	9,00	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 ⁽²⁾	-	40,21	-	50,00	-	-	-	50,00
Yapı Kredi Azerbaycan	32,89	32,89	50,00	50,00	-	-	50,00	50,00

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KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts on tables 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	
	2015	2014	2015	2014	2015	2014	2015	2014
Joint Ventures								
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 Finansal Kiralama	32,89	32,89	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 Malta	32,89	32,89	50,00	50,00	-	-	50,00	50,00
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

(1) %50 shares of Tedi İçecek owned by Tat Gıda was sold to Maspex-Gmw SP. Z.O.O. S.P.K. on 29 May 2015.

(2) Liquidated on 12 May 2015.

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	
	2015	2014	2015	2014	2015	2014	2015	2014
Associates								
Allianz Emeklilik	6,58	6,58	20,00	20,00	-	-	20,00	20,00
Banque de Commerce	10,09	10,09	30,67	30,67	-	-	30,67	30,67

e) Financial assets in which the Group together with Koç Family members, has ownership interests below 20%, or over which the Group does not exercise a significant influence or which are immaterial are classified as available-for-sale financial assets in the consolidated financial statements.

Available-for-sale financial assets which have quoted market prices in organised markets and whose fair values can be measured reliably are carried at fair value in the consolidated financial statements.

Available-for-sale financial assets that 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 in the consolidated financial statements.

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

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

f) Non-controlling shares in the net assets and operating results of Subsidiaries are separately classified in the consolidated financial statements as "non-controlling interests". 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 interests and are not included in the Group's net assets and profits attributable to the equity holders of the parent.

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.

The financial information of the Group's Joint Ventures shall not be consolidated by using the proportionate consolidation method in accordance with "IFRS 11 Joint Arrangements". Therefore, in the case that segment reporting is prepared based on the equity method set in "IFRS 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 "IFRS 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.

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

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 Board of Directors 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.

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

"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.

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

Funds attributed to financial assets as reverse repo are recorded as receivables from reverse repo under cash and cash equivalents in the consolidated financial statements. A rediscount income is calculated by using the internal discount rate method for the current year portion of the difference between the sale and purchase price of these reverse repo agreements and accounted by adding to the cost of the reverse repo.

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.

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

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 within the materiality principle, and classified under "other operating income/expenses" in the consolidated statement of income.

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.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

2.4.13 Assets used in operational lease

Assets used in operational lease include the motor vehicles of Otokoç, a Subsidiary of the Group, resourced in rent a car services. The Group classifies its assets used in operational lease as long term for those which has duration of rent contract longer than one year and as short term which has duration of rent contract shorter than one year. The difference between the cost and the estimated second-hand sales price of the related assets is depreciated on a straight-line basis over the duration of rent contracts.

2.4.14 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 3-50 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.

2.4.15 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	3 - 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 expenses 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

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

2.4.16 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	4 - 15 years
Brands	Indefinite useful life
Development costs	2 - 10 years
Other intangible assets	5 - 40 years

2.4.17 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 assets used in operational lease 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

2.4.18 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 TFRS 3 "Business combinations" prior to the amendment. Under this method, the cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree and in addition, any costs directly attributable to the business combination. If a business combination contract includes clauses that enable adjustments in the cost of business combination depending on events after the acquisition date; in case the adjustment is measurable and more probable than not, than cost of business combination at acquisition date is adjusted.

Any excess of the cost of acquisition over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill in the consolidated financial statements.

Goodwill recognised in business combinations is tested for impairment annually (as of 31 December) or more frequently if events or changes in circumstances indicate impairment, instead of amortisation. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Any excess of the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is accounted for as income in the related period.

In business combinations involving entities under common control, assets and liabilities subject to a business combination are recognised at their carrying amounts in the consolidated financial statements. In addition, statements of income are consolidated from the beginning of the financial year in which the business combination takes place. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. As a result of these transactions, no goodwill is recognised. The difference arising in the elimination of the carrying value of the investment held and share capital of the acquired company is directly accounted under "effect of transactions under common control" in "retained earnings".

Fair value changes of contingent consideration that arise from business combinations realised before 1 January 2010 are adjusted against goodwill.

The Group applied revised TFRS 3 "Business Combinations", which is effective for the periods beginning 1 January 2010 for the business combinations realised after 2010.

The revised TFRS 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş.

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

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

2.4.19 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 utilised.

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.

2.4.20 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.

2.4.21 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

2.4.22 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.

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.

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.

2.4.23 Provisions, contingent assets and liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and treated as contingent assets or liabilities.

2.4.24 Revenue recognition

Revenues include the invoiced amounts of goods and services sold. Revenues are recognised on an accrual basis at the time deliveries are made, risks and benefits related to the product are transferred, income amount is reliably measured and when it is highly probable that the Group will obtain future economic benefits. Interest income is realised according to the cut-off basis and accrued income is determined through taking into consideration the effective interest rate and the rate effective until maturity date. Net sales represent the invoiced value of goods shipped less sales returns and discounts. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as other operating income.

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

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.

2.4.25 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.4.26 Dividends

Dividend income is recognised by the Group at the date the right to collect the dividend is realised. Dividend payables are recognised as liability in the consolidated financial statements following the approval of the general assembly.

2.4.27 Research and development costs

Research costs are recognised and expensed in the income statement in the period in which they are incurred.

Costs incurred on development projects relating to the design and testing of new or improved products are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility and only if the cost can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense cannot be recognised as an asset in subsequent periods. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over their estimated useful lives (2-10 years).

2.4.28 Warranties

Warranty expenses are recorded as a result of repair and maintenance expenses for products produced and sold, authorised services' labour and material costs for products under the scope of the warranty terms without any charge to the customers, initial maintenance costs and estimated costs based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period.

2.4.29 Government grants

Government grants along with investment, research and development grants are accounted for on an accrual basis for estimated amounts expected to be realised under grant claims filed by the Group. These grants are accounted for as deferred income in the consolidated balance sheet and are credited to consolidated income statement on a straight-line basis over the expected lives of related assets. Government grants allowing reduced corporate tax payment are evaluated within the scope of TAS 12 Income Taxes standard (Note 2.4.19).

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

2.4.30 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, one that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Borrowing costs that are not in this scope are recognised directly in the income statement.

The financing costs of borrowings directly attributable to ongoing investments (interest expenses and foreign exchange losses based on the difference between the TL benchmark interest and interest regarding the foreign currency denominated loans) are capitalised until the completion of the investments.

2.4.31 Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and currency/interest rate swap instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the consolidated financial statements. The fair value changes for these derivatives are recognised in the consolidated income statement.

The hedging transactions of the Group that qualify for hedge accounting are accounted for as follows:

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of hedged asset or liability attributable to the hedged risk is recorded as part of the carrying value of the hedged asset or liability during the effective hedging relationship. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised 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.

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

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement.

On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement.

2.4.32 Earnings per share

Earnings per share disclosed in the consolidated income statement are determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported.

2.4.33 Events after the balance sheet date

The Group adjusts the amounts recognised in its consolidated financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements.

2.4.34 Statement of cash flow

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (tangible and intangible assets and financial assets).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

2.5 Significant Accounting Estimates and Assumptions

Preparation of consolidated financial statements requires the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the balance sheet date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during the financial period. The accounting assessments, forecasts and assumptions are reviewed continuously considering the past experiences, other factors and the reasonable expectations about the future events under current conditions. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

2.6 Convenience Translation into English of 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.

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NOTE 3 - SEGMENT REPORTING

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 2015 and 2014 are presented separately.

1 January - 31 December 2015	Energy	Automotive	Consumer durables	Finance	Other	Total
External revenue	53.159.844	32.130.843	14.228.484	21.367.161	5.996.201	126.882.533
Intra segment revenue	9.079.468	3.284.933	360.781	87.185	980.746	13.793.113
Inter segment revenue	157.964	452.160	62.329	60.314	2.902.559	3.635.326
Combined revenue	62.397.276	35.867.936	14.651.594	21.514.660	9.879.506	144.310.972
Combined gross profit	5.723.076	4.465.573	4.601.111	9.188.730	1.691.217	25.669.707
Operating expenses	(2.003.913)	(2.082.936)	(3.498.048)	(4.326.629)	(1.495.242)	(13.406.768)
Other operating income/expenses (net) ⁽¹⁾	122.508	72.731	54.361	(1.479.922)	2.392	(1.227.930)
Exchange gains/losses and credit finance income/charges from operating activities (net) ⁽²⁾	(564.469)	74.081	135.518	-	8.939	(345.931)
Combined operating profit	3.277.202	2.529.449	1.292.942	3.382.179	207.306	10.689.078
Gains from investment activities (net) ⁽³⁾	26.240	7.802	2.981	48.713	270.462	356.198
Financial income/expenses (net)	(925.013)	(570.952)	(525.615)	-	135.883	(1.885.697)
Combined profit before tax	2.378.429	1.966.299	770.308	3.430.892	613.651	9.159.579
Tax income/expense (net)	292.938	116.255	105.978	(676.790)	(109.160)	(270.779)
Combined net profit for the period	2.671.367	2.082.554	876.286	2.754.102	504.491	8.888.800
Net profit for the period ⁽⁴⁾	1.059.966	857.400	351.436	916.844	381.947	3.567.593

(1) Provisions for loan impairment in Finance sector have been accounted for under "other operating income/expenses" account.

(2) Includes the foreign exchange gains/losses and credit finance income/charges arising from trading activities (trade receivables and payables) of Non-Finance sectors.

(3) Gain on exchange transaction of Koç Holding amounting to TL223.293 thousand (Note 27) has been accounted for under "gains/losses from investment activities" account of the Other sector.

(4) Represents consolidated net profit attributable to the equity holders of the parent. The effect of gain on exchange transaction of Koç Holding to consolidated net profit for the period is about TL179 million.

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NOTE 3 - SEGMENT REPORTING (Continued)

1 January - 31 December 2014	Energy	Automotive	Consumer durables	Finance	Other	Total
External revenue	57.931.067	24.203.423	12.638.983	16.707.764	5.102.008	116.583.245
Intra segment revenue	10.297.710	2.337.505	233.907	41.998	914.870	13.825.990
Inter segment revenue	114.299	288.422	68.639	88.387	2.497.536	3.057.283
Combined revenue	68.343.076	26.829.350	12.941.529	16.838.149	8.514.414	133.466.518
Combined gross profit	2.455.632	3.239.545	4.031.245	7.904.135	1.464.536	19.095.093
Operating expenses	(1.814.588)	(1.590.455)	(3.036.333)	(3.711.028)	(1.371.904)	(11.524.308)
Other operating income/expenses (net) ⁽¹⁾	405	27.512	9.734	(1.148.508)	(19.932)	(1.130.789)
Exchange gains/losses and credit finance income/charges from operating activities (net) ⁽²⁾	(23.421)	(58.068)	(50.501)	-	7.435	(124.555)
Combined operating profit	618.028	1.618.534	954.145	3.044.599	80.135	6.315.441
Gains from investment activities (net) ⁽³⁾	17.400	6.050	2.604	42.659	507.936	576.649
Financial income/expenses (net)	(449.150)	(314.588)	(261.811)	-	104.071	(921.478)
Combined profit before tax	186.278	1.309.996	694.938	3.087.258	692.142	5.970.612
Tax income/expense (net)	1.259.858	250.446	(95.033)	(622.551)	(120.899)	671.821
Combined net profit for the period	1.446.136	1.560.442	599.905	2.464.707	571.243	6.642.433
Net profit for the period ⁽⁴⁾	592.017	647.201	235.606	823.166	412.155	2.710.145

(1) Provisions for loan impairment in Finance sector have been accounted for under "other operating income/expenses" account.

(2) Includes the foreign exchange gains/losses and credit finance income/charges arising from trading activities (trade receivables and payables) of Non-Finance sectors.

(3) Gain on exchange transaction of Koç Holding amounting to TL299.284 thousand and gain on sale of brand and fixed assets related to Maret segment owned by Tat Gıda amounting to TL151.834 thousand (Note 27) have been accounted for under "gains/losses from investment activities" account of the Other sector.

(4) Represents consolidated net profit attributable to the equity holders of the parent. The effect of gain on exchange transaction of Koç Holding and gain on sale of Maret segment owned by Tat Gıda to consolidated net profit for the period is about TL300 million.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

NOTE 3 - SEGMENT REPORTING (Continued)

a) Revenue	2015	2014
Energy	62.397.276	68.343.076
Automotive	35.867.936	26.829.350
Consumer durables	14.651.594	12.941.529
Finance	21.514.660	16.838.149
Other	9.879.506	8.514.414
Combined	144.310.972	133.466.518
Less: Joint Ventures (Note 6.d)	(71.183.378)	(61.472.584)
Less: Consolidation elimination and adjustments	(3.635.887)	(3.371.502)
Consolidated	69.491.707	68.622.432
b) Operating profit		
Energy	3.277.202	618.028
Automotive	2.529.449	1.618.534
Consumer durables	1.292.942	954.145
Finance	3.382.179	3.044.599
Other	207.306	80.135
Combined	10.689.078	6.315.441
Less: Joint Ventures (Note 6.d)	(5.823.682)	(4.510.126)
Add: Net profit shares of Joint Ventures (Note 6.c)	1.811.914	1.416.597
Consolidated	6.677.310	3.221.912
c) Depreciation and amortisation		
Energy	767.917	503.355
Automotive	933.990	759.211
Consumer durables	379.081	356.116
Finance	334.919	279.909
Other	109.153	101.014
Combined	2.525.060	1.999.605
Less: Joint Ventures (Note 6.d)	(1.258.659)	(1.041.148)
Consolidated	1.266.401	958.457

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

NOTE 3 - SEGMENT REPORTING (Continued)

d) Profit before tax	2015	2014
Energy	2.378.429	186.278
Automotive	1.966.299	1.309.996
Consumer Durables	770.308	694.938
Finance	3.430.892	3.087.258
Other	613.651	692.142
Combined	9.159.579	5.970.612
Less: Joint Ventures (Note 6.d)	(5.414.391)	(4.206.202)
Add: Net profit shares of Joint Ventures (Note 6.c)	1.811.914	1.416.597
Consolidated	5.557.102	3.181.007
e) Net profit for the period		
Energy	2.671.367	1.446.136
Automotive	2.082.554	1.560.442
Consumer Durables	876.286	599.905
Finance	2.754.102	2.464.707
Other	504.491	571.243
Combined	8.888.800	6.642.433
Less: Joint Ventures (Note 6.d)	(4.871.363)	(3.844.748)
Add: Net profit shares of Joint Ventures (Note 6.c)	1.811.914	1.416.597
Less: Non-controlling interests	(2.261.758)	(1.504.137)
Consolidated (attributable to the equity holders of the parent)	3.567.593	2.710.145
f) Capital expenditures		
Energy (*)	2.032.299	3.061.902
Automotive	3.147.027	3.459.416
Consumer Durables	662.902	463.703
Finance	646.268	438.237
Other	319.669	190.498
Combined	6.808.165	7.613.756
Less: Joint Ventures	(3.010.127)	(3.197.593)
Consolidated	3.798.038	4.416.163

(*) Capital expenditures include foreign exchange losses amounting to TL295.747 thousand capitalised by Tüpraş in 2015 (1 January-31 December 2014: TL364.189 thousand) regarding the foreign currency borrowings for which no cash out flow has been realised yet.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

NOTE 3 - SEGMENT REPORTING (Continued)

g) Total assets	31 December 2015	31 December 2014
Energy	39.152.361	34.872.215
Automotive	24.343.570	19.605.414
Consumer Durables	14.349.899	12.648.714
Finance	236.311.347	197.013.756
Other	24.699.512	22.120.608
Combined	338.856.689	286.260.707
Less: Joint Ventures (Note 6.d)	(259.297.195)	(215.991.600)
Less: Eliminations	(6.574.592)	(6.328.099)
Consolidated	72.984.902	63.941.008

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2015			31 December 2014		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Cash in hand	-	2.555	2.555	-	2.265	2.265
Cheques received	-	62.040	62.040	-	74.785	74.785
Banks						
- Demand deposits	23.777	314.887	338.664	6.266	409.512	415.778
- Time deposits	51.056	9.868.953	9.920.009	1.478	9.257.746	9.259.224
Other	57.251	172.812	230.063	36.267	119.512	155.779
	132.084	10.421.247	10.553.331	44.011	9.863.820	9.907.831

As of 31 December 2015, total blocked deposits amounted to TL823.645 thousand (31 December 2014: TL676.882 thousand). 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 2014: TL676.882 thousand).

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KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

NOTE 5 - FINANCIAL ASSETS

	31 December 2015			31 December 2014		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Available-for-sale financial assets	-	136.366	136.366	-	142.013	142.013
	-	136.366	136.366	-	142.013	142.013

The list of equity securities and the shareholding rates are as follows:

	31 December 2015		31 December 2014	
		(%)		(%)
Listed:				
Altinyunus Çeşme Turistik Tesisler A.Ş.	18.349	30,00	29.257	30,00
	18.349		29.257	
Unlisted:				
Makmarin Kaş Marina İşletmeciliği Turizm ve Ticaret A.Ş.	23.642	50,00	23.642	50,00
Setur Antalya Marina İşletmeciliği A.Ş.	22.589	100,00	22.589	100,00
Alaşehir Alkollü İçkiler Sanayi ve Ticaret A.Ş.	21.000	93,00	21.000	93,00
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	19.364	88,00	17.146	88,00
Beldesan Otomotiv Yan San. ve Tic. A.Ş.	6.121	91,82	5.134	91,82
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
Mytilini Marina S.A.	3.859	50,00	3.194	50,00
Other	13.405		12.014	
	118.017		112.756	
	136.366		142.013	

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.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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 2015		31 December 2014	
	%	Amount	%	Amount
Koç Finansal Hizmetler	44,12	8.631.207	44,12	7.826.469
Ford Otosan	38,46	1.172.074	38,46	1.054.674
Tofaş	37,59	970.459	37,59	842.402
Opet	41,33	583.958	41,33	564.520
Türk Traktör	37,50	244.090	37,50	264.323
Other		445.031		453.894
		12.046.819		11.006.282

b) The market values (Level 1) of the listed Joint Ventures are as follows:

	31 December 2015	31 December 2014
Yapı Kredi Bankası (*)	14.301.799	21.257.081
Ford Otosan	10.625.555	11.422.121
Tofaş	9.475.000	7.975.000
Türk Traktör	3.711.814	4.101.408
	38.114.168	44.755.610

(*) 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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NOTE 6 - JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

c) The movement of Joint Ventures is as follows:

	2015	2014
Beginning of the period - 1 January	11.006.282	10.050.786
Shares of profit/(loss)	1.811.914	1.416.597
Shares of other comprehensive income/(loss)	(76.206)	169.433
Dividend income from Joint Ventures	(693.807)	(552.640)
Contribution to capital increases of Joint Ventures	5.250	13.500
Transfer to Subsidiaries as a result of business combination ⁽¹⁾	-	(342.024)
Transfer to Joint Ventures as a result of business combination	-	176.343
Sale of a Joint Venture ⁽²⁾	(8.967)	-
Transfers ⁽³⁾	-	75.306
Profit elimination on inventories	2.173	(1.244)
Dividend paid to Joint Ventures	180	225
End of the period - 31 December	12.046.819	11.006.282

(1) Entek is included in the scope of consolidation as a Subsidiary following the change of control in 2014.

(2) Tedi İçecek, a Joint Venture of the Group, was sold on 29 May 2015.

(3) Transferred from financial assets (Note 2.1.2).

Shares of profit/loss of Joint Ventures:

Koç Finansal Hizmetler	971.279	866.297
Ford Otosan	323.602	228.545
Tofaş	312.278	215.842
Opet	83.873	2.502
Türk Traktör	96.251	97.908
Other	24.631	5.503
	1.811.914	1.416.597

Shares of other comprehensive income/(loss) of Joint Ventures ^(*):

Koç Finansal Hizmetler	(24.024)	96.472
Ford Otosan	(52.537)	36.126
Tofaş	(1.922)	34.980
Opet	5.909	1.938
Türk Traktör	(3.984)	171
Other	352	(254)
	(76.206)	169.433

(*) Total shares of other comprehensive income of Joint Ventures amounting to -TL76.206 thousand is composed of 8.163 thousand (2014: -TL5.613 thousand) of actuarial losses on defined benefit plans, -TL236.894 thousand (2014: TL184.459 thousand) of fair value gains on financial assets, TL108.917 thousand (2014: TL19.347 thousand) of cumulative gains on hedging and TL43.608 thousand (2014: -TL28.760 thousand) of currency translation differences.

Dividend income/(capital increases) from Joint Ventures:

Koç Finansal Hizmetler	142.516	143.398
Ford Otosan	153.847	67.477
Tofaş	182.300	122.160
Opet	72.328	72.328
Türk Traktör	112.500	112.500
Other	25.066	21.277
	688.557	539.140

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

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(Amounts on tables 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 2015	KFS	Ford Otosan	Tofaş	Opet	Türk Traktör	Other	Total
Cash and cash equivalents	30.801.195	980.361	2.466.258	44.434	244.281	134.136	34.670.665
Other current assets	10.834.865	3.050.512	1.649.648	2.130.179	1.129.845	732.470	19.527.519
Receivables from finance sector operations	162.512.361	-	1.944.141	-	-	-	164.456.502
Goodwill	1.283.686	-	-	-	-	-	1.283.686
Non-current assets	27.866.214	4.384.710	3.806.519	1.624.813	641.922	1.034.645	39.358.823
Total assets	233.298.321	8.415.583	9.866.566	3.799.426	2.016.048	1.901.251	259.297.195
Short-term borrowings	29.714.343	1.259.731	1.832.481	723.938	206.845	253.280	33.990.618
Other current liabilities	14.482.843	2.563.860	2.694.979	1.005.303	646.791	339.888	21.733.664
Payables from finance sector operations	140.425.823	-	-	-	-	-	140.425.823
Long-term borrowings	22.660.857	1.301.035	2.553.582	763.284	465.936	217.498	27.962.192
Other non-current liabilities	2.170.691	243.294	203.665	230.265	45.569	202.012	3.095.496
Total liabilities	209.454.557	5.367.920	7.284.707	2.722.790	1.365.141	1.012.678	227.207.793
Net assets:	23.843.764	3.047.663	2.581.859	1.076.636	650.907	888.573	32.089.402
Allocation of net assets:							
Non-controlling interests	4.281.834	-	-	-	-	-	4.281.834
Equity holders of the parent	19.561.930	3.047.663	2.581.859	1.076.636	650.907	888.573	27.807.568
Reconciliation of carrying value:							
Ownership of the Group	44,12%	38,46%	37,59%	41,33%	37,50%		
Net asset share of the Group	8.631.207	1.172.074	970.459	444.974	244.090	445.031	11.907.835
Goodwill carried at Group level	-	-	-	138.984	-	-	138.984
Carrying value	8.631.207	1.172.074	970.459	583.958	244.090	445.031	12.046.819

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

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NOTE 6 - JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Condensed balance sheet information:

31 December 2014	KFS	Ford Otosan	Tofaş	Opet	Türk Traktör	Other	Total
Cash and cash equivalents	28.675.654	577.458	1.686.053	44.159	269.230	162.438	31.414.992
Other current assets	8.051.883	2.380.690	1.399.649	2.222.362	1.049.961	495.625	15.600.170
Receivables from finance sector operations	133.327.994	-	1.331.295	-	-	-	134.659.289
Goodwill	1.283.686	-	-	-	-	-	1.283.686
Non-current assets	23.302.468	4.265.048	2.707.287	1.498.627	594.856	665.177	33.033.463
Total assets	194.641.685	7.223.196	7.124.284	3.765.148	1.914.047	1.323.240	215.991.600
Short-term borrowings	21.972.638	989.955	1.285.683	766.388	216.591	77.623	25.308.878
Other current liabilities	13.382.425	1.981.814	2.089.992	1.044.243	521.290	301.790	19.321.554
Payables from finance sector operations	113.297.407	-	-	-	-	-	113.297.407
Long-term borrowings	22.143.442	1.360.034	1.311.787	736.592	441.661	120.000	26.113.516
Other non-current liabilities	2.230.649	148.994	195.651	188.319	29.643	68.013	2.861.269
Total liabilities	173.026.561	4.480.797	4.883.113	2.735.542	1.209.185	567.426	186.902.624
Net assets	21.615.124	2.742.399	2.241.171	1.029.606	704.862	755.814	29.088.976
Allocation of net assets:							
Non-controlling interests	3.877.068	-	-	-	-	-	3.877.068
Equity holders of the parent	17.738.056	2.742.399	2.241.171	1.029.606	704.862	755.814	25.211.908
Reconciliation of carrying value:							
Ownership of the Group	44,12%	38,46%	37,59%	41,33%	37,50%		
Net asset share of the Group	7.826.469	1.054.674	842.402	425.536	264.323	453.894	10.867.298
Goodwill carried at Group level	-	-	-	138.984	-	-	138.984
Carrying value	7.826.469	1.054.674	842.402	564.520	264.323	453.894	11.006.282

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

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NOTE 6 - JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Condensed income statement information:

1 January - 31 December 2015	KFS	Ford Otosan	Tofaş	Opet	Türk Traktör	Entek	Other	Total
Revenue	20.885.232	16.746.395	10.168.542	18.485.152	3.102.562	-	1.795.495	71.183.378
Depreciation and amortisation	334.158	393.587	359.521	83.380	52.117	-	35.896	1.258.659
Operating profit	3.300.445	1.033.028	686.554	312.175	384.887	-	106.593	5.823.682
Net financial expenses	-	(168.167)	(68.567)	(108.376)	(83.437)	-	(52.690)	(481.237)
Profit before tax	3.348.919	865.359	617.987	221.736	301.480	-	58.910	5.414.391
Net profit for the period	2.691.088	841.440	830.801	202.935	256.670	-	48.429	4.871.363
Non-controlling interests	489.764	-	-	-	-	-	-	489.764
Equity holders of the parents	2.201.324	841.440	830.801	202.935	256.670	-	48.429	4.381.599
Ownership of the Group	44,12%	38,46%	37,59%	41,33%	37,50%			
Net profit share of the Group	971.279	323.602	312.278	83.873	96.251	-	24.631	1.811.914
1 January - 31 December 2014	KFS	Ford Otosan	Tofaş	Opet	Türk Traktör	Entek	Other	Total
Revenue	16.370.817	11.924.837	7.621.274	20.831.160	2.723.318	395.271	1.605.907	61.472.584
Depreciation and amortisation	279.009	300.595	298.609	76.370	34.062	15.418	37.085	1.041.148
Operating profit / (loss)	2.962.360	536.212	532.100	134.073	301.454	(6.003)	49.930	4.510.126
Net financial expenses	-	(147.937)	(60.786)	(107.335)	(9.698)	(13.737)	(16.635)	(356.128)
Profit / (loss) before tax	3.004.985	389.826	472.253	25.913	293.447	(19.740)	39.518	4.206.202
Net profit / (loss) for the period	2.400.270	594.270	574.238	6.053	261.087	(19.736)	28.566	3.844.748
Non-controlling interests	436.878	-	-	-	-	-	-	436.878
Equity holders of the parents	1.963.392	594.270	574.238	6.053	261.087	(19.736)	28.566	3.407.870
Ownership of the Group	44,12%	38,46%	37,59%	41,33%	37,50%	49,62%		
Net profit/(loss) share of the Group	866.297	228.545	215.842	2.502	97.908	(9.793)	15.296	1.416.597

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

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NOTE 6- JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

e) Other significant matters regarding the Joint Ventures are as follows:

i) The tax audit reports related with 2008-2012 financial years that have been prepared following a tax inspection in Tofaş, a Joint Venture of the Group, were delivered to the Company in 2013 and 2014 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 criticised in terms of VAT and withholding tax. In accordance with the tax audit reports, Tofaş was obliged to pay a total of TL40,8 million tax base and TL64,8 million tax penalty for the years 2008-2012.

According to the management of Tofaş, practices subject to criticism are in compliance 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 financial statements of Tofaş.

ii) Ford Otosan, a Joint Venture of the Group, obtained "Large Scale Investment Incentive Certificate within the scope of the "Council of Ministers decision on Government Incentives on Investments" 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 TL559.295 thousand of capital expenditure has been realised within the scope of this incentive and expenditures related to the certificate is completed as of the balance sheet date.

In accordance with "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 reconsidered its ongoing investments and obtained Priority Investment Incentive Certificates amounting to TL1.194.398 thousand for the New Generation Transit investment mentioned above and TL697.394 thousand for the new model Transit Courier which will be produced in light commercial vehicle segment. 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 which will be used in Cargo trucks and Transit vehicles and Priority Investment Incentive Certificate amounting to TL331.362 thousand has been obtained in December 2014 for Euro 6 emission truck investment which will be started by 2018. Within the scope of these incentives, TL1.979.492 thousand of capital expenditure has been incurred as of the balance sheet date.

As of 31 December 2015, Ford Otosan accounted for TL718.283 thousand deferred tax asset regarding the investment incentives (31 December 2014: TL665.295 thousand).

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Trade receivables	31 December 2015	31 December 2014
Trade receivables	6.985.114	4.810.281
Notes and cheques receivable	2.390.208	2.171.846
Less: Provision for doubtful receivables	(213.333)	(191.217)
Less: Unearned finance income	(30.578)	(31.397)
	9.131.411	6.759.513
Due from related parties (Note 29)	908.959	340.246
	10.040.370	7.099.759
Short-term trade receivables	9.712.431	6.792.258
Long-term trade receivables	327.939	307.501
	10.040.370	7.099.759

Tüpraş and Arçelik, the Subsidiaries of the Group, have offset TL778.111 thousand (31 December 2014: TL2.276.683 thousand) and TL382.302 thousand (31 December 2014: None) respectively from its trade receivables that are collected from factoring companies as a part of irrevocable factoring agreements as of 31 December 2015.

Movement in the provision for doubtful receivables is as follows:

	2015	2014
Beginning of the period - 1 January	191.217	197.861
Increases during the period	28.765	27.143
Collections	(4.657)	(8.357)
Business combinations ⁽¹⁾	7	726
Write-offs ⁽²⁾	(4.111)	(27.141)
Currency translation differences	2.112	985
End of the period - 31 December	213.333	191.217

(1) Resulted from acquisition of CoVii by Arçelik, a Subsidiary of the Group. (2014: resulted from acquisition of Moova by Tat Gıda, a Subsidiary of the Group)

(2) Doubtful receivables, for which no possibility of collection is foreseen, are written off from the records along with their related provisions.

Trade payables	31 December 2015	31 December 2014
Trade payables	6.965.352	8.483.025
Less: Unearned finance expense	(17.201)	(11.071)
	6.948.151	8.471.954
Due to related parties (Note 29)	915.813	666.289
	7.863.964	9.138.243

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NOTE 8 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	31 December 2015	31 December 2014
Performing loans	2.818.881	2.299.918
Loans under legal follow-up	87.476	59.250
Gross	2.906.357	2.359.168
Less: Provision for impairment	(73.810)	(46.892)
Net	2.832.547	2.312.276
Short-term receivables from finance sector operations	1.545.561	1.161.639
Long-term receivables from finance sector operations	1.286.986	1.150.637
	2.832.547	2.312.276

Movement of provision for impairment is as follows:

	2015	2014
Beginning of the period - 1 January	46.892	43.125
Increase in provisions for loan impairment	34.870	19.842
Recoveries of amounts previously provisioned	(7.952)	(3.756)
Releases due to the sale of non-performing loan portfolio	-	(12.319)
End of the period - 31 December	73.810	46.892

NOTE 9 - DERIVATIVE INSTRUMENTS

As of 31 December 2015 and 2014, breakdown of the derivative financial instruments is as follows;

	31 December 2015		31 December 2014	
	Asset	Liability	Asset	Liability
Derivatives held for trading	181.242	9.253	96.713	3.811
Derivatives held for hedging	344.782	63.317	19.349	559
	526.024	72.570	116.062	4.370

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NOTE 9 - DERIVATIVE INSTRUMENTS (Continued)

	31 December 2015			31 December 2014		
	Contract amount (*)	Fair values		Contract amount (*)	Fair values	
		Asset	Liability		Asset	Liability
Derivatives held for trading:						
Currency forwards	1.019.796	2.360	1.734	4.110.475	69.613	956
Cross-currency fixed interest rate swaps	1.960.174	144.742	-	1.631.796	17.803	-
Currency swaps	2.246.710	34.140	3.004	1.312.881	9.297	2.855
Commodity derivatives	340.385	-	4.515	-	-	-
	5.567.065	181.242	9.253	7.055.152	96.713	3.811
Derivatives held for hedging:						
Interest rate swaps	3.924.655	-	63.317	2.318.900	-	559
Currency swaps	2.060.816	302.931	-	299.312	7.130	-
Operating lease receivables	389.718	37.981	-	309.724	11.875	-
Currency forwards	56.791	3.870	-	14.567	344	-
	6.431.980	344.782	63.317	2.942.503	19.349	559

(*) Refers to the aggregate contract amounts 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 16) 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 financial income/expenses in the statement of income. As of 31 December 2015, total foreign exchange gain related to the hedged item accounted for under "financial income/expenses" amounted to TL 26.106 thousand (2014: TL32.443 thousand foreign exchange loss).

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NOTE 9 - DERIVATIVE INSTRUMENTS (Continued)

b. Cash flow hedges:

Tüpraş, a Subsidiary of the Group, has entered into interest rate swap agreements with a total amount of USD612 million (31 December 2014: USD500 million) in order to hedge the cash flow risk arising from its long term floating rate loans. Within the scope of the aforementioned interest rate swap transactions, TL10.789 thousand (2014: TL447 thousand) net interest expense after tax has been accounted for under "cumulative gains/losses on hedging" in the statement of other comprehensive income of 2015.

Tüpraş has entered into currency swap transactions in 2015, in order to mitigate the foreign exchange risk arising from USD200 million of principal and interest payments of long term bond issued (Note 16) and USD94 million of other long term payables. The total net financial income after tax recognized under the "cumulative gains/losses on hedging" in the statement of comprehensive income of 2015 within the scope of aforementioned currency swap transactions amounted to TL47.864 thousand.

Tüpraş' Residuum Upgrade Project (RUP) financing loans are designated as hedging instruments against the spot foreign exchange rate risk (USD/TL) associated with highly probable export revenues. In this context, Tüpraş started to apply cash flow hedge accounting effective from 1 March 2015. The amount of loans associated within this scope amounted to USD1.709 million as of 31 December 2015. The after tax foreign exchange loss recognized under "cumulative gains/losses on hedging" in the statement of comprehensive income of 2015 in the scope of cash flow hedge amounted to TL545.213 thousand.

Koç Finansman, a Subsidiary of the Group, funds a portion of 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 accounted for under the "cumulative gains/losses on hedging" in the statement of comprehensive income of 2015 regarding the foreign exchange swap transactions and foreign exchange forward transactions amounted to TL2.131 thousand (2014: TL49 thousand foreign exchange loss after tax).

Entek and Ditaş, the Subsidiaries of the Group, have entered into interest rate swap transactions, in order to hedge the cash flow risk of installment payments of long-term borrowings with floating rate. The after-tax interest expense of the aforementioned swap transactions recognized under "cumulative gains/losses on hedging" in the statement of comprehensive income of 2015 amounted to TL2.413 thousand.

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 2015, EUR150 million of bank borrowings was designated as a net investment hedging instrument (31 December 2014: EUR150 million). Net foreign exchange losses after tax accounted for under "cumulative gains/losses on hedging" in the statement of other comprehensive income of 2015 amounted to 42.829 thousand (2014: TL5.668 thousand foreign exchange loss after tax).

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NOTE 10 - INVENTORIES

	31 December 2015	31 December 2014
Raw materials and supplies	2.267.486	1.776.776
Finished goods	1.792.687	1.785.703
Work in progress	646.846	574.609
Merchandise	865.035	684.173
Goods in transit	175.553	695.370
Other inventories	107.563	104.383
Less: Provision for impairment	(175.140)	(155.146)
	5.680.030	5.465.868

Movement of provision for impairment on inventories is as follows:

	2015	2014
The beginning of the period - 1 January	155.146	64.723
Increases during the period	116.361	97.604
Reversal of provisions	(95.115)	(6.872)
Write-offs	(2.517)	-
Currency translation differences	1.265	(309)
End of the period - 31 December	175.140	155.146

NOT 11 - ASSETS USED IN OPERATIONAL LEASE

	31 December 2015	31 December 2014
Current assets used in operational lease	459.320	405.608
Non-current assets used in operational lease	992.438	759.396
	1.451.758	1.165.004

	2015	2014
As of 1 January		
Cost	1.269.412	903.552
Accumulated depreciation	(104.408)	(71.466)
Net book value	1.165.004	832.086

	2015	2014
Net book value at the beginning of the period	1.165.004	832.086

Additions	1.128.857	900.777
Disposals	(767.497)	(527.306)
Currency translation differences	(15.199)	-
Transfers (*)	8.233	29.419
Current period depreciation	(67.640)	(69.972)

	2015	2014
Net book value at the end of the period	1.451.758	1.165.004

	2015	2014
As of 31 December		
Cost	1.550.161	1.269.412
Accumulated depreciation	(98.403)	(104.408)
Net book value	1.451.758	1.165.004

(*) Includes transfers from property, plant and equipment.

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NOTE 12 - INVESTMENT PROPERTIES

As of 1 January	2015	2014
Cost	325.785	172.424
Accumulated depreciation	(86.730)	(85.566)
Net book value	239.055	86.858
Net book value at the beginning of the period	239.055	86.858
Additions from exchange transaction ⁽¹⁾	225.586	337.840
Additions	-	76
Disposals	(8.666)	(11.105)
Transfers ⁽²⁾	-	(170.506)
Currency translation differences	553	(278)
Current period depreciation	(5.274)	(3.830)
Net book value at the end of the period	451.254	239.055
As of 31 December		
Cost	534.113	325.785
Accumulated depreciation	(82.859)	(86.730)
Net book value	451.254	239.055

(1) *The exchange transaction realized in 2015:* In accordance with the Property Sales Commitment and Flat-For-Land Contract signed between Koç Holding and Kule Yap Sat İnşaat Taahhüt Ticaret A.Ş. to realize a joint project which envisaged the construction of a property, 50% of which was to be allocated to Kule Yap Sat İnşaat Taahhüt Ticaret A.Ş. and 50% of which was to be allocated to Koç Holding, on the land owned by Koç Holding in Çankaya, Ankara, with a total acreage of 17.780 m²; 91 offices in A Block and 18 commercial areas in C Block were delivered to Koç Holding on 23 December 2015.

The initial recognition of the delivered property was accounted with fair value (Level 2) amounting to TL225.586 thousand, which was measured by an independent valuation company according to the sales comparison approach within the framework of the capital market regulations. Gain on exchange transaction resulting from the difference between the part delivered to Koç Holding within the scope of the project and the value of the land which was derecognised from Koç Holding's assets has been accounted for under "gains from investment activities" (Note 27).

(2) *The exchange transaction realized in 2014:* In accordance with the Property Sales Commitment and Flat-For-Land Contract signed between Koç Holding and KIPTAŞ İstanbul Konut İmar Plan Turizm Ulaşım Sanayi ve Ticaret A.Ş. (KIPTAŞ) to realize a joint project which envisaged the construction of a property, 60% of which was to be allocated to KIPTAŞ and 40% of which was to be allocated to Koç Holding, on the land owned by Koç Holding in Zeytinburnu, İstanbul with a total acreage of 63.225 m²; 7 Blocks comprising 226 apartments and 14 commercial areas in the Commercial Block were delivered to Koç Holding on 25 June 2014.

The initial recognition of the delivered property was accounted with fair value (Level 2) amounting to TL337.840 thousand, which was measured by an independent valuation company according to the sales comparison approach within the framework of the capital market regulations. Gain on exchange transaction resulting from the difference between the part delivered to Koç Holding within the scope of the project and the value of the land which was derecognised from Koç Holding's assets has been accounted for under "gains from investment activities" (Note 27).

Furthermore, 65 residence apartments, 4 commercial areas in the Office Block and 24 office areas which are included in the scope of the project are expected to be delivered in 2016.

(2) The part amounting to TL170.506 thousand (138 apartments) of the property delivered in 2014 within the scope of the project realised jointly with KIPTAŞ has been transferred to assets held for sale since they are intended to be sold in the short term (Note 23).

The fair value of the investment property, the net book value of which is TL451.254 thousand (2014: TL239.055 thousand), is TL494.642 thousand (2014: TL276.817) as of 31 December 2015.

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Constructions in progress ⁽¹⁾	Leasehold improvements	Total
As of 1 January 2015								
Cost	3.136.489	1.452.385	10.311.776	1.209.487	765.398	7.138.004	335.256	24.348.795
Accumulated depreciation	(537.641)	(514.442)	(5.361.218)	(381.026)	(490.114)	-	(194.064)	(7.478.505)
Net book value	2.598.848	937.943	4.950.558	828.461	275.284	7.138.004	141.192	16.870.290
Net book value at the beginning of the period								
	2.598.848	937.943	4.950.558	828.461	275.284	7.138.004	141.192	16.870.290
Additions	36.128	5.358	302.035	396.711	79.706	1.610.143	16.414	2.446.495
Business combinations ⁽²⁾	-	-	228	-	-	-	-	228
Disposals	(2.246)	(643)	(45.253)	(93.331)	(1.503)	(1.752)	(569)	(145.297)
Transfers ⁽³⁾	1.910.346	254.069	5.546.866	7.486	47.370	(7.844.951)	13.839	(64.975)
Currency translation differences	2.640	10.123	15.457	1.448	235	362	396	30.661
Current period depreciation	(142.340)	(40.865)	(647.406)	(65.690)	(84.720)	-	(21.281)	(1.002.302)
Net book value at the end of the period	4.403.376	1.165.985	10.122.485	1.075.085	316.372	901.806	149.991	18.135.100
31 December 2015								
Cost	5.070.963	1.734.248	15.933.443	1.514.751	894.275	901.806	359.885	26.409.371
Accumulated depreciation	(667.587)	(568.263)	(5.810.958)	(439.666)	(577.903)	-	(209.894)	(8.274.271)
Net book value	4.403.376	1.165.985	10.122.485	1.075.085	316.372	901.806	149.991	18.135.100

(1) Transfers from construction in progress amounting to TL7.229.540 thousand is resulted from the capitalization of Residuüm Upgrading Project of Tüpraş, a Subsidiary of the Group. The respective amount includes the capitalized borrowing costs in accordance with cumulative method amounting to TL1.550.660 thousand, arising from foreign currency borrowings by comparison of TL benchmark interest rates as of 31 December 2015 (31 December 2014: TL1.079.536 thousand).

(2) Resulted from acquisition of CoVii by Arçelik, a Subsidiary of the Group.

(3) Includes transfers amounting to TL38.187 thousand to assets held for sale (Note 23), TL 18.555 to intangible assets (Note 14) and TL8.233 to assets used in operational lease (Note 11).

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Constructions in progress ⁽¹⁾	Leasehold improvements	Total
As of 1 January 2014								
Cost	2.868.072	1.405.300	9.456.790	984.341	679.805	5.094.959	313.672	20.802.939
Accumulated depreciation	(452.352)	(506.470)	(4.826.417)	(377.075)	(420.768)	-	(179.197)	(6.762.279)
Net book value	2.415.720	898.830	4.630.373	607.266	259.037	5.094.959	134.475	14.040.660
Net book value at the beginning of the period								
	2.415.720	898.830	4.630.373	607.266	259.037	5.094.959	134.475	14.040.660
Business combinations ⁽¹⁾	117.525	19.782	261.257	37	625	227	677	400.130
Additions	6.229	29.946	217.354	189.309	54.663	2.800.321	19.650	3.317.472
Changes in the scope of consolidation ⁽²⁾	-	-	-	42.782	62	-	-	42.844
Disposals	(3.998)	(688)	(18.371)	(19.194)	(2.760)	(16.823)	(2.930)	(64.764)
Transfers ⁽³⁾	139.093	71.654	371.529	44.579	45.623	(740.653)	4.368	(63.807)
Currency translation differences	(718)	(45.850)	(33.474)	(445)	(810)	(27)	3.292	(78.032)
Current period depreciation	(75.003)	(35.731)	(478.110)	(35.873)	(81.156)	-	(18.340)	(724.213)
Net book value at the end of the period	2.598.848	937.943	4.950.558	828.461	275.284	7.138.004	141.192	16.870.290
31 December 2014								
Cost	3.136.489	1.452.385	10.311.776	1.209.487	765.398	7.138.004	335.256	24.348.795
Accumulated depreciation	(537.641)	(514.442)	(5.361.218)	(381.026)	(490.114)	-	(194.064)	(7.478.505)
Net book value	2.598.848	937.943	4.950.558	828.461	275.284	7.138.004	141.192	16.870.290

(1) Resulted from change of control of Entek following the additional share purchases and acquisition of Moova by Tat Gıda, a Subsidiary of the Group

(2) Resulted from addition of Set Auto in the scope of consolidation.

(3) Includes transfers amounting to TL34.388 thousand to intangible assets (Note 14) and TL29.419 to assets used in operational lease (Note 11).

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NOTE 14 - INTANGIBLE ASSETS

	Rights	Brand	Development Costs	Other	Total
1 January 2015					
Cost	928.614	466.746	882.587	394.080	2.672.027
Accumulated amortisation	(425.459)	-	(403.119)	(33.982)	(862.560)
Net book value	503.155	466.746	479.468	360.098	1.809.467
Additions	32.713	-	141.811	48.162	222.686
Disposals	(3.595)	-	(1.094)	(887)	(5.576)
Transfers ⁽¹⁾	10.607	-	65.315	(57.367)	18.555
Currency translation differences	1.105	29.412	-	(2)	30.515
Business combinations ⁽²⁾	660	-	-	-	660
Current period amortisation	(57.665)	-	(133.169)	(9.235)	(200.069)
Net book value at the end of the period	486.980	496.158	552.331	340.769	1.876.238
31 December 2015					
Cost	976.430	496.158	1.088.313	386.314	2.947.215
Accumulated amortisation	(489.450)	-	(535.982)	(45.545)	(1.070.977)
Net book value	486.980	496.158	552.331	340.769	1.876.238

(1) Includes transfers from property, plant and equipment.

(2) Resulted from acquisition of CoVii by Arçelik, a Subsidiary of the Group.

Total research and development expenditures incurred in 2015 excluding amortisation amounts to TL217.711 thousand (2014: TL174.849 thousand).

The net book value of intangible assets with indefinite useful lives amounts to TL496.158 thousand and consists of brands (2014: TL466.746 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.

Brand impairment test

As of 31 December 2015, the brands 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 five year period. Beyond the 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 7,11% to 9,76% discount rates after tax.

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NOTE 14 - INTANGIBLE ASSETS (Continued)

	Rights	Brand	Development Cost	Other ⁽¹⁾	Total
1 January 2014					
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
Business combinations	-	-	361	319.497	319.858
Additions	34.735	-	119.508	43.596	197.839
Disposals	(3.235)	-	-	-	(3.235)
Transfers ⁽²⁾	17.378	-	57.042	(40.032)	34.388
Currency translation differences	224	(13.812)	7.526	1.977	(4.085)
Changes in the scope of consolidation ⁽³⁾	61.803	-	-	-	61.803
Current period amortisation	(45.723)	-	(115.436)	(721)	(161.880)
Net book value at the end of the period	503.155	466.746	479.468	360.098	1.809.467
31 December 2014					
Cost	928.614	466.746	882.587	394.080	2.672.027
Accumulated amortisation	(425.459)	-	(403.119)	(33.982)	(862.560)
Net book value	503.155	466.746	479.468	360.098	1.809.467

(1) TL319.497 thousand of intangible assets classified under Other account includes electricity production licences of Entek.

(2) Includes transfers to property, plant and equipment.

(3) Resulted from addition of Set Auto and Ferrocom in the scope of consolidation

NOTE 15 - GOODWILL

	2015	2014
Net book value at the beginning of the period - 1 January	2.905.658	2.909.169
Business combinations ^(*)	2.903	-
Currency translation differences	(8.648)	(3.511)
Net book value at the end of the period - 31 December	2.899.913	2.905.658

(*) Resulted from acquisition of CoVii by Arçelik, a Subsidiary of the Group.

The allocation of the goodwill is as follows:

	31 December 2015	31 December 2014
Tüpraş	2.736.463	2.736.463
Defy Group	153.735	162.768
Other	9.715	6.427
	2.899.913	2.905.658

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NOTE 15- 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 2.4.18. 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 2015 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 ten 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 ten years plans. The cash flows for the periods beyond ten 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	8,8% - 11,7%
Discount rate (cost of equity)	10,9% - 15,1%

b) 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 2016 and 31 December 2020. 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 7,11% - 9,76% 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.

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NOTE 16 - BORROWINGS

	31 December 2015			31 December 2014		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Short-term borrowings (*):						
Bank borrowings	1.498.182	5.380.627	6.878.809	854.045	3.963.715	4.817.760
Debt securities in issue	314.944	126.578	441.522	266.408	261.175	527.583
Factoring payables	-	39.628	39.628	-	57.237	57.237
Financial leasing payables	-	19.291	19.291	-	17.112	17.112
	1.813.126	5.566.124	7.379.250	1.120.453	4.299.239	5.419.692
Long-term borrowings:						
Bank borrowings	789.429	8.969.416	9.758.845	717.529	7.745.424	8.462.953
Debt securities in issue	120.000	7.104.207	7.224.207	305.000	5.523.098	5.828.098
Financial leasing payables	-	177.085	177.085	-	110.147	110.147
	909.429	16.250.708	17.160.137	1.022.529	13.378.669	14.401.198
	2.722.555	21.816.832	24.539.387	2.142.982	17.677.908	19.820.890

(*) Includes short-term portion of long term borrowings.

Long-term debt securities issued:

2015:

On 11 September 2015, Koç Finansman, a Subsidiary of the Group, completed bond issue with nominal value of TL70 million, maturity of 24 months, coupon payments in every 6 months, principle and coupon payments at the end of maturity and an annual interest rate of 12,90%

Aygaz, a Subsidiary of the Group, completed bond issues on 18 March 2015 and 30 March 2015, respectively; with a nominal value of TL100 million, maturity of 728 days, coupon payments in every 6 months, an annual interest rate of 10,55% and with a nominal value of TL60 million, maturity of 1.092 days, coupon payments in every 3 months, an annual interest rate of 10,37%.

On 19 January 2015, Tüpraş, a Subsidiary of the Group, completed the bond issue with a nominal value of TL200 million, maturity of 728 days, coupon payments in every 6 months, principal and coupon payments at the end of maturity and an annual interest rate of 8,7995%.

On 16 January 2015, Koç Finansman, a Subsidiary of the Group, completed the bond issue with a nominal value of TL50 million, maturity of 24 months, coupon payments in every 6 months, principle and coupon payments at the end of maturity and an annual interest rate of 8,96%.

2014 and before:

Tat Gıda, a Subsidiary of the Group, completed the bond issue with a nominal value of TL50 million and maturity of 2 years, coupon payments in every 6 months, principle and coupon payments at the end of maturity and an annual interest rate of 9,68% on 26 December 2014.

Arçelik, a Subsidiary of the Group, completed the bond issue, quoted on the Irish Stock Exchange, with a nominal value of EUR350 million, maturity of 7 years, coupon payment in each year, principle and coupon payment at the end of maturity and an annual interest rate of 4% on 16 September 2014.

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 24 April 2013.

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NOTE 16 - BORROWINGS (Continued)

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 3 April 2013.

Tüpraş; a Subsidiary of the Group, 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 2 November 2012.

Koç Finansman, a Subsidiary of the Group, has bond issues with a nominal value of TL305 million and maturity of 24 months, coupon payments in every 6 months, principle and coupon payments at the end of maturity and an annual interest rates between 9,15% and 11,58%.

Other major long term borrowings:

The loan obtained in 2006 in order to finance the acquisition cost of Tüpraş shares, amounting to 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; of which the remaining balance amounting to USD248,1 million, was prepaid on 30 March 2015. In order to pay the related loan, a loan amounting to TL294 million was obtained from Türkiye Halk Bankası A.Ş. on 30 March 2015 with a fixed interest rate of 10,5% and a loan amounting to TL350 million was obtained from Akbank T.A.Ş. with a fixed interest rate of 10,06%. Both of the loans consist of equal principal installments and interest payments on 15 April 2016 and 17 April 2017.

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 2015. The two tranches of the financing package; insured by the Spanish export credit Agency (CESCE) and the Italian export credit agency (SACE) are non-recourse loans for 4 years and with a maximum 12 years maturity date. The third tranche is also a non-recourse loan for 4 years with a maximum 7 years maturity date. As of 31 December 2015, the amount of loan utilised for insurance payments and capital expenditures is USD1.988 million (31 December 2014: USD1.984,5 million). USD148 million of a payment was made at the initial payment date on 15 October 2015, and the remaining balance of the loan is USD 1.850 million as of 31 December 2015.

The redemption schedule of long-term bank borrowings is as follows:

	31 December 2015	31 December 2014
1-2 years	4.679.092	3.713.476
2-3 years	4.300.426	1.756.485
3-4 years	955.844	2.575.067
4-5 years	2.913.649	611.334
5 years and over	4.311.126	5.744.836
	17.160.137	14.401.198

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NOTE 17 - TAX ASSETS AND LIABILITIES

	31 December 2015	31 December 2014
Current income tax liabilities		
Domestic	371.551	200.596
Foreign	13.062	18.154
Less: Prepaid income tax	(159.541)	(178.255)
Current income tax liabilities (net)	225.072	40.495
Deferred tax liabilities		
Domestic	(195.478)	(285.722)
Foreign	(149.635)	(133.248)
	(345.113)	(418.970)
Deferred tax assets		
Domestic	3.170.275	2.472.140
Foreign	73.567	56.076
	3.243.842	2.528.216
Deferred tax assets (net)	2.898.729	2.109.246
Turkish tax legislation does not permit a parent company 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:		
	2015	2014
Current period tax expense	(382.776)	(220.002)
Deferred tax income (net)	655.025	1.253.277
	272.249	1.033.275
Profit before tax	5.557.102	3.181.007
Less: Share of profit/(loss) of Joint Ventures	(1.811.914)	(1.416.597)
Profit before tax (excluding share of profit/(loss) of Joint Ventures)	3.745.188	1.764.410
Domestic tax rate	20%	20%
Tax calculated at domestic tax rate	749.038	352.882
Income not subject to tax	(95.053)	(102.585)
Investment tax credit (*)	(768.376)	(1.308.222)
Additions	37.514	24.310
Tax losses and other tax advantages (net effect)	(205.714)	(14.211)
Tax rate differences	2.147	4.411
Other	8.195	10.140
Tax income	(272.249)	(1.033.275)

(*) TL768.376 thousand (2014: TL1.308.222 thousand) investment tax credits of Tüpraş, a Subsidiary of the Group, within the scope of investment incentives to be utilised in future periods, have been accounted for as deferred tax income in the consolidated income statement in 2015.

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NOTE 17 - 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/IFRS and the Turkish tax legislations.

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 2015	31 December 2014	31 December 2015	31 December 2014
Property, plant and equipment and intangible assets	4.693.843	4.985.127	(956.386)	(1.051.063)
Investment incentives ⁽¹⁾	(7.969.662)	(6.297.223)	3.656.588	2.888.214
Investment incentives to be offset (-) ⁽¹⁾	-	-	(344.638)	(72.933)
Deductible tax losses and other tax advantages ⁽²⁾	(2.852.402)	(470.035)	323.716	75.863
Provision for employment termination benefits	(419.585)	(389.757)	83.990	77.952
Warranty and assembly provisions	(327.842)	(221.280)	67.507	45.552
Inventories	(109.082)	(176.005)	21.883	35.194
Provisions for lawsuits	(63.957)	(60.185)	12.792	12.099
Provisions for unused vacations	(62.487)	(53.059)	12.498	10.669
Deferred income	(49.851)	(63.707)	9.970	12.742
Expense accruals (net)	(36.942)	(63.040)	7.579	12.607
Unearned finance income (net)	47.586	29.316	(9.518)	(5.862)
Derivative instruments	444.803	109.947	(88.959)	(21.977)
Other (net)	(595.040)	(555.280)	101.707	90.189
Deferred tax assets (net)			2.898.729	2.109.246

(1) 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, Tüpraş 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, Tüpraş 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 2015, investment expenditures amounting to TL7.969.662 thousand (31 December 2014: TL6.297.223 thousand) have been made and tax credits amounting to TL3.656.588 thousand (31 December 2014: TL2.888.214 thousand) have been realised to be used in future periods. Moreover, as of 31 December 2015 within the scope of the Strategic Investment Tüpraş offset TL344.638 thousand from tax base (31 December 2014: TL72.933 thousand).

(2) Gains of Arçelik, a Subsidiary of the Group, arising from investments under incentive certificate are subject to corporate income tax at reduced rates being effective from the financial year which the investment starts to be operated partially or entirely till the period that investment reaches the contribution amount. The tax court approved that the corporate income tax at reduced rates is determined by deducting accumulated depreciation in the calculation of the net value of property plant and equipment. In this context, the tax advantage of TL254.274 thousand as of 31 December 2015 (31 December 2014: TL23.959 thousand) that Arçelik will benefit in the foreseeable future is recognised as deferred tax asset and reflected in the consolidated financial statements.

Net deferred tax assets and liabilities recognised in the Subsidiaries' financial statements prepared in accordance with TAS/IFRS, 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.

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NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

The redemption schedule of carry forward tax losses which are not considered in deferred tax calculation is as follows:

	31 December 2015	31 December 2014
Up to 1 year	370.827	152.612
Up to 2 years	23.835	382.736
Up to 3 years	209.980	61.119
Up to 4 years	141.725	237.880
5 years and above	478.683	380.547
	1.225.050	1.214.894

Movements in deferred tax assets / (liabilities) are as follows:

	2015	2014
Beginning of the period - 1 January	2.109.246	909.026
Charge to the income statement	655.025	1.253.277
Charge to equity:		
- Actuarial gains/losses	805	12.452
- Financial assets fair value reserve	545	(465)
- Hedging reserve	126.537	13
Business combinations	-	(50.713)
Changes in the scope of consolidation (*)	-	(13.861)
Currency translation differences	6.571	(483)
End of the period - 31 December	2.898.729	2.109.246

(*) Resulted from the addition of Ferrocrom and Set Auto in the scope of consolidation.

NOTE 18 - PROVISIONS FOR EMPLOYEE BENEFITS

	31 December 2015	31 December 2014
Short-term employee benefits		
Provision for unused vacations	88.858	66.529
Provision for employment termination benefits	441.234	408.523
	530.092	475.052
Provision for employment termination benefits:		
- Domestic	438.944	406.513
- Foreign	2.290	2.010
	441.234	408.523

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).

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NOTE 18 - PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

As of 31 December 2015, the amount payable consists of one month's salary limited to a maximum of 3.828,37 (31 December 2014: TL3.438,22) 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 TL4.092,53 effective from 1 January 2016 (1 January 2015: TL3.541,37) has been taken into consideration in calculating the consolidated reserve for employment.

TAS/IFRS 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 2015	31 December 2014
Net discount rate (%)	4,60	3,50
Turnover rate to estimate the probability of retirement (%)	96,95	96,61

Movements in the provision for employment termination benefits are as follows:

	2015	2014
Beginning of the period - 1 January	408.523	324.481
Interest expense	27.376	23.480
Increases during the period	67.252	52.554
Actuarial losses	4.024	62.258
Payments during the period	(66.392)	(56.374)
Currency translation differences	451	228
Business combinations	-	1.896
End of the period - 31 December	441.234	408.523

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NOTE 19 - PROVISIONS

a) Short-term provisions	31 December 2015	31 December 2014
Cost accruals of construction contracts	288.845	223.141
Provisions for warranty and assembly	270.825	210.584
Special Consumption Tax (SCT) provision on imported LPG	68.496	33.542
Provisions for lawsuits and penalties	46.354	118.857
Provision for Energy Market Regulation Authority participation share	21.282	18.732
Other	124.029	101.961
	819.831	706.817

b) Long-term provisions

Warranty provision	137.239	101.652
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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 2015:

	Provisions for warranty and assembly	Cost accruals of construction contracts	Provision for lawsuits
As of 1 January 2015	312.236	223.141	118.857
Additions	723.690	58.424	16.810
Disposals / Payments	(643.381)	(13.943)	(89.217)
Currency translation differences	15.519	21.223	(96)
As of 31 December 2015	408.064	288.845	46.354
	Provisions for warranty and assembly	Cost accruals of construction contracts	Provision for lawsuits
As of 1 January 2014	329.468	168.768	59.435
Additions	534.795	67.227	59.422
Business combinations	-	-	2.393
Disposals / Payments	(545.227)	(23.089)	(2.369)
Currency translation differences	(6.800)	10.235	(24)
As of 31 December 2014	312.236	223.141	118.857

NOT 20 - OTHER RECEIVABLES AND PAYABLES

a) Other receivables	31 December 2015	31 December 2014
VAT receivables	533.235	426.335
Taxes and funds deductible	229.766	265.460
	763.001	691.795

b) Other payables

Taxes and duties payable	2.315.723	1.573.829
Social security premiums payable	110.347	101.192
	2.426.070	1.675.021

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NOTE 21 - OTHER ASSETS AND LIABILITIES

a) Other current assets	31 December 2015	31 December 2014
Income accrual on commodity hedge (*)	445.148	-
Advances given	241.297	205.896
Prepaid expenses	234.375	187.717
Deposits and guarantees given	28.956	33.139
Assets obtained as collaterals	10.255	11.976
Other	107.893	119.684
	1.067.924	558.412

(*) Tüpraş, a Subsidiary of the Group, has entered into commodity hedge transactions, maturing as of 31 December 2015, for 12 million barrels of inventory exposed to commodity price risk arising from fluctuations in crude oil prices. The income accrual regarding the aforementioned transactions has been accounted under "cost of sales" in the consolidated income statement of the Group and has been collected as of 8 January 2016.

b) Other non-current assets	31 December 2015	31 December 2014
Spare parts and other materials	862.494	606.707
Prepaid expenses	184.493	199.406
Advances given	116.547	106.354
Other	22.812	57.082
	1.186.346	969.549

c) Other current liabilities	31 December 2015	31 December 2014
Revenue share (*)	827.793	679.543
Advances received	300.770	356.893
Payables to personnel and premium accruals	288.685	328.032
Accruals for sales and incentive bonus	269.635	254.749
Deferred income	115.880	78.190
Accruals for license expenses	50.048	34.344
Deposits and guarantees received	27.073	25.848
Other	261.102	272.433
	2.140.986	2.030.032

(*) 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.

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NOTE 21 - OTHER ASSETS AND LIABILITIES (Continued)

d) Other non-current liabilities	31 December 2015	31 December 2014
Deposits and guarantees received	83.953	78.810
Deferred income	59.505	73.112
Other	63.050	73.510
	206.508	225.432

NOTE 22 - EQUITY

Share Capital

Koç Holding adopted the registered share capital system and its registered and issued share capital is as follows:

	31 December 2015
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 2015		31 December 2014	
	Share %	Amount	Share %	Amount
Temel Ticaret ve Yatırım A.Ş.	42,59	1.079.984	42,59	1.079.984
Koç Family Members ⁽¹⁾	24,52	621.881	25,82	654.608
Rahmi M. Koç ve Mahdumları Maden, İnşaat, Turizm, Ulaştırma, Yatırım ve Ticaret A.Ş. ⁽¹⁾	1,40	35.386	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	7,26	184.172	7,15	181.405
Koç Holding Emekli ve Yardım Sandığı Vakfı	1,99	50.452	1,99	50.452
Other	22,24	564.023	22,35	566.790
Paid-in share capital	100,00	2.535.898	100,00	2.535.898
Adjustment to share capital ⁽²⁾		967.288		967.288
Total share capital		3.503.186		3.503.186

(1) In the General Assembly Meeting of Rahmi M. Koç ve Mahdumları Maden, İnşaat, Turizm, Ulaştırma, Yatırım ve Ticaret A.Ş. ("Rahmi M. Koç ve Mahdumları A.Ş.") held on 23 July 2015, it is resolved that, shares owned by Mustafa Rahmi Koç, amounting to TL32.727 thousand are invested as capital contribution to Rahmi M. Koç ve Mahdumları A.Ş. and the transfer of shares were completed on 24 July 2015.

(2) 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.

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NOTE 22 - EQUITY (Continued)

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:

- 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.
- 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).

Other Comprehensive Income/Expense

	31 December 2015	31 December 2014
Items not to be reclassified to profit/loss:		
Non-current assets revaluation fund	30.688	27.241
Actuarial loss/gain	(47.948)	(53.659)
	(17.260)	(26.418)
Items to be reclassified to profit/loss:		
Currency translation differences	299.590	209.302
Financial assets fair value reserve	(68.566)	157.683
Hedging reserve	(461.020)	(316.018)
- Cash flow hedge	(249.930)	(153.939)
- Net investment hedge	(211.090)	(162.079)
	(229.996)	50.967

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 2015	31 December 2014
Legal reserves	319.861	276.091
Special reserves	2.144.577	2.144.577
	2.464.438	2.420.668

Within the scope of the Exemption for Sale of Property and 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, TL2.137.978 thousand of the special reserve balances became distributable without creating an additional corporate tax burden.

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NOTE 22 - EQUITY (Continued)

Dividend Distribution

Listed companies in BIST are subject to dividend regulations of 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 2015, 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 dividend-right 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 2015, total amount of reserves that can be subject to dividend distribution without creating additional corporate tax burden is TL4.136.545 thousand.

At the Ordinary General Assembly Meeting of Koç Holding A.Ş. held on 31 March 2015, it was resolved;

- to distribute TL499.571.915,85 consisting the first level dividend amounting to TL133.464.517,17 and the second level dividend amounting to TL366.107.398,68 in cash;
- to source the related dividend payments of TL499.571.915,85 to shareholders, TL76.187.413,14 payment allocated to usufruct shareholders and TL9.500.000 payment allocated to Koç Holding Emekli ve Yardım Sandığı Vakfı, amounting to a total of TL585.259.328,99 from current year taxable earnings.

Cash dividend payments were completed as of 9 April 2015.

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NOTE 23 - ASSETS HELD FOR SALE

- i) In accordance with the resolution of the Board of Directors dated 8 May 2015, Entek, a Subsidiary of the Group, decided to suspend the operations of Bursa natural gas cycle plant and applied to Energy Market Regulatory Authority in order to terminate the plant's electricity generation license as of 31 December 2015. Related assets of the plant, amounting to TL38.187 thousand, have been transferred to assets held for sale in the consolidated financial statements as of 31 December 2015 in accordance with TFRS 5 (Note 13).
- ii) The part amounting to TL170.506 thousand (138 apartments) of the properties delivered by Koç Holding within the scope of the project realised jointly with KİPTAŞ has been transferred from investment property to assets held for sale since they are intended to be sold in the short term. As of 31 December 2015, sale of the part of the property with a net book value of TL124.255 thousand (98 apartments) and transfers of related land registries were completed.
- iii) 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 2015 and 31 December 2014.

A summary of information regarding assets and liabilities related to assets held for sale is as follows:

Assets held for sale	31 December 2015	31 December 2014
Cash and cash equivalents	9.441	9.558
Investment properties	46.251	143.763
Property, plant and equipment (Note 13)	38.187	-
Other assets	160	150
	94.039	153.471
Liabilities related to assets held for sale	31 December 2015	31 December 2014
Provision for employment termination benefits	143	147
Other liabilities	2.329	2.418
	2.472	2.565

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NOTE 24 - REVENUE

	2015	2014
Domestic revenue	51.917.047	51.620.686
Foreign revenue	19.798.298	18.814.137
Gross revenue	71.715.345	70.434.823
Less: Discounts	(2.605.247)	(2.098.458)
Revenue	69.110.098	68.336.365
Sales of goods	66.525.671	66.200.842
Sales of services	2.584.427	2.135.523
Revenue	69.110.098	68.336.365

NOTE 25 - EXPENSES BY NATURE

Expenses by nature include cost of goods sold, marketing, selling and distribution expenses, general administrative expenses and research and development expenses.

	2015	2014
Raw materials and supplies	43.809.102	48.198.020
Changes in work in progress and finished goods	(79.221)	498.157
Cost of merchandise sold	8.902.453	7.831.756
Personnel expenses	3.580.226	3.157.115
Transportation, distribution and storage expenses	1.342.902	1.193.517
Depreciation and amortisation charges	1.266.401	958.457
Energy and utility expenses	1.218.976	1.055.049
Warranty and assembly costs	724.722	544.771
Advertisement and promotion expenses	521.709	515.256
Rent expenses	496.915	440.507
Maintenance and repair expenses	444.853	426.650
Insurance expenses	188.307	138.381
Taxes, duties and charges	180.523	156.678
Outsourcing expenses	171.362	139.583
Travel expenses	131.096	118.280
Sales, incentives and premium expenses	107.423	81.915
Litigation and consultancy expenses	102.983	95.877
Information systems and communication expenses	95.516	78.408
Royalty and license expenses	67.856	61.381
Grants and donations	40.010	33.163
Other	779.640	746.183
	64.093.754	66.469.104

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NOTE 25 - EXPENSES BY NATURE (Continued)

The functional breakdowns of amortisation, depreciation and personnel expenses are as follows:

	2015	2014
Depreciation and amortisation charges		
Cost of sales	890.797	668.526
Marketing, selling and distribution expenses	47.510	43.270
General administrative expenses	211.590	146.603
Research and development expenses	116.504	100.058
	1.266.401	958.457

Total depreciation charges capitalised in 2015 is 8.884 thousand (2014: TL1.438 thousand).

	2015	2014
Personnel expenses		
Cost of sales	1.593.890	1.337.693
Marketing, selling and distribution expenses	684.430	580.996
General administrative expenses	1.253.707	1.199.534
Research and development expenses	48.199	38.892
	3.580.226	3.157.115

NOTE 26 - OTHER OPERATING INCOME/EXPENSES

	2015	2014
Other operating income		
Foreign exchange gains arising from trading activities	1.055.001	1.446.098
Credit finance income arising from trading activities	197.679	241.493
Income from claims and grants	85.787	43.938
Reversals of provisions	21.559	39.784
Other	130.733	97.037
	1.490.759	1.868.350

Other operating expenses		
Foreign exchange losses arising from trading activities	(1.483.576)	(1.687.420)
Credit finance charges arising from trading activities	(62.013)	(82.128)
Provisions for lawsuits and penalties	(63.890)	(100.867)
Provision expenses for doubtful receivables and loans	(57.521)	(39.611)
Product recall expenses	(1.869)	(3.132)
Other	(83.011)	(113.474)
	(1.751.880)	(2.026.632)

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NOTE 27 - GAINS AND LOSSES FROM INVESTMENT ACTIVITIES

	2015	2014
Gains from investment activities		
Gain on exchange transaction ⁽¹⁾	223.293	299.284
Gain on sale of property, plant and equipment and scraps	38.468	34.545
Rent income	21.116	17.471
Gain on sale of joint venture (Note 6.c)	2.919	-
Gain on sale of Maret segment ⁽²⁾	-	151.834
Gain resulting from the change of control ⁽³⁾	-	17.299
Gain on bargain purchase ⁽⁴⁾	-	9.324
	285.796	529.757
Losses from investment activities		
Loss on sale of property, plant and equipment	(5.450)	(5.312)
	(5.450)	(5.312)

(1) *Exchange transaction in 2015*: Gain on exchange transaction resulting from the difference between the property that was delivered to Koç Holding within the scope of the project developed jointly with Kule Yap Sat İnşaat Taahhüt A.Ş. with a fair value of TL225.586 thousand (Note 12) and the land derecognised from the assets of Koç Holding (from investment properties) with a net book value of TL2.293 thousand.

Exchange transaction in 2014: Gain on exchange transaction resulting from the difference between the property that was delivered to Koç Holding within the scope of the project developed jointly with KİPTAŞ with a fair value of TL337.840 thousand (Note 12) and the land derecognised from the assets of Koç Holding with a net book value of TL38.556 thousand (TL28.656 thousand of which was derecognised from given advances and TL9.900 of which was derecognised from investment property).

(2) Includes gain on sale of brand and fixed assets related to Maret segment owned by Tat Gıda, a Subsidiary of the Group in 2014.

(3) Resulted from change of control of Entek following additional share purchases in 2014.

(4) Resulted from acquisition of Moova by Tat Gıda, a Subsidiary of the Group in 2014.

NOTE 28 - FINANCIAL INCOME/EXPENSES

	2015	2014
Financial income		
Foreign exchange gains ^(*)	2.393.098	1.471.742
Interest income	519.248	397.559
Gains on derivative financial instruments	618.745	256.370
Other financial income	505	584
	3.531.596	2.126.255
Financial expenses		
Foreign exchange losses ^(*)	(3.397.726)	(1.704.615)
Interest expenses	(1.283.322)	(887.271)
Losses on derivative financial instruments	(231.423)	(81.712)
Other financial expenses	(19.679)	(18.007)
	(4.932.150)	(2.691.605)

(*) Foreign exchange income / expenses arising from trading activities (trade receivables and payables) are accounted for under "other operating income/expenses".

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NOTE 29 - RELATED PARTY DISCLOSURES

a) Related party balances

	31 December 2015			31 December 2014		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Cash and cash equivalents	6.777.703	-	6.777.703	7.099.213	-	7.099.213
Trade receivables	879.313	29.646	908.959	235.953	104.293	340.246
Trade payables	878.939	36.874	915.813	621.489	44.800	666.289
Borrowings	1.085.663	-	1.085.663	780.256	-	780.256

b) Related party transactions

	2015			2014		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Sales of goods and services	9.178.836	329.906	9.508.742	10.057.637	268.322	10.325.959
Purchases of goods and services	4.475.059	332.552	4.807.611	2.992.421	327.353	3.319.774
Interest income	408.650	-	408.650	237.870	-	237.870
Interest expense (-)	(53.853)	-	(53.853)	(75.006)	-	(75.006)

The Joint Ventures of the Group have been accounted for using the equity method in the consolidated financial statements. 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 2015, cash and cash equivalents and borrowings balances include balances of the Group's Subsidiaries with Yapı Kredi Bankası. TL583.917 thousand (31 December 2014: TL1.779 thousand) of trade receivables is composed of Tüpraş balances against Opet and THY Opet, TL112.934 thousand (31 December 2014: TL107.637 thousand) of trade receivables is composed of balances of Zer Ticaret and TL83.030 thousand (31 December 2014: TL81.586 thousand) of trade receivables is composed of balances of Ram Dış Ticaret arising from the sales transactions with other Group companies. TL614.626 thousand (31 December 2014: TL512.138 thousand) of trade payables is composed of balances due to vehicle purchases of Otokoç from Ford Otosan and Tofaş.

TL8.020.947 thousand (2014: TL9.198.050 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 2015. TL3.652.059 thousand (2014: TL2.318.893 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 the Group Presidents. Total key management compensation in 2015 amounted to TL177.373 thousand (31 December 2014: TL100.877 thousand). TL24.470 thousand (31 December 2014: None) of the respective amount is related to the payments made for employee leaves and the remaining portion is comprised of short-term employee benefits.

After charging the costs to Koç Group companies to whom services are provided, the cost incurred by Koç Holding A.Ş. amounted to TL76.951 thousand (31 December 2014: TL47.626 thousand). TL6.245 thousand (31 December 2014: None) of this amount is related to the payments made for employee leaves.

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NOTE 30 - DISCLOSURES ON INTERESTS IN OTHER ENTITIES

Information regarding the Subsidiaries in which the Group has major non-controlling interests is as follows:

Subsidiary	31 December 2015			
	Non-controlling interest %	Gains/losses attributable to non-controlling interests	Accumulated non-controlling interests	Dividend paid to non-controlling interests
Tüpraş	56,30%	1.418.340	5.642.472	6.046
Arçelik	59,49%	526.838	2.575.164	208.213
Aygaz	59,32%	112.369	988.274	59.305

Subsidiary	31 December 2014			
	Non-controlling interest %	Gains/losses attributable to non-controlling interests	Accumulated non-controlling interests	Dividend paid to non-controlling interests
Tüpraş	56,30%	851.886	4.476.753	194.120
Arçelik	59,49%	385.026	2.336.055	232.351
Aygaz	59,32%	56.028	906.440	103.802

Condensed financial information of Subsidiaries after consolidation adjustments and before eliminations is as follows:

Condensed balance sheet information:

	31 December 2015		
	Tüpraş	Arçelik	Aygaz
Cash and cash equivalents	3.027.546	2.167.627	288.637
Other current assets	5.652.424	7.238.625	736.550
Non-current assets	18.398.824	3.878.609	1.937.206
Total assets	27.078.794	13.284.861	2.962.393
Short-term borrowings	1.871.381	2.184.742	248.606
Other current liabilities	6.956.523	3.039.890	598.231
Long-term borrowings	8.048.039	3.268.907	302.748
Other non-current liabilities	230.713	475.359	147.137
Total liabilities	17.106.656	8.968.898	1.296.722
Total equity	9.972.138	4.315.963	1.665.671

	31 December 2014		
	Tüpraş	Arçelik	Aygaz
Cash and cash equivalents	3.898.396	1.621.221	160.904
Other current assets	3.105.667	6.850.536	552.564
Non-current assets	16.636.082	3.323.939	1.854.545
Total assets	23.640.145	11.795.696	2.568.013
Short-term borrowings	777.304	1.802.623	171.232
Other current liabilities	7.791.703	2.618.178	543.379
Long-term borrowings	6.977.706	2.964.986	194.058
Other non-current liabilities	185.902	512.394	131.637
Total liabilities	15.732.615	7.898.181	1.040.306
Total equity	7.907.530	3.897.515	1.527.707

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NOTE 30 - DISCLOSURES ON INTERESTS IN OTHER ENTITIES (Continued)

Condensed income statement information:

	2015		
	Tüpraş	Arçelik	Aygaz
Revenue	36.893.328	14.166.100	6.419.610
Depreciation and amortisation	556.822	369.823	86.432
Operating profit/(loss)	2.679.353	1.278.168	258.027
Net financial income/(expense)	(599.036)	(516.643)	(28.537)
Profit/(loss) before tax	2.155.565	777.371	228.727
Net profit for the period	2.508.360	884.340	189.383
	2014		
	Tüpraş	Arçelik	Aygaz
Revenue	39.722.712	12.514.033	7.061.276
Depreciation and amortisation	319.348	346.293	82.153
Operating profit/(loss)	374.636	977.653	109.860
Net financial income/(expense)	(235.383)	(260.953)	(9.363)
Profit/(loss) before tax	208.501	725.943	112.939
Net profit for the period	1.504.331	632.991	94.413

NOTE 31 - GOVERNMENT GRANTS

The Group is entitled to the following incentives and rights:

- 100% exemption from customs duty on machinery and equipment imported,
- Exemption from VAT on investment goods supplied from home and abroad,
- Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
- Inward processing permission certificates,
- Cash refund from Tübitak-Teydeb for research and development expenditures,
- Exemption from taxes, duties and charges,
- Discounted corporate tax incentive,
- Insurance premium employer share incentive,
- Corporate tax incentive within the scope of investment incentive exemption (Note 17),
- Brand supporting government grants given by the Ministry of Economy of Turkey (Turquality),
- Incentive of environmental costs support by law 9715,
- Patent incentives.

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NOTE 32 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES**a) Contingent liabilities**

Aygaz, a Subsidiary of the Group, received a notification from the Competition Board informing that, with the decision dated 5 August 2015 and numbered 15-33/477-M an investigation has been opened against Aygaz concerning whether there has been a violation of Article 4 of the Law No.4054 on the Protection of Competition through the setting of resale prices of Aygaz dealers. On 13 September 2015, the first defense statement is delivered to the Competition Board and Aygaz will use other rights of defenses following the investigation report to be prepared by the Competition Authority.

b) Guarantees:

The summary of guarantees given regarding the non-finance sector companies is as follows:

Guarantees given:

	31 December 2015	31 December 2014
Letters of guarantee	5.433.075	4.410.866
Letters of credit	305.121	509.719
Letters of guarantee given to banks	452.709	317.490
Equity shares	-	31.929
Other	3.738	2.303
	6.194.643	5.272.307

Collaterals/pledges/mortgages/bill of guarantees ("CPMB") of Subsidiaries of the Group, except finance sector, as of 31 December 2015 and 2014 are as follows (Foreign currency CPMBs are presented by their TL equivalents):

	31 December 2015	31 December 2014
A. Total amount of CPMB's given in the name of its own legal personality	5.605.242	4.791.224
-TL	3.116.544	2.868.803
-USD	1.818.047	1.654.846
-EUR	646.105	247.044
-Other	24.546	20.531
B. Total amount of CPMB's given on behalf of the fully consolidated companies (*)	589.401	481.083
-TL	142.030	-
-USD	215.146	194.782
-EUR	232.225	286.301
-Other	-	-
C. Total amount of CPMB's given on behalf of third parties for ordinary course of business	-	-
D. Total amount of other CPMB's given	-	-
i) Total amount of CPMB's given on behalf of the majority shareholder	-	-
ii) Total amount of CPMB's given to on behalf of other group companies which are not in scope of B and C.	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C.	-	-
	6.194.643	5.272.307

(*) As of 31 December 2015, the total amount of incurred commission expenses for the CPMB's of the Subsidiaries of the Group, except for 'A. CPMB's given in the name of its own legal personality', is TL 2.562 thousand.

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NOTE 32 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The summary of guarantees received regarding the non-finance sector companies is as follows:

Guarantees received:

	31 December 2015	31 December 2014
Letter of guarantee	3.974.940	3.513.133
Mortgages	2.038.196	1.949.427
Bill of guarantees	518.437	460.255
Guarantee notes	109.025	150.033
Direct crediting limit	357.132	162.957
Other commitments	313.008	485.749
	7.310.738	6.721.554

Additionally, Koç Finansman, a Subsidiary of the Group operating in the finance sector has a lien amounting to TL2.286.283 thousand as of 31 December 2015 (31 December 2014: TL1.739.652 thousand) in favor of the company supplied from vehicle loans including non-performing loans.

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments and Financial Risk Management

Financial Risk Management

The Group is exposed to variety of financial risks due to its operations. These risks include credit risk, market risk (foreign exchange risk, interest rate risk and commodity price 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 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.

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.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)*Credit risk details*

The exposure of consolidated financial assets to credit risk is as follows:

31 December 2015	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)	10.040.370	2.832.547	10.550.776	-	526.024
A. Net book value of neither past due nor impaired financial assets (*)	9.320.412	2.294.608	10.550.776	-	526.024
B. Net book value of restructured financial assets	51.233	494.850	-	-	-
C. Net book value of past due but not impaired financial assets	615.879	29.423	-	-	-
D. Net book value of impaired assets	52.846	45.692	-	-	-
- Past due	52.846	45.692	-	-	-
- Gross amount	266.179	87.476	-	-	-
- Impairment	(213.333)	(41.784)	-	-	-
- Secured with guarantees	48.463	47.665	-	-	-
- Not past due	-	-	-	-	-
- Gross amount	-	-	-	-	-
- Impairment	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-
E. Collective provision for impairment (-)	-	(32.026)	-	-	-

31 December 2014	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)	7.099.759	2.312.276	9.905.566	-	116.062
A. Net book value of neither past due nor impaired financial assets (*)	6.398.410	2.073.238	9.905.566	-	116.062
B. Net book value of restructured financial assets	52.113	217.618	-	-	-
C. Net book value of past due but not impaired financial assets	607.690	9.062	-	-	-
D. Net book value of impaired assets	41.546	36.858	-	-	-
- Past due	41.546	36.858	-	-	-
- Gross amount	232.763	59.250	-	-	-
- Impairment	(191.217)	(22.392)	-	-	-
- Secured with guarantees	40.188	32.137	-	-	-
- Not past due	-	-	-	-	-
- Gross amount	-	-	-	-	-
- Impairment	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-
E. Collective provision for impairment (-)	-	(24.500)	-	-	-

(*) Includes receivables from related parties.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Trade receivables

a) Details of neither past due nor impaired trade receivables' credit quality:

	2015	2014
New customers (less than 3 months)	547.249	502.938
Public institutions and corporations	342.487	107.087
Other customers with no payment defaults	8.253.447	5.485.433
Customers with prior collection delays	177.229	302.952
	9.320.412	6.398.410

As of 31 December 2015, trade receivables that are not due and not impaired amounting to TL4.670.089 thousand are secured by guarantees (2014: TL3.844.871 thousand).

b) Analysis of past due trade receivables:

	2015	2014
Not impaired		
Past due up to 1 month	299.550	292.888
Past due 1 - 3 months	196.763	202.097
Past due 3 - 12 months	72.058	79.815
Past due over 1 year	47.508	32.890
	615.879	607.690

As of 31 December 2015, past due but not impaired trade receivables amounting to TL558.407 thousand are secured by guarantees (2014: TL369.273 thousand).

	2015	2014
Impaired		
Past due up to 3 months	51.136	32.712
Past due 3 - 6 months	8.631	8.181
Past due 6 - 12 months	19.232	26.076
Past due over 1 year	187.180	165.794
	(213.333)	(191.217)
	52.846	41.546

As of 31 December 2015, impaired receivables amounting to TL48.463 thousand are secured by guarantees (2014: TL40.188 thousand).

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Cash and cash equivalents

As of 31 December 2015 and 2014, 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.

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.

Assets and liabilities denominated in foreign currency are as follows:

	31 December 2015	31 December 2014
Assets	9.656.899	8.017.996
Liabilities	(19.377.360)	(18.188.127)
Net balance sheet position	(9.720.461)	(10.170.131)
Off-balance sheet derivative instruments net position	2.110.421	2.585.442
Net foreign currency position	(7.610.040)	(7.584.689)

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 2015, Tüpraş has raw materials and petroleum products amounting to TL1.962.440 thousand (31 December 2014: TL: 2.263.213 thousand).

In addition, the loans of Tüpraş financing the Residuüm Upgrade Project (RUP) are designated as hedging instruments against the spot foreign exchange rate risk (USD/TL) associated with highly probable export revenues. In this context, Tüpraş started to apply cash flow hedge accounting effective from 1 March 2015. Foreign exchange gains/losses arising from RUP financing loans are recognised under equity as "hedging reserve" until the realisation of the cash flows of the hedged item (Note 9).

Excluding the RUP financing loans designated as hedging instruments of highly probable export revenues and above-mentioned natural hedge of Tüpraş, the Group's foreign exchange net short position amounts to TL677.212 thousand (USD233 million) as of 31 December 2015.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2015, if EUR and USD had appreciated by 10% against TL with all other variables held constant, profit before tax would have been TL288.085 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 (attributable to equity holders) is approximately TL104 million.

The impact of 10% exchange increase in income statement (pre-tax profit):

	USD	EUR	Other	Total
31 December 2015				
Foreign currency net position (*)	(250.531)	(42.072)	4.518	(288.085)

(*) 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 2015				
Hedged items (*)	(510.995)	(265.202)	-	(776.197)

(*) 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.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2015			
	USD ⁽¹⁾	EUR ⁽¹⁾	Other (TL Equivalent)	Total (TL Equivalent)
Assets:				
Trade receivables ⁽²⁾	319.440	514.533	839.345	3.403.131
Monetary financial assets	1.468.180	234.325	13.852	5.027.322
Non-monetary financial assets	39.458	13.215	538	157.260
Other assets	203.259	8.175	1.935	618.910
Current assets	2.030.337	770.248	855.670	9.206.623
Trade receivables ⁽²⁾	64.754	36.876	-	305.455
Financial assets	417	12.243	-	40.117
Other assets	3.075	28.989	3.648	104.704
Non-current assets	68.246	78.108	3.648	450.276
Total assets	2.098.583	848.356	859.318	9.656.899
Liabilities:				
Trade payables ⁽²⁾	1.193.125	248.503	95.862	4.354.636
Borrowings	470.170	163.444	2.602	1.889.029
Other liabilities	140.921	44.955	122	552.714
Short-term liabilities	1.804.216	456.902	98.586	6.796.379
Trade payables ⁽²⁾	20.415	-	-	59.359
Borrowings	3.613.810	619.975	6.792	12.484.339
Other liabilities	2.011	9.893	-	37.283
Long-term liabilities	3.636.236	629.868	6.792	12.580.981
Total liabilities	5.440.452	1.086.770	105.378	19.377.360
Net balance sheet position	(3.341.869)	(238.414)	753.940	(9.720.461)
Derivative assets	1.579.624	452.940	93.443	6.125.620
Derivative liabilities	(761.037)	(315.746)	(799.094)	(4.015.199)
Off-balance sheet derivative instruments net position	818.587	137.194	(705.651)	2.110.421
Net foreign currency position	(2.523.282)	(101.220)	48.289	(7.610.040)
Net foreign currency position of monetary items	(2.562.740)	(114.435)	47.751	(7.767.300)
Fair value of derivative instruments held for hedging	89.820	6.455	-	281.674

(1) Presented in original currencies.

(2) Represents balances before consolidation eliminations.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2014			
	USD ⁽¹⁾	EUR ⁽¹⁾	Other (TL Equivalent)	Total (TL Equivalent)
Assets:				
Trade receivables ⁽²⁾	230.957	513.009	650.501	2.633.112
Monetary financial assets	1.474.695	336.287	15.484	4.383.719
Non-monetary financial assets	127.801	43.016	1.976	419.669
Other assets	54.812	12.378	1.497	163.517
Current assets	1.888.265	904.690	669.458	7.600.017
Trade receivables ⁽²⁾	56.284	76.566	-	346.487
Financial assets	3.208	10.915	-	38.227
Other assets	4.489	7.463	1.805	33.265
Non-current assets	63.981	94.944	1.805	417.979
Total assets	1.952.246	999.634	671.263	8.017.996
Liabilities:				
Trade payables ⁽²⁾	1.779.464	235.422	47.639	4.838.094
Borrowings	521.099	147.178	-	1.623.522
Other liabilities	148.162	40.316	29	457.321
Short-term liabilities	2.448.725	422.916	47.668	6.918.937
Trade payables ⁽²⁾	24.936	-	-	57.823
Borrowings	3.968.351	695.637	-	11.164.390
Other liabilities	1.063	15.780	-	46.977
Long-term liabilities	3.994.350	711.417	-	11.269.190
Total liabilities	6.443.075	1.134.333	47.668	18.188.127
Net balance sheet position	(4.490.829)	(134.699)	623.595	(10.170.131)
Derivative assets	1.323.208	367.030	16.861	4.120.530
Derivative liabilities	(18.297)	(316.217)	(600.705)	(1.535.088)
Off-balance sheet derivative instruments net position	1.304.911	50.813	(583.844)	2.585.442
Net foreign currency position	(3.185.918)	(83.886)	39.751	(7.584.689)
Net foreign currency position of monetary items	(3.313.719)	(126.902)	37.775	(8.004.358)
Fair value of derivative instruments held for hedging	3.235	4.002	-	18.790

(1) Presented in original currencies.

(2) Represents balances before consolidation eliminations.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Export and import details (TL Equivalent)

Export	2015	2014
USD	9.498.989	9.608.100
EUR	4.083.498	3.746.420
Other	1.693.259	1.485.380
	15.275.746	14.839.900
Import		
USD	31.820.536	36.209.846
EUR	1.710.085	1.512.433
Other	42.322	46.224
	33.572.943	37.768.503

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 consolidated financial assets and liabilities outstanding as of 31 December 2015 and 2014 are as follows:

	31 December 2015			31 December 2014		
	USD	EUR	TL	USD	EUR	TL
Assets						
Cash and cash equivalents	2,66	0,64	13,15	2,51	2,72	10,57
Receivables from finance sector operations	5,60	5,53	14,86	5,44	5,88	13,34
Liabilities						
Borrowings	3,10	3,26	11,47	2,90	2,46	10,32

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Consolidated financial assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates are as follows:

31 December 2015	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	10.015.228	-	-	-	538.103	10.553.331
Financial assets						
- Available-for-sale financial assets	-	-	-	-	136.366	136.366
Receivables from finance sector operations	527.869	1.017.692	1.278.667	8.319	-	2.832.547
	10.543.097	1.017.692	1.278.667	8.319	674.469	13.522.244
Liabilities						
Borrowings	2.516.621	8.618.704	10.328.771	2.978.550	96.741	24.539.387
	2.516.621	8.618.704	10.328.771	2.978.550	96.741	24.539.387
31 December 2014						
	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	9.358.498	-	-	-	549.333	9.907.831
Financial assets						
- Available-for-sale financial assets	-	-	-	-	142.013	142.013
Receivables from finance sector operations	403.186	758.453	1.142.201	8.436	-	2.312.276
	9.761.684	758.453	1.142.201	8.436	691.346	12.362.120
Liabilities						
Borrowings	3.595.375	6.061.904	5.813.444	4.301.388	48.779	19.820.890
	3.595.375	6.061.904	5.813.444	4.301.388	48.779	19.820.890

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 TL54 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 income/expense effect at the Group level within 1-year period.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The interest rate position is as follows:

	31 December 2015	31 December 2014
Fixed interest rate financial instruments		
<i>Financial assets</i>		
Cash and cash equivalents	9.192.453	8.936.495
Receivables from finance sector operations	2.832.547	2.312.276
	12.025.000	11.248.771
<i>Financial liabilities</i>		
Borrowings	18.223.412	12.836.266
	18.223.412	12.836.266
Floating interest rate financial instruments		
<i>Financial assets</i>		
Cash and cash equivalents	822.775	422.003
	822.775	422.003
<i>Financial liabilities</i>		
Borrowings (*)	6.219.234	6.935.845
	6.219.234	6.935.845

(*) Tüpraş, a Subsidiary of the Group, has entered into interest rate swap agreements amounting to USD612 million in order to hedge the cash flow risk arising from its floating rate loans (31 December 2014: USD500 million) (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 and utilizes financial instruments when considered as necessary.

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.

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NOTE 33 - 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 consolidated financial liabilities as of 31 December 2015 and 2014 are as follows:

31 December 2015	Book value	Total contractual cash outflow	Demand or up to 3 months	3 months - 1 year	1 - 5 years	5 years and over
Financial liabilities						
Borrowings	24.539.387	27.296.581	2.300.575	5.820.604	14.534.787	4.640.615
Trade payables	7.863.964	7.881.350	7.828.058	53.292	-	-
Derivative instruments (*)						
Cash inflows	488.043	4.526.583	1.618.754	451.718	1.144.115	1.311.996
Cash outflows	72.570	(4.251.441)	(1.601.673)	(464.610)	(1.116.831)	(1.068.327)

31 December 2015	Book value	Total contractual cash outflow	Demand or up to 3 months	3 months - 1 year	1 - 5 years	5 years and over
Financial liabilities						
Borrowings	19.820.890	22.082.328	1.683.958	4.115.591	10.197.002	6.085.777
Trade payables	9.138.243	9.149.478	9.024.135	125.343	-	-
Derivative instruments (*)						
Cash inflows	104.187	2.380.775	982.177	102.083	315.620	980.895
Cash outflows	(4.370)	(2.224.315)	(979.256)	(99.472)	(299.196)	(846.391)

(*) 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.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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).

Consolidated net financial debt/total equity ratio as of 31 December 2015 and 2014 is as follows:

	31 December 2015	31 December 2014
Total borrowings	24.539.387	19.820.890
Cash and cash equivalents	9.729.686	9.230.949
Net financial debt	14.809.701	10.589.941
Equity	33.675.598	29.301.469
Net financial debt/total equity multiplier	0,44	0,36

NOTE 34 - 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 2015, 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, with a nominal value of EUR350 million and USD1.950 million and fixed interest rates (Note 16), are above by TL169 million from their fair values measured considering the prices in the active markets (Level 1).

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

NOTE 34 - FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS (Continued)

Fair value estimation

The classification of the Group's consolidated 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 2015 and 2014 are as follows:

31 December 2015	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
- Equity securities	18.349	-	-	18.349
Derivative instruments	-	526.024	-	526.024
Total assets	18.349	526.024	-	544.373
Derivative instruments	-	72.570	-	72.570
Total liabilities	-	72.570	-	72.570
31 December 2014	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
- Equity securities	29.257	-	-	29.257
Derivative instruments	-	116.062	-	116.062
Total assets	29.257	116.062	-	145.319
Derivative instruments	-	4.370	-	4.370
Total liabilities	-	4.370	-	4.370

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

NOTE 35 - EARNINGS PER SHARE

	2015	2014
Earnings per share:		
Profit for the period	5.829.351	4.214.282
Profit attributable to non-controlling interests	2.261.758	1.504.137
Profit attributable to equity holders of the parent	3.567.593	2.710.145
Weighted average number of shares with nominal value of Kr 1 each	253.589.805.000	253.589.805.000
Earnings per share (Kr)	1,407	1,069

NOTE 36 - SUPPLEMENTARY CASH FLOW INFORMATION

Supplementary information for the details included in the consolidated cash flow statements as of 31 December 2015 and 2014 is as follows:

	31 December 2015	31 December 2014
Changes in provisions:		
Provisions for warranty and assembly	95.828	(17.232)
Cost accruals for construction contracts	65.704	54.373
Provisions for loans and doubtful receivables	63.635	46.985
Provisions for employee benefits	51.016	35.978
Provisions for impairment on inventories	116.361	97.604
Provisions for lawsuits and penalties	4.850	59.422
Other provisions	59.572	7.343
	456.966	284.473
Changes in net working capital:		
Inventories	(321.639)	981.437
Trade receivables	(2.969.376)	1.407.605
Trade payables	(1.274.279)	(825.144)
Other assets and liabilities, net	294.781	122.177
Receivables from finance sector operations	(555.141)	(592.800)
Currency translation differences	103.414	(45.830)
	(4.722.240)	1.047.445
Cash and cash equivalents:		
Cash and cash equivalents (Note 4)	10.553.331	9.907.831
Less: Blocked deposits (Note 4)	(823.645)	(676.882)
	9.729.686	9.230.949

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

NOTE 37 - EVENTS AFTER THE BALANCE SHEET DATE

In accordance with the authorization granted by article 8 of the Company's Articles of Association; on 2 February 2016, the Board of Directors resolved to issue bond, financial bonds or similar debt securities for a total amount up to USD1 billion or an equivalent foreign currency or equivalent Turkish Lira amount within one year, with various composition and terms to be determined under the market conditions on the date of the issuance and to be sold outside Turkey through one or more issuance. It is also resolved to authorize Company Management for determining the sale, currency, amounts, terms and interest rates of the debt instruments to be issued within one year after the date of the approval of CMB according to the market conditions as of the date of the sale, completing all necessary domestic and overseas actions including the listing on foreign markets. In this respect, the application to CMB is made.

KOÇ HOLDİNG A.Ş. BALANCE SHEET AND INCOME STATEMENT

KOÇ HOLDİNG A.Ş. BALANCE SHEET AT 31 DECEMBER 2015 AND 2014 ISSUED ACCORDING TO THE LEGAL RECORDS (TL)

ASSETS	31/12/2015	31/12/2014
CURRENT ASSETS	4,562,413,914.29	3,638,270,261.66
Cash and Cash Equivalents	4,317,067,159.08	3,372,520,541.58
Cash	500.00	700.00
Banks	4,317,012,159.08	3,372,496,841.58
Other Cash	54,500.00	23,000.00
Short Term Trade Receivables	147,534,340.72	87,502,667.18
Customers	147,534,340.72	75,546,574.95
Doubtful Receivables	638,164.42	688,179.03
Provision for Doubtful Receivables	-638,164.42	-688,179.03
Other Short Term Receivables	62,402.48	3,250.82
Receivables from Shareholders	62,402.48	3,250.82
Inventories	35,348,283.93	106,607,699.52
Other Inventories	35,348,283.93	106,607,699.52
Other Current Assets	62,401,728.08	71,636,102.56
Prepaid Taxes and Funds	13,536,766.27	28,310,693.90
Other Miscellaneous Current Assets	48,864,961.81	43,325,408.66
NON-CURRENT ASSETS	7,303,742,658.29	6,990,082,826.08
Long Term Trade Receivables	115,750.01	20,438.93
Deposits and Guarantees Given	115,750.01	20,438.93
Financial Non-Current Assets	6,652,599,794.23	6,647,234,794.23
Subsidiaries	3,836,897,090.25	3,833,247,090.25
Capital Commitment to Subsidiaries	-	-1,715,000.00
Affiliate Company	2,815,702,703.98	2,815,702,703.98
Property, Plant and Equipment	646,037,728.23	337,855,096.93
Lands	32,967,975.16	32,967,975.16
Land Improvements	8,167,536.74	8,167,536.74
Buildings	446,983,684.49	237,185,344.89
Motor Vehicles Equipment	353,390,305.99	256,202,740.79
Furniture and Fixtures	12,406,048.06	11,343,439.21
Accumulated Depreciation	-214,984,168.92	-216,950,748.01
Ongoing Investments	7,106,346.71	8,938,808.15
Intangible Assets	177,499.31	264,676.65
Rights	3,907,051.12	3,627,926.88
Leasehold Improvements	5,100,886.32	5,100,886.32
Accumulated Depreciation	-8,830,438.13	-8,464,136.55
Prepaid Expenses for the Following Years	4,811,886.51	4,707,819.34
Prepaid Expenses for the Following Years	4,811,886.51	4,707,819.34
TOTAL ASSETS	11,866,156,572.58	10,616,396,995.51
LIABILITIES	31/12/2015	31/12/2014
CURRENT LIABILITIES	307,437,327.92	236,195,398.68
Trade Payables	44,836,522.57	10,912,218.89
Suppliers	44,823,438.37	10,901,783.84
Deposits and Guarantees Received	13,084.20	10,435.05
Other Current Liabilities	141,610,210.81	83,268,050.96
Liabilities to Associates	5,569,189.00	7,199,185.00
Taxes and Duties Payable	65,649,138.64	36,430,353.67
Other Debts	70,391,883.17	39,638,512.29
Provision for Debts and Expenses	120,990,594.54	130,015,128.83
Provision for Profit of Period Taxes and Other	103,152,380.35	39,124,159.89
Other Provision for Debts and Expenses	17,838,214.19	90,890,968.95
NON-CURRENT LIABILITIES	2,187,598,444.60	1,745,180,676.36
Financial Liabilities	2,180,700,000.00	1,739,175,000.00
Bonds Issued	2,180,700,000.00	1,739,175,000.00
Provision for Debts and Expenses	6,898,444.60	6,005,676.36
Provision for Employment Termination Benefits	6,898,444.60	6,005,676.36
EQUITY	9,372,625,484.03	8,647,020,920.47
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	316,665,813.87	316,665,813.87
Other Capital Reserves	316,665,813.87	316,665,813.87
Reserves	5,052,938,749.47	4,762,487,367.76
Legal Reserves	434,131,844.88	390,362,185.35
Extraordinary Reserves	2,474,229,420.12	2,227,547,697.94
Special Funds	2,144,577,484.47	2,144,577,484.47
Prior Years' Income-Inf. Adj. Profit-2004	174,879,886.04	174,879,886.04
Profit for the Period	1,309,041,688.57	875,393,190.69
TOTAL LIABILITIES AND EQUITY	11,866,156,572.58	10,616,396,995.51

KOÇ HOLDİNG A.Ş. INCOME STATEMENT FOR THE PERIOD OF 1 JANUARY-31 DECEMBER 2015 AND 2014, ISSUED ACCORDING TO THE LEGAL RECORDS (TL)

	2015	2014
GROSS REVENUES	205,325,025.54	145,944,445.85
Domestic Revenues	205,325,025.54	145,944,445.85
OPERATING EXPENSES	-321,726,121.77	-317,320,651.84
General Administrative Expenses	-321,726,121.77	-317,320,651.84
ORDINARY INCOME AND PROFIT FROM OTHER OPERATIONS	1,795,581,518.12	1,265,373,175.16
Dividend Income from Associates	858,685,873.06	731,368,805.96
Dividend Income from Subsidiaries	48,161,412.29	-
Interest Income	261,552,726.33	197,440,806.09
Provisions No Longer Required	50,014.61	-
F/X Income	601,498,110.68	315,973,264.70
Other Ordinary Income and Profit	25,633,381.15	20,590,298.41
ORDINARY EXPENSES AND LOSSES FROM OTHER OPERATIONS	-116,586,805.08	-146,004,295.65
Provision Expenses	-892,768.24	-717,917.70
F/X Losses	-115,694,036.84	-145,286,377.95
FINANCIAL EXPENSES	-517,269,312.41	-197,367,964.52
Short Term Borrowing Expenses	-869,440.16	-873,932.41
Long Term Borrowing Expenses	-516,399,872.25	-196,494,032.11
EXTRAORDINARY INCOME AND PROFIT	366,953,492.91	178,572,950.39
Other Extraordinary Income and Profit	366,953,492.91	178,572,950.39
EXTRAORDINARY EXPENSES AND LOSSES	-83,728.39	-14,680,308.82
Other Extraordinary Expenses and Losses	-83,728.39	-14,680,308.82
PROFIT FOR THE PERIOD	1,412,194,068.92	914,517,350.57
TAXES PAYABLES AND OTHER LEGAL LIABILITIES	-103,152,380.35	-39,124,159.88
NET PROFIT FOR THE PERIOD	1,309,041,688.57	875,393,190.69

**INFORMATION DOCUMENT
REGARDING THE ORDINARY
GENERAL ASSEMBLY MEETING
STATEMENT OF INDEPENDENCE
GLOSSARY**

KOÇ HOLDİNG INFORMATION DOCUMENT FOR THE 5 APRIL 2016 ORDINARY GENERAL ASSEMBLY TO REVIEW FINANCIAL YEAR 2015

1. INVITATION TO THE 5 APRIL 2016 ORDINARY GENERAL ASSEMBLY

Koç Holding A.Ş.'s Ordinary General Assembly Meeting shall be convened on 5 April 2016 Tuesday at 16:00 (2pm GMT) at the address of Nakkaştepe Azizbey Sok. No. 1, 34674 Kuzguncuk-Üsküdar/İstanbul (Tel: +90 216 531 00 00, Fax: +90 216 531 00 99). At the meeting, the activities of the Company for the fiscal year 2015 will be reviewed, the following agenda will be discussed, and a resolution regarding the agenda will be reached.

In accordance with the legal requirements, 2015 Financial Statements, the Independent Auditor's Report (prepared by our Independent Auditors, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik 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 and the Memorandum containing the information required by Capital Markets Board regulations shall be made available to the shareholders at Company Headquarters, on the Company's corporate website at www.koc.com.tr, on the Public Disclosure Platform, and in the Electronic General Meeting System of the Central Registry Agency three weeks prior to the meeting.

Shareholders unable to attend the meeting in person, save for the rights and obligations of the ones participating electronically via the Electronic General Assembly System, shall prepare their proxy documents in accordance with the legal requirements, or shall obtain a proxy sample form from Yapı Kredi Yatırım Menkul Değerler A.Ş. (Yapı Kredi Plaza / Levent-İstanbul), our Company, or from the corporate website at www.koc.com.tr and shall submit to the Company the notarized proxy documents issued in accordance with the requirements of the 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. A proxy document is not required from a proxy appointed electronically through the Electronic General Meeting System. The proxy documents which do not comply with the requirements of the aforementioned Communiqué 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 at www.koc.com.tr or from the Company Headquarters (Tel: +90 216 531 00 00) to ensure that they comply with the provisions of the by-laws for the Electronic Shareholders Meeting for Joint Stock Companies.

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 voting rights shall not be conditional on depositing the share certificates. Accordingly, shareholders participating in the General Assembly do not need to block their shares.

At the Ordinary General Assembly Meeting, the voters shall use open voting system by raising hands, without prejudice to the provisions of electronic voting regarding the voting of each item on the agenda.

All right holders and stakeholders as well as the press are invited to the General Assembly Meeting.

Pursuant to the Capital Markets Law, shareholders holding registered shares that are traded on the stock exchange will not receive a separate registered invitation letter for the meeting.

It is submitted to the shareholders with due respect.

KOÇ HOLDİNG A.Ş.
Board of Directors

Company Address: Nakkaştepe Azizbey Sok. No:1 34674 Kuzguncuk-Üsküdar/İstanbul
Trade Registry and Number: İstanbul/85714

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 related articles of the agenda below. Other mandatory general explanations are provided in this section.

2.1. Capital Structure and Voting Rights

As of the date of the publication of this Information Document, information concerning the total number of shares and voting rights, and if there are privileged shares in the share capital, the number of shares 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. Each Group A share 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)	SHARE STAKE (%)	VOTING RIGHT	VOTING RIGHT STAKE (%)
Koç Family (Group B)	621,881,145	24.52	62,188,114,515	19.35
Temel Ticaret ve Yatırım A.Ş. (Group B)	401,210,786	15.82	40,121,078,578	12.48
Temel Ticaret ve Yatırım A.Ş. (Group A)	678,773,422	26.77	135,754,684,460	42.23
Koç Holding Retirement and Assistance Fund Foundation (Group B)	50,451,548	1.99	5,045,154,831	1.57
Vehbi Koç Foundation (Group B)	184,171,754	7.26	18,417,175,384	5.73
Rahmi M. Koç and Mahdumları A.Ş. (Group B)	35,385,424	1.40	3,538,542,410	1.10
Public Float (Group B)	564,023,971	22.24	56,402,397,052	17.54
TOTAL	2,535,898,050	100.00	321,467,147,230	100.00

The majority of the shares of Temel Ticaret ve Yatırım A.Ş. belong to Koç Family members.

2.2. Managerial 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. Besides that, material event disclosures made by our Company in accordance with legal requirements are available at www.kap.gov.tr

2.3. Information regarding demands of shareholders for placing an item on the agenda

No request has been submitted in writing to Koç Holding Investment Relations Department concerning the desire of shareholders to have an item placed on the agenda.

3. ANNOUNCEMENTS PERTAINING TO THE AGENDA ITEMS OF THE ORDINARY GENERAL ASSEMBLY MEETING AT 5 APRIL 2016

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 Secretary. The Chairman may also appoint adequate number of vote-collectors.

KOÇ HOLDİNG INFORMATION DOCUMENT FOR THE 5 APRIL 2016 ORDINARY GENERAL ASSEMBLY TO REVIEW FINANCIAL YEAR 2015

2. Presentation for discussion and approval of the Annual Report of the Company prepared by the Board of Directors for the year 2015

Within the framework of the TCC, the Regulation and the Capital Markets Law and related regulations, information shall be given on the 2015 Annual Report that includes the Corporate Governance Compliance Report, 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 review of our shareholders three weeks before the General Assembly meeting and it shall be presented for perusal and approval of our shareholders.

3. Presentation of the summary of the Independent Audit Report for the year 2015

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 General Assembly meeting 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 2015

Information about our financial statements and legal statutory accounts, which, pursuant to the TCC, bylaws and Capital Markets Law are posted three weeks prior to the General Assembly meeting at our Company Headquarters, on the Electronic General Assembly Portal of the CRA, on the PDP and on www.koc.com.tr for review of our shareholders, shall be provided to our shareholders for their evaluation and approval.

5. Release of each member of the Board of Directors from liability for the Company's activities for the year 2015

Pursuant to the TCC and Bylaws, the release of our Board of Directors members for the activities, transactions and accounts for the year 2015 shall be submitted to the General Assembly for its approval.

6. Approval, amendment and approval, or disapproval of the Board of Directors' proposal on the distribution of profits for the year 2015 and the distribution date

According to our financial statements, prepared by our Company within the framework of the Turkish Commercial Code and Capital Markets Law and related regulations in compliance with Turkish 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 01.01.2015 – 31.12.2015; consolidated profit attributable to equity holders of the parent in the amount of TL 3,567,593,000 has been obtained. The 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 Dividend Distribution Policy, long-term strategy, investment and financing policies, profitability and liquidity, is provided in Appendix 1.

7. Approval, amendment and approval, or disapproval of the Board of Directors' proposal on the amendment of Article 11 of the Articles of Association of the Company "Board of Directors, Election of Directors and Board Decisions" and Article 12 of the Articles of Association of the Company "Structure, Representation and Delegation of Powers of the Board of Directors"

The amendments proposed by the Board of Directors for Article 11 of the Company's Articles of Association related to the Board of Directors, Election of Directors and Board Decisions and Article 12 of the Company's Articles of Association related to the Structure, Representation and Delegation of Powers of the Board of Directors shall be submitted to the General Assembly for its approval. The proposed amendments, the reasoning and the related Board of Directors decision is provided in Annex 2. Necessary approvals for the proposed amendments have been received from CMB and the Ministry of Customs and Trade on 05.02.2016 and 23.02.2016, respectively.

8. In the event the amendment of the Articles of Association on Item 7 of the Agenda is approved, 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 newly 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, Company's business and management are conducted by a Board of Directors consisting of at least nine and at most 15 members, elected in line with the TCC and CMB regulations. If the amendments to the Company's Articles of Association in the 7th Agenda item are approved; the Board of Directors shall consist of at least nine and at most 18 members. General Assembly may decide on the renewal of the Board of Directors even if their terms of office have not expired.

One third of the elected Board of Directors' members are required to meet the independence criteria as defined in the CMB's mandatory Corporate Governance Principles.

The Board of Directors, upon receipt of a proposal of the Candidate Nomination and Remuneration Committee, has designated the following candidates as the Independent Members of the Board of Directors: Dr. Victor K. Fung, Muharrem Hilmi Kayhan, Kutsan Çelebican, Mustafa Kemal Olgaç, Jacques Nasser and Anne Lauvergeon. CMB has not given any negative opinion on these candidates according to its statement dated 16.02.2016.

The CVs of Board of Directors candidates and Statements of Independence for the independent member candidates 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 on that basis

According to 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 made available in writing and included as a separate article on the General Assembly Meeting agenda to enable the shareholders to share their opinions on the same. The Remuneration Policy that was adopted by the General Assembly decision dated 31 March 2015 is attached hereto as Appendix 4 for this purpose. Information on the compensation of the members of the Board of Directors and the senior management has been cited in footnote No. 29 of our financial statements, attached to the 2015 Annual Report.

10. Resolution of the annual gross salaries to be paid to the members of the Board of Directors

The annual gross remuneration to be paid to the members of the Board of Directors in 2016 shall be determined by the shareholders as per our Remuneration Policy submitted for the approval the shareholders as per Item 9 of the Agenda.

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 meeting on 24 February 2016 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 2016 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.

KOÇ HOLDİNG INFORMATION DOCUMENT FOR THE 5 APRIL 2016 ORDINARY GENERAL ASSEMBLY TO REVIEW FINANCIAL YEAR 2015

12. Presentation to the shareholders of the donations made by the Company in 2015, and resolution of an upper limit for donations for the year 2016

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 1,359,445 were made to foundations and associations in 2015. The upper limit of donations to be made in 2016 shall be decided by the General Assembly.

13. In accordance with the Capital Markets Board regulations, presentation to the shareholders of the securities, pledges and mortgages granted in favor of the third parties in the year 2015 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 collaterals, pledges, 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. 32 of our financial statements dated 31 December 2015.

14. Authorization of the shareholders that have 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 2015 pursuant to the Corporate Governance Communiqué 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 item 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 the shareholders shall be informed that in 2015, there has not been any transaction in this respect.

15. Wishes and Opinions.

APPENDICES:

APPENDIX 1 – 2015 Dividend Distribution Proposal (See page 26-27)

APPENDIX 2 – Proposed Amendments to Articles of Association and the Related Board of Directors Decision (See page 28)

APPENDIX 3 – CVs of Board of Directors Candidates and Independence Statements of Independent Board Member Candidates

APPENDIX 4 – Remuneration Policy for Board of Directors and Executive Management (See page 33)

APPENDIX 3 – CVs OF BOARD OF DIRECTORS CANDIDATES AND INDEPENDENCE STATEMENTS OF INDEPENDENT MEMBER CANDIDATES

Caroline Nicole Koç

After graduating from high school at Switzerland's St. George's School, Ms. Koç went on to receive a Bachelor's degree in Business Administration from Babson College, USA. Ms. Koç started her professional career in 1992 at Edwards of Hisar, where she acted as the managing director until 1998. Subsequently, she founded "İlkadım Play and Education Center for Kids" in 1998. She was the acting manager of the Center until 2003. She is the founder and the current Chairwoman of "Haremlique Istanbul" and "Selamlique Turkish Coffee" brands since 2008. Ms. Koc has always been an active contributor to philanthropic organizations. She is the Chairwoman of Turkish Family Health and Planning Foundation, a Board Member at Tohum Autism Foundation, a Founding Member of Tina Foundation and a Founding Member of the Contemporary Education Foundation.

İpek Kırac

She graduated from Koç Private High School in 2002 and from Brown University Department of Biology in 2007. Since March 2012, she has been the Board of Directors Member and CEO of Sirena Marine Maritime Industry and Trade Inc.; a subsidiary of Kıraca Holding. Besides being a founding member of the Suna and İnan Kırac Foundation, İpek Kırac continues to work as an Executive Board Member for Koç Private High School, Board of Directors Member for Temel Trade and Investment Inc., Board of Directors Member for American Hospital Health Services Trade Inc., Board of Directors Member for Zer Central Services Inc. and Board of Trustees Member of TEGV (Educational Volunteers Foundation of Turkey) and GEV (Galatasaray Education Foundation).

Levent Çakıroğlu

Levent Çakıroğlu graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration. He earned a Master's degree at the University of Illinois. Mr. Çakıroğlu began his professional career as an Auditor at the Ministry of Finance in 1988. From 1997 to 1998, he taught as a part-time instructor at Bilkent University, and served as Vice President of the Financial Crimes Investigation Board at the Ministry of Finance. He joined Koç Holding in 1998 as Financial Coordinator. Subsequently, he served as the General Manager of Koçtaş (2002-2007), General Manager of Migros (2007-2008), General Manager of Arçelik (2008-2015), and President of the Consumer Durables Group at Koç Holding (2010-2015). In February 2015, Mr. Çakıroğlu was appointed Deputy Chief Executive Officer of Koç Holding, and he has been the Chief Executive Officer of Koç Holding since April 2015.

Anne Lauvergeon (Independent Board Member Candidate)

Anne Lauvergeon is a graduate of the Ecole Normale Supérieure and the French National School of Mining Engineer. She holds an advanced degree in Physics & Chemistry. She started her professional career in 1983, in the iron and steel industry (Usinor). In 1984, she directed the European nuclear safety studies applied to the chemical industry for CEA (Commissariat à l'Énergie Atomique, the public technological research organization in France). From 1985 to 1988, she supervised the underground activities in and around Paris and was appointed, in 1988, Deputy Director of the General Mining Council. From 1990 to 1995, she worked for the French President's office, in charge of international economy and foreign trade missions and Deputy Chief of Staff in 1991. At the same time she became Personal Representative to the French President, in charge of the G7/G8 Summits. In 1995, she became Managing Director and Partner of Lazard Frères (New York, Paris). In March 1997, she joined Alcatel Telecom as Senior Executive Vice President and was appointed Member of the Executive Committee in July 1998. She was in charge of international network and the Group's interests in energy, defense, transportation and nuclear fields. From July 2001 to June 2011, after its creation, she was Chief Executive Officer of AREVA. From June 1999 to June 2011, she was Chairman and Chief Executive Officer of COGEMA (now AREVA NC). Since 2011, Anne Lauvergeon has served as Founder and CEO of A.L.P a French advisory and investments company. Since 2013, she has served as the Head of Innovation 2030 National Committee. Since 2014, she has been the Chairman of the Board of Sigfox, a French start-up that operates a cellular network dedicated exclusively to short messages. Since 2015, she has been the Chairman of the Board of BoostHEAT, which develops and manufactures a new generation of heat pump boilers.

* For the CVs of other BoD members, see page 154-155.

STATEMENT OF INDEPENDENCE

I hereby declare that I am a candidate for independent board membership on the Board of Directors of Koç Holding A.Ş. ("Company") under related regulations, Articles of Association of the Company and the criteria stated in the Capital Markets Board ("CMB")'s Communique on Corporate Governance, subject to the consent of CMB in view of the criteria of "qualifying as a Turkish resident under the Income Tax Law." In that regard I also confirm that:

- a) In the last five years, I, my spouse or my up to the second degree blood or affinity relatives is not or has not been; employed by as a key management personnel; has not had ordinary or privileged shareholding exceeding 5% by himself or together with; or has not been involved in any material business dealings with the Company, its subsidiaries and affiliates, or shareholders controlling the Company or having material effect over the Company and all entities controlled by those shareholders,
- b) In the last five years, I am not or have not been employed by as an executive having significant duties and responsibilities or have not been a member of the board or did not have a shareholding exceeding 5% of an entity which has had a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit) rating or consulting services during the terms in which the goods or services were provided,
- c) My CV indicates that I have skills, knowledge and expertise relevant to the Company's business and extensive experience to fulfill my duties as an independent board member,
- d) After my election I will not work full time in a Turkish governmental or public institution, except for the faculty membership under relevant regulations,
- e) I am capable to contribute positively to the operations of the Company, to maintain my objectivity in conflicts of interests between the Company and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- f) I will dedicate enough time to follow up the activities of the Company and for the duly fulfillment of my responsibilities,
- g) I have not been on the board of the Company for more than six years within last ten years,
- h) I am not an independent board member in more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed on Borsa İstanbul in total,
- i) I am not registered in the name of any legal entity elected as a board member.



Dr. Kwok King Victor Fung

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- d)** After my election I will not work full time in a Turkish governmental or public institution, except for the faculty membership under relevant regulations,
- e)** I am deemed to be resident in Turkey according to Income Tax Law No. 193 dated 31.12.1960,
- f)** I am capable to contribute positively to the operations of the Company, to maintain my objectivity in conflicts of interests between the Company and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
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Muharrem Hilmi Kayhan

STATEMENT OF INDEPENDENCE

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Kutsan Çelebican

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Mustafa Kemal Olgaç

STATEMENT OF INDEPENDENCE

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Jacques Nasser

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Anne Lauvergeon

GLOSSARY

ABBREVIATION	TERM	DEFINITION
A		
	ADR Regulations	The regulation on International Carriage of Dangerous Goods by Road (ADR) by the United Nations Economic Commission for Europe (UNECE) was issued on 30 September 1957 and came into effect on 29 January 1968. The objective of this regulation is to ensure the transport of hazardous materials on public land routes in a regular and safe manner, without any damage to human health and the living environment.
ASEAN	Association of Southeast Asian Nations	ASEAN is an international organization established on 8 August 1967 in Bangkok by the Philippines, Malaysia, Thailand, Indonesia and Singapore. Subsequently, Brunei Darussalam, Vietnam, Lao PDR, Burma and Cambodia joined the organization.
B		
	Base Effect	While calculating the change in a certain indicator between two different periods, the expression "base effect" corresponds to the impact of an abnormally low or high value in the reference period on the value in the following period.
	Basis Point	This is a unit of measurement indicating the change in interest rates. It corresponds to the fourth digit to the right of the decimal point (e.g. 0.0001). For instance, a rise in the interest rate from 5.25% to 6.75% corresponds to an increase of 150 basis points. In other words, a change of 100 basis points corresponds to 1%.
BIST	Borsa Istanbul	Borsa Istanbul (Istanbul Stock Exchange) was established on 26 December 1985 and started operations on 3 January 1986, for the trading of share certificates, treasury bonds, government bills, revenue partnership certificates, private sector bonds, foreign securities, real estate certificates and international securities.
	Big Data	Big data is generated by collecting data from diverse sources such as social media posts, network logs, blogs, photos, videos and other data and turning these into a meaningful and usable form.
BRSA	Banking Regulatory and Supervisory Agency	An administratively and financially independent public authority established to enhance the efficiency of regulatory and audit functions, and to constitute an independent decision-making mechanism in the banking sector.
C		
CAR	Capital Adequacy Ratio	The capital ratio that banks are obliged to keep in reserve in return for loan risks.
CBRT	Central Bank of the Republic of Turkey	
CMB (SPK)	Capital Markets Board	A financially and administratively independent regulatory public authority, its basic responsibilities are to ensure that capital markets function in secure, transparent and stable fashion, and that the rights and benefits of investors are safeguarded, and that performs its functions independently, under its own responsibility.
	Cloud Computing	The generic name for services that share software and information in the main resource for distribution of the current IT service to electricity distributors via computers and other devices over the IT network (Internet).

ABBREVIATION	TERM	DEFINITION
CoMoSeF		Developing applications and hardware for creating future services for Intelligent Traffic Systems
CRA (MKK)	Central Securities Depository	The institution charged with performing central custody services for the registered capital markets instruments issued in Turkey, and representing and managing the Fund for the Protection of Investors, which is a legal entity.
CRM	Customer Relationship Management	Enhancing a company's operations by keeping records of customer data, and employing software designed to retain current customers and create future customer loyalty based on customer preferences.
CUR	Capacity Utilization Rate	A figure that shows the actual capacity utilization of a manufacturing industry enterprise as compared to its current physical capacity.
CVT	Continuously Variable Transmission	A type of transmission used in motor vehicles.
D		
	Dividend	The portion distributed to shareholders of a company's earnings in a certain period, in the form of cash or share certificates.
	Dividend Yield	A ratio that shows how much dividend a company pays on its share price each year.
E		
EBITDA	Earnings before Interest Taxes Depreciation and Amortization	A financial indicator used to measure a company's financial performance and to compare the profitability of different companies and industries.
EIA	Environmental Impact Assessment	Studies performed by the Ministry of Environment and Urban Affairs, General Directorate for Environmental Impact Assessment Authorization and Control in order to identify any positive or negative environmental effects of planned projects; prevent any negative effects; determine measures for minimizing negative effects; assess the suitability of the location and technologies chosen; and to monitor and control project implementation.
	Eataly	Boasting over 19 affiliates and subsidiaries, Eataly is a manufacturer and distributor of top quality Italian food including water, non-alcoholic beverages, fresh meats, processed meat products, cheese, pastas and pastries. Eataly also functions as a travel agency that organizes gastronomic tours.
EIMA	Esposizione Internazionale di Macchine per l'Agricoltura e il Giardinaggio	One of the world's most important agricultural equipment fairs, held every two years in Bologna, Italy.
EMEA	Europe, Middle East, Africa	Abbreviation for countries in the Europe, Middle East and Africa regions.
EMRA (EPDK)	Energy Market Regulatory Authority	A public authority established to create a financially robust, stable, transparent and competitive energy market that operates in accordance with private law; regulate and audit this market in an independent manner; and ensure that electricity, natural gas, oil and LPG are offered to consumers in a sufficient, high quality, continuous, low-cost and eco-friendly manner.

GLOSSARY

ABBREVIATION	TERM	DEFINITION
F		
	Felis Awards	The award competition held by MediaCat to bolster and recognize excellence in creativity, quality and film production techniques in various disciplines of marketing communications.
I		
IF Design	International Forum (IF) Design	A Hanover, Germany-based design company, well-known for its international design award competition that includes categories such as products, packaging, interior design and professional concepts.
IoT	Internet of Things	The communication network that connects physical objects to each other or to larger systems. Objects are marked with singular keys in order to operate together over the Internet, thus creating value larger than the sum of the small parts combined.
IPSOS		A company that provides market survey, public relations and opinion survey services.
ISO14001		Standard of Environmental Management System
İSO	Istanbul Chamber of Industry	
	Inorganic Growth	A company's growth via mergers and acquisitions rather than through expansion of its own operations.
L		
LNG	Liquefied Naturel Gas	Natural gas obtained by condensing processed natural gas into liquid at -163 degrees Celsius at atmospheric pressure after eliminating any impurities it contains. When evaporated, one unit volume of LNG yields 600 unit volumes of natural gas. LNG is an odorless, colorless and non-poisonous liquid.
LPG	Liquefied Petroleum Gas	A colorless, odorless, flammable gas heavier than air, which is extracted during the refining of crude oil in refineries or the disaggregation of the natural gas found above oil reserves.
M		
	MediaCat	Originally founded as a marketing communication magazine, it has transformed into a vast information platform today that creates sector-specific content on marketing communication in the form of supplements, books, conferences, competitions and awards, Master's programs and certificate programs, regular training programs for companies, web sites, and social media assets.
N		
NAV	Net Asset Value	Value of an entity's asset minus the value of its liabilities, often in relation to investment companies.
	Nelson Complexity	An indicator that demonstrates the efficiency of a refinery. The higher this number is, the greater the amount of value added end product generated from one unit of crude oil.
	Net Debt/Cash	The figure yielded by subtracting a company's gross debt from its gross cash.
	Net Interest Margin	A banking term that signifies the difference between interest revenue and interest expense.

ABBREVIATION	TERM	DEFINITION
O		
OHSAS18001		Standard of Occupational Health and Safety
	Operating Profit	A financial indicator of a company's net profit or loss in its core business, calculated by subtracting operating expenses from gross sales profit or loss.
OPEC	Organization of Petroleum Exporting Countries	A confederation of 12 net oil exporting countries that controls two-thirds of the world's known oil reserves.
	Organic Growth	A company's own growth performance realized internally, without mergers and acquisitions.
P		
	Paid-up Share	Distribution of share certificates issued via capital increase in joint ventures to shareholders in return for a specified fee.
	Paid in Capital	In companies that are subject to the registered capital system, that portion of the pledged capital which has been paid in cash.
PDP (KAP)	Public Disclosure Platform	An electronic disclosure system used for all notifications of listed companies in Turkey.
R		
	Revised Data	Exclusion of one-off revenues such as subsidiary sell-off revenues.
RoE	Return on Equity	The net profit generated by a company by employing its shareholders' equity.
S		
SDR	Special Drawing Right	An international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves.
SENER		An abbreviation for the Industrial Energy Efficiency Competition.
SIMA		An international agriculture, livestock farming and technology fair held in Paris, France.
	Shareholder Value	The value created by a company's management for shareholders, by means of boosting profitability and stock value, and paying dividends.
SME	Small and Medium Enterprises	
	Stevie Awards	One of America's most prestigious organizations since its establishment in 2002, it evaluates thousands of projects from over 30 countries. Every year, a different jury composed of world-renowned, highly successful professionals evaluates projects.
T		
TCC (TTK)	Turkish Commercial Code	
TPE	Turkish Patent Institute	
TÜİK	Turkish Statistical Institute	

GLOSSARY

ABBREVIATION	TERM	DEFINITION
U		
UNEP	United Nations Environment Programme	The United Nations institution that coordinates the UN's environmental efforts, helps emerging countries in matters related to environmental policy, and proposes eco-friendly development methods. It was established in 1972, following the UN Conference on the Human Environment.
UNESCO	United Nations Educational, Scientific and Cultural Organization	Established as a special United Nations institution in 1946, UNESCO has three main bodies: the General Conference, Executive Board and Director-General. UNESCO strives to fulfill its objectives in the areas of education, science and culture via National Committees established in all its member states.
V		
VUX	Virtual User eXperience	The sum of all experiences while using a product online.
W		
WEEE	Waste Electrical and Electronic Equipment	Large home furniture; small home appliances; IT and telecom equipment; consumer equipment; lighting fixtures; electrical and electronic devices (except large, fixed industrial devices); toys, entertainment and sports equipment; medical devices; monitoring and control devices, and automatic vending machines; as well as their components, elements and consumable materials upon expiry, as indicated by the Regulation on the General Principles of Waste Management Issued in the Official Gazette dated 5 July 2008 and numbered 26927.

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 2015, 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, April 05, 2016 at 4.00pm, at Koç Holding headquarters, Nakkaştepe, Azizbey Sokak No: 1 Kuzguncuk 34674, İstanbul.

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 reflect 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 advisors, 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 publication. Koç Holding accepts no responsibility for any spelling or printing errors that may occur during the Report's preparation.

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