KOÇ HOLDİNG

ANNUAL REPORT 2016

THE 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

42%

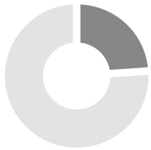
31%

AUTOMOTIVE

Automotive
Automotive Retailing
Farm Tractors
Defense Industry

26%

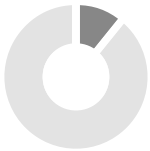
24%



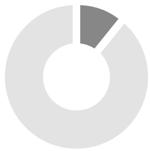
CONSUMER DURABLES

White Goods & Consumer Electronics
Air Conditioners
Information and Communication Products Distribution

11%



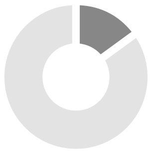
11%



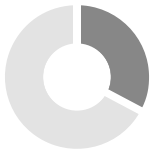
FINANCE

Banking
Leasing
Real Estate Investment Trust
Factoring
Brokerage
Asset Management
Consumer Finance

15%



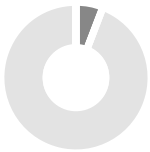
33%



OTHER LINES OF BUSINESS

Food Production
Food Product Distribution
Do It Yourself Retailing
Tourism
Marina Operations
Information Technology
Ship & Yacht Construction

6%



1%

[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.

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.

COMPANIES/INTERNATIONAL PARTNERSHIPS	MARKET POSITION	COMPETITIVE ADVANTAGES
Tüpraş[2] Opet Aygaz[2] Entek Aygaz Doğal Gaz Akpa, Demir Export	Leader 2nd - 17.7% Leader - 29%	• 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
Ford Otosan[2] / Ford Motor Co. Tofaş[2] / Fiat Chrysler Automobiles Otokoç Otomotiv TürkTraktör[2] / Case New Holland Otokar[2]	Leader - 22%[3] Leader Leader - 46.5% Leader	• 48% of Turkey's automotive production • 22% of domestic automotive sales • 47% 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
Arçelik[2] Arçelik LG Klima / LG Electronics Bilkom	Leader Leader	• Low cost production centers: Turkey, Romania, Russia, China, South Africa, Thailand and Pakistan • 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
Yapı Kredi Bankası[2] / UniCredit Yapı Kredi Leasing Yapı Kredi Koray[2] Yapı Kredi Faktoring Yapı Kredi Yatırım Menkul Değerler Yapı Kredi Portföy Yönetimi Koçfinans	4th[4], Leader[5] - 22% Leader - 20% Leader - 18% 3rd 2nd 3rd	• Deep rooted experience of 72 years • Continuously expanding, innovative service and branch network • Market leading bank with nearly 950 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
Tat Gıda[2] / Kagome, Sumitomo Düzey Koçtaş / Kingfisher Setur, Divan, Mares[2] Setur Marinaları KoçSistem RMK Marine	Leader[6] Leader Leader	• 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 outstanding volume.
[6] Tomato products, tomato paste, ketchup, premium pasta and pasteurized milk.

LEADERSHIP POSITIONS IN TURKEY AND A GLOBAL PLAYER

The Koç Group is determined to be a leader in both Turkey and the region as an important global player.

THE KOÇ GROUP IN THE TURKISH ECONOMY

Combined Revenue/GDP*	6%
Total Exports/Turkey's Export	9%
Total Market Capitalization on Borsa İstanbul	20%

** Projection of 2016-2018 Medium Term Program of the Turkish Government.*

GDP Growth (CAGR %)
Koç Group Growth (Revenues, Constant Prices - CAGR %)

** *The growth rates incorporate 9 months results of 2016. The GDP figures for the years 2001-2016 have been adjusted according to the new GDP figures revised in December 2016 to align with the European Accounting System (ESA-2010).*

THE KOÇ GROUP INTERNATIONAL REVENUES
(COMBINED-USD BILLION)

2016	29.2%	15.6
2015	28.6%	15.7
2014	29.2%	18.7
2013	27.6%	18.6
2012	27.6%	18.6
2011	25.3%	16.6

XX.X% → Share of International Revenues

Including Tüpraş, nearly 50% of the combined revenues (USD 25 billion) is not sensitive to the fluctuations in the domestic market.

SUMMARY FINANCIALS

The Koç Group focuses on sustainable and profitable growth.

REVENUES
(CONSOLIDATED–TL MILLION)

2016	70,932
2015	69,492
2014	68,622

EBITDA*
(CONSOLIDATED–TL MILLION)

2016	8,519
2015	8,237
2014	4,262

NET PROFIT **
(CONSOLIDATED–TL MILLION)

2016	3,460
2015	3,568
2014	2,710

* *Excluding FX gains/losses and credit finance income/charges on trade receivables and payables.*
** *Attributed to the equity holders of the parent.*

CORPORATE VALUES

THE CUSTOMER IS THE FOCUS OF EVERYTHING WE DO.

OUR MOST IMPORTANT ASSET IS OUR PEOPLE.

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

TO BE "THE BEST" IS OUR ULTIMATE GOAL.

CREATION OF WEALTH FOR CONTINUOUS DEVELOPMENT IS OUR KEY OBJECTIVE.

Vehbi Koç
Founder

KOÇ HOLDİNG:
TURKEY'S LEADING INVESTMENT HOLDING COMPANY

TURKEY'S LEADING INVESTMENT HOLDING COMPANY

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

LEADER AND GLOBAL PLAYER

THE KOÇ GROUP FOCUSES ON SUSTAINABLE AND PROFITABLE GROWTH WITH CONSISTENT LEADERSHIP POSITIONS BOTH IN TURKEY AND IN THE REGION WITH THE AIM OF BECOMING AN IMPORTANT PLAYER WORLDWIDE.

CREATING VALUE FOR ITS STAKEHOLDERS FOR OVER 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.

THE LARGEST INDUSTRIAL GROUP IN TURKEY

Four of Turkey's five largest industrial enterprises are Koç Group companies.*

1. Tüpraş
2. Ford Otosan
3. Arçelik
5. Tofaş

TURKEY'S LARGEST EXPORTER

Four of Turkey's ten largest exporters are Koç Group companies, according to Turkish Exporters' Assembly data.**

1. Ford Otosan
2. Tüpraş
6. Tofaş
7. Arçelik

* *İstanbul Chamber of Industry, Top 500 Industrial Corporations Survey (2016 report based on 2015 year-end results).*
** *Turkish Exporters' Assembly Top 1,000 Exporters Survey (2016 report based on 2015 year-end results).*

CONTENTS

AGENDA FOR THE ORDINARY GENERAL ASSEMBLY

1. Opening and election of the Chairman of the Meeting,
2. Presentation for discussion and approval of the Annual Report of the Company prepared by the Board of Directors for the year 2016,
3. Presentation of the summary of the Independent Audit Report for the year 2016,
4. Presentation for discussion and approval of the Financial Statements of the Company for the year 2016,
5. Release of each member of the Board of Directors from liability for the Company's activities for the year 2016,
6. Approval, amendment and approval, or rejection of the Board of Directors' proposal on the distribution of profits for the year 2016 and the distribution date,
7. Approval, amendment and approval, or rejection of the Board of Directors' proposal on the amendment of Article 6 of the Articles of Association of the Company "Capital,"
8. Resolution of the number of the members of the Board of Directors and their terms of office and election of the members of the Board of Directors in accordance with the 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 monthly gross salaries to be paid to the members of the Board of Directors,
11. Approval of the appointment of the Independent Audit Firm as selected by the Board of Directors in accordance with the provisions of the Turkish Commercial Code and Capital Markets Board regulations,
12. Presentation to the shareholders of the donations made by the Company in 2016, and resolution of an upper limit for donations for the year 2017,
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 2016 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 2016 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. and its subsidiaries and joint ventures (together referred to as "the Group") for the year ended 31 December 2016.

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 the consolidated 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 the auditor's report dated 17 February 2017 has been issued.

Our independent audit has been performed in accordance with the Independence 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 on 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.

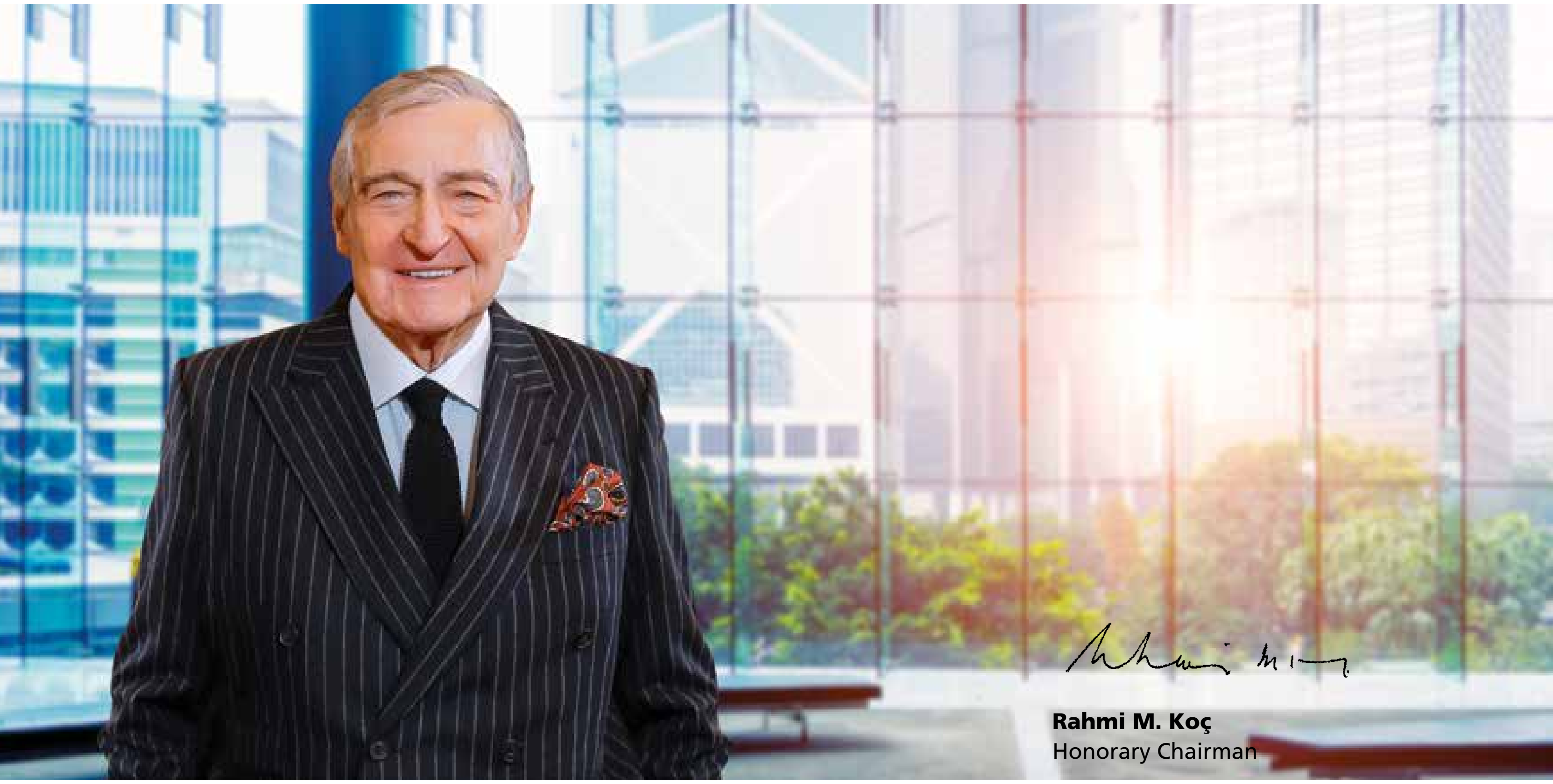
Independent auditor's responsibilities arising from other regulatory requirements

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
7 March 2017
Istanbul, Turkey

HONORARY CHAIRMAN'S MESSAGE



Rahmi M. Koç
Honorary Chairman

ROBUST POSITION

Our Group's accomplishments and current robust position are built on the dedicated efforts of our personnel and business partners, and our long-standing corporate values.

CONTRIBUTION TO THE SOCIETY

We will continue to deliver on our corporate social responsibilities.

DEVELOPMENT

We focused on digital transformation, R&D and boosting efficiency, whilst prioritizing projects that prepare all our businesses for the future.

KOÇ GROUP HAS ALWAYS BELIEVED THAT TURKEY WAS DESTINED TO BE ONE OF THE LEADING ECONOMIES OF THE WORLD, A BELIEF BASED ON THE **COUNTRY'S STRONG DEMOGRAPHICS, DYNAMIC AND ENTREPRENEURIAL COMMERCIAL SECTOR, WELL-TRAINED AND COMMITTED HUMAN CAPITAL AND ATTRACTIVE GEOGRAPHIC POSITION.**

Dear Shareholders,

I welcome you with much pleasure and utmost respect and wish that we all have a productive meeting.

Over the past few years, we have become accustomed to referring to recent challenges and turbulent times. Last year, however, was marked by one extraordinary event after another, all of which naturally affected the Turkish economy.

A look at the global economic environment, in the meanwhile, reveals some gradual, yet promising developments after years of stagnation.

Monetary easing policies as well as public sector spending in the European Union, our close neighbor on which Turkey's economy is heavily dependent, made positive contributions to the world's economic recovery. Germany, the powerhouse of the region, posted its highest GDP growth rate in five years, and notwithstanding the uncertainties over Brexit, growth and economic activity in the UK outpaced forecasts. Despite these positive developments, however, structural problems in many European countries - such as high levels of government debt and weak banking systems - remain unresolved.

In the United States, the world's largest economy, the decline of the unemployment rate to below 5% and the uptick in inflation from previously depressed levels are healthy developments, although detailed policies to be pursued by the new president and his administration are as yet unclear.

In a significant retreat from past growth rates, China, which is expected to overtake the US as the world's largest economy in the near future, stabilized at an annual growth rate of about 6.5%. Its greater focus on domestic consumption, services and innovation rather than a reliance on exports and investment represent a clear shift to a new economic model.

The economies of Russia and Brazil, often compared to Turkey's, showed relatively little change from previous years. Turkey's major trading partner Russia had major economic problems that were alleviated to a degree by rising oil prices and oil export revenues. Although political and economic turmoil continued in Brazil, the last quarter proved to be more positive.

HONORARY CHAIRMAN'S MESSAGE

Inequality of income distribution was frequently cited on various platforms despite efforts to improve the economy in certain countries and regions. Sectarian and power conflicts and terrorist attacks led to the emergence of nationalist, factionalist, protectionist and isolationist political movements in many countries. In the meanwhile, Donald Trump became the surprise winner of the American presidential race and the United Kingdom's vote to leave the European Union stunned the pollsters. We are also witnessing the resurgence of nationalist and factionalist movements, leaders and policies in other countries around the globe.

Closer to home, as an already challenging and turbulent year came to a close, Moody's downgraded Turkey's sovereign credit rating to below investment grade, and a similar downgrade was announced by Fitch Ratings in January 2017. The nation mourned the victims of, and lamented the material loss caused by, terrorist attacks in various parts of the country throughout the year; but it also proved its commitment to democracy as it foiled a coup attempt in July. The geopolitical risks prevailing in the region and events in Turkey unfortunately increased the country risk premium in global markets, resulting in the weakening of the Turkish lira.

Major economic indicators point to a deterioration in growth, unemployment, and inflation in the past few months. Recently implemented measures to revive the economy and improve key ratios - tax cuts, job creation stimuli and investment incentives - are hoped to foster positive results.

Concerns in the business world arise from political and economic uncertainty across the world. We have entered a high-risk period this year, with several unknowns: the possible outcome of elections in two major European powers, namely, France and Germany, the geopolitical prospects for our region, and what the economic policies of the new American administration will be. Other major factors will be the progress of oil and commodity prices.

It is essential to solve our internal issues as a matter of priority in order to safeguard against threats even as we make use of potential opportunities in such a global environment. The increasingly worrying and exhausting social polarization and deepening divisions of opinion need to be addressed as a matter of urgency. It is vital to focus on the republic, democracy, secularism and modernity; in other words, the principles and values upon which our national reputation was built, and united our people for decades. It is also crucial to implement rational economic and social policies along with structural reform.

We, at the Koç Group, have always believed Turkey was destined to be one of the leading economies of the world, a belief based on the country's strong demographics, dynamic and entrepreneurial commercial sector, well-trained and committed human capital and attractive geographic position. Bolstered by our trust in Turkey's great potential and defying all uncertainty, we have continued investing over the past five years, and have come through with flying colors. These investments, coupled with a focus on sustainable long-term policies, a strong balance sheet and prudent risk management, have reinforced our leading positions in all our business segments.

As the engine of the Turkish automotive sector - manufacturing and export, we had a highly successful year in 2016. Thanks to our continued investment and increasing market share in household goods around the world, we have raised our country's profile and awareness of our brands. Our investment in energy contributed positively to Turkey's current account balance. We are focused on digital transformation, R&D and boosting efficiency, whilst prioritizing projects that prepare all our businesses for the future, including banking. Thanks to years of successful operations across our business lines as well as our strong financial position even under the most tempestuous political and economic conditions, we have maintained - uninterrupted - our investment grade credit ratings from both S&P and Moody's.

We will continue to assess the opportunities and threats that lie ahead as we grow the value we generate for our shareholders and country. We will remain focused on technology, innovation, efficiency, and global competitiveness, while continuing to deliver on our corporate social responsibilities: providing major healthcare, educational and cultural services and investments in Turkey.

Dear Shareholders,

The Koç Group's accomplishments and current robust position are built on the dedicated efforts of our personnel and business partners, and our long-standing corporate values. As we leave behind another year, I would like to extend my gratitude to our shareholders, customers, dealers, suppliers, parts makers, business partners, trade unions, managers and employees.

Rahmi M. Koç
Honorary Chairman

We will continue to assess the opportunities and threats that lie ahead as we grow the value we generate for our shareholders and country.

We will continue to deliver on our corporate social responsibilities: providing major healthcare, educational and cultural services and investments in Turkey.

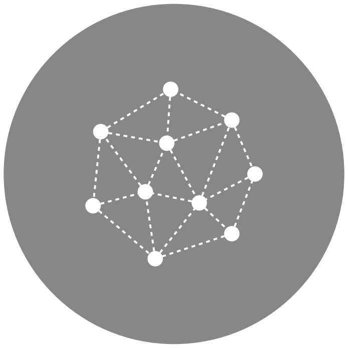
We will remain focused on technology, innovation, efficiency, and global competitiveness.

KOÇ GROUP COMBINES ITS MANAGEMENT PHILOSOPHY WITH ITS SUPERIOR COMPETITIVE ADVANTAGES AND LONG-TERM SUSTAINABLE STRATEGIES.

Sustainability

CHAIRMAN'S STATEMENT

Ömer M. Koç
Chairman of the Board of Directors



INNOVATION

Innovation and leadership are the deepest-rooted traditions of the Koç Group.

SYMBOL OF TRUST

To our pride and joy, the Koç Group has been synonymous with leadership, success and trust in Turkey for over 90 years.

SHARED VALUE

We continued to create "shared value" through invaluable social responsibility projects undertaken.

AS WE MOVE AHEAD TOWARD OUR 100TH ANNIVERSARY WITH CONFIDENT STRIDES, WE CONTINUE TO GROW, POWERED BY OUR FOCUS ON **CORPORATE GOVERNANCE, GLOBALIZATION, TECHNOLOGY, R&D AND INNOVATION.**

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

Both Turkey and the world witnessed historical developments in 2016. In addition to enduring heinous terrorist attacks, Turkey also suffered a failed coup attempt that will always be a mark of disgrace on our nation's history. In order to never repeat the grave tragedy that we lived through on July 15th, it is incumbent on us all to raise "generations with a free mind and a free conscience," as our great leader Mustafa Kemal Atatürk envisioned.

On the global front, the world is enjoying the promise of great, technology-driven opportunities while stumbling through a period marked by high levels of injustice and inequality as well as a proliferation of political, social and environmental problems.

Against this backdrop, the global corporate sector is also undergoing a major change. The rules of competition are quickly evolving. A new technological transformation is paving the way for a fundamental overhaul of the economic order and basic production philosophy that we have been accustomed to for the last hundred years. Companies that position themselves correctly and harness technology effectively will inevitably gain competitive power and become more influential within this time of disruptive change. We will see fierce competition for highly competent, well qualified human capital in the period that lies ahead. I am of the opinion that we will have a bright, modern future only to the extent that we can raise generations who will keep up with, and even lead, the frantic pace of development and change in the world. Organizations that can position their technological and human capital competence within the bounds of their respective capacity and capability will play a major role in shaping the future.

CHAIRMAN'S STATEMENT

Within this context, the Koç Group continues to closely monitor and embrace the prevailing concepts of the times, as it aims to maintain its pioneering role. Innovation and leadership are the deepest-rooted traditions of the Koç Group. As we move ahead toward our 100th anniversary with confident strides, we continue to grow, powered by our focus on corporate governance, globalization, technology, R&D and innovation.

In 2016, the Koç Group continued to undertake new investments, expand steadily, and increase its competitive edge with determination and courage despite the rise of uncertainties and turbulence. We maintained our special focus on exceptional management quality and effective risk management systems. We sustained our robust financial position. We continued to develop our human resources, strong leaders, and corporate competencies that will propel the Group forward into the future. We proudly observe the affirmative impacts of these meticulously-managed components in our financial results, stakeholder relations, shareholder value, and rising reputation.

2016 held a special meaning and importance for our Group. We were shaken with the deep sorrow and shock of unexpectedly losing my beloved older brother Mustafa Koç at the beginning of the year. I would like to take this opportunity to remember him with love, longing and compassion once again.

Last year also had the distinction of being the Group's 90th anniversary. To our pride and joy, the Koç Group has been synonymous with leadership, success and trust in Turkey for over 90 years.

These 90 years, every moment of which was filled with hard work, determination and enthusiasm, together form a picture of great success, created jointly by the Koç family, employees, dealers and business partners. This success transcends mere commercial accomplishment - it represents commitment to our country, people, and values as well as hard work.

Our achievements are not just the companies and products we have created, but also the values we have consistently represented for 90 years. Our deep-rooted culture that emphasizes strong corporate governance and our commitment to ethical business principles and universal values form the foundation on which we stand firmly under all circumstances and in the face of any challenges we encounter. The core principles of the Group's leadership are our long-term perspective, our commitment to advancing our country and working with our stakeholders to create shared value, and our passion to be the best no matter what. This standard flag that we have been bearing proudly for many years is the greatest value that we have created for our country.

The constitution of our founder Vehbi Koç is crystal clear: "We exist so long as our state and country exist. We all exist as long as there is democracy." Beyond doing everything within our power to strengthen the Turkish economy, I believe that our greatest responsibility is to also serve our country and our people in science, education, culture and art.

We are proud to be Turkey's standard-setting, inspirational and leading institution with our 90-year track record of highly successful social development initiatives. The Vehbi Koç Foundation increases its impact each passing year in education, health and culture with its invaluable institutions and pioneering ventures, making us immensely proud with its many accomplishments. We will continue to make a difference in people's lives with new projects in the period ahead.

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

As it has done for the last 90 years, the Koç Group will continue to think big and, in keeping with our faith in our country, to generate significant value-added, undertake investments, create jobs and do our part for the development of our country, from which we derive our boundless strength.

I would like to express my sincerest gratitude to our shareholders, customers, dealers, business partners, trade unions, managers and employees for supporting us in our quest, ensuring the sustainability of our accomplishments, and always propelling us forward toward the better for all these years.

Respectfully yours,

Ömer M. Koç
Chairman of the Board of Directors

We are proud to be Turkey's standard-setting and leading institution with our 90-year track record of highly successful social development initiatives.

We will continue to undertake investments, create jobs, and do our part for the development of our country, from which we derive our boundless strength.

KOÇ GROUP'S BUSINESS STRATEGY IS BASED ON STRONG INTERNATIONAL PARTNERSHIPS AND A STRONG INVESTMENT DRIVE.

Competitiveness

BOARD OF DIRECTORS' REPORT

Esteemed Shareholders,

Welcome to Koç Holding's 53rd General Assembly Meeting.

We hereby present for your evaluation Koç Holding's 2016 Annual Report. The first section of the report provides general information about Koç Holding, its goals, strategies and operations in 2016, 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 2016, 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 ("TAS/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 2016.

ECONOMIC DEVELOPMENTS

Overview of 2016 and outlook for 2017

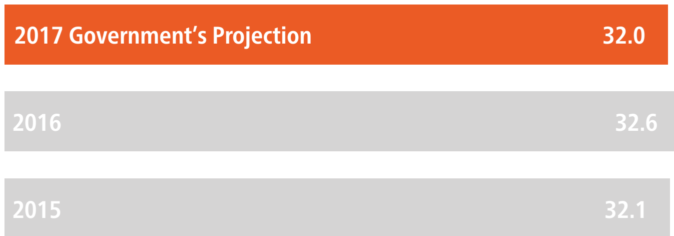
According the IMF forecast, the world economy grew merely 3.1% in 2016. The primary causes of the global economic weakness were the inability of the developed countries to fully overcome the repercussions of the global financial crisis as well as the problems in emerging markets, once the engine of the world economy, over the last two years.

Despite growing at a slower pace compared to 2015, the US economy was restored back to health for the most part in 2016. After the unemployment rate dipped below 5% and the inflation rate climbed above 2%, Fed raised its policy rate once again in December 2016. More importantly, Fed officials announced their expectation to raise the rates three more times in 2017, surprising the markets that were anticipating a fewer number of rate hikes. In addition, the expansionary fiscal policy and large-scale infrastructure investment proposals of Donald Trump, who triumphed in the November 8 elections, bolster the outlook for the US economy.

Economic activity in the Eurozone continues to grow, albeit at a slow pace, with the support of the European Central Bank's monetary expansion program. Growth in Germany, the largest economy in Europe, rose to 1.9%, reaching its most brisk level in five years, while economic activity in Italy started to pick up moderately in 2016. In France and Spain, the other large economies in the region, economic growth rates remained mostly unchanged from the previous year.

INFLATION (CPI)
(%)

CURRENT ACCOUNT DEFICIT
(USD-BILLION)



The most important development in Europe in 2016 was the United Kingdom's vote to leave the European Union (EU) in the referendum that was held on June 23. This decision, which initiated new debates on the future of Europe, has not had an adverse impact on the British economy as of yet. Nevertheless, it is currently unknown what Brexit will bring for England and the rest of Europe in the medium to long-term.

Emerging markets, led by China, underperformed their growth rates of previous years in 2016. The Russian and Brazilian economies contracted in 2016 while some other major economies such as India, Mexico and South Africa registered significantly lower growth rates compared to the previous year.

While these were the headlines in the world, the agenda in Turkey was occupied by domestic political developments, lingering internal security concerns, and geopolitical risks. While the departure of Prime Minister Davutoğlu in May created a short period of volatility in the markets, Binali Yıldırım's assumption of the prime ministry post after a very brief and seamless transition period relieved the markets. However, the coup attempt on the night of July 15 shocked the entire country. The markets, shaken during the quickly averted coup attempt thanks to the unity of the state and the people, recovered rapidly afterwards. However, Moody's downgrade of Turkey's credit rating below the investment grade level on September 23 created another round of negative impacts.

The Turkish economy underperformed growth expectations in 2016 as a result of these challenges in the world and in Turkey. In addition to the coup attempt, due in part to the two long Bayram holidays and an extremely weak tourism season, the economy contracted 1.8% in the third quarter of 2016 while the growth rate was 2.2% in the first nine months of the year. Growth is expected to pick up again in the fourth quarter due to the recovery in domestic consumption demand as well as increased government consumption and investment spending.

The inflation rate was much higher than the Central Bank of Turkey's target level of 5% in 2016. It reached 8.5% annually at the end of 2016 due to certain tax hikes, volatile food prices, and the weakness in the Turkish lira. Inflation is not expected to be close to the targets in 2017, either, given the rising oil and commodity prices in international markets in the last few months, as well as the delayed impacts of the Turkish lira's depreciation on prices.

Turkey's exports to Europe increased as a result of the recovery in the region. However, problems in other major export markets led by Russia and the Middle East prevented exports from providing the desired boost to growth. On the other hand, exports started to pick up in the fourth quarter of 2016 after Iran's re-integration into the world economy and the resolution of the crisis with Russia in the second half. As a result of these developments, exports declined 0.9% in 2016 compared to the previous year. Turkey's import bill also declined in 2016, thanks to the low levels of oil and other commodity prices during most of the year. Total imports contracted 4.2% in 2016, where intermediate goods imports were also weak due to lackluster investment demand. While the foreign trade deficit shrunk as a result of a larger decline in imports than exports, the current account deficit increased moderately in 2016 owing to a nearly 30% drop in tourism income.

BOARD OF DIRECTORS' REPORT

THE KOÇ GROUP AND KOÇ HOLDİNG

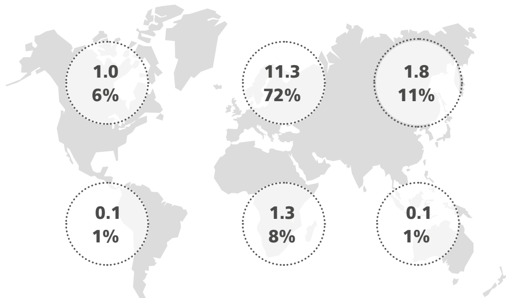
General assessment of 2016

With its strong domestic and international position, Koç Holding is among the leading companies globally. In 2016, it ranked among the Fortune Global 500 list as one of the world's largest 500 companies.

In 2016, Koç Group's combined revenues corresponded to 6% of Turkey's estimated GDP, while our listed subsidiaries in total made up 20% of Borsa Istanbul's total market capitalization at 2016 year-end. The total combined exports of our subsidiaries and joint ventures in 2016 made 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 2016.

2016 REGIONAL BREAKDOWN OF INTERNATIONAL REVENUES
(COMBINED-USD BILLION)



In 2016, the main developments in our businesses were as follows:

PROFIT BEFORE TAX OF ENERGY COMPANIES
(COMBINED-TL MILLION)

1%
YoY INCREASE

Combined profit before tax of our energy companies increased by 1% over the previous year and reached TL 2.5 billion in 2016.

- √ Tüpraş reached full capacity utilization in all of its refineries in 2016. Its crude oil capacity utilization ratio was 100.9% while this ratio was 105.3% including semi-products. With effective use of its conversion units, and the contribution of the Residuum Upgrade Project, the white yield ratio reached 76.6% while a record level of 27.9 million tons of product was produced. During the year, 30.3 million tons of product, 1.5 million tons higher than the previous year (+5%), was sold.
- √ In 2016, Opet increased its market share and reinforced its second place position in the fuel distribution sector, which approximately grew by 8% on an annual basis. As a result of the risk policies implemented by the Company, Opet improved its financials despite the exchange rate and price volatility in the market.
- √ In 2016, Aygaz reached a record sales volume with 2.1 million tons of LPG. With 2,200 dealers and 42% market share in cylinder gas, and 1,700 dealers and 25% market share in autogas, Aygaz continued to be the leader by far among its competitors in the sector.
- √ In 2016, Entek's consolidated sales revenue totaled TL 302 million, including TL 114 million from the natural gas power plants, TL 45 million from the hydroelectric power plants, and TL 143 million from commercial sales.

PROFIT BEFORE TAX OF AUTOMOTIVE COMPANIES
(COMBINED-TL MILLION)

17%
YoY INCREASE

Combined profit before tax of our automotive companies increased by 17% over the previous year and reached TL 2.4 billion in 2016. After reaching the one million unit sales benchmark for the first time in 2015, the Turkish automotive market repeated this performance in 2016. Koç Group's leadership continued in the industry while Group companies maintained their strong market positions.

- √ Koç Group's total automotive production rose 17% to 720,000 units, which accounted for 48% of total production volume in Turkey.
- √ Koç Group's total automotive exports soared 26% to 537,000 units, which represented 47% of Turkey's total automotive exports.
- √ Koç Group's domestic market share stands at 22%; Ford Otosan and Tofaş ranked 3rd and 4th, respectively, in the sector.
- √ Ford Courier, a Ford Otosan product that is manufactured exclusively in the Company's Yeniköy Plant, maintained its strong performance in 2016 and became the best-selling light commercial vehicle in Turkey. The Company solidified its market leadership with 29.9% market share in the commercial vehicles segment. The Ford brand sustained its 1st place position that it had first attained in 2015 in commercial vehicle sales in Europe with Ford Otosan, which plays a large part in this accomplishment, increasing its total exports to 257,000 units. The next generation Ecotorq engines, developed with an investment of USD 100 million, commenced mass production during the year.

- √ Tofaş's Fiat Egea Sedan model, which was offered for sale in November 2015, became the best-selling vehicle in Turkey in 2016. The Company commenced production of the Hatchback and Station Wagon models of the Egea line during the year. The Fiat Egea line is also sold in the export markets under the Fiat Tipo and Dodge Neon brand names. Tofaş ranked 2nd in the light commercial vehicle segment with 23.7% market share. In addition, the Company increased its production capacity to 450,000 units per year with the innovative solutions and new body line investment that were announced at the end of 2016.
- √ TürkTraktör accounted for 70% of Turkey's total tractor production in 2016 while making 90% of tractor exports with sales to more than 130 countries. For the year as a whole, the Company reached 46,000 units of production, 33,600 units of domestic sales, and 12,600 units of exports.
- √ Otokar maintained its leadership in the bus segments it is active in, as two out of every five buses sold in Turkey in 2016 carried the Otokar brand. The Company's bus exports rose 18% year-on-year. Maintaining its position as the leading land vehicles manufacturer for the defense industry in Turkey, the Company submitted its bid for the mass production of the Altay main battle tank that was also developed by Otokar.
- √ Otokoç sold approximately 69,000 new vehicles for a 7% share of the market. The Company continued to grow both in the short-term car rental market and in operational leasing. Establishing a presence in the Georgia and Northern Cyprus markets under the Budget brand, Otokoç increased the number of overseas operations to six.

PROFIT BEFORE TAX OF CONSUMER DURABLES COMPANIES (COMBINED-TL MILLION)

3%
YoY INCREASE

Our consumer durables companies' combined profit before tax reached TL 813 million in 2016, increasing by 3% compared to the previous year.

- √ Arçelik maintained its strong and steady growth while increasing its operating profit despite contractions in some markets and economic fluctuations in 2016.
- √ Arçelik increased its consolidated revenue by 13.6% year-on-year to TL 16,096 million, 60% of which was realized overseas.
- √ Maintaining its undisputed leadership in the Turkish white goods market, Arçelik ranked 2nd in Europe under the Beko brand while leading the market in free-standing white goods.
- √ Arçelik acquired Dawlance, the leading white goods brand in Pakistan, the world's 6th largest country by population, together with its three manufacturing plants and distribution network.
- √ Arçelik broke ground for a new factory in Romania in an attempt to expand operations in this country. This plant is expected to be Arçelik's first model production facility that conforms to the Industry 4.0 standards.
- √ Entering the US market under the Beko brand, the Company also adopted expansion in this market in 2017 and beyond as a priority goal.
- √ The Company reorganized its operations in the Turkish market by establishing Arçelik Pazarlama A.Ş. (Arçelik Marketing) in an effort to consolidate its leadership in the domestic market.
- √ Arçelik-LG maintained its domestic market leadership with a share of more than 50%, owing to its innovative approach and strong technological infrastructure, as well as a wide distribution and service network. The Company exports approximately 40% of its air conditioner production, mostly to Africa, Europe and Middle East.

PROFIT BEFORE TAX OF FINANCE COMPANIES (COMBINED-TL MILLION)

21%
YoY INCREASE

Our finance companies' combined profit before tax reached TL 4.1 billion in 2016, rising by 21% compared to the previous year.

- √ In 2016, Yapı Kredi entered the "Harvest Period" of the "Growth Oriented Investment Strategy" that was initiated at the end of 2013.
- √ In 2016, total cash loans of Yapı Kredi reached TL 176.5 billion.
- √ The Bank gained 731,000 net new active customers in 2016 and grew faster than private banks both in loans and in deposits. Yapı Kredi also reduced its cost/income ratio from 49% to 44%.
- √ In cash and non-cash loans, the Bank ranks 4th among all banks with 11.0% market share while ranking 3rd among private banks with 17.0% market share. In deposit volume, Yapı Kredi ranks 5th in the sector with 10.6% market share and 4th among private banks with 16.0% market share.
- √ Yapı Kredi continued to improve and enrich all digital channels, led by mobile banking, at full speed in 2016.
- √ The number of customers actively using mobile banking services soared 62% to 2.4 million while the internet banking user base grew 27% to 3.3 million. Yapı Kredi grew its digital banking market share for 16 consecutive quarters.
- √ Koçfinans, provider of financing alternatives to customers at points of sale, grew its portfolio by 20% year-on-year in 2016.

Tat Gıda, our company in the food industry, continued to solidify its leadership and bolster its market position by launching new products in 2016. The Company carried out communication efforts that reinforced sentimental connection with its brands as well as digital projects that target the youth in particular.

Koçtaş is the leader in the Do It Yourself retailing market with a total of 63 stores in 20 provinces boasting a combined sales area of 234,000 m^2. The Company served some 11.1 million customers in 2016. The Company continued to expand by opening nine new smaller-scale Koçtaş Fix stores.

BOARD OF DIRECTORS' REPORT

KOÇ HOLDİNG CONSOLIDATED FINANCIAL STATEMENT (TL MILLION)	2016	2015	CHANGE %
Revenues	70,932	69,492	2
Operating profit	6,949	6,677	4
Profit before tax	5,443	5,557	-2
Profit for the year	5,276	5,829	-9
Profit for the year attributed to equity holders of the parent	3,460	3,568	-3
Earnings per share (Kr)	1.364	1.407	-3
Earnings before interest, taxes, depreciation and amortization - EBITDA	8,377	7,944	5
Operating profit / Revenues (%)	9.8	9.6	0.2[1]
Total assets	88,071	72,985	21
Total liabilities	51,205	39,309	30
Total equity	36,866	33,676	9
Equity attributed to equity holders of the parent	25,826	23,135	12
Capital expenditures	3,345	3,798	-12
Depreciation and amortization	1,428	1,266	13
Revenues / Total assets (%)	0.81	0.95	-0.14[1]
Operating profit / Total assets (%)	7.9	9.1	-1.2[1]
Return on equity (%)	15.5	18.2	-2.7[1]
Current ratio	1.53	1.43	0.1[1]
Total liabilities / Total equity	1.4	1.2	0.2[1]

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

Financial and operational results

Valued Shareholders,

The Koç Group strengthened its financial position and continued to achieve successful results in all areas of operation in 2016 due to its diversified and balanced portfolio structure, strong cash position, prudent risk management and productivity boosting practices.

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

Koç Holding's combined revenues increased 8% year-on-year to TL 161,792 million in 2016. After TL 86,961 million is deducted due to accounting of joint ventures by the equity method and TL 3,899 million is deducted for consolidation eliminations and adjustments in accordance with international accounting standards, net consolidated sales revenue of Koç Holding amounted to TL 70,932 million.

Koç Holding's consolidated operating profit increased 4% year-on-year to TL 6,949 million, with consolidated profit before tax amounting TL 5,443 million.

Consolidated net profit in 2016 amounted to TL 5,276 million. Net profit attributed to equity holders of the parent was realized at TL 3,460 million.

At 2016 year-end, Koç Holding's total consolidated assets reached TL 88.1 billion with an increase of 21% over the previous year. The consolidated total equity of the parent company rose to TL 25.8 billion at the end of 2016 with an increase of 12% on the basis of profit and capital movements realized during the year.

Capital expenditures (capex) for the year reached TL 3.3 billion on a consolidated basis and TL 6.2 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 15.6 billion.

The Company's capital was reviewed under Article 376 of the Turkish Commercial Code to determine the extent to which it is unsecured. It was ascertained that Koç Holding's TL 2.5 billion in issued capital is more than indemnified with its TL 25.8 billion total equity attributable to the equity holders of the parent as of 31 December 2016 and that the Company's net financial debt/total equity multiple of 0.39 was sufficient to continue operations in a healthy manner.

Employment and union relations

Koç Holding's employees, including its subsidiaries and joint ventures, numbered 95,456 at the end of 2016. On a sector basis, the highest number of employees was in the consumer durables sector, with 32% of total employees. The automotive sector employed 29% of the Group total, while the finance sector employed 20% of the total.

2016 was an uneventful, peaceful year in terms of labor and trade union relations.

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 2017, the Koç Group will continue to operate towards its objective of profitable and sustainable growth while undertaking investments that create further employment opportunities and increase our efficiency.

With sincere respects to our valued shareholders and their representatives,

Ömer M. Koç
Chairman of the Board of Directors

INDEPENDENT AUDITOR'S REPORT (INTRODUCTION & OPINION)

The Independent Auditor Report is found on page 179. The Introduction and Opinion sections are presented for your information below:

Introduction

We have audited the accompanying consolidated balance sheet of Koç Holding Anonim Şirketi ("Koç Holding" or "the Company"), its subsidiaries and its joint ventures (together will be referred to as the ''Group") as of 31 December 2016 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.

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 of 31 December 2016 and their financial performance and cash flows for the year then ended in accordance with Turkish Accounting Standards.

KOÇ HOLDİNG A.Ş. CONSOLIDATED BALANCE SHEET

TL 000	2016	2015
Total current assets	41,077,302	29,992,478
Total non-current assets	46,993,810	42,992,424
TOTAL ASSETS	**88,071,112**	**72,984,902**
Total short term liabilities	26,877,153	20,902,762
Total long term liabilities	24,328,061	18,406,542
TOTAL LIABILITIES	**51,205,214**	**39,309,304**
TOTAL EQUITY	**36,865,898**	**33,675,598**
TOTAL LIABILITIES & EQUITY	**88,071,112**	**72,984,902**

KOÇ HOLDİNG A.Ş. CONSOLIDATED INCOME STATEMENT

TL 000	2016	2015
Total revenue	70,931,629	69,491,707
Total costs	-58,702,691	-58,038,031
Gross profit	12,228,938	11,453,676
Operating profit	6,948,742	6,677,310
Profit before tax	5,442,646	5,557,102
Tax income/expense	-166,260	272,249
Profit for the period	5,276,386	5,829,351
Equity holders of the parent	3,459,993	3,567,593
Earnings per share (Kr)	1.364	1.407

2016 BOARD OF DIRECTORS*,**

Rahmi M. Koç
Honorary Chairman

Ömer M. Koç
Chairman of the Board

Ali Y. Koç
Vice Chairman

Semahat S. Arsel
Member

Temel K. Atay
Member

Dr. Bülent Bulgurlu
Member

Caroline Nicole Koç
Member

İpek Kıraç
Member

Levent Çakıroğlu
Member, CEO

* *For the CVs of the BoD members, see pages 160-163.*
** *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 14 in the Information Document (page 258).*

Prof. Dr. John H. McArthur
Member

Prof. Dr. Heinrich V. Pierer
Member

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

Anne Lauvergeon
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 the first series of the 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 3,394,527,607.30 is determined as distributable dividend base after deduction of legal reserve stated under Article 519 of the Turkish Commercial Code amounting to TL 65,465,392.70 from the net profit achieved in the consolidated financial statements for the accounting period of 1 January - 31 December 2016 prepared by Koç Holding A.Ş. management which are in compliance with Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("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 3,398,059,870.56 is determined as first category dividend base after the addition of donations made to foundations and associations amounting to TL 3,532,263.26 to the distributable dividend base.

Meanwhile, TL 1,243,842,461.35 is determined as distributable profit after deduction of 5% legal reserve stated under Article 519 of the Turkish Commercial Code amounting to TL 65,465,392.70 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 169,902,993.53 As first category dividend to shareholders,
   - TL 10,500,000.00 To Koç Holding Foundation for Pensions and Assistance as per Article 19/c of our Articles of Association,
   - TL 98,031,981.14 To holders of usufruct certificates as per Article 19/d of our Articles of Association,
   - TL 656,546,180.97 As second category dividend to shareholders;

ii. The sum of first category dividend and second category dividend amounting TL 826,449,174.50 is proposed to be paid in cash;

iii. Dividend payments of TL 826,449,174.50 and TL 98,031,981.14 payment allocated to usufruct shareholders amounting to a total of TL 924,481,155.64 will be paid in cash and TL 2,250,398.33 of this amount will be sourced from current year tax exempt earnings and TL 922,230,757.31 will be sourced from current year other income. TL 10,500,000.00 allocated to the Koç Holding Foundation for Pensions and Assistance, 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 0.3259 for shares with a nominal value of TL 1 (32.59%) and, to the rest of our shareholders as gross TL 0.2910 (TL 0.277134 net) for shares with a nominal value of TL 1 (gross: 32.59%; net: 27.7134%).

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 308,861,305.71 in the statutory records and TL 2,459,546,451.67 in TFRS financial statements, is transferred to extraordinary reserves.

vi. The profit distribution date is determined as 6 April 2017.

DIVIDEND DISTRIBUTION TABLE

KOÇ HOLDİNG A.Ş. PROFIT DISTRIBUTION PROPOSAL FOR 2016 (TL)			
1. Paid-in capital			2,535,898,050.00
2. General legal reserves (as per statutory records)			391,144,770.63
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	5,442,646,000.00	1,339,869,421.35
4.	Taxes (-)	166,260,000.00	30,561,567.30
5.	**NET PROFIT (=)**	**3,459,993,000.00**	**1,309,307,854.05**
6.	Prior years' losses (-)	-	-
7.	Legal reserve fund (-)	65,465,392.70	65,465,392.70
8.	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	**3,394,527,607.30**	**1,243,842,461.35**
	Dividend advance distributed (-)	-	-
	Dividend advance less net distributable current period profit	3,394,527,607.30	1,243,842,461.35
9.	Grants made during the year (+)	3,532,263.26	-
10.	**NET DISTRIBUTABLE PROFIT INCLUDING GRANTS**	**3,398,059,870.56**	**1,243,842,461.35**
11.	**FIRST CATEGORY DIVIDEND TO SHAREHOLDERS**		
	- Cash	169,902,993.53	126,794,902.50
	- Shares	-	-
	- TOTAL	**169,902,993.53**	**126,794,902.50**
12.	Dividends distributed to preferred shareholders	-	-
13.	**OTHER DIVIDENDS DISTRIBUTED**	**10,500,000.00**	**10,500,000.00**
	- Members of the Board of Directors	-	-
	- Employees (Koç Holding Pension and Assistance Foundation)	10,500,000.00	10,500,000.00
	- Non-shareholders	-	-
14.	**DIVIDENDS DISTRIBUTED TO HOLDERS OF USUFRUCT RIGHT CERTIFICATES**	**98,031,981.14**	**98,031,981.14**
15.	**SECOND CATEGORY DIVIDEND TO SHAREHOLDERS**	**656,546,180.97**	**699,654,272.00**
16.	Legal reserve fund	-	-
17.	Status reserves	-	-
18.	Special reserves	-	-
19.	**EXTRAORDINARY RESERVES**	**2,459,546,451.67**	**308,861,305.71**
20.	Other sources planned for distribution	-	-
	- Prior years' income	-	-
	- Extraordinary reserves	-	-
	- Other distributable reserves as per the legislation and Articles of Association	-	-

KOÇ HOLDİNG A.Ş. INFORMATION ON DIVIDEND PER SHARE FOR 2016						
	GROUP	**TOTAL DIVIDEND AMOUNT**		**TOTAL DIVIDEND AMOUNT / NET DISTRIBUTABLE PROFIT FOR THE PERIOD**	**DIVIDEND PER SHARE FOR TL 1 NOMINAL VALUE (NET)**	
		CASH (TL)	**SHARES (TL)**	**RATIO (%)**	**AMOUNT (TL)**	**SHARE (%)**
NET	Group A	221,212,258.33	-	6.52	0.325900	32.5900
	Group B	537,279,422.80	-	15.83	0.277134	27.7134
	TOTAL	**758,491,681.13**	**-**	**22.34**		

(*) *No witholding tax is calculated for all of Group A shareholders and some of Group B shareholders who are known as full fledged legal entity tax payers. The calculations have been based on the assumption that other B Group shareholders are subject to withholding tax.*

(**) *Total dividends and payments to usufruct certificates, amounting to 924,481,155.64 TL will be sourced from the following:*
- 2,250,398.33 TL from current year tax exempt earnings
- 922,230,757.31 TL from current year other income.
The portion that corresponds to current year other income will be subject to withholding tax.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board of Directors, in its meeting on 13 January 2017, resolved to obtain the necessary approvals from the Capital Markets Board and the Ministry of Customs and Trade for the amendment of Article 6 "Capital" of the Company's Articles of Association and to submit the amendments to the approval of the shareholders at the first General Assembly.

The amendments to the Articles of Association, which were approved by the Capital Markets Board on 20 January 2017 and by the Ministry of Customs and Trade on 1 February 2017, are as follows:

FORMER TEXT

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

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

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

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

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

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

NEW TEXT

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

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

The authorized capital limit granted by the Capital Markets Board is valid for five years between **2017 and 2021**. Even if the authorized capital limit permitted as above is not reached as of the end of **2021**, in order for the Board of Directors to take a capital increase decision after **2021**, authorization is required to be taken from the General Assembly of Shareholders for a new term of up to 5 years, with a prior permission of the Capital Markets Board for the previous upper limit or for a new upper limit amount. If such authorization is not taken, the Company **cannot make a capital increase by a decision of the Board of Directors.**

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

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

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

FORMER TEXT (continued)

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

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

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

NEW TEXT (continued)

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

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

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

2017 BOARD OF DIRECTORS CANDIDATES

Rahmi M. Koç*

Ömer M. Koç*

Ali Y. Koç*

Semahat S. Arsel*

Temel K. Atay*

Dr. Bülent Bulgurlu*

Caroline N. Koç*

İpek Kıraç*

Levent Çakıroğlu*

Prof. Dr. John H. McArthur*

Prof. Dr. Heinrich V. Pierer*

Dr. Kwok King Victor Fung*

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 Lauvergeon* (Independent Board Member Candidate)

Ömer Dinçkök** (Independent Board Member Candidate)

* *For the CVs, see pages 160-163.*
** *For the CV, see page 259.*

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 and the Presidents. Total key management compensation incurred by Koç Holding in 2016 amounted TL 259,019 thousand (31 December 2015: TL 177,373 thousand).*

CEO'S LETTER

Levent Çakıroğlu
CEO

RESOLUTE

We continue to invest in pursuit of our global vision and strategic objectives.

VALUED

We are now the most valuable company on the Borsa Istanbul.

PRESTIGIOUS

We remain at the top in independent corporate reputation surveys.

LEVERAGING OUR PHILOSOPHY OF PIONEERING CHANGE, AND ALWAYS UNDETERRED BY CHALLENGES, WE WILL PROCEED SWIFTLY AND **RESOLUTELY AS WE HAVE MANAGED TO DO NOW FOR OVER 90 YEARS.**

Dear Stakeholders,

Many political, economic, technological and social developments that will shape our future are witnessed today. Leveraging our philosophy of pioneering change, and always undeterred by challenges, we will proceed swiftly and resolutely as we have managed to do now for over 90 years. Our priority is to prepare not only for the next five or ten years, but for future generations; to this end, we embrace constant rejuvenation even as we raise the bar.

We continue to invest in our global vision and strategic objectives as we deliver a steady performance. That our long-term viewpoint and stability are reflected in the 2016 financials is a matter of great satisfaction. We posted total consolidated revenue of TL 70.9 billion and net profit attributed to equity holders of the parent of TL 3.5 billion. With combined investments totaling TL 6.2 billion in 2016, our investments have reached TL 30 billion over the past five years. Our overseas revenues rose to USD 15.6 billion.

Four Koç Group companies dominated the Turkish Exporters Assembly's Export Champions Award Ceremony last year: Ford Otosan topped the list whilst Tüpraş came in second, Tofaş sixth and Arçelik seventh.

The great achievements of Group companies in their markets, and the profitable, risk-resistant and steady growth of the Koç Holding portfolio were all recognized by foreign investors, rating institutions and the financial industry.

Last year, Koç Holding was rated the most valuable company on the Borsa Istanbul. The proportion of foreign investors in Koç Holding's publicly traded shares continued to rise, climbing to 83.6%. Koç Holding stocks traded at a mere discount of 3% to its NAV.

Despite challenging market conditions, we issued a seven-year Eurobond on highly attractive terms last year. We have also maintained our investment grade rating from credit rating agencies S&P and Moody's in the face of all adversity.

CEO'S LETTER

The single greatest factor in our sustained success is undoubtedly the strength of our human capital, a resource that has continued to grow and develop in 2016. Considering companies within the scope of consolidation, the total number of our employees reached over 95,000. The number of our staff has grown by 6.4% year-on-year with the recruitment of nearly 6,000 new colleagues across the Group. A survey conducted amongst university students and young professionals named Koç Holding as Turkey's Best Employer in 2016.

I am convinced that technology will drive the greatest change in the world of business and the future of our Group, and that the scope, pace and impact of technological change will only accelerate in the near future. We are therefore focused on synergistic management of, and uninterrupted investment in, our technology, research and development, innovation, human capital and brands to achieve our global vision and sustainable growth strategy. Harnessing new technologies and business models, we continue to stay one step ahead, create value for our customers with our high quality eco-friendly products and services, and reinforce our market leadership.

We also launched a Digital Transformation Program throughout the Koç Group, an initiative led by Koç Holding, aimed at maximizing opportunities offered by digital technologies. It has the capacity to radically transform products, services, business processes and business models, to create added value for our businesses, to further strengthen our companies in a rapidly changing environment of competition and to create new business areas. In other words, we intend to lead Turkey's digital transformation and thereby create value for our country's future.

We take great pride in being Turkey's biggest investor in research, development and innovation, amounting to 12% of total private sector investment in research and development, and the highest number of patent applications. We have spent approximately TL 7 billion in research and development in the last ten years.

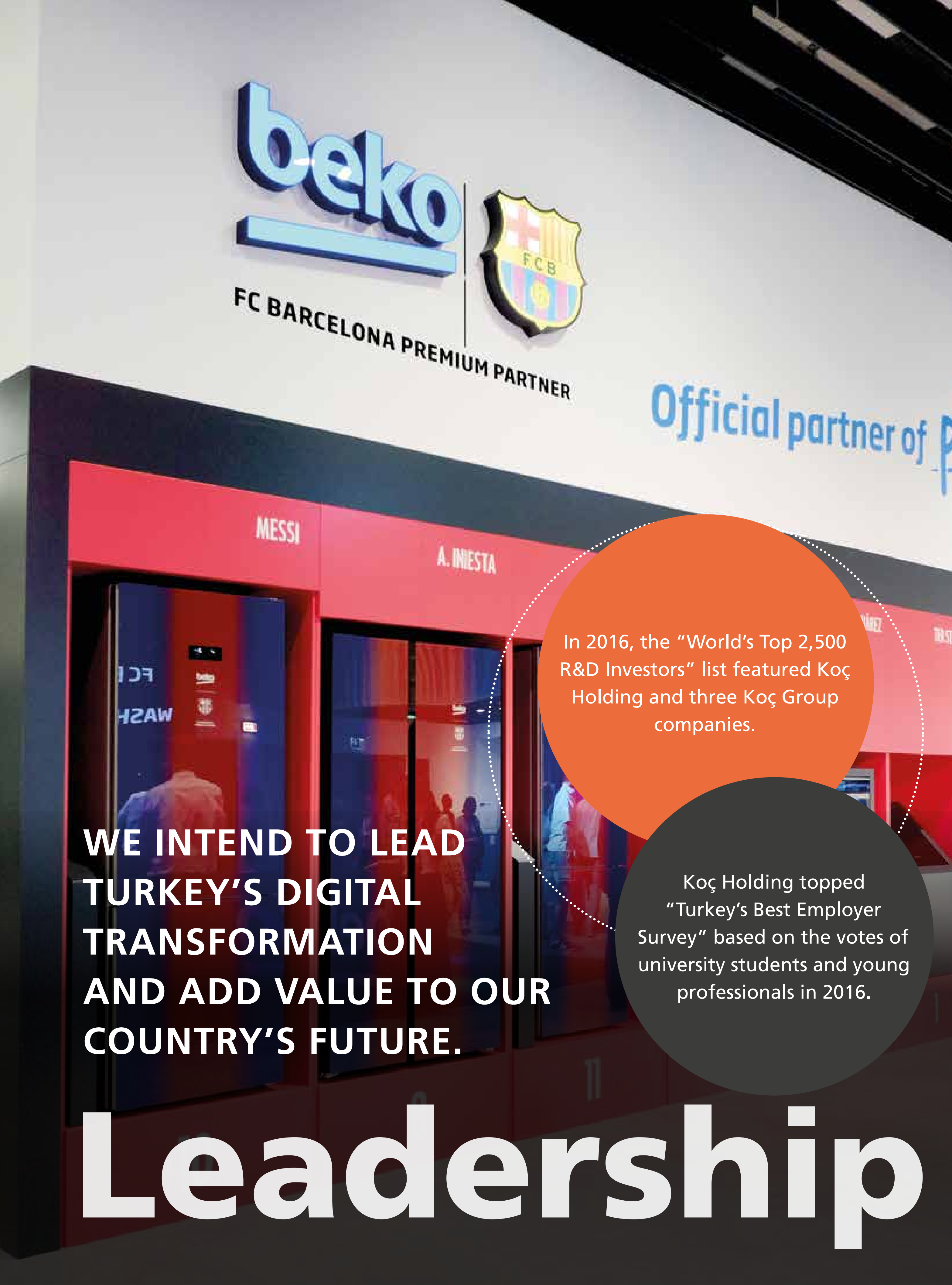
The EU Industrial R&D Investment Scoreboard, an analysis of 2,500 companies around the world with the largest R&D spend, includes Koç Holding and three Koç Group companies.

Arçelik topped the Patent League in the Fifth Turkish Patent Awards, whilst Ford Otosan and Tofaş finished third and fourth, respectively. Koç Group companies additionally claimed four more prizes according to the results of the "R&D Centers Performance Index 2015" in the Fifth Private Sector R&D Centers Summit organized by the Ministry of Science, Industry and Technology.

We do not, however, rest on our laurels. Our dedication to our reputation is much greater than mere commercial results. We remain at the top in reputation surveys conducted by independent agencies and are delighted that our impact on fields both economic and social reflects so well on our reputation.

Finally, I would like to take this opportunity to thank our shareholders, customers, dealers, suppliers, trade unions and colleagues for their contribution to our success as well as the achievement of our future goals.

Levent Çakıroğlu
CEO



In 2016, the "World's Top 2,500 R&D Investors" list featured Koç Holding and three Koç Group companies.

Koç Holding topped "Turkey's Best Employer Survey" based on the votes of university students and young professionals in 2016.

WE INTEND TO LEAD TURKEY'S DIGITAL TRANSFORMATION AND ADD VALUE TO OUR COUNTRY'S FUTURE.

Leadership

EXECUTIVE MANAGEMENT*, **

(1) **Levent Çakıroğlu,** CEO

(2) **Ali Tarık Uzun,** President, Audit Group

(3) **Faik Açıkalın,** President, Banking and Insurance Group

(4) **Ahmet Ashaboğlu,** CFO

(5) **Dr. Fatih Kemal Ebiçlioğlu,** President, Consumer Durables Group

(6) **Yağız Eyüboğlu,** President, Energy Group

(7) **Cenk Çimen,** President, Automotive Group

(8) **Tamer Haşimoğlu,** President, Tourism, Food and Retailing Group

(9) **Oya Ünlü Kızıl,** Corporate Communication and External Affairs Director

(10) **Özgür Burak Akkol,** Human Resources Director

(11) **Kenan Yılmaz,** General Counsel

(12) **Utku Barış Pazar,** Strategy and Business Development Director

(13) **Ufuk Çıplak,** Public Affairs Director

* *For the CVs of the executive management, see page 164-167.*

** *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 14 in the Information Document (page 258).*

MILESTONES

1926 Establishment

1930s The first joint stock company: Koç Ticaret A.Ş.

1940s First industrial ventures

1950s International partnerships

1960s Institutionalization

1970s First public offering; Growth and exports

1980's First private museum; Second generation takes over

1926
ESTABLISHMENT
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 the Koç Group employees. The shares of Kav match factory, established in 1970, are offered to the public.

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

1980s
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.

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"

1990s
The Koç Group grows in banking

1996
February 25, 1996: The end of an extraordinary life

2000s
A new vision for the new millennium

Third generation assumes command

Large investments in energy and finance

Koç Holding signs the UN Global Compact

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

2017
Continues to create value for all its shareholders

1987

VEHBI KOÇ IS NAMED "BUSINESSMAN OF THE YEAR"

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

1990s

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.

1996

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.

2000s

A NEW VISION FOR THE NEW MILLENNIUM

The 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.

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.

2016

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

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

2017 and BEYOND

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

AWARDS AND ACHIEVEMENTS

AMONG THE WORLD'S TOP 500 COMPANIES

Koç Holding is still the only Turkish company in the Fortune Global 500 ranking.

KOÇ HOLDING AND 3 KOÇ GROUP COMPANIES IN THE WORLD'S TOP R&D INVESTORS

The European Commission's 2016 list for "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.

EXPORT CHAMPIONS

The Koç Group put its stamp on the "Export Champions Award Ceremony" organized by the Turkish Exporters Assembly. Four Koç Group companies ranked first, second, sixth and seventh among the country's top 10 exporters in 2016.

4 KOÇ GROUP COMPANIES RANK AMONG THE TOP 5 INDUSTRIAL CORPORATIONS

The Koç Group successfully maintains its position as Turkey's top industrial group. According to the Top 500 Industrial Enterprises Survey 2015 by the Istanbul Chamber of Industry, four Koç Group companies rank among the top five industrial corporations in Turkey.

3 KOÇ GROUP COMPANIES IN THE TOP FIVE OF THE PATENT LEAGUE

At the 5th Turkish Patent Awards Ceremony, Koç Group companies ranked 1st, 3rd and 4th in the Patent League.

FOUR AWARDS TO KOÇ GROUP COMPANIES AT R&D SUMMIT

At the 2015 R&D Centers Performance Index Awards during the 5th Private Sector R&D Centers Summit organized by the Ministry of Science, Industry and Technology, Koç Group companies garnered four awards.

THE MOST ADMIRED COMPANY

In 2016, as in 2015, Koç Holding topped the "Turkey's Most Admired Companies" survey carried out by Capital magazine among close to 1,600 managers from over 500 companies.

THE MOST PRESTIGIOUS COMPANY

Koç Holding ranked first in the "Turkey Prestige Index – 2015" survey conducted by the Turkish Prestige Academy among 4,800 individuals from 20 different sectors.

THE MOST IDEAL EMPLOYER

Koç Holding topped the "Turkey's Ideal Employers 2016" list, based on the votes of university students and young professionals. In this survey carried out by Universum, Koç Holding was designated as Turkey's most appealing employer by students from the faculties of economic and administrative sciences, engineering and IT, as well as social sciences.

CARNEGIE MEDAL OF PHILANTHROPY

In recognition of its contributions to the society, Koç Family was deemed worthy of "Carnegie Medal of Philanthropy," considered to be one of the most prestigious philanthropy awards in the world.

LEGION D'HONNEUR

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

KOÇ SPOR FEST GARNERS GOLD AND BRONZE AWARDS

Koç Holding was deemed worthy of the "Gold Prize" in the "Interactive Brand Experience" category of Ava Digital Awards, Turkey's largest youth festival, and the "Bronze Prize" in the "Non-Profit Campaigns" category at the Summit Awards.

KAGİDER BİRE:BİR AWARD

Under the "For My Country" project, the "Start Ensuring Gender Equality With Your Words" advertisement, specially prepared for 8th of March World Women's Day, was deemed worthy of the "KAGİDER Bire:bir" social gender equality special award at the Felis Awards, granted in cooperation with the Women Entrepreneurs Association of Turkey (KAGİDER).

TOP AWARDS GRANTED TO MUSTAFA V. KOÇ

ECONOMIST: BUSINESS PERSON OF THE YEAR

At the 25th edition of the Business Persons of the Year Awards organized by Ekonomist magazine, the late Mustafa V. Koç was granted the "Business Person of the Year" award.

FORTUNE TURKEY: BUSINESS PERSON OF THE YEAR

The late Mustafa V. Koç topped the 5th edition of the "Business Persons of the Year Awards" list issued by Fortune Türkiye magazine.

ADDING VALUE TO TURKEY

At the 5th edition of Turcomoney Magazine's "Adding Value to Turkey Awards," the late Mustafa V. Koç was rewarded.

HUMAN RESOURCES AND ORGANIZATIONAL CHART

While the Group strives to achieve its vision and goals, our most valuable asset is our highly qualified human resources, who are deeply committed to the Company.

As of the end of 2016, the Koç Group employed 95,456 people, of whom 82,634 were in Turkey and 12,822 in other countries.

The Koç Group aims at employing the most successful professionals who take pride in creating added value that results in sustainable growth. Its goal is to be the most admired and preferred institution in Turkey. Key to achieving this is 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 (HR) 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 the 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, enhancements to fringe benefit packages are undertaken each year and new practices are put into use. In 2016, Complimentary Health Insurance was offered to Group employees, starting with the shop floor employees.

In line with our employee-focused, flexible and innovative approach, the Flexible Benefit Project was initiated in 2015 at our companies to offer a wider array of benefits for different generations and needs, in addition to the current range of employee benefits. In 2016, the program was extended to more Group companies.

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 on are identified and accordingly, enhancements that increase the level of standardization within the Group human resources processes and ensure utilization are undertaken. Most effective company specific human resources practices are shared among the Group at the annual Best Practices Day event.

Talent management approach

At Koç Group companies, potential employees are involved 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 an effective succession plan in place for top executive positions and proactively develops them for their positions.

Koç leadership programs – LEAD

In addition to the training programs delivered within Koç Group companies, "LEAD" leadership training seminars were organized to help employees make progress in terms of leadership, management, strategy and change management through their careers. Under LEAD, there are 24 different programs that appeal to everyone from newly recruited employees to senior managers. In this respect, the Group has created the lBeGlobal Silicon Valley program, long term development programs in collaboration with Harvard Business School, as well as leadership programs designed jointly with the leading companies in Turkey and the world.

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.

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, over 2,700 people applied the postings and nearly 200 employees benefited from the opportunity to rotate between companies in 2016.

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.

Following a revision in 2016, categories were redefined and a mobile- and webbased voting system was employed; following the initial assessment of the selection committee, the winning projects were designated by around 12 thousand people who used this voting system. A total of 12 projects were designated in the categories of "Adding Value to the Environment and Society," "Digitization," "Developing Partnerships" and "Creative Innovativon" and 104 employees who participated in these projects were rewarded.

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 is closely monitored.

Industrial Relations

Collective agreement are concluded with labor unions in seven lines of business within the Koç Group. 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 2016, quick adaptation and compliance of the Group companies to legislative amendments that directly affect working life was secured. The Group companies adapted quickly to these amendments and made the mandatory changes. Advanced training programs in industrial relations were continued.

HUMAN RESOURCES AND ORGANIZATIONAL CHART

The HR system and practices, which are developed through continuous investment, are one of the most important indicators of the value given to employees within the Koç Group.

Occupational Health and Safety Board

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, continued its activities. 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.

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 2016, Koç Holding Pension and Assistance Foundation had 62,110 active members and 420 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 more than 106,000 members.

Sports Festivals and Koç Group Sports Association

The 27th Annual Sports Festival took place in 2016. 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 2016, over 4,000 employees participated in the festival in 13 different categories. During the festival, a total of 1,654 competitions were organized in 85 days.

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 HR 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 HR processes. Some of the HR 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."

CHAIRMAN

CEO

- President, Audit Group
- President, Banking and Insurance Group
- CFO
- President, Consumer Durables Group
- President, Energy Group
- President, Automotive Group
- President, Tourism, Food and Retailing Group
- General Counsel
- Human Resources Director
- Corporate Communication and External Affairs Director
- Public Affairs Director
- Strategy and Business Development Director
- Secretary General

SHAREHOLDER AND INVESTOR RELATIONS

Our primary goal is to increase shareholder value through the implementation of world class corporate governance and investor relations practices.

Koç Holding and Koç Group's 11 publicly traded companies in total represented 20% of total market capitalization on Borsa İstanbul (BIST) as of 2016 year-end.

Keenly aware of the responsibility placed on the shoulders of Koç Group with its companies constituting 20% of the BIST, Koç Holding continuously strives to increase shareholder value through the implementation of world class corporate governance and investor relations practices.

In 2016, Koç Holding Investor Relations attended a total of 15 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.

Koç Holding constantly updates its website and Investor Relations application developed for smartphones and tablets, in order to provide the most up-to-date information and support 24/7 investor communication.

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
√ Over 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
√ Strong performance in corporate sustainability performance, demonstrated by being included in the BIST Sustainability Index

Koç Holding's added value for its Group companies

√ Reliability, strong reputation and powerful brand management based on over 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 and Koç Group's 11 publicly traded companies in total represented 20% of total market capitalization on the Borsa İstanbul as of 2016 year-end.

As of end-2016, Koç Holding has become the most valuable company on Borsa İstanbul with a market capitalization of TL 34,995 million.

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.

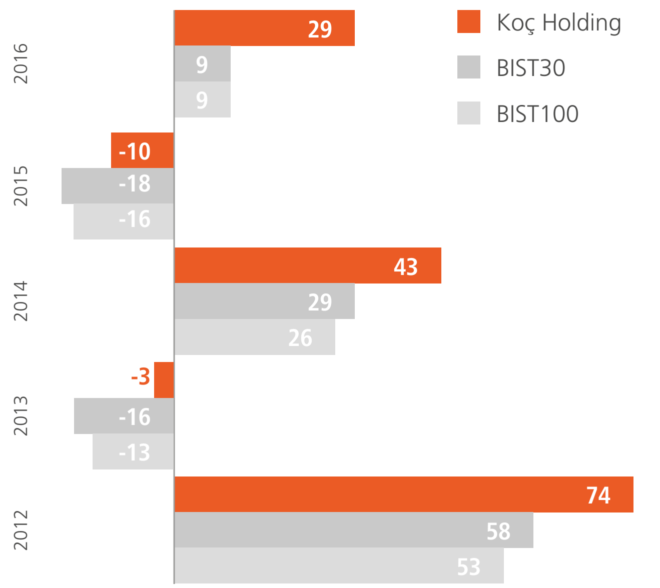
PREMIUM/DISCOUNT TO NET ASSET VALUE (%)

AVERAGE	2012	2013	2014	2015	2016
Koç Holding	-6	-3	+1	-2	-3
Peer Holding Average	-45	-34	-39	-35	-36

Koç Holding stock have consistently outperformed BIST indices over the past five years.

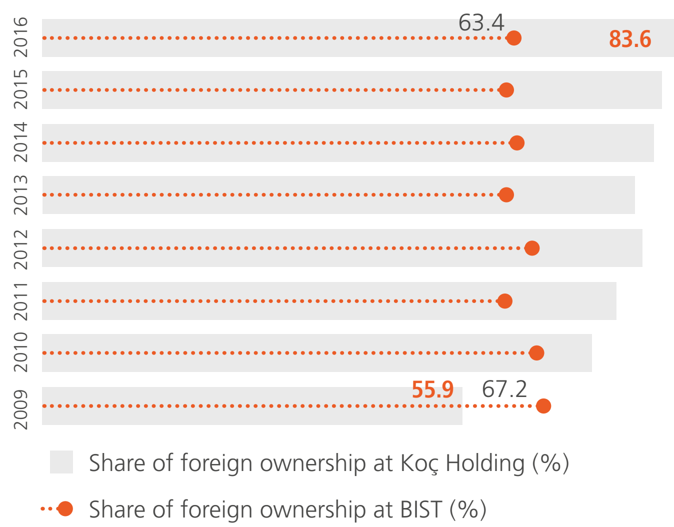
Koç Holding stock continued its consistent superior performance in 2016. The stock went up 29% in 2016, well outperforming the BIST-30 and BIST-100 indices, which rose by 9% in the same period.

SHARE PERFORMANCE (ANNUAL CHANGE-%)



As a result of the consistent high performance of Koç Holding stock, there was an increase in foreign investors' interest. The percentage of foreign holdings in Koç Holding's free float went up from 55.9% in 2009 to 83.6% as of year-end 2016. During the same period, the share of foreign investors in BIST as a whole went down from 67.2% to 63.4%.

SHARE OF FOREIGN HOLDINGS IN FREE FLOAT (%)



DIGITAL TRANSFORMATION

Aiming to extend the leadership it currently enjoys in numerous areas into the digital arena, the Koç Group embraced "Digital Transformation" as one its strategic priorities in 2016.

Being a leader in technological developments and making the best of latest developments have always been key to success in the business world. In today's world, the unprecedented pace of developments in digital technologies such as mobility, social networks, artificial intelligence, internet of things, cloud computing has further accelerated and deepened the transformation of the business world. Technology not only leads to increases in productivity and flexibility, but also changes the behavior and expectations of customers whose lives are surrounded by digital technologies. This in turn prompts companies to approach customers in a different perspective and creates new growth opportunities and business models.

With a view to extending its leadership role to the digital world, the Koç Group designated "digital transformation" as one of its major strategic priorities in 2016. The main pillars of this transformation are defined as serving customers better and faster with a fully customized buying experience and personalized products / services, making best use of technological developments in production, rendering the business processes leaner and more productive, encouraging employee participation and creativity, and implementing business models which up until now seemed technically impossible. The main objectives of this transformation are to enhance the pioneering and competitive position of our Group companies and to add more value to the national economy.

Arçelik, in keeping with the "maker" movement across the world, has rolled out Arçelik Garage. Garage offers a collaborative workspace, where it is possible to work in an interdisciplinary way, share ideas, and learn on the job. Turkey's most advanced 3D printing and prototyping center has made possible the swift transition from idea to design, and from design to 3D model, prototype or even to a functioning working product.

Digital Transformation Program

In order to persevere and lead in the digital arena, companies must revise their operations and business models according to the transformation in the business world and society at large, ensure that their employees gain skills suited to the new world, and transform their corporate culture beyond exploiting the opportunities offered by new technologies. As such, the ultimate goal of the "Digital Transformation Program" launched in 2016 is to carry out a cultural transformation in tune with our digital world, across Koç Group and especially among our most valuable asset, namely our employees.

The necessary requirements set forth to achieve this goal are the following:

- Creating a shared vision across the Group and prioritization of the goals,
- Raising awareness on digital transformation and enhancing participation in transformation activities among our employees,

- Depicting the companies' current situation in comparison to the best in class and identifying areas of improvement,
- Planning companies' projects and operations with an integrated approach, drawing up a roadmap for the short, medium and long term,
- Conducting projects beneficial across the Group and running activities targeting all employees such as communication and education in collaboration and synergy,

In this way, laying the groundwork for a long-lasting cultural transformation regarding digital world throughout the Koç Group is targetted.

Company activities

For Digital Transformation to be successful, it must include all company activities in a comprehensive and holistic perspective, must be embraced by the entire workforce starting from the top management, and must be managed with resolve. Accordingly, all companies have designated their "Digital Transformation Leaders" who will lead the way in putting into practice and monitoring the "Digital Transformation Program," as well as teams and steering committees. As such, the first phase of the new structure has been completed through an effort coordinated by Koç Holding.

Throughout the year, Group companies carried out various efforts in line with the framework drawn up together with Koç Holding:

- In order to assess how ready the company is for the digital world, a "digital maturity" assessment was conducted on several criteria such as strategy, culture, organization and capabilities, and the results were compared with the best practices in the industry. Implemented in over 150 large companies across the world, this assessment method has shown that there is significant correlation between digital maturity, financial achievement and shareholder value. Accordingly, suggestions were formulated as regards the necessary steps and measures.
- Existing and planned digital projects were evaluated according to the company's strategic objectives and priorities, and enhanced with new ideas and "best practices" so as to guide the company in its transformation efforts. Priorities were designated on the basis of financial impact and strategic importance. The resulting roadmap sheds light on the company's digital operations in the next 2-3 years.

Ford Otosan has developed in-house a system which allows authorized dealers and services to access the main sales and after-sales metrics via mobile devices, through instant updates without interruption. The mobile sales reports and information system introduced in first quarter 2016 are now actively used in dealerships.

DIGITAL TRANSFORMATION

For Digital Transformation to be successful, it must include all company activities in a complete and holistic perspective, must be embraced by the entire workforce starting from the top management, and must be managed with resolve.

- Employee competencies, areas for improvement and new capability needs were identified; accordingly, training and development programs have been planned and rolled out. The programs are designed to provide the employees with opportunities to improve themselves and keep pace with the fast-changing digital era.

Digital transformation studies conducted in companies concentrate around 4 main topics:

a) Customer experience and digital marketing are important for better understanding, reaching out and providing better products and services to our customers whose knowledge and selection capability have increased and buying behavior has changed due to digital technologies. Using customer information more effectively and deploying advanced systems such as data analytics in Customer Relationship Management (CRM), providing uninterrupted seamless and perfect "omnichannel" experience is a priority for our retail companies.

b) Supply chain and production activities help to increase the productivity and product quality through technologies such as artificial intelligence (AI) and Internet of Things (IoT) in production and to ensure more efficient integration with suppliers for faultless operation, lower inventory and logistics costs. This integration will certainly contribute to the entire ecosystem by accelerating the Digital Transformation in the supplier network.

c) Improvement of support operations via digital technologies and creating a lean working environment, on the one hand increases productivity, and on the other hand, encourages employees to focus on higher value added activities. The projects implemented by the companies are expected to improve employee satisfaction and yield long-term benefits.

d) Employee participation in processes and idea generation will make a very positive contribution to their company's performance, as the employees will be able to learn of new ideas in their business lines and put these into practice more rapidly, which in turn will boost their satisfaction. We place a special emphasis on the creation of such mechanisms of interaction and entrepreneurship, which are very important for innovation as well. The "Most Successful Koç Employees" competition organized every year to encourage employees' entrepreneurship, was extended this year with the addition of the "Digitalization" category, to ensure that employees attach a greater importance to this issue and to raise their awareness.

KoçSistem, in order to extend its Digital Transformation product portfolio, has launched "Platform360," an Internet of Things platform. The Platform 360 product family features Smart Manufacturing Product ManumetriKS, Remote Gauge Reading Solution SistemetriKS and Remote Infrastructure Management Product Sitelink.

Common topics of work within the Group

In addition to projects and digital topics undertaken by Group companies individually, some topics/themes are studied across the Group:

a) **Big Data and Data Analytics** has been a much discussed area for many years; however, it was practically impossible to collect and process large amounts of data due to technical limitations. But today, thanks to sensors that have become more advanced and less expensive, the increasing speed of information processing, data storage capacities, and advanced mobile communication technologies, big data can be collected efficiently and used to create value. Given that this is a relatively new topic globally in light of the rapid progress made in recent years, special efforts are required to collect knowhow, seize the opportunities and even envision what can be done. Koç Holding collaborates with relevant Group companies to create synergy within the Group and to accumulate knowhow in this fast-emerging area, which will become increasingly important in the future.

b) **Industry 4.0**, stands out as a field set to upend the current state of manufacturing and to create new actors. All countries including those who have relatively lower labor costs focus on this development. Industry 4.0 goes beyond automation as we know it, to help humans and machines to work in a more interactive and cooperative way, and helps to establish manufacturing facilities which attain the highest levels of productivity and quality. Joint efforts aimed at creating value for the Group are undertaken to enable Group companies to evaluate opportunities in new manufacturing technologies, share their knowhow in areas that require expertise and determine applicable standards.

c) **Information Technologies Competence** makes all digital initiatives possible; as such, it is the most essential pillar of digital transformation. IT competency requires fast and agile software and solutions development in the rapidly changing digital world; widespread use of flexible platforms such as cloud computing; creation of two-speed IT organizations; and more importantly, cultivating and hiring suitable talent. Following efforts to determine the current status of each company, the Group began working on identifying the future needs, working principles and cybersecurity measures.

Tüpraş has employed Machine Learning in a creative way, for purposes of Predictive Maintenance, thereby preventing manufacturing accidents and increasing productivity. This system has estimated the possibility of chlorine-related corrosion in the petrol unit overhead exchanger with an accuracy of 86% and has minimized this effect by mixing various chemicals at the right proportions.

DIGITAL TRANSFORMATION

d) New Digital Business Ideas are brought to the agenda of the Holding and Group companies as new products, services and business model ideas that introduce destructive innovations. While individual companies evaluate various ideas that fall in business sector areas and are in tune with their strategies and resources, it is also necessary to attach the required attention and importance to the ideas that fall outside of these individual sectors to bolster the Group's new business and investment in the digital world. Koç Holding is diligently working on this matter by reviewing its processes and organization.

Expanding digital culture

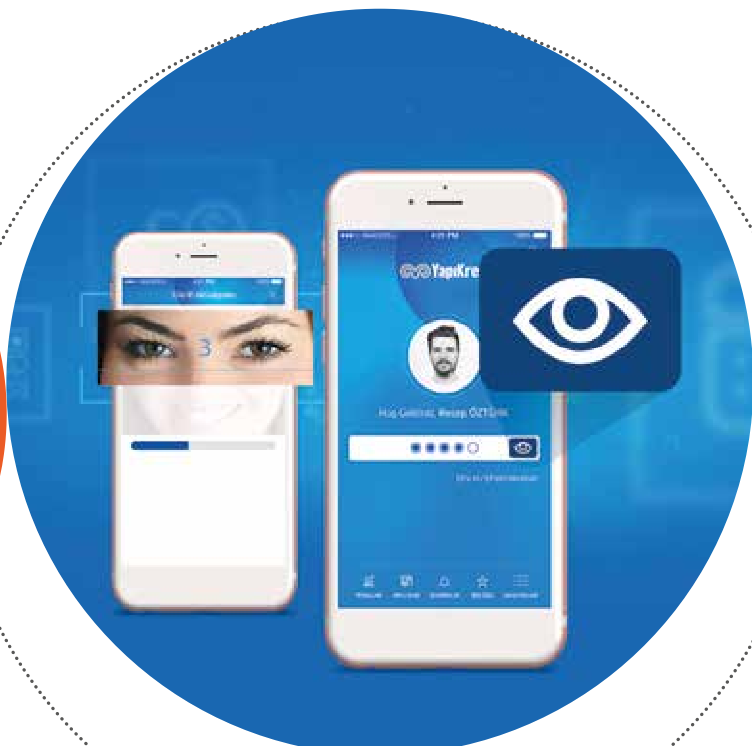
The ultimate goal of the Digital Transformation Program is to cultivate a shared digital culture that expands across the Group, which in turn demands long-term efforts. The entire workforce is key to such an effort. Activities in this field can be divided into three categories:

a) Awareness and communication: For creating and expanding a shared culture, it is necessary for all employees to be informed about the digital world, and for all information sources and participation channels to be open and readily accessible. To this end, a communication plan until 2018 has been put into practice.

b) Enhancing competencies: The new competencies needed by the digital world have been identified in line with the current plans and the future areas of interest, and comprehensive programs were established and are being implemented to overcome any deficiencies.

c) Governance: In order to ensure the sustainability of the program and to spearhead the expansion of this culture across the Group, organizational necessities and actions to be taken across Koç Holding and Group companies are identified and are being implemented.

Yapı Kredi Bank introduced numerous innovations in digital banking by giving a complete overhaul to its mobile banking app, which now features novelties such as Turkey's very first application log-in via eye scan technology, withdrawing money from ATM by using QR code and a Google-based search engine.



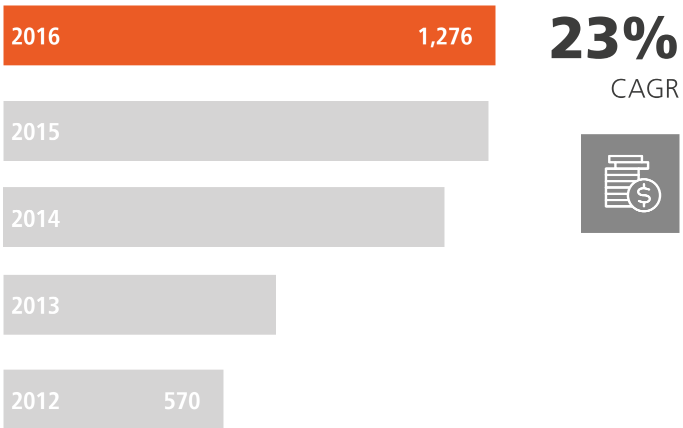
The ultimate objective of the "Digital Transformation Program" launched in 2016 is to carry out a cultural transformation in tune with our digital world, across Koç Group and especially among our most valuable asset, namely our workforce.

All companies have designated their "Digital Transformation Leaders" who will lead and monitor the Digital Transformation Program.

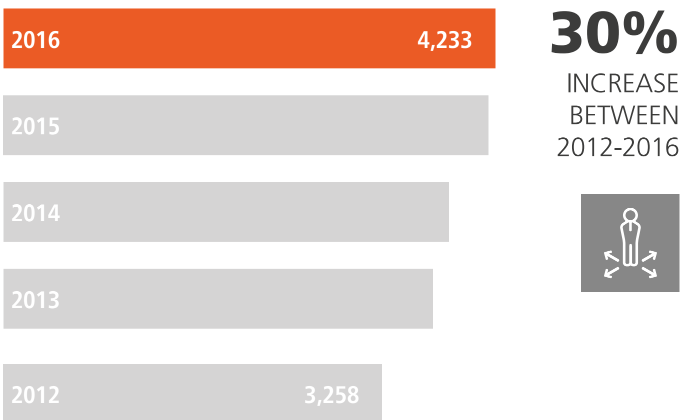
RESEARCH & DEVELOPMENT

Koç Group R&D Centers continued being recognized as the most successful R&D Centers in their respective sectors.

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



TOTAL R&D EMPLOYEES OF KOÇ GROUP COMPANIES



Composed of Koç Group companies' technology, innovation and R&D officers, the Koç Group Technology and Innovation Board continued its efforts to designate the long term technology, innovation and R&D management strategies, targets and actions of the Group. The Koç Group organized visits to the world's leading tech entrepreneurship centers and explored partnership opportunities, potential investment areas and service providers for Koç Group companies. In order to enhance the culture of technology, innovation and R&D at Group companies, meetings and events were organized with vast participation.

In addition to TL 5.9 billion in R&D investments between 2007-2015, the Koç Group made an additional TL 1.3 billion investment in R&D in 2016. The Koç Group constitutes nearly 12%* of total private sector R&D expenditure in Turkey.

European Union (EU) projects

Koç Group companies continued their activities in EU-funded project platforms. The number of projects under the EU 7th Framework Program (FP7) and in the Horizon 2020 (H2020) rose to 22, and the number of Eureka projects increased to 16.

With 8 projects included in the H2020 program, Arçelik has the highest number of projects among Turish private companies. Its projects are in a vast range of fields such as nanotechnology, innovative material technologies, home entertainment systems, factories of the future, internet of the future, cold food chain and logistics. The Company collaborated with over 450 universities, research institutes and firms from over 20 countries. In addition to five completed Eureka projects, Arçelik plays a leading role in the Eureka platform with 8 ongoing projects.

In 2016, Ford Otosan, on top of its two ongoing Eureka projects, was granted H2020 support for two new projects: The "Optitruck" project focuses on lowering fuel consumption and emission values by up to 20%. The "Platirus" project is aimed at developing an innovative process for recycling platinum group metals, which are used more and more, yet have a limited supply.

* *Based on TÜİK's Research and Development Activities Statistics for 2015.*

Otokar Sakarya factory played host to the launch of the "CoMoseF" project, which is a Eureka program bringing together Otokar and KoçSistem as project partners, designed to deliver smart public transport and safer roads.

KoçSistem retained its role on the ITEA Board of Directors in 2016. The TÜBİTAK processes continue for the "APPSTACLE-open standard APplication Platform for carS and TrAnsportation vehiCLEs" and "Media Orchestration-Sensor to Screen" projects, which received approvals at ITEA3 Call2. As for ITEA3 Call3, the projects "BALI-Building Management Applications on Lighting and Building Automation Infrastructure" and "PAPUD-Profiling and Analysis Platform Using Deep Learning" have passed the Project Draft stage and are in the Full Project Proposal stage.

As the first Turkish firm to assume the role of "Project Coordinator" at FP7, Tofaş continued its work on the "Robopartner" (Seamless Human-Robot Cooperation for Intelligent, Flexible and Safe Operations in the Assembly Factories of the Future) project in 2016.

Tüpraş received approvals for two H2020 projects in 2016. The Company started work on the "IPERM-Guided Wave Monitoring Tool," "Safeast-Continuous Structural Condition Tank Integrity Monitoring of Above Ground Storage Tanks," "IntegrOil-Demonstration of a Decision Support System for a Novel Integrated Solution aimed at Water Reuse in the Oil & Gas Market" and "FUDIPO-Future Directions of Production Planning and Optimized Energy and Process Industries," in the fields of enterprise security, environmental technologies and process control, respectively.

In 2016, Tüpraş became a member of the H2020 SPIRE platform, which shapes the projects of companies and research institutions that are leaders of their respective fields. Tüpraş is also the only Turkish company in the ASPIRE platform.

Energy

Work on the installation and infrastructure of Tüpraş R&D Center's "Catalyst Pilot Testing Facility" was completed in 2016, and field approval test studies were initiated. Tüpraş is expected to become the main center in its region in terms of catalyst pilot testing and assessment competency.

Kuantag brought its top quality and low-cost nano scale semi-conductor production to the level of kg / day. The production is performed in a system developed exclusively by the Company's own R&D team. The patent application for this technology was made in the USA and Europe, and the nano materials to be manufactured will be employed in a diverse area that includes health, screens, solar energy, detectors, lighting and textiles.

Thanks to the QR code sticker reading system developed to monitor the cylinders, Aygaz has placed stickers on 3.5 million cylinders in three pilot facilities and started to monitor and report on the movements between the plant and dealers. The Company also placed filter systems in its trucks to filter out the heavy hydrocarbon structures within LPG and reduce LPG's evaporation residues.

Automotive

Ford Cargo 2016 vehicles, equipped with heavy duty engine Ecotorq and EU-6 compatible exhaust treatment system, were showcased in Antalya. The vehicles were developed by Ford Otosan following four years of work. Furthermore, 3rd R&D Center within the Ford Otosan İnönü Factory campus was registered and Turkey's one and only truck test track was commissioned.

Otokar, İSBAK and KoçSistem joined forces to launch the "CoMoSeF" project, which allows vehicles to communicate with each other and roadside units, and collect information from traffic signalization systems. Funded by EU's Eureka Celtic-Plus program, the project will enhance driving safety and traffic management, by providing information on road conditions, weather and traffic to drivers.

RESEARCH & DEVELOPMENT

Koç Group companies continued to crown their achievements in R&D and innovation with numerous national and international awards.

Otokar started to export technology and licenses to Iran, following an agreement reached in 2016 for Sultan-branded buses. In the Doruk model's bus group, the Advanced Emergency Braking System and Line Departure Warning System became standard features. Our very first 18.75-meter articulated bus, the newest class in the coach family, was delivered to İzmir Metropolitan Municipality. R&D Test Center Climatic Chamber was designated as Turkey's one and only approved ATP testing station for vehicle superstructures.

Otokar achieved another first in the trailer segment with its "Iceliner" semi-trailer, which is the first huckaback refrigerator trailer produced and certified in Turkey meeting Code XL load safety standards.

Doblo RAM Promaster City, developed by Tofaş, continued to be marketed in increasing numbers in North America in 2016. Fiat Egea, which strengthens Tofaş's global competitive edge, has been introduced to the market as a model family that may appeal to the global markets, and started being exported to over 40 countries. In 2016, the Egea family expanded with the launch of the Hatchback and Station Wagon models. As a result, Tofaş broke the automotive sector manufacturing record with 384 thousand vehicles. The vehicle concept, style, body, interior design, suspension, engine, emission, vibration and acoustic design and test investments by Tofaş completed until 2016 have surpassed EUR 45 million.

In 2016, Tofaş engineers published a total of 64 articles, which includes 1 article in an SCI journal, 9 articles in SCI-Expanded journals, 5 articles in journals listed in other indices, 2 articles in national refereed journals, 23 international papers and 24 international papers.

In 2016, TürkTraktör completed the TEYDEB-supported "TT Multi-Purpose Economic Tractors with User Friendly Cabin and Platform" project and launched its 4th generation TT Tractor model.

Consumer durables

Arçelik R&D made numerous nationwide and international achievements in 2016, its 25th anniversary year.

In 2016, the Company added two new R&D centers and one design center to its already existing seven centers approved within the scope of the law on supporting R&D and Design Centers. As such, the number of the Company's total registered centers reached 10, thereby confirming its leadership in Turkey in this field.

As part of efforts to expand the international R&D network, aside from its R&D offices in Taiwan and the United Kingdom, the Company worked on opening an R&D office in the Boston area of the United States. The aim is to further enhance Arçelik's competitive edge in designing innovative products by strengthening its global R&D ecosystem, reaching the talent pool of world's leading universities and embracing emerging technologies in different regions of the world at an early stage.

In order to encourage employees to chase their dreams, create a joint working space where individuals can focus on novel designs, and to accelerate the transition from idea to product to market through a digital prototyping infrastructure, "Arçelik Garage" was established at the Çayırova campus.

Arçelik will contribute to the achievement of a digitized factory that produces more efficient and higher quality products by increasing its competence in advanced production technologies. To this end, the Company established at the Çayırova campus its "Workshop 4.0," which allows for the experience of technologies such as advanced automation tools, artificial intelligence, digital twins, image processing, mobile technologies, and collaborative robots.

In order to enrich smart TV platforms, the Company collaborated with Google to develop Android TV, which runs on the Android operating system that has a vast content infrastructure, applications and internet services. As a result, the Company designed, manufactured and rolled out Turkey's first Android TV.

At the Berlin IFA 2016 Fair, Arçelik showcased cutting edge technological products under its brands Beko and Grundig, such as "HerbGarden" which allows individuals to cultivate at home healthy herbal plants from seed and without pesticide; the "AutoDoor" technology which opens refrigerator doors upon the customer's approach; the "VUX" system that delivers a different user experience thanks to an interface featuring virtual oven, hood, and dishwasher; "Oven with Cooling" that helps users both heat, cook and cool the food; "IonGuard" technology which eliminates annoying smells by releasing negative ions into the dryer-washer drum; a new high-capacity dishwasher platform with numerous user-friendly features; the "AutoDose System" which sets dishwasher detergent doses independent of the user; and finally OLED TV, which drew immense attention from participants due to its ultra-sleek design, 4K technology, unmatched black hues, perfect colors, sharp contrast and very high details all of which provide a whole new TV watching experience.

Arçelik devises new projects thanks to its close contacts with the entrepreneurship and university ecosystems. To gain more speed in this sense, the Company inaugurated "Arçelik Innovation Center" in October in İTÜ Ayazağa campus. At the center, there is ongoing work on payment systems, retailing, machine-to-machine communication, internet of things and healthcare solutions.

The Company developed "Arçelik Intelligent Home Assistant," which was rolled out on December 7 and showcased at the Innovation Week on December 8-10. Thanks to automatic voice recognition, "Intelligent Home Assistant" will respond in Turkish to users' questions concerning various areas such as online shopping, food order, utility bill payment, and banking transactions.

After a long interval, Arçelik-LG's "Air Condition with New Internal Unit Platform" products started being exported into EU countries, thanks to their high energy efficiency and compliance with EU regulations.

Arçelik-LG R&D Center successfully joined forces with Yıldız Technical University in 2016 for the SANTEZ project dubbed "Inverter Air Conditioner Smart Interaction System Design" concerning the remote control of home air conditions with hand gestures.

Finance

Yapı Kredi Technology, Yapı Kredi's R&D company, presented two papers at international conferences as an output of the ongoing R&D projects. One of these papers was published in the "Communications in Computer and Information Science" magazine of Springer Publishing. Yapı Kredi Technology continued its activities at the Istanbul Technical University ARI Teknokent, and brought 2 TEYDEB applications, which were evaluated positively by TUBİTAK referees in 2016, to the last phase. Furthermore, Yapı Kredi Technology took part in the consortiums within the scope of the H2020 program and made two project applications.

Defense industry

Otokar continued in 2016 the user qualification tests on the current prototypes of the main battle tank Altay, Turkey's biggest land weapon system project. The Altay tank was showcased at the High Tech Port fair held in November in İstanbul.

Otokar initiated the serial production of Cobra II armored vehicles to be employed by Turkish security forces.

The Company carried out an analysis on the requests in the "Information Demand Document" issued by the Undersecretariat for Defense Industry for the Naval Forces Turkish-Type Assault Boat Project (TTAB), included in the Undersecretariat of Defense Industry procurement program. The design for two assault boats that meet the technical and operational requirements were developed together with external partners in the industry, and showcased at IDEF 2015.

RESEARCH & DEVELOPMENT

Other

Zer geared up its product and technology development activities in 2016. Jointly designed by Koç University, “Buldozer” has been launched as an in-house entrepreneurship and innovation program. The three projects which are outputs of this program are in the customer experience verification stage. In order to pave the way for open innovation, Zer has rolled out a technology platform where it shares all operational data with customers and suppliers.

In the field of procurement where Zer is active, all strategic operations are conducted via the Promena platform. The platform’s technology was upgraded and the app started being marketed overseas. Three new commercial softwares (ekozer.com, araciste.com, medyaportal) whose intellectual rights belong to Zer were rolled out in 2016.

İnventram A.Ş., an early-stage high tech investment firm and a subsidiary of Koç Holding, has, to date, undertaken three equity investment, 13 patent licensing, 43 patent investment and 24 technology commercialization projects. In 2016, one of Japan’s largest investment groups, Mitsui&Co. Ltd. acquired a 30% stake in İnventram. In Turkey and overseas, investment efforts continue in “Robotic Tactile Sensor” technology, wearable smart imaging, “Hemorrhage Preventing Electro-stimulator,” a wearable stimulator that is proven to reduce Parkinson symptoms as much as medications, augmented virtual reality, mobile electronic diagnosis devices, and smart glove technology that will turn Turkish sign language signs used by hearing-impaired individuals into voice.

Two TEYDEB projects by Tat Gıda received national approval in 2016.

Awards

At the 5th Private Sector R&D Centers Summit in September, it was declared that, according to the results of the R&D Centers Performance Index 2015, Arçelik garnered the top prize, namely, “Turkey’s Most Successful R&D Center,” as well as the sector-specific prize, “Most Successful R&D Center in the Consumer Durables Sector.” Tofaş was designated “Most Successful R&D Center in the Automotive Sector” for the second year in a row, and chosen the 4th best R&D center in Turkey. In the “Project Capacity” category, KoçSistem received the top prize.

At the IFA fair held in Berlin, Arçelik showcased its cutting edge products in two fields, under the brands Beko and Grundig. At the same event, Beko garnered the “CHEARI Technology Innovation Award” for its EverFresh+ technology.

At the 14th edition of the Association of Turkish Electronics Manufacturers (TESİD) “Innovation and Creativity Awards,” Beko received the “Product Development Process” award for the 300TR Cash Register POS project.

During the Productivity Week, in the Large Scale Enterprise - R&D category, Arçelik Cooking Devices won the first prize in the “Productivity Projects Awards” category with its “High Productivity Gas Cooker Burner Design” project.

Once again this year, Arçelik supported Turkish Innovation Week organized by the Turkish Exporters’ Assembly as a strategic partner. Arçelik also garnered the “R&D Leadership” prize, confirming its success in innovation with national and international awards as always.

At the same event, Ford Otosan placed first in the İnovaLig contest, in the category of “Innovation Organization and Culture.”

Ford Otosan's Euro6 Ecotorq Engine Family, designed entirely by Turkish engineers, garnered the "Grand Prize in Technology" from among 170 applications from 23 provinces, at the Technology Awards, whose 12th edition was organized this year jointly by TÜBİTAK, TTGV and TÜSİAD.

Ford Otosan contributes to the national economy by exporting not only products but also engineering. According to the Turkish Exporters' Assembly's "Turkey's Top 500 Service Exporters" survey, Ford Otosan received the first prize in recognition of its USD 80 million exports in engineering services in 2015. These services include concept design work on the Ecotorq engine to be rolled out by JMC in China in 2017 and 2020 as regards emission requirements, diesel engine emission work for the passenger and commercial cars to be rolled out in Europe, Euro6.1 and Euro6.2 certification work for Fiesta cars, and hardware work on transmission parts in Edge and Transit vehicles.

Tofaş was deemed worthy of three awards at Bursa Chamber of Commerce and Industry's 43rd "Adding Value to the Economy Award Ceremony". The Company was designated "Industry Leader" in the main automotive sector, garnering first prize in innovation and second prize in exports.

The Doblo-RAM Promaster City vehicle developed for the North American market was designated by Green Car Journal as "The Green Car of the Year" in 2017, for the second year in a row.

Yapı Kredi Technology, Yapı Kredi's R&D company, won third prize at the "National Productivity Awards" organized by the Ministry of Science, Industry and Technology for its Intelligent Management System (iMS) project. The Company received the "Excellence Award" in the "Business Impact" category of the "Eureka ITEA" project, where it participates in the consortium led by AIRBUS. Furthermore the mobile app featuring novelties such as "Eye Recognition" and "Contactless Money Withdrawal from ATMs" was designated a five-star app by users at the iOS App Store.

"Evreka2", organized by Yapı Kredi in July-October 2016, became the first innovation contest open to the individual or group participation of all Koç Group employees. As a result of the semi-finals, 12 participants passed to the final stage following training seminars organized by "KWORKS/Koç University Entrepreneurship Research Center."

KOÇ INNOVATION PROGRAM

Success of combining industrial powerhouse with an entrepreneur 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, Koç Holding launched Koç Innovation Program in 2014. 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 the 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 voluntering rather than driven by corporate targets, the program is spreading rapidly across the Group. 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. As a result of efforts undertaken within the framework of the program, new products and services were launched and additional revenue streams were created.

Tat Gıda launched SEK Quark, the first project developed within the scope of the innovation program. The products received the Superior Taste Award from ITQI (International Taste & Quality Institute).

Under the Corporate Entrepreneurship program, Otokoç Otomotiv developed six new business model ideas via the Lean Startup method; one of these new business models is being implemented while the other five are in the pilot phase. In addition to the Corporate Entrepreneurship program, the Company also focused its efforts on open innovation in search of new service and process ideas.

As part of innovation activities initiated by Aygaz in 2016, the Company defined its innovation vision, mission and strategy, and provided training on entrepreneurship and innovation to its employees. The Company selected 10 ideas submitted via “Aythink”, a social platform for collecting new ideas from employees. The selected ideas/suggestions had the potential to lead to the development of new products, services and business models that support the Company's business strategies. Subsequently, the project teams assigned to work on each of these ideas transformed them into applicable business models using the Lean Initiative method. Out of these 10 innovation projects, six received support from the Company's senior management and are currently being developed as pilot projects.

Ford Otosan rolled out its innovation program. Accordingly, six innovation projects were selected in the idea campaign titled “Smart Mobility Solutions for Megacities”, and currently, the Company is working on these projects.

Koçfinans rolled out its innovation program. Accordingly, the Company holds regular meetings with entrepreneurs and startups within the framework of open innovation efforts while carrying out Corporate Entrepreneurship projects.

The Koç Group ensures and monitors growth in the field of innovation by setting various goals for the entire Group and individual companies. 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 the Koç Innovation Index.

INTELLECTUAL PROPERTY

The "Patent Champion" Group that leads the way in intellectual property rights.

Turkey's largest intellectual property portfolio with

7,500+ trademarks

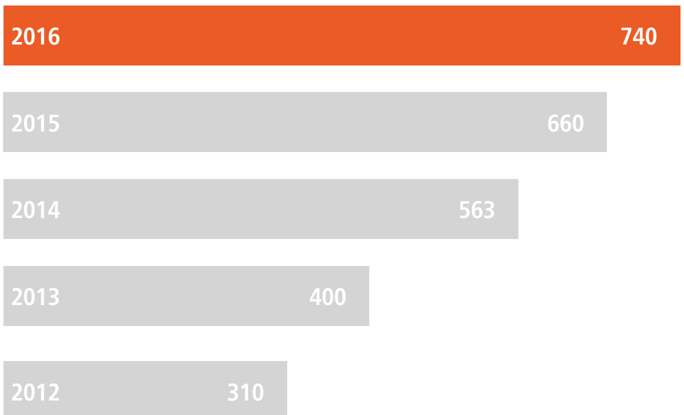
4,100+ patent families

9,600+ patents

800+ industrial designs

5,400+ internet domain names

KOÇ GROUP'S PATENT APPLICATIONS BY YEAR



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

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

The Koç Group defines its intellectual property rights strategy as follows:

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

The Koç Group is the first group in Turkey to have established and shared an intellectual property strategy with its stakeholders. The 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. The Koç Group maintains and monitors its growth in intellectual property by setting various goals for the entire Group and individual companies.

Koç Group intellectual property rights portfolio – consisting of over 7,500 trademarks, 4,100 patent families and 9,600 patents, 800 industrial designs and 5,400 internet domain names – is the largest in Turkey and the most important one in the region where it operates.

Koç Group companies filed 660 patent and utility model applications in 2015 and 740 such applications in 2016. Koç Group companies are Turkey's patent champions. At the 5^{th} Turkish Patent Awards held in 2016, Arçelik placed 1^{st}, Ford Otosan 3^{rd} and Tofaş 4^{th} in the Patent League. Arçelik also won first prize as the "Company with the Highest Number of International Patent Applications." In 2016, Arçelik ranked 78^{th} on the list of companies with the highest number of patent applications, which is issued by the World Intellectual Property Organization (WIPO), thereby achieving its best rank to date. In the last 10 years, Arçelik has been the only Turkish company to rank among the top 200 corporations with the highest number of patent applications on the WIPO list; in 2016, it was the only Turkish company to rank among the top 100.

In addition, the 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.

ENERGY

WITH OUR INVESTMENTS, STRONG BRANDS AND CONSUMER FOCUS, WE ARE THE ENERGY OF GROWING TURKEY!

ENERGY

Developments in the oil sector in 2016

Developments in 2016, particularly the improvement in the fourth quarter, supported more optimistic expectations for 2017.

Oil prices declined all the way down to USD 25 per barrel in the first quarter due to lackluster demand as well as further increases in crude oil supply in the aftermath of the lifting of sanctions on Iran. Supported by OPEC announcements, declarations from Russia on freezing the production at current levels, geopolitical developments, and seasonal pickup in demand, oil prices rallied from these depths and fluctuated within the USD 40-50 band. Crude oil prices ended the year at USD 55 per barrel after OPEC's announcement of 1.2 million barrels per day production cut. In the light distillate segment, consisting of gasoline, naphta and LPG, gasoline consumption was supported by the growing number of vehicles on the road as well as increasing driving distances fostered by low prices while demand from the petrochemicals sector increased naphta and LPG consumption. In the medium distillate segment comprised of jet fuel and diesel, despite the partial recovery in Q4, demand for diesel in particular were significantly below the expectations all year due to the weak economy as well as the El-Niño weather pattern that suppressed heating demand in Q1. Refining margins were under pressure due to high global capacity utilization spurred by strong light distillate demand, investments in new capacity that commenced operation during the year, and excess supply from the authorization of Chinese "teapot" refineries to import oil.

In terms of petroleum products consumption, Turkey is the 23rd largest market in the world and 7th largest market in Europe.

The gasoline market, which stood at an annual 4.5 million tons 20 years ago, then pursued a downward trend and dropped to as low as 1.8 million tons in 2012, owing to the widespread uptake of diesel and autogas consumption. The gasoline market resumed growth from 2013 onwards, owing to the growth in the passenger car park and the increased fuel efficiency of gasoline engines, and expanded by around 20% in the last four years. Nevertheless, the diesel market displayed a stronger growth trend and expanded 2.6-fold in the last 20 years, going up from 8.5 million tons to 22.3 million tons. The jet fuel market embarked upon a robust upward trend, in particular from 2007 onwards, to reach 1.8 million tons. Due to the increase in international transit air flights, it soared to the order of 4.6 million tons in 2015, before contracting in 2016 to drop to 4.4 million tons in 2016, as a result of the contraction of the Turkish tourism industry.

According to Energy Market Regulatory Authority (EMRA) data, in 2016, the Turkish petroleum products market grew by 7.6%, while the growth rates in the gasoline and diesel markets reached respectively 6.5% and 8.5%. In 2016, Turkey's demand for gasoline was entirely met by domestic production. Domestic production met 10.6 tons of the total demand for diesel, whereas the remaining 52% of total diesel demand was met by imports. India, Russia and Israel stand out as Turkey's major diesel suppliers.

LPG sector developments in 2016

The Turkish LPG market ranks 15th in the world and 3rd in Europe by size.

After contracting for more than 10 years, the Turkish cylinder gas market began to stabilize as a result of a slowdown in natural gas penetration, incremental demand from the immigrant population, and lower supply prices.

Continuing to grow uninterruptedly since 2003, the Turkish autogas market boasts the largest LPG car fleet in the world with 4.3 million vehicles running on autogas. As the awareness of the environmentally-friendly aspect of autogas grows by the day, performance and safety perception of users also improves with the advances in conversion system technologies.

According to the Energy Market Regulatory Authority (EMRA) statistics, the Turkish cylinder gas market and autogas market grew 0.6% and 2.4%, respectively in 2016.

Remaining low until Q3 2016, LPG prices began to rise alongside rallying oil prices after the OPEC meeting in November 2016. Coupled with the loss of value in the Turkish lira, it began to put upside pressure on domestic consumer prices.

Turkey's total LPG demand in 2016 was met 23% from domestic production and 77% from imports. The largest exporters of LPG to Turkey are Algeria, Russia, Kazakhstan, Norway and the United States. Imports sourced from Russia and Kazakhstan declined significantly in 2016.

Power sector developments in 2016

Turkey's installed generation capacity rose to 78,497 MW as of year-end 2016 and is divided between three sub-sectors. State-owned power plants account for 25% 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. The largest share, the remaining 63%, is owned by private sector companies that operate in the merchant market.

A breakdown of the installed capacity by fuel type shows that hydroelectric power plants have a 34% share. Natural gas power plants account for 33%, while imported and domestic coal-fired power plants comprise 22%. The remaining 11% share comes from other renewable and thermal power plants.

The Koç Group in the energy sector

After it was acquired by the Koç Group in 2006, Tüpraş began investing in technological development and transformation in operational excellence, production efficiency, environmental performance, and occupational safety. Tüpraş's capex spending over the last 11 years reached USD 5.8 billion pursuant to its strategic investment decisions. As part of this effort, the largest one-off private sector industrial investment in Turkish history, the USD 3 billion

ENGINE of the Energy Sector

Opet bolstered its second-place position and maintained its market share in the fuel distribution sector, which grew 8% in 2016.

Delivering services across Turkey under the Aygaz, Mogaz and Lipetgaz brands, Aygaz posted record-breaking LPG sales of more than 2.1 million tons in 2016, maintaining its leadership in the overall LPG market with a 29% market share.

Residuum Upgrade Project (RUP), was completed. As such, a large volume of imported products, particularly diesel, were displaced by domestic production, which narrowed the national current account deficit by some USD 1 billion annually.

Opet bolstered its second-place position and maintained its market share in the domestic fuel distribution sector, which grew 8% in 2016. Serving consumers at more than 1,500 Opet and Sunpet stations, Opet aims to be the first choice of customers in the sector with its "Supreme Service Philosophy." Efforts to this end yielded significant achievements crowned with a number of awards in 2016.

Serving Turkish consumers across the country under the Aygaz, Mogaz and Lipetgaz brands, Aygaz maintains its competitive edge with its extensive dealership network, strong corporate business culture, close proximity to the end consumer along with an excellent service quality and speed. The Company registered record-breaking LPG sales of more than 2.1 million tons in 2016 and maintained its leadership in the overall LPG market with a 29% market share.

With a total installed capacity of 219 MW, Entek posted consolidated revenue of TL 302 million in 2016.

TÜPRAŞ

DOMESTIC MARKET POSITION

Company **with 100%** of Turkey's current refining capacity

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

INTERNATIONAL MARKET POSITION

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

OWNERSHIP STRUCTURE

51.00%
Enerji Yatırımları A.Ş.

49.00%
Free Float

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

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. Tüpraş closely monitors business and investment opportunities in Turkey and overseas.

Since joining Koç Group in 2006, Tüpraş has undertaken a technological change and improvement drive via investments in operational excellence, productive efficiency, environmental and occupational safety. As a result of strategic investment decisions, the company's capital expenditures over the last 11 years have amounted to USD 5.8 billion.

To this end, the largest one-off private sector industrial investment in Turkish history, the USD 3 billion Residuum Upgrade Project (RUP), was completed. As a result of this project, a substantial volume of Turkey petroleum product imports, especially diesel, were replaced with domestic production, and the country's current account deficit narrowed by USD 1 billion annually. The commissioning of RUP enabled all refineries to operate at maximum capacity. In 2016, Tüpraş achieved a capacity utilization rate of 105.3% (including semi-products and other charges) crude oil processing capacity utilization stood at 100.9%. In all its operations, Tüpraş places great importance on environmental sensitivity and efficient use of natural resources. Accordingly, the company achieved a "first" in the sector with its Residential Greywater Treatment and Reuse in Processing project.

Despite a significant decline in global refining margins and interruptions experienced in operations, Tüpraş reported a record capacity utilization rate with a total charge volume of 29.6 million tons in 2016, of which 28.3 million tons were crude oil and 1.3 million tons were semi-products. In addition to achieving a high level of capacity utilization, Tüpraş also increased white product yield to 76.6% through the efficient use of the Residuum Upgrade Plant and the conversion units, realizing a total production volume of 27.9 million tons.

In 2016, thanks to full capacity utilization and effective sales strategies, Tüpraş sold 30.3 million tons of products: 24.8 million tons to the domestic market and 5.5 million tons to export markets. This represented a 1.5 million ton (5%) increase over the previous year. Due to investments in recent years and strong production capabilities, the company broke records in domestic and total sales volume; as well as in domestic sales of diesel and bitumen and total sales of gasoline, diesel and bitumen.

Robust corporate governance

In today's world, corporate governance practices of companies are as important as their financial performance. In 2016, Tüpraş's corporate governance rating was revised as 9.42 out of 10. The company has maintained its position among the top ranks of the BIST Corporate Governance Index since its inception in 2007.

With a total annual crude oil processing capacity of 28.1 million tons, Tüpraş is Turkey's largest industrial company by revenue and added-value generated.

TOTAL REVENUES	EBITDA*	PROFIT BEFORE TAX	NET PROFIT**	SHARE OF INTERNATIONAL REVENUES
34,855 (TL million)	**3,238** (TL million)	**1,944** (TL million)	**1,793** (TL million)	**18%**

* *Excluding FX gains/losses and credit finance income/charges on trade receivables and payables.*
** *The parent company's net profit for the period.*

TÜPRAŞ

In 2016, Ditaş carried 9.3 million tons of crude oil and 5.9 million tons of petroleum products.

Awards and achievements

- 1st place on "Istanbul Chamber of Industry (ISO) – Top 500 Industrial Enterprises" and "Capital 500" lists
- 2nd prize at "Turkish Exporters Assembly (TIM) – Export Champions Awards"
- An overall score of 9.42 in the BIST Corporate Governance Index
- Listed on the BIST-50 Sustainability Index
- 1st prize at the 2016 European Business Awards for the Environment with the project "Municipal Domestic Wastewater Treatment for Reuse as Process Water in Industry" and the honor to represent Turkey
- Industrial Energy Efficiency Project Competition Sevap-2 category: Batman Refinery – 1st prize; Sevap-3 category: Kırıkkale Refinery – 2nd prize, İzmit Refinery – 3rd prize.
- Aegean Region Chamber of Industry (EBSO): Izmir Refinery – 1st prize in industrial sales and exports
- Aegean Region Chamber of Industry Environment Awards: Izmir Refinery – 1st prize for reducing CO_2 emissions by 210,000 tons and energy savings of 100,000 Gcal
- 2015 ICCI Energy Awards: Izmit Refinery – 1st prize in the energy efficiency category
- Kocaeli Chamber of Industry Sectoral Performance Awards: "Large-Scale Enterprise" award
- Şahabettin Bilgisu Environment Awards: "Environmental Investments Encouragement Award"

MARINE TRANSPORT: DİTAŞ

Ditaş, a 79.98%-owned subsidiary of Tüpraş, delivers significant operational advantages and cost benefits with its industry experience spanning more than 40 years. The company provides crude oil and petroleum products logistics and transportation services to Tüpraş.

In 2016, Ditaş carried 9.3 million tons of crude oil and 5.9 million tons of petroleum products. Tüpraş refineries accounted for 95.5% of the company's crude oil transport, and 49.9% of its petroleum products transport. THY Opet and other distribution companies accounted for 44.6% and 5.5% of the company's total product transport operations in 2016, respectively. Ditaş's tanker fleet, which started operating in 1974, currently consists of a 164,859-DWT crude carrier, eight product carriers with a combined capacity of 142,066 DWT, and three time-chartered product carriers with a 46,031 DWT capacity. In addition, Ditaş provides pilotage, towage and mooring services with numerous vessels it owns.

In February 2016, Ditaş placed an order for two 158 thousand DWT Suezmax tankers. The company also finalized contract negotiations for construction of a 15 thousand DWT asphalt carrier and a 16 thousand DWT product carrier.

Outlook, targets and strategies for 2017

The extent of commitment by non-OPEC countries to cut oil output, the energy policies of the United States, and an expected rise in crude oil production are some of the factors that will affect crude oil supply in the year ahead. Demand increase in 2017, which is expected to be lower than 2016, will be shaped by the economic performance of countries like China, India and US; as well as the effects of actions by the Trump administration and the Fed, on economies sensitive to global liquidity conditions. As a result, global demand for petroleum products is expected to expand by 1.3 million barrels/day.

The price for Brent is expected to be at around USD 55 per barrel in 2017. The Mediterranean complex refinery margin - the most important indicator of financial performance - is expected to be between USD 4.0-4.5 per barrel while the Tüpraş net refinery margin to be between USD 5.75-6.25 per barrel. Tüpraş is projected to reach a total production volume of 29.2 million tons and a total sales volume of 30.6 million tons with full capacity utilization including crude oil and semi-finished products.

Tüpraş's corporate governance rating was scored at 9.42 out of 10.

29.6
(million tons)

Tüpraş reported a record capacity utilization rate with a total charge volume of 29.6 million tons in 2016, of which 28.3 million tons were crude oil and 1.3 million tons were semi-products.

OPET

DOMESTIC MARKET POSITION

In white products, **2nd** with a market share of **17.7%**

In black products, **3rd** with a market share of **19.4%**

SHAREHOLDER STRUCTURE

50.00%
Öztürk Group

40.00%
Tüpraş

10.00%
Other Koç

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

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 8% in 2016.

2016 saw Opet's sales outperform the market, thanks to a well-positioned dealer network. In the face of the recent exchange rate and price fluctuations, the Company has acted within its risk policies and demonstrated a positive financial performance.

THY-Opet serves numerous domestic and international airlines at all of Turkey's 51 airports. Due to rising macro risks, the Company's sales volume in 2016 dropped by 7% year-on-year to 3.7 million m^3 of jet fuel.

Awards and achievements

Serving customers with nearly 1,500 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 2016.

- Capital Magazine - "The Most Appreciated Company" in the fuel oil sector
- IPSOS and KalDer - "Brand with the Highest Customer Loyalty"
- Turkish Prestige Academy - "Turkey's Most Prestigious Fuel Distribution Brand"
- Woman to Watch - Board Member and Founder Ms. Nurten Öztürk, "Lifelong Honor Award"
- Commercial film: "A Day in Barcelona" - "Crystal Apple Bronze Award" and "Felis Achievement Award"
- Commercial film: "Missing the Bus" - "Felis Achievement Award"
- Lovemark - "Lovemark" of the fuel oil sector (third time recipient)
- Marketing Power - Innovative marketing applications
- BrandAge Magazine - Brand-product match "Arda Turan-Opet Best Match"
- Turkey 2nd Prize at Euro Cloud Awards, Machine Learning category

Respect for the environment and social responsibility

Opet conducts all its operations with a strong sense of responsibility towards all of its stakeholders in accordance with the highest ethical standards. 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 2017

In 2017, the Company plans to grow above the sector average without compromising overall profitability, by carrying out capital investments necessary to achieve these targets while keeping the customer satisfaction the Company's top priority.

In 2016, Opet boosted its market share in the fuel distribution sector, thereby strengthening its second-place position.

TOTAL REVENUES	EBITDA*	PROFIT BEFORE TAXES	NET PROFIT**	SHARE OF INTERNATIONAL REVENUES
20,534 (TL million)	**716** (TL million)	**479** (TL million)	**398** (TL million)	**13%**

* *Excluding FX gains/losses and credit finance income/charges on trade receivables and payables.*
** *The parent company's net profit for the period.*

AYGAZ

DOMESTIC MARKET POSITION

LPG market **leader** since its inception in 1961

Cylinder gas market **leader** with a **42%** share

Autogas market **leader** with a **25%** share

Total LPG market **leader** with a **29%** share

OWNERSHIP STRUCTURE

40.68%
Koç Holding

24.27%
Free Float

24.52%
Liquid Petroleum Gas Development Co.

10.53%
Other Koç companies

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

Aygaz, Koç Group's first energy company, ranks 13th on the Istanbul Chamber of Industry's list 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

In 2016, Aygaz's LPG sales exceeded 2.1 million tons, with the company breaking its previous record.

Providing services across Turkey via more than 2,200 cylinder gas sales points with the Aygaz, Mogaz and Lipetgaz brands, Aygaz maintains a competitive edge thanks to its well-established dealership structure, strong corporate business culture, proximity to customers as well as high quality and swift service delivery. According to EMRA data, Turkey's cylinder gas consumption grew 0.6% to 821 thousand tons in 2016. Meanwhile, Aygaz maintained its market-leading position with a sales volume of 342 thousand tons and market share of 42%.

In 2016, Aygaz's autogas sales rose 2% over the prior year to 792 thousand tons. With its more than 1,700 licensed autogas stations, Aygaz boasts the most extensive distribution network in Turkey. According to EMRA data, autogas consumption in Turkey - the largest market in Europe - increased by 2.4% to 3 million 142 thousand tons during the year. While the public image of autogas as an eco-friendly fuel continues to improve, advances in conversion technologies positively affect user perceptions related to performance and safety.

Independent surveys conducted between 2003 and 2016 revealed that Aygaz has consistently achieved the highest level of customer satisfaction in both the cylinder gas and autogas segments.

Investments

For the year, the capital expenditures of Aygaz and its subsidiaries amounted to TL 98 million; investments included modernization projects at facilities, new autogas stations, gas cylinders as well as environmental and safety related investments.

Awards and achievements

- According to the Voice of the Customer survey, conducted jointly by the Turkish Quality Association (KalDer) and Ipsos, Aygaz was selected as the "Brand with the Most Loyal Customers" in both cylinder gas and autogas segments.
- Aygaz won a total of six awards (four for cylinder gas; two for autogas) in five out of 11 award categories at the Crystal Apple Festival of Creativity, the meeting point for creative disciplines including advertising and marketing communications.
- Aygaz was presented with five awards at the 11th edition of the Felis Awards, which aims to honor the most creative projects in the field of marketing communications.
- Aygaz Otogaz's advertising campaign "Turkey Sets Out on the Road with Aygaz" featuring the well-known actor Şener Şen, won the "Silver Effie" at the 8th edition of the Effie Awards Turkey. The competition is organized jointly by the Association of Advertising Agencies, Association of Advertisers and Effie Worldwide Inc. to recognize the most effective marketing campaigns.

In 2016, Aygaz's LPG sales broke another record, exceeding 2.1 million tons.

TOTAL REVENUES	EBITDA*	PROFIT BEFORE TAX	NET PROFIT**	SHARE OF INTERNATIONAL REVENUES
6,749 (TL million)	**408** (TL million)	**469** (TL million)	**416** (TL million)	**7%**

* *Excluding FX gains/losses and credit finance income/charges on trade receivables and payables.*
** *The parent company's net profit for the period.*

AYGAZ

Aygaz Doğal Gaz recorded 1,061 million m^3 of sales in 2016.

- As part of the "I Support Gender Equality for My Country" program, launched by Koç Holding in June 2015, Aygaz received the "Most Successful Company for My Country" award, granted by Koç Group to companies with less than 2,500 employees.
- At the European Business Awards, where many business enterprises from 33 nations - including Turkey, Norway, Switzerland, Macedonia and Serbia, in addition to European Union countries - competed, Aygaz received the prestigious Ruban D'Honneur in the "Customer Focus" category.

AYGAZ DOĞAL GAZ

Founded in 2004, Aygaz Doğal Gaz, an Aygaz subsidiary, sells natural gas to eligible consumers via pipelines. The company also sells and transports liquefied natural gas (LNG) with special vehicles to consumers without pipeline access. Aygaz Doğal Gaz operates with the vision of "Becoming the Versatile Player of the Natural Gas Market" while closely monitoring market dynamics and opportunities.

In 2016, Aygaz Doğal Gaz maintained its market position with a sales volume of 1,061 million m^3 and turnover of TL 864 million.

Outlook, targets and strategies for 2017

Aygaz's main goal is to become 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 increasing its market share across all segments to sustain leadership and transferring its business model to foreign markets, where LPG consumption is on the rise.

According to the Voice of the Customer survey, Aygaz was selected as the "Brand with the Most Loyal Customers" in both the cylinder gas and autogas segments.

792
(thousand tons)

In 2016, Aygaz's autogas sales increased to 792 thousand tons.

Entek
Elektrik Üretimi A.Ş.

ENTEK

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

Koç Group's power generation company, Entek, operated with an installed capacity of 219 MW in 2016. This includes one natural gas combined cycle plant with a total capacity of 157 MW (in Kocaeli), and three hydroelectric power plants with a total capacity of 62 MW (two in Karaman and one in Samsun). In addition to its plants in operation, Entek has a fully owned wholesale company (Eltek), 50% interest in a 625 MW imported coal-fired power plant project (Ayas), and a 0.05% stake in EPİAŞ, the company established to operate the Energy Exchange.

In 2016, the problem of excess capacity persisted in the electricity market, as in previous years. Following the commissioning of new power plants with a total capacity of 6,650 MW, total installed capacity in the Turkish electricity market rose to 78,497 MW during the year. The share of private power generation companies active in the free market increased to 61% of Turkey's total power generation and 62% of Turkey's total installed capacity.

Entek's 2016 consolidated revenue totalled TL 302 million. Of this total, TL 114 million comes in return for 508 million kWh from natural gas plants, TL 45 million in return for 207 million kWh from hydroelectric power plants, and TL 143 million in return for 652 million kWh from commercial sales performed via Eltek.

Competition in the electricity sector has intensified further with the arrival of new high efficiency power plants in the market. This trend encourages older natural gas power plants with low efficiency to exit the market. Nevertheless, the Kocaeli plant continues to operate as it can easily execute direct busbar and steam sales to nearby clients.

Entek can purchase electricity from the system and sell it to customers via its wholesales company Eltek, thereby hedging its portfolio against possible drops in the system price. Accordingly, during periods of low system prices, Eltek sees its profits rise and Entek bolsters its competitive edge.

Outlook, targets and strategies for 2017

Entek plans to focus on diversifying its resources and prioritizing renewable energy investments. Aiming to attain a well-balanced portfolio structure and boost its market share, the Company is actively seeking opportunities to acquire new assets.

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

DEMİR EXPORT

Demir Export is the Turkey’s most comprehensive mining company.

Koç Group’s mining company Demir Export, with 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 2016, continues to be the most comprehensive mining company in Turkey. 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 million tons of coal in Manisa’s Soma region, the Company started a three-year investment drive at Eynez Coal Mine, which was completed in March 2015. As a result, the first phase of fully mechanized production was commissioned. In November 2015, the equipment installment for the second phase was completed and full capacity production started.

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.

Coal mining activities continues at Sivas Kangal open pit coal mine, pursuant to the agreement signed with the power plant operating company. Negotiations are underway for the new contract period which will start in September 2017.

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

Iron ore production continues in line with changing market conditions. Out of the six iron ore mines, currently, production and sales activities are carried out only at Divriği mine.

Outlook, targets and strategies for 2017

In addition to gold, iron ore and coal mining activities in 2016, the Company also focused on increasing production and sales of base metals such as copper and zinc.

Some 42 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 2017.

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 that started again in June 2015 was completed. Accordingly, in 2016 the Company produced approximately 10 thousand ounces of gold. The production target for 2017 is 23 thousand ounces.

Demir Export maintains its robust position in the Turkish mining industry thanks to a well-experienced staff of specialists and the Company’s high capacity machinery and equipment inventory that can perform 40 million m^3 excavation and extraction per year.

AUTOMOTIVE

WE BREAK OUR OWN RECORDS AND LEAD TURKEY'S AUTOMOTIVE SECTOR WITH OUR STRONG BRANDS, PRODUCTION AND R&D CAPABILITIES!


FIAT

AUTOMOTIVE

Developments in the automotive sector in 2016

When compared to 2015, a year of record-setting sales in the automotive industry, sector-wide automotive sales fell marginally to 1,007,857 units in 2016. Sales of light commercial vehicles, medium commercial vehicles and heavy commercial vehicles declined by 7%, 6% and 44%, respectively, while passenger car sales went up by 4% to a record level of 756,938 units. The share of passenger cars in the overall automotive market rose to 75.1%, the highest in the history of the Turkish automotive industry.

Total automotive production hit 1 million 486 thousand vehicles while total exports climbed to 1 million 141 thousand units, both all-time highs. The share of imports rose by 1 percentage point in passenger vehicles and by 4 percentage points in commercial vehicles - up 1 percentage point for the automotive industry as a whole.

In November, the Turkish government hiked the special consumption tax rates on passenger vehicles. In addition, rising exchange rates led to an increase in costs. As a result, demand was pulled forward in the fourth quarter of 2016. Pursuant to new truck regulations, compliance with the Euro 6 emission standard became mandatory in the truck segment.

In 2016, the Turkish bus market contracted by 33% and only one tender was held in the articulated bus segment. The midibus (7-9 meters long) market shrank by 39% with sales totaling 2,019 units. As the European bus market started to pick up, Turkey's small, medium and large bus exports expanded 20% in 2016.

In 2016, Turkey's trailer market contracted by 27% year-on-year. One item that topped the sector's agenda during the year was compliance with ATP standards related to the transport of perishable foodstuffs.

Developments in the tractor market in 2016

TÜİK (Turkish Statistical Institute) data indicates that the domestic tractor market grew 5% over the previous year, rising to 70,205 units in 2016. In terms of sales, Turkey is the 4th largest tractor market globally.

The Koç Group in the automotive sector

In 2016, the Koç Group accounted for 48% of total automotive production in Turkey while its shares in total automotive exports and automotive sales were 47% and 22%, respectively.

The Koç Group maintained its leadership position in the automotive market in 2016. Ford Otosan ranked 3rd in the overall automotive market with an 11.4% share and Tofaş closed the year in 4th place by capturing a 10.8% market share.

Manufactured only at Ford Otosan's Yeniköy Plant worldwide, Ford Courier has continued a successful performance since its launch and was named as the best-selling light commercial vehicle in Turkey in 2016. Capturing a 29.3% market share, Ford Otosan further bolstered its leadership position in the commercial vehicle market. In both 2015 and 2016, the Ford brand maintained its lead in the European commercial vehicle market, which continued to grow in 2016. Ford Otosan manufactured 81% of all vehicles in the Transit range, which are sold in Europe, thereby playing a major role in Ford's success. Despite the UK's decision to leave the European Union - one of Turkey's largest export markets - and the ensuing developments, the Company boosted its exports over the prior year. As a result, Ford Otosan realized more than 60% of Turkey's commercial vehicle exports. Ford Otosan proudly became the export champion of Turkey in 2016, as well as in 2015.

Tofaş, under the Fiat brand, ranked 2nd in the domestic light commercial vehicles market with a 23.7% share. Fiat Egea Sedan became the best-selling model in Turkey with 34,755 units sold in 2016, its first full year of production. During the reporting year, the Company also began selling the Fiat Egea Hatchback and Station Wagon models, completing its new passenger car product range. Due to the high demand for the Fiat Egea from both domestic and international markets, Tofaş expanded its annual production capacity to 450 thousand units per year via innovative solutions and investments in the body assembly line, as announced by the Company at the end of 2016. Fiat Egea models are sold under the "Fiat Tipo" and "Dodge Neon" brands in export markets. In 2016, Dodge Neon was the first passenger car model exported by the Company to Mexico. Tofaş accounted for 24% of Turkey's vehicle exports, thus achieving the highest export volume.

Otokoç Otomotiv sold about 69 thousand new cars in 2016, capturing a 7% market share. In used car sales, the Company maintained its lead among corporate brands with 24 thousand unit sales. In short term car rentals, revenues went up as Avis and Budget, by 16% and 29%, respectively. In operational leasing, the Company expanded its car fleet by 17% to 27 thousand cars.

LEADER
in the Automotive Sector

60%

Ford Otosan realized more than 60% of Turkey's commercial vehicle exports. Ford Otosan proudly became the export champion of Turkey in 2016, as it was in 2015.

Most Preferred

Fiat Egea Sedan became the most preferred passenger car model in Turkey in 2016, its first full year of production, while Ford Courier became the most preferred light commercial vehicle.

Otokar maintained its leadership position in the domestic bus market which it is active in: two out of every five buses sold in Turkey was Otokar branded. The Company also increased its bus exports by 18% and added new export destinations. Otokar signed a technology licensing agreement in the small bus segment - the first technology transfer agreement for the segment in Turkey - for manufacturing Sultan buses in Iran. Otokar was the best-selling brand in the refrigerated semi-trailer market; the Company also maintained its position as Turkey's leading armored land vehicle manufacturer in the defense industry.

TürkTraktör has remained the undisputed leader of Turkey's tractor market for the last 10 years. In 2016, the Company worked tirelessly to develop the Turkish agriculture industry and contribute to the national economy. TürkTraktör accounted for 70% of Turkey's total tractor production in 2016 and realized 90% of total tractor exports by selling its products in more than 130 countries.

FORD OTOSAN

DOMESTIC MARKET POSITION

8th in the passenger car market with a **5.5%** share

2nd in the light commercial vehicle market with a **26.2%** share

Leader in the medium commercial vehicle market with a **34.5%** share

2nd in the truck market with a **28.1%** share

Leader in the total **commercial vehicle** market with a **29.3%** share

3rd in the overall industry with an **11.4%** share

INTERNATIONAL POSITION

83 export destinations

More than 60% of Turkey's commercial vehicle exports

Largest **market share** of Ford in the European commercial vehicle market

Ford's biggest **commercial vehicle manufacturing hub** in Europe

OWNERSHIP STRUCTURE

41.04% Ford Motor Co.	**38.46%** Koç Holding
17.89% Free Float	**2.61%** Other Koç companies

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

Turkey's export champion

Despite challenging market conditions, Ford Otosan reported strong business results in 2016. Manufactured only at Ford Otosan's Yeniköy Plant globally, Ford Courier has continued a successful performance since its launch: it was the best-selling light commercial vehicle in Turkey in 2016. Maintaining its focus on profitability in passenger car segment, the Company achieved profitable growth in the commercial vehicle segment. Ford Otosan captured a 29.3% share in the commercial vehicle market, further strengthening its leadership position.

The European commercial vehicle market continued to expand in 2016, with the Ford brand maintaining its lead in commercial vehicle sales in Europe for the second year. Ford Otosan manufactured 81% of all vehicles in the Transit range, which are sold in Europe, thereby playing a major role in Ford's success. Despite the decision of the UK - one of Turkey's largest export markets - to leave the European Union and the ensuing developments, the Company increased its exports over the prior year to 257 thousand units. As a result, Ford Otosan realized more than 60% of Turkey's commercial vehicle exports. The Company proudly became the export champion of Turkey in 2016, as it was in 2015.

High capacity utilization

Ford Otosan is Turkey's largest automotive manufacturer with its total annual production capacity of 415 thousand vehicles: 400 thousand at the Kocaeli factories and 15 thousand at the İnönü plant. In 2016, the Company manufactured 333,749 units with a total capacity utilization of 80% on three shifts.

As Turkey's largest commercial vehicle manufacturer and exporter, Ford Otosan remained an employment champion with 10,261 employees, while continuing to create significant value for the country and its stakeholders.

The largest R&D power of the Turkish automotive industry

Ford Otosan is the only automotive company in Turkey that can design an entire vehicle - from the engine to the interior and exterior design. 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. The R&D projects carried out on behalf of Ford Motor Company and Ford Otosan include the design and development of engines, engine systems, car body and interior design, among many others. R&D activities mainly focus on developing innovative ideas related to fuel economy and emissions optimization, driver assistance systems, testing processes and analytical method development.

In 2016, Ford Courier became the best-selling light commercial vehicle in Turkey.




TOTAL REVENUES	EBITDA*	PROFIT BEFORE TAX	NET INCOME**	SHARE OF INTERNATIONAL REVENUES
18,289 (TL million)	**1,552** (TL million)	**970** (TL million)	**955** (TL million)	**67%**

* *Excluding FX gains/losses and credit finance income/charges on trade receivables and payables.*
** *The parent company's net profit for the period.*

FORD OTOSAN

Ford Otosan boasts an extensive patent portfolio, the 3rd largest in the country.

Ecotorq engines: 100% Turkish engineering

After a four-year effort and investing more than USD 100 million, Ford Otosan designed and developed a new range of new generation Ecotorq engines with innovative architecture, which are globally competitive meeting Euro-6 emission standards and complying with Euro-7 standards. The Company commenced mass production of Ecotorq engines on March 30, 2016 at its Inönü plant. Ford Otosan owns all intellectual and industrial property rights to Ecotorq, the first and only truck engine designed and manufactured entirely from scratch in Turkey. In 2016, the next-generation Ecotorq E6 engines, which are used in Ford Cargo trucks, received the "Grand Prize" at the 12th Technology Awards, organized jointly by TÜBİTAK (Scientific and Technological Research Council of Turkey), TTGV (Technology Development Foundation of Turkey) and TÜSİAD (Turkish Industry and Business Association).

Patent champion of the Turkish automotive industry

Ford Otosan, the patent champion of the Turkey's automotive industry, also boasts the third largest patent portfolio in the country. In 2016, the Company filed 178 patent applications with the Turkish Patent Institute; 38 international patent applications filed by the Company are protected under the Patent Cooperation Treaty.

Ford Otosan continued to undertake innovation and digital transformation efforts throughout the year. As a result, the Company received the "Innovative Organization and Culture" award at InovaLIG, an awards competition held jointly by TİM (Turkish Exporters Assembly) and A.T. Kearney to recognize Turkey's innovation leaders. With this award, Ford Otosan earned the right to represent Turkey on the "IMP³rove" platform and at the "Best Innovator" competition in Europe.

Outlook, targets and strategies for 2017

After setting a record in 2015 and 2016 with sales exceeding 1 million vehicles, the Turkish automotive industry is expected to contract due to the increased special consumption tax on passenger cars, rising foreign exchange rates, and the high base year effect. On the other hand, 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, Ford Otosan aims to outperform its export growth of 2016. The Company also expects to boost its profitability by reducing costs.

100%
Turkish Engineering
The mass production of the new generation Ecotorq engines, which was launched with over USD 100 million investment, started.

Ford Otosan is the patent champion of Turkey's automotive industry.

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

TOFAŞ

DOMESTIC MARKET POSITION

2nd best-selling light commercial vehicle brand "Fiat": **23.7% market share**

Best-selling automobile "Fiat Egea Sedan": **34,755 units**

Long-time leader in terms of domestic production over total sales ratio with **92%**

25.8% of total production in Turkey **(about 383,000 units)**

INTERNATIONAL POSITION

1st in vehicle exports with 280 thousand units

24.5% of Turkey's total vehicle exports

64% of Turkey's total exports to the United States

Export revenue: USD **3,244** million

Foreign trade surplus: USD **1,012** million

OWNERSHIP STRUCTURE

37.86%
Fiat Chrysler Automobiles

37.59%
Koç Holding

24.28%
Free Float

0.27%
Other Koç companies

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

Investments

Following the successful launch of the Fiat Egea Sedan in 2015, the Company finalized the investments in the Hatchback and Station Wagon models in 2016, thereby completing its new passenger car product range. Owing to the positive reactions to Fiat Egea from both domestic and international markets, Tofaş expanded its annual production capacity to 450 thousand units via innovative solutions and capital investments in the body assembly line, as announced by the company at the end of the year. As a result, the Company's capital expenditures amounted to USD 390 million in 2016.

Automotive market and Tofaş's performance

Tofaş, with the brands it represents in the automobile and light commercial vehicle segments in Turkey, captured an 11.1% market share. The Fiat brand ranked fourth with a 6.9% market share in domestic passenger car sales and second with a 23.7% share in the light commercial vehicles market. In terms of overall passenger car and light commercial vehicle sales, the Fiat brand ranked fourth with a 10.8% market share and 106,106 units.

In 2016, Tofaş increased its export volume by 61% to 279,537 units. The Company's exports reached an all-time high and accounted for 24.5% of Turkey's total vehicle exports for the year.

New models

Following the launch of the Fiat Egea Sedan in November 2015, Tofaş began manufacturing Hatchback and Station Wagon models in April and July 2016, respectively.

Fiat Egea Sedan recorded 34,755 unit sales to become Turkey's most preferred vehicle in 2016, the first time that it was manufactured for the full year. The Company launched the Fiat Egea Hatchback and Station Wagon models in the domestic market in April and September, respectively. Fiat Egea models are sold under the brands of "Fiat Tipo" and "Dodge Neon" in export markets. In 2016, Dodge Neon was the first passenger car model exported by the company to Mexico.

Awards and achievements

- At the R&D Centers Summit, Tofaş was presented with "Best R&D Center" award in the automotive sector for the second consecutive year.
- In the "EU R&D Scoreboard 2016" rankings, Tofaş was the highest scoring Turkish company.
- Fiat Egea is the best-selling car model in Turkey.
- Fiat Doblo's Ram-branded version ProMaster City - exported to the USA - was named "Green Commercial Vehicle of the Year" by the "Green Car Journal" for two years running.
- Tofaş received the "Special Achievement Award" at the Doğan Ersöz Achievement Awards held by the Bursa Industry and Business Association (BUSİAD).
- Tofaş earned first place on the list of the "Top 250 Companies in Bursa," issued by Bursa Chamber of Commerce and Industry based on business performance in 2015.

Fiat Egea Sedan, Turkey's most preferred vehicle in 2016, recorded 34,755 unit sales the first time that it was manufactured for the full year.

TOTAL REVENUES	EBITDA*	PROFIT BEFORE TAX	NET PROFIT**	SHARE OF INTERNATIONAL REVENUES
14,236 (TL million)	**1,370** (TL million)	**798** (TL million)	**970** (TL million)	**69%**

* *Excluding FX gains/losses and credit finance income/charges on trade receivables and payables.*
** *The parent company's net profit for the period.*

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

TOFAŞ

Tofaş is one of seven companies to receive the "CDP Turkey Climate Leaders" award.

- Tofaş received an award in the category of waste management at the "2016 Sustainable Business Awards" organized by the Sustainability Academy.
- Tofaş was the only automobile manufacturer among 50 companies included in CDP's Climate Change Program 2016 Turkey Report; it was also one of seven companies to receive the "CDP Turkey Climate Leaders" award.
- Tofaş was the only Turkish company listed on the "Clean200," which ranks the largest enterprises worldwide by their total clean energy revenues.
- Tofaş won first prize in the category of companies with more than 500 employees at the "Golden Glove" awards, granted by the Turkish Metal Industrialists' Union (MESS) to recognize excellence in occupational health and safety practices.
- With its project "Direct Use of Solar Energy in Manufacturing Processes," Tofaş became a finalist at the European Union Environment Awards Turkey Program's in the "Process" category.
- Tofaş's corporate governance rating went up from 9.06 to 9.14.

Outlook, targets and strategies for 2017

Tofaş expects to reap the benefits of its capital investments in 2017 as the first year of full production of the Fiat Egea/Tipo family and an increased production capacity of 450 thousand units per year.

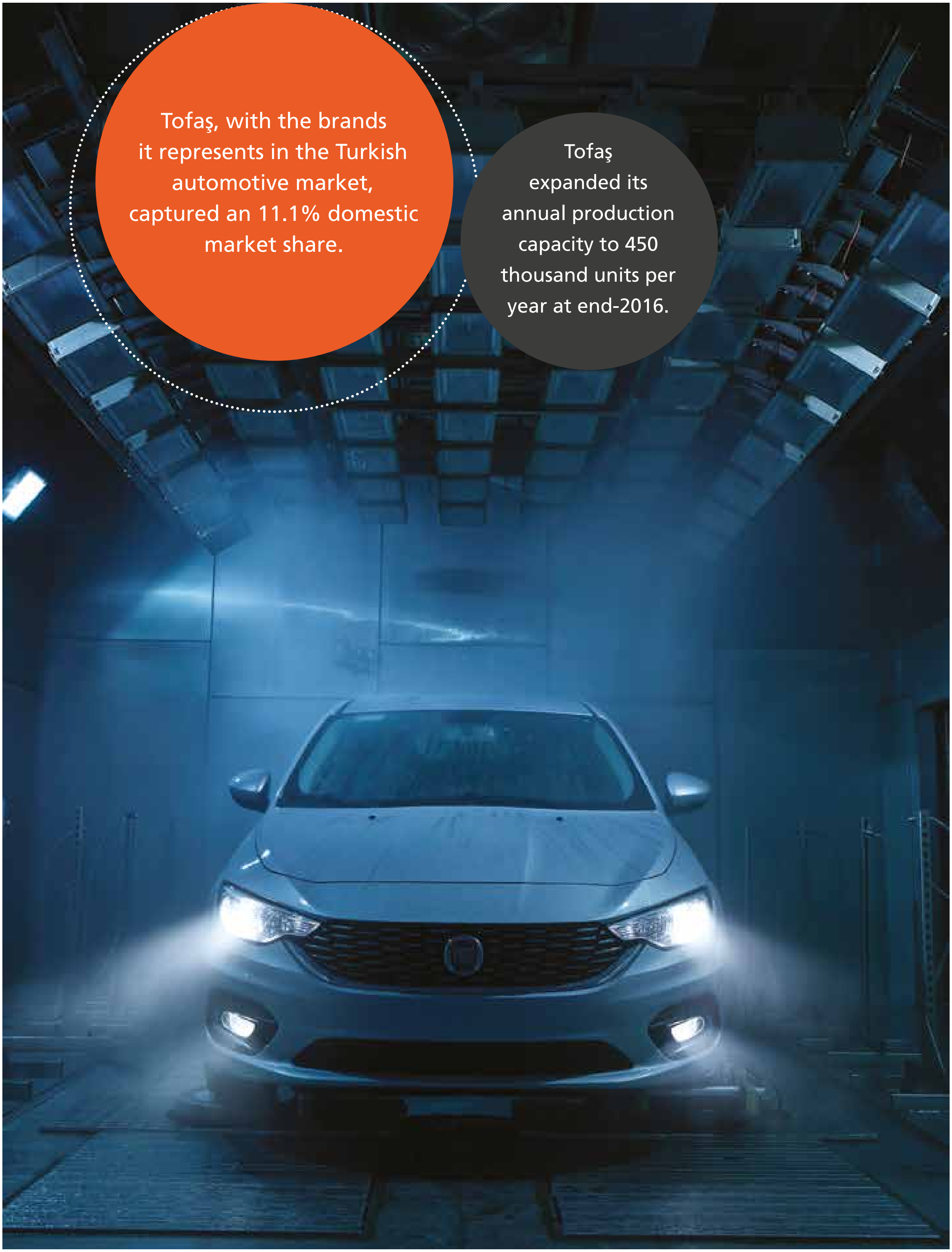
Tofaş plans to sustain its competitive advantage in the domestic light vehicle market with a wider range of products while significantly improving its export performance and further diversifying its export markets.

Tofaş will continue pursuing its goal to become the major player in the Turkish automotive industry, in terms of both production capacity and export performance, while significantly contributing to the national economy.

KOÇ FIAT KREDİ

Koç Fiat Kredi provides consumer financing for the brands sold via Tofaş. The Company provided loans of TL 2.1 billion for 64,333 vehicles in 2016, thereby financing 70% of Tofaş's retail sales. Its loan portfolio totaled TL 2.4 billion.

To finance its lending activity, Koç Fiat Kredi issued securities with a total nominal value of TL 239 million in 2016. At year-end, the aggregate nominal value of all Company securities issued stood at TL 356.5 million.



Tofaş, with the brands it represents in the Turkish automotive market, captured an 11.1% domestic market share.

Tofaş expanded its annual production capacity to 450 thousand units per year at end-2016.

TürkTraktör

TÜRKTRAKTÖR

DOMESTIC MARKET POSITION

Market leader with a **46.5%** share

10th consecutive year of market **leadership**

INTERNATIONAL POSITION

Sole design and manufacturing center worldwide for the New Holland TDD and Case IH JX series tractors

Global manufacturing center for Utility Light series tractors and transmissions

Global engineering and manufacturing center for TDD series transmissions

Manufacturing hub for S8000 series engines

OWNERSHIP STRUCTURE

37.50%
Koç Holding

37.50%
CNH Industrial Osterreich GmbH

25%
Free Float and Other

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

Uninterrupted market leadership

TürkTraktör has remained the undisputed leader of the Turkish tractor market for the last 10 years. In 2016, the Company worked continually to develop the Turkish agriculture industry and contribute to the national economy.

TürkTraktör accounted for 70% of Turkey's total tractor production in 2016 and realized 90% of total tractor exports by selling its products in more than 130 countries. As of year's end, the company reached total production of 46,031 units, domestic sales of 33,605 units and exports of 12,625 units.

In 2016, TürkTraktör produced its 400,000th engine and 800,000th tractor, marking new historical milestones.

As the exclusive distributor of Case and New Holland construction machines in Turkey, TürkTraktör opened its new heavy construction equipment sales and after-sales facility in Gebze, Istanbul in March 2016, in addition to its existing facilities in Izmir and Ankara.

New products

New Holland TT4 Series products, designed by Turkish engineers to meet the needs of Turkish farmers, started being manufactured at TürkTraktör factories in Turkey.

TürkTraktör launched the redesigned T4 F/N/V series tractors, which won the "Best Vineyard & Orchard Tractor" award at the EIMA Fair.

The T7 HD series, the first choice of large agricultural enterprises, was launched in Turkey during the year.

The Case IH Farmall C series, which immediately attracted the market's attention, and the new Optum CVX series tractors, featuring a modern design, powerful engine options and proven high performance transmissions to handle the heaviest work, were put to the service of Turkish farmers.

In line with market demand, the Company added new standard versions to the Maxxum series and introduced the powerful and eco-friendly Tier 4B engine and Puma T4B in Turkey.

Another remarkable product that was designed by the R&D center and manufactured in 2016 has been New Holland and Case IH front-end loaders, which can be convert a tractor into a fully-equipped for all agricultural needs.

ERP Transformation Project

Creating a sharp competitive edge with its innovative technologies and investments, TürkTraktör took important steps toward executing a Digital Transformation in 2016. Following the deployment of a multi-production model after Erenler factory's became operational in 2014, the company reviewed all its existing system infrastructures to be able to take quick action, as the market and competition requires today. As a result, the ERP Transformation Project, initiated in 2014, was successfully completed in 2016. Under the ERP Transformation Project, core business processes and different systems were integrated into a single, unified corporate structure; in addition, a shared business network - extending from the customer to the supplier - was created. As one of the largest and the most comprehensive ERP initiatives in Turkey, TürkTraktör's ERP Transformation Project received the "SAP Digital Transformation Project of the Year" award.

TürkTraktör accounted for 70% of Turkey's total tractor production in 2016.

TOTAL REVENUES	EBITDA*	PROFIT BEFORE TAX	NET PROFIT**	SHARE OF INTERNATIONAL REVENUES
3,443 (TL million)	**527** (TL million)	**388** (TL million)	**370** (TL million)	**29%**

* *Excluding FX gains/losses and credit finance income/charges on trade receivables and payables.*
** *The parent company's net profit for the period.*

TürkTraktör

TÜRKTRAKTÖR

TürkTraktör made a total of 46,031 units of production in 2016.

Awards and achievements

In 2016, the Ankara Plant was certified at "Bronze" status under the World Class Manufacturing (WCM) methodology.

Becoming the export champion in machinery and spare parts consistently since 2012, TürkTraktör ranked 27th on the list of the top 1,000 exporters announced by the Turkish Exporters Assembly (TİM).

According to the results of the most valuable brands survey conducted by Brand Finance, TürkTraktör was named the 32nd most valuable brand in Turkey. Additionally, TürkTraktör ranked 24th on the ISO (Istanbul Chamber of Industry) 500, which lists Turkey's most successful industrial enterprises; 45th on Fortune 500, which compiles the country's 500 largest companies; and moved up three ranks to 53rd on the Capital 500 list.

TürkTraktör received the Export Achievement Award (Gold Medal) and the Technology Achievement Award at the Supplier Industry and Export Achievement Awards, presented by the Automotive Manufacturers' Association (OSD). Ankara Chamber of Industry presented TürkTraktör with a total of four awards in the categories of Imports, Corporate Tax, R&D/Patents and the Honor Award.

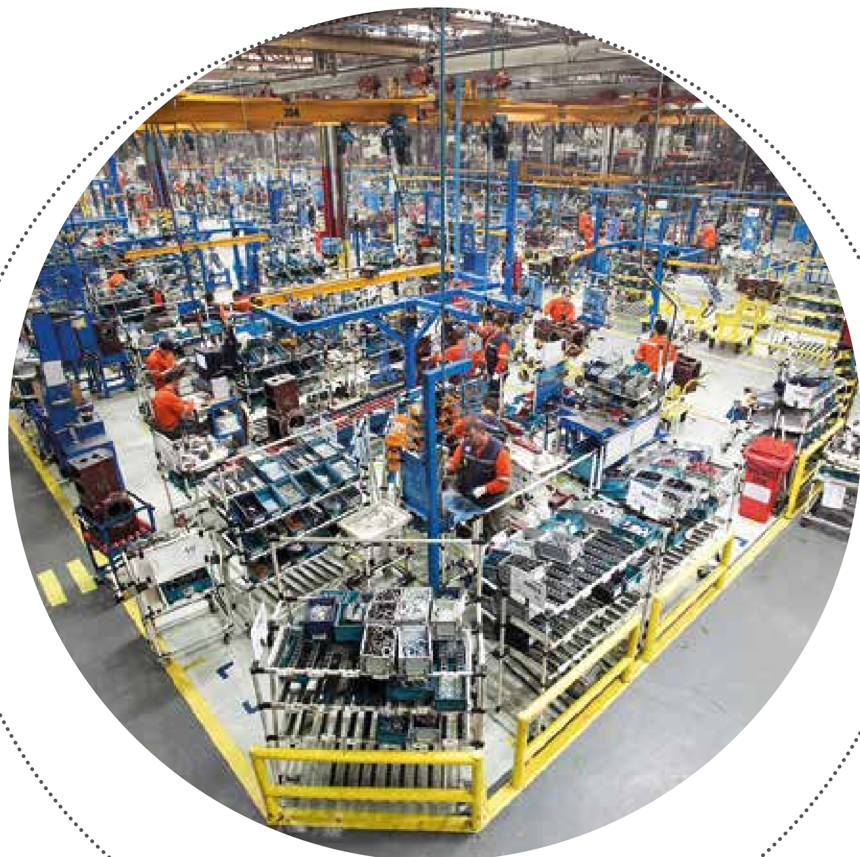
The R&D center was awarded with "Project Writing Support as Coordinators Support" within the Horizon 2020-Smart System Integration program of TÜBİTAK.

With its project titled "My Roadmap and Shining Stars," TürkTraktör won the Silver Award in "Talent Management" at the 2016 Stevie® Awards.

TürkTraktör's 2015 Annual Report was named the "Second Best in Design" at the Creativity International Awards and received the "Silver" award; the same report won the "Bronze" award at the ARC Awards.

Outlook, targets and strategies for 2017

In line with Turkish agricultural policies and developments in the tractor sector, TürkTraktör will continue supporting farmers with new technology solutions in 2017 as their biggest business partner in modern agriculture. To this end, the company plans to manufacture more advanced, efficient, user-friendly and ergonomic tractors with higher horse power featuring more enhanced electronic and hydraulic systems, while focusing on cost cutting initiatives. As the industry leader, TürkTraktör will also continue delivering exceptional sales and after-sales services to farmers.

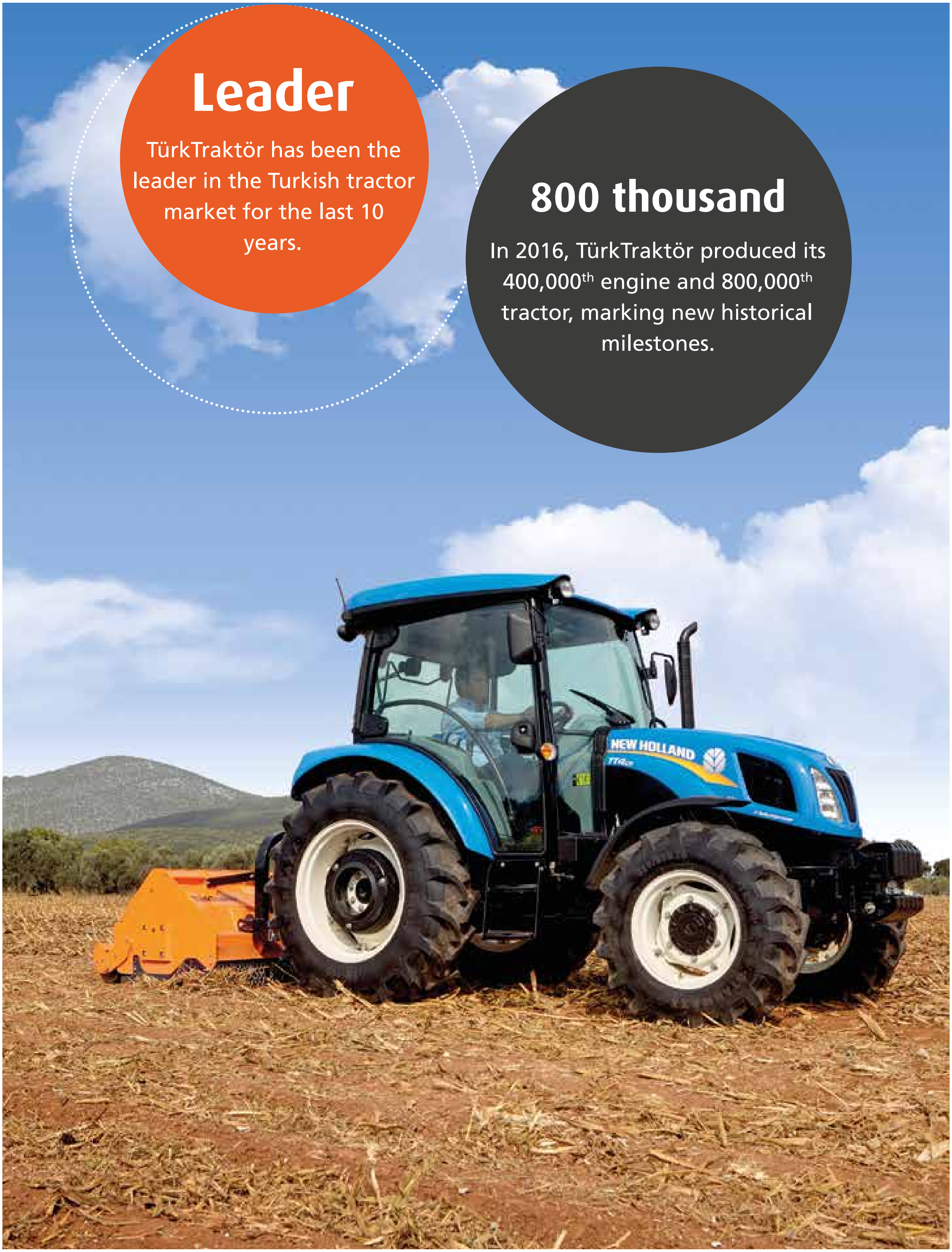


Leader

TürkTraktör has been the leader in the Turkish tractor market for the last 10 years.

800 thousand

In 2016, TürkTraktör produced its 400,000th engine and 800,000th tractor, marking new historical milestones.



Otokar

OTOKAR

DOMESTIC MARKET POSITION

Leader of the Turkish bus market (in segments the Company is active)

Domestic market **leader** in the refrigerated semi-trailer segment

Leading supplier of the Turkish Armed Forces in the land vehicle segment

OWNERSHIP 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, achieved 14% growth in 2016, with revenues and net profit of TL 1.6 billion and TL 69.7 million respectively. Otokar is the domestic market leader in all bus types it manufactures, the most preferred brand of semi-trailers, and the leading manufacturer of land vehicles for the defense industry in Turkey. In 2016, exports accounted for 27% of the Company's total revenues.

Pursuant to a request from the Undersecretariat of the Defense Industry, Otokar presented its first and final proposal on January 18, and August 29, 2016, respectively, for the mass production of the Altay main battle tank. The Company was the main contractor in the design, prototyping and qualification phase. Otokar prepared the production schedule in a way to roll out the first tanks from the assembly line as quickly as possible upon execution of the agreement and completed all infrastructure and line planning for mass production. Otokar became the first and only land systems manufacturer to obtain the "Manufacturing License" required for the mass production of the main battle tank from the Ministry of National Defense.

In the defense industry, Otokar delivered various types of armored vehicles, for which it had received orders from both domestic and international markets. The Company received new orders for delivery in 2017 and established "Otokar Land Systems Limited" ("Otokar LS") in the United Arab Emirates to expand its international sales, especially in the Gulf region. In February 2017, Al Jasoor, a joint venture company established by Otokar Land Systems and its local partner, signed the biggest export contract in the Turkish defense industry. Pursuant to this USD 661 million contract, Otokar will provide 8x8 amphibious armored vehicles to the United Arab Emirates, thereby adding technology transfer and overseas manufacturing to its capabilities.

In 2016, Otokar maintained its domestic leader position in the 7-10 meter and 12-18.75 meter municipal bus segments; two out of every five buses sold in Turkey was Otokar branded. In 2016, Otokar completed two major projects comprising 100 articulated bus and natural gas-powered public bus delivery for Izmir Metropolitan Municipality and Gaziantep Municipality, respectively. Otokar boosted its exports by 18% in 2016 and added new markets to its export destinations. In the small bus segment, Otokar signed a technology licensing agreement - the first technology transfer agreement in Turkey - for the manufacture of Sultan buses in Iran. As part of the CoMoSef project which is being executed in seven countries, the consortium consisting of Otokar, KoçSistem and İSBAK developed a "smart bus" that aims to improve the driving quality and traffic safety.

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

Otokar maintained its leadership position in the bus segments it is active in: two out of every five buses sold in Turkey was Otokar branded.

TOTAL REVENUES	EBITDA*	PROFIT BEFORE TAX	NET PROFIT**	SHARE OF INTERNATIONAL REVENUES
1,634 (TL million)	**182** (TL million)	**68** (TL million)	**70** (TL million)	**27%**

* *Excluding FX gains/losses and credit finance income/charges on trade receivables and payables.*
** *The parent company's net profit for the period.*

Otokar

OTOKAR

Otokar plans to focus on current production orders received both from Turkey and overseas.

In 2016, Otokar's R&D Testing Center Climatic Chamber was designated as the first and only approved testing station in Turkey for ATP type tests, which will be performed on vehicle superstructures under the supervision of the Turkish Standards Institute (TSE). ATP establishes standards for the international transport of perishable food. Otokar's mine testing equipment and ballistic laboratories received international accreditation certification by TSE.

Awards and achievements

Otokar received the "Golden Glove" and "Golden Suggestion" prizes at the Golden Glove Occupational Health and Safety Practices Awards, organized by the Turkish Metal Industrialists' Union (MESS).

Outlook, targets and strategies for 2017

Otokar expects recession to continue in the commercial vehicle market in 2017. However, the municipal bus market (public transit segment) is expected to gain momentum due to previously postponed demand. Keen to maintain its leadership position in the Turkish bus market, Otokar aims to further increase its market share with new products and expand its exports by entering new overseas markets. In the logistics market, Otokar aims to increase its trailer and light truck sales with products specially designed for the domestic market.

In the defense industry, Otokar aims to continue its efforts in export markets while focusing on the delivery of orders it received from domestic and international markets. Through Al Jasoor, the Company will complete the preparations necessary for the provision of 8x8 armored vehicles to the United Arab Emirates. Having completed the necessary planning and infrastructure work on the Altay project, Otokar submitted its mass production proposal to the Undersecretariat of Defense Industry, and now awaits the completion of the latter's proposal assessment process.

Lead Manufacturer

Otokar is the leading land vehicles manufacturer for the defense industry in Turkey.

BIGGEST DEFENSE INDUSTRY EXPORT CONTRACT

Founded in United Arab Emirates, Otokar LS created a joint venture named Al Jasoor with a local partner; subsequently, Al Jasoor signed the largest defense industry export contract ever in Turkey.

OTOKOÇ OTOMOTİV

Otokoç Otomotiv is the leading company of the Turkish automotive retailing and car-rental market.

Leader in the Turkish automotive retailing and car-rental market

Otokoç Otomotiv carries out its activities with the Otokoç and Birmot brands in automotive retailing; Avis, Budget and Zipcar brands in rent-a-car services; the Otokoç Sigorta brand in insurance services. In addition to its wide network in Turkey, Otokoç Otomotiv also provides services outside the country in Kazakhstan, Azerbaijan, Northern Iraq, Hungary, Georgia and Northern Cyprus in 7 countries at 236 locations 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 the Birmot brand.

In 2016, in the automotive retail segment, Otokoç Otomotiv had a 32% market share in Ford sales, 28% share in Fiat sales, 37% share in Alfa Romeo, Lancia and Jeep sales, and 38% share in Volvo sales. The Company garnered a 7% share in new vehicle sales with 69 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 93 thousand, Otokoç Otomotiv sold more vehicles than most distributor brands in Turkey. In short-term car rentals, Avis increased its revenues by 16% while Budget's revenues rose 29%. In operational leasing, the Company increased its turnover by 17% with a fleet of 27 thousand vehicles.

Awards and achievements

In 2016, Avis Turkey won ABG Group's first prize in Customer Satisfaction among the 110 countries operating in the EMEA region, for the ninth time. At the Ford Presidency Awards, numerous Otokoç branches garnered prizes. Tourism firms designated Budget in Hungary as the best car rental firm, while Avis operating at the Bodrum Airport was named the favorite agency location of customers.

Change for customers, transformation for change

In both the automotive retail and car rental business units, the Group designed a series of projects centered on technology to boost productivity and customer satisfaction: "Innovation Management," "Digital Transformation," "CRM and Loyalty Management" and "Service Excellence."

Work commenced on six new business models inspired by the 14 new ideas selected in the Innovation Management process in 2016. 14 projects were planned as part of the Digital Transformation initiative. The "CRM and Loyalty System" analysis and software studies, which provide in-depth customer data and cross-sales opportunities, were also completed during the year. The "Service Excellence" project, which ensures that the same standard of service is delivered across the board, was launched for car rental operations.

Overseas investments

Rapidly expanding its overseas car rental operations in 2016, Otokoç Otomotiv undertook investments in Georgia and Northern Cyprus, raising the number of its overseas operations to six.

Outlook, targets and strategies in 2017

Otokoç Otomotiv plans to expand its service network with new investments and upgrade its current facilities. The Company is restructuring its second-hand vehicle operation to achieve growth. Otokoç Otomotiv targets 23% growth with the Avis brand and 37% growth with the Budget brand, thereby bolstering its leadership in short-term car rentals.

In 2017, Otokoç Otomotiv aims to expand further in Istanbul under the Zipcar brand, offering alternative means of transport to city residents. In addition, the Company plans to enter new markets in the car rental segment and increase its operations in different regions as part of its growth strategy. The "Innovation Management", "Digital Transformation", "CRM and Loyalty Management" projects and the "Service Excellence" approach will be developed further in the coming year.

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

Otokoç Otomotiv operates in the car retail sector with the Otokoç and Birmot brands; in car rental with Avis, Budget and Zipcar; and in insurance services with Otokoç Sigorta.

CONSUMER DURABLES

WE STRENGTHEN OUR GLOBAL PRESENCE BY PROVIDING THE UNIQUE COMBINATION OF TECHNOLOGY AND DESIGN!


başlıyor.

CONSUMER DURABLES

LEADER in the White Goods Market

Developments in the consumer durables industry in 2016

During the year, the global consumer durables industry is estimated to have expanded by 1.2% in volume to 508 million units, increasing by 0.5% in value to USD 184.5 billion. The global TV industry grew 2.5% in volume to 233.9 million units, going up 0.2% in value to USD 109.4 billion.

The white goods market in Europe, Arçelik's main market, grew 3.6% over the prior year. Bolstered by the growth in the British, Spanish and Italian markets, the Western European market expanded by 3.2%, with the UK growing fastest. As for Eastern Europe, the impetus in the Polish, Russian, Ukrainian and Romanian markets resulted in an overall growth of 4.8% in the region. The white goods market in South Africa, on the other hand, contracted by 5.3%.

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

According the White Goods Manufacturers' Association of Turkey (TÜRKBESD), exports rose 8% year-on-year to 19.54 million units, while the domestic market expanded 5% to 7.46 million units in 2016. In terms of unit sales, the TV market contracted by 7% while the air conditioning market grew 9%.

The Koç Group in the consumer durables industry

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

In line with its international expansion strategy, Arçelik acquired Dawlance, Pakistan's leading consumer durables company.

Beko, Arçelik's global brand and the leader in the European freestanding white goods market, continued to increase its market share in Europe while maintaining its price index. As the 2nd largest white goods brand in Europe, Beko continued its successful performance in major markets such as France, Poland, Spain, Germany and Italy; and further solidified its leadership position in the UK's built-in appliances market by increasing its market share.

Arçelik boosted its export volume in Southeast Asia in line with its market diversification strategy. In 2016, the Company commenced mass production at its Thailand factory and bolstered its market presence in the region by establishing new sales and marketing companies in Malaysia and Vietnam.

Grundig, the only European manufacturer to offer products in all categories of home electronics, maintained growth in Germany, Scandinavia, and the United Kingdom. The Company also introduced its white goods portfolio to consumers in Spain, Italy, Belgium, Croatia, France, Austria and South Africa.

The global brand Beko:

Leader

in the European solo white goods market

Leader

While maintaining market leadership in Turkey, Arçelik A.Ş. was the 3rd largest white goods manufacturer in Europe in terms of total sales; in addition, the Company held onto its leading positions in Romania and South Africa with the brands Arctic and Defy, respectively.

Arçelik A.Ş.

ARÇELİK

DOMESTIC MARKET POSITION

Market **leader** with a 50% share in white goods, built-in appliances and air-conditioners

Fastest-growing company with more than a **28%** share of the TV market

INTERNATIONAL POSITION

Market **leader** in Romania (Arctic brand), South Africa (Defy brand) and Pakistan (Dawlance brand)

Global Brand Beko:

2nd biggest white goods brand and **leader** in freestanding white goods market in Europe

#1 white goods brand in the UK

#1 white goods brand in Poland

#1 brand in the freestanding white goods market in France

OWNERSHIP STRUCTURE

40.51% Koç Holding	**25.15** Free Float
17.61% Burla Group	**16.73%** Other Koç companies

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

R&D, innovation and sustainability

Always introducing distinctive, innovative products and technologies to global markets, Arçelik established two new R&D centers and a Design center in Turkey in 2016. The Company maintained its leadership position with 10 R&D and Design centers, and continued its efforts to further expand its international R&D network by setting up a new office in Boston, Massachusetts (US), after opening offices in Taiwan, Portugal and the UK. During the year, Arçelik retained its first place in the Turkish Patent League, filing the highest number of international patent applications among Turkish companies. As a result, Arçelik ranked 78th - its best rank to date - on the Top 200 list issued by the World Intellectual Property Organization (WIPO).

Arçelik established Garage, a shared creative platform, to encourage corporate entrepreneurship and design-focused thinking while accelerating idea-to-product and product-to-market processes via its advanced digital prototyping infrastructure. The company also started the Technical Academy Program, a training platform aimed at developing the skills and competencies of R&D and Manufacturing Technology employees toward future technologies.

Arçelik continued R&D efforts and activities to develop communication protocols, cloud security, data analytics, robotics, and artificial intelligence related to digitalization and the Internet of Things (IoT). In line with the objective of improving its capabilities in advanced manufacturing technologies and creating a "digital factory" that enables more efficient and higher quality production, the Company established "Atölye 4.0," which works on advanced automation tools, artificial intelligence, digital twins, image processing, mobile and collaborative robots.

In 2016, Arçelik continued undertaking R&D efforts to reduce the environmental impacts of its products, such as energy and water consumption, noise levels. Thanks to these efforts, the Company developed the following products which stand out with their efficiency features:

- A++ energy class dishwasher AquaDrop using 5.5 liters of water
- A+++ (-10%) energy class dishwasher with ProSmart™ Inverter Motor technology
- Gas cooker with burners that are up to 25% more efficient than standard gas cookers
- Built-in oven with a noise level of A Class
- A+++ energy class no-frost combi refrigerator with a depth of 60 cm
- A+++ (-10%) energy class fixed-cycle heat pump dryer with 8 kg capacity

Arçelik also launched many innovative products and applications, including:

- "Homewhiz" application for controlling refrigerators, washing machines, dryers, dishwashers and built-in ovens via smartphones, tablets and smart TVs.
- The "Smart Home Assistant," which enables consumers to shop, pay bills and make banking transactions online, and to quickly access useful information that makes life easier, answering their questions in Turkish.
- HerbGarden™ which enables consumers to plant and grow healthy herbs in their own homes without using pesticides.
- "Capsule Turkish Coffee Machine" using the Cooksense technology and with a self-cleaning feature that is activated with the simple push of a button.
- Freestanding oven and "Energy Star 24" dryer for the North American market.
- OLED TV featuring an ultra slim design and 4K technology.
- The first Smart LED Slim Android TV manufactured in Turkey.

Arçelik continued to support global climate change initiatives in 2016. To this end, the Company provided technical support for calculating potential energy savings with transition to energy-efficient refrigerators and conducting market analysis in Thailand, South Africa, Ukraine and Turkey, within the framework of the UNEP-GEF United for Efficiency (U4E) Project. Additionally, Arçelik participated in the UNFCCC – 22nd session of the Conference of the Parties (COP22) as a speaker.

With a total of 14 R&D and Design centers, Arçelik is the only Turkish company on the World Intellectual Property Organization's Top 200 list where it climbed to 78th place.

TOTAL REVENUES	EBITDA*	PROFIT BEFORE TAX	NET PROFIT**	SHARE OF INTERNATIONAL REVENUES
16,096 (TL million)	**1,767** (TL million)	**1,202** (TL million)	**1,300** (TL million)	**60%**

* *Excluding FX gains/losses and credit finance income/charges on trade receivables and payables.*
** *The parent company's net profit for the period.*

Arçelik A.Ş.

ARÇELİK

Arçelik's global sales and marketing office network expanded to 34 locations in 2016.

By recycling used products with high energy consumption at its Eskişehir and Bolu recycling facilities, Arçelik also contributed to the country's energy savings, equivalent to the total capacity of six 2.5-megawatt wind turbines. Aiming to emphasize the power of recycling, famous design artists created objects from these recycled materials, which were then displayed at the "Cycles" exhibition at Contemporary Istanbul.

Investments

Arçelik's global sales and marketing office network expanded to 34 locations in 2016. The Company entered the US market with its Beko brand and aims to ramp up its presence in the US from 2017 and onward.

Arçelik plans to establish a trade corridor between the Asia–Pacific region and Turkey, through which it can develop and maintain a consistent, robust presence. To this end, the company took a strategic step forward and acquired Dawlance, the leading white goods manufacturer in Pakistan, which has the sixth largest population in the world. The acquisition included three manufacturing facilities and the entire distribution network. With this acquisition, Arçelik gained an important position in this region, which has a high economic potential with its young population and fast-growing middle class.

Arçelik is expanding its operations in Romania via a new factory investment. The Company plans to make this facility its pilot production site for Industry 4.0 standards.

Arçelik restructured its organization in Turkey by establishing Arçelik Pazarlama A.Ş. The Company plans to continue its retail transformation through new channels and digital initiatives to bolster its market leadership position in Turkey.

With the renewal of the partnership agreement between Arçelik and LG, the Company aims to manufacture commercial air conditioning systems in addition to domestic air - conditioners.

Strong and consistent growth

Despite contractions and economic fluctuations in key markets, Arçelik maintained its strong, consistent growth while improving its operational profitability.

In 2016, Arçelik's consolidated revenue increased 13.6% year-on-year to TL 16,096 million. International revenues accounted for 60% of consolidated turnover and the Company's net profit totaled TL 1,304 million.

Awards and achievements

- Arçelik was included in the global "A List: The CDP Climate Performance Leadership Index" for the second time.
- Arçelik was included in the BIST Sustainability Index for the 3rd time.
- Arçelik received an "AAA" rating in the Morgan Stanley Capital International (MSCI) Global Sustainability Index Series.
- Çayırova Washing Machine Plant was presented with first prize as the "Most Energy-Efficient Industrial Facility" by the Ministry of Energy and Natural Resources; Eskişehir Refrigerator Plant won second prize in the SEVAP-2 category (Projects for Increasing Energy Efficiency in Industry).
- The "Most Successful R&D Center" and "Most Successful R&D Center in the Consumer Durables Industry" titles at the Private Sector R&D Centers Summit went to Arçelik.
- The Company garnered the "R&D Leadership" award at TIM (Turkish Exporters Assembly) Innovation Week.
- Bolu Cooking Appliances Plant received first prize in the category of "R&D - Large Enterprises" with the Highly Efficient Gas Cooker Burner Design Project from the Ministry of Science, Industry and Technology.
- Arçelik was named the "Most Popular Brand" in Turkey in the "Turkey's Lovemarks" survey.
- Beko POS cash register won the TESID Innovation & Creativity Award in the category of "Product Development Process."
- Beko EverFresh+® refrigerator won the CHEARI – Technology Innovation Award."
- Grundig 8kg A+++ Hybrid Dryer garnered the "Stiftung Warentest Test Champion" award.
- Beko and Blomberg Dryers earned the "2017 Energy Star" label granted by the US Environmental Protection Agency (EPA).

2017 and beyond

Undertaking new investments and transformation initiatives to bolster its solid position in home technologies, Arçelik will continue operating in a wide region from the US to the Asia–Pacific, in line with its sustainable and profitable growth strategy and the goal of becoming the industry's leading player. Arçelik, shaping its growth strategy in accordance with global trends and sustainable development goals, will continue investments focused on R&D, innovation, quality, design and brand with a consumer-centric approach. Arçelik focuses its efforts on organic growth by developing market-specific products, as well as its managerial competencies for its existing area. The Company will also evaluate new opportunities for green-field investments and acquisitions in new markets.

Additionally, the Company aims to maximize the effectiveness of its global organization by continuously improving employees' talent and skills.

The Company entered the US market with the Beko brand. One of its major objectives for 2017 and beyond is to further expand its footprint in the US market.

Arçelik was named "Turkey's R&D Leader" and "Turkey's Favorite Brand" at different awards competitions in 2016.

ARÇELİK-LG

Arçelik-LG is the largest air-conditioner manufacturer in the Middle & Near East and Europe.

DOMESTIC MARKET POSITION

Leader with a market share of **51%** (market share in installations)

INTERNATIONAL POSITION

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

TOTAL REVENUES

519
(TL million)

SHARE OF INTERNATIONAL REVENUES

18%

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

Established in 2000 with a production capacity of 300 thousand units, Arçelik-LG today boasts an annual capacity of 1.5 million units and 691 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 40% of its air-conditioner production mainly to Africa, Europe and the Middle East.

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 2017.As a result, exports to EU countries resumed after a long interval. Thanks to the Santez project realized via a partnership between universities and the industry, the Company completed the design stages for its "Smart-Interactive Air-Conditioner" products.

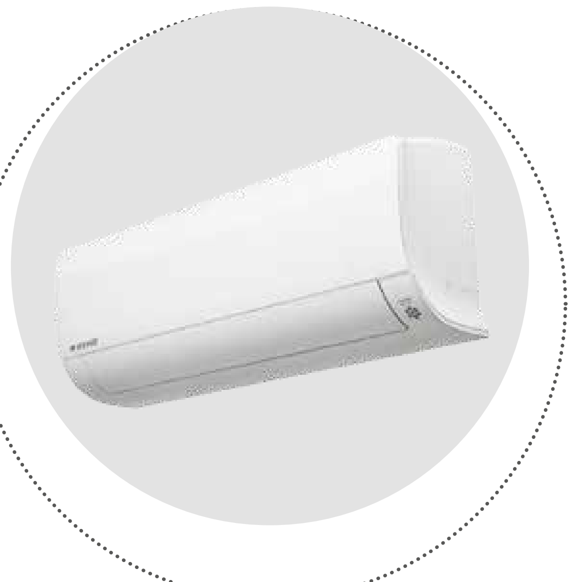
In the commercial air-conditioners segment, Arçelik-LG's R&D Department has designed and produced fan-coil units. As a result, Arçelik-LG now offers a wider range of domestically produced commercial air-conditioners.

Arçelik-LG has capitalized on its production capabilities to domestically produce the previously imported high-productivity exchangers used by the Arçelik Dryer Plant for its high end dryers. The plant has now started to manufacture dryers with higher productivity, leading to reduced costs and a sharper competitive edge.

As a result of the global quality audit performed by LG in its air conditioner factories, the Arçelik-LG air-conditioner factory placed first worldwide.

Outlook, targets and strategies for 2017

While providing Turkish consumers with high-quality energy-efficient products and maintaining domestic market leadership; the Company's strategic aim outside Turkey is to grow profitably in Europe, CIS and the Middle East. In addition, it continues to focus on increasing its market share in the newly-developing commercial air-conditioner segment by expanding its product range and maintaining its leadership through investments and design work.



BİLKOM

Bilkom's average sales growth rate over the last five years is well above the sector average.

Bilkom is a new generation Company that makes a difference with its agile structure, and value added service strategy along the information and communications technology (ICT) distributorship model.

An expanding product portfolio centered on mobile and digital life

For over 30 years, Bilkom has provided value-added, customer-centered distribution services in Turkey to global IT brands that shape digital and mobile transformation across the world. In 2016, Bilkom outperformed average market growth by a large margin.

During the year, Bilkom's product portfolio included pioneer brands such as Apple, Asus, Celly and Warner Bros. In the last months of the year, the Company included Huawei's products in its brand portfolio, the world's third largest smartphone manufacturer.

Growth well above the sector average

In 2016, Bilkom continued on its growth trajectory, expanding its net sales by 25% year - on - year to TL 1,380 million. Bilkom's average sales growth rate in TL terms over the last five years exceeds 50%, well above the sector average.

Rapid rise in the Turkey Fortune 500 rankings

Bilkom first entered the Turkey Fortune 500 ranking in 2013 at 422nd. In the ranking for 2016, the company climbed to the 142nd position, and ranked 46th on the list of companies with the fastest sales growth performance. In terms of net sales performance per employee, the company ranked 24th, thus continuing its rapid ascent in the rankings.

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

Success-driven team spirit and competitive operational structure

Bilkom's business principles and workforce are committed to all the core values and premises of Koç Group. Bilkom is a new generation company where 65% of employees belong to the Y-generation. Staff engagement is at a very high level: The workforce turnover rate is below 2%. The Company's operational structure is extremely competitive and constitutes one of the most important building blocks of Bilkom's sustainable growth strategy.

Corporate responsibility: The world's first 3D history experience – iVisit Anatolia

ProjectBilkom, which always strives to contribute to the country and society at large with its corporate social responsibility approach, launched the CSR project "iVisit Anatolia: History Comes Alive in 3D." This innovative initiative allows mobile users to visualize the ancient city of Pergamum in three dimensions to uphold Turkey's cultural heritage.

In 2016, Bilkom placed 2nd in the "Integrated Mobile Experience" category at the Stevie International Business Awards. Additionally, the Company became the champion of Turkey in the category of "Environment and Corporate Sustainability" at the European Business Awards.

Outlook, targets and strategies in 2017

In line with its vision of becoming a "Digital Life Coach" for customers, Bilkom plans to continue introducing forward-looking technologies to Turkey, delivering its customers an innovative, digital and mobile lifestyle, and demonstrating profitable, sustainable growth above the sector average.

FINANCE

WE OFFER THE MOST CREATIVE SOLUTIONS TO OUR CUSTOMERS ON EVERY PLATFORM AVAILABLE THROUGH OUR INVESTMENTS IN DIGITAL TRANSFORMATION AND WIDESPREAD BRANCH NETWORK!


Kredi

FINANCE

SUSTAINABLE AND CUSTOMER FOCUSED

Banking

Developments in the finance sector in 2016

In 2016, the financial services sector was affected by the developments in Turkey and the world. The Fed's interest rate decision, Britain's decision to leave the European Union (Brexit) and the presidential election in the US increased uncertainties around the globe. Despite all these events, Turkey and its banking industry maintained a strong position, all thanks to the efforts undertaken by the Central Bank of Turkey and the Banking Regulation and Supervision Agency to support the economy. During this period, the banking industry continued to support the national economy and the capital base remained strong.

The Koç Group in the finance sector

In the finance sector, Koç Group operates through Koç Financial Services, a 50%–50% joint venture between Koç Holding and UniCredit Group, and Koçfinans, the first consumer finance company in Turkey.

Koç Financial Services is the parent company of Yapı Kredi, which was established in 1944 as Turkey's first private nationwide bank, and its subsidiaries that are leaders in their respective segments. Yapı Kredi ranks among Turkey's top 10 most valuable brands with its sustainable, customer-focused banking philosophy and innovative approach. Together with its domestic and foreign subsidiaries, Yapı Kredi is a pioneering 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 2016, Yapı Kredi entered the "Harvest Period" of its "Growth-Focused Investment Strategy," which the Bank began implementing in late 2013. The main pillars of this strategy include the efficient use of the distribution network while keeping a strong focus on digitalization to achieve sustainable performance. The effectiveness of this strategy is evidenced by new customer acquisitions and transaction numbers, both of which have significantly increased over the last three years. In 2016, Yapı Kredi acquired 731,000 new active customers and boosted the average number of transactions per month by 17% over the previous year.

At Yapı Kredi, 2016 was a year of developing and enhancing all digital channels, mobile banking particularly. Pioneering the digital transformation of banking, Yapı Kredi revamped its mobile branch entirely and introduced many "firsts" in 2016, including "eye-scanning" technology, cardless cash withdrawals using QR codes without even touching the ATM and direct access to the call center. All these innovations further reinforced Yapı Kredi's pioneering position in the banking industry.

Established to provide customers with financing alternatives at points of sale, Koçfinans offers a variety of loan solutions, primarily in the automotive sector, but also in other areas such as durable goods, education, motorcycles, mortgage and home improvement. Koçfinans provides these financing solutions without the intermediation of branches, directly through the dealers who sell the products and services covered by the loan. In 2016, the Company's assets amounted to TL 3.8 billion.


YapıKredi
At Yapı Kredi, 2016 was a year of developing and enhancing all digital channels, mobile banking particularly.
2016: “Harvest Period” of the “Growth-Focused Investment Strategy”

YAPI KREDİ

MARKET SHARES

Assets
4th among private banks

Cash + Non-cash Loans
4th in the sector with 11% market share

3rd among private banks with 17% market share

Cash Loans
4th in the sector with 10.2% market share

3rd among private banks with 16.4% market share

Deposits
5th in the sector with 10.6% market share

4th among private banks with 16% market share

Credit Cards
Market leader (with market shares of 22.1% in credit card outstanding volume, 19.9% in credit card revenue, 20.8% in POS revenue, 17.8% in total number of credit cards)

Financial Leasing
Market leader (with 19.9% market share in leasing receivables)

Factoring
Market leader (with 18% market share in revenues)

Mutual Funds
2nd with 17.1% market share

Equity Transactions Volume
3rd with 7.3% market share

Number of Branches
5th with 8.7% market share

Number of ATMs
4th with 8.9% market share

Internet Banking
16.2% market share (based on number of active customers)

Mobile Branch
12.7% market share (based on number of active customers)

Yapı Kredi ranks among Turkey's top 10 most valuable brands

Thanks to the customer-focused banking philosophy and the innovative approach it has adopted since its founding in 1944, Yapı Kredi figures among Turkey's top 10 most valuable brands according to the "Turkey's Most Valuable Brands" survey conducted by Brand Finance.

Together with its domestic and foreign subsidiaries, Yapı Kredi is a pioneering 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.

Harvest Period: Sustainable and healthy growth, improved operational efficiency

In 2016, Yapı Kredi entered the "Harvest Period" of its "Growth-Focused Investment Strategy," which the Bank began implementing in late 2013. The main pillars of this strategy include the efficient use of the distribution network while keeping a strong focus on digitalization to achieve sustainable performance. The effectiveness of this strategy is evidenced by new customer acquisitions and transaction numbers, both of which have significantly increased over the last three years. In 2016, Yapı Kredi acquired 731,000 new active customers and boosted the average number of transactions per month by 17% over the previous year.

In 2016, Yapı Kredi further bolstered its position in the industry while improving operational efficiency and thereby overall financial performance. The Bank outperformed other private banks in terms of loan and deposit growth while reducing its cost-to-income ratio from 49% to 44%.

Yapı Kredi increased its total cash and non-cash loans volume by 17% to TL 244.9 billion in 2016. In this area, the Bank places 4th among all banks with 11% market share while ranking 3rd with 17% market share among private banks.

During the year, the Bank's total deposits grew 21% - above the sector average - to TL 157.1 billion. Yapı Kredi ranked 5th in total deposits in the sector with a market share of 10.6%. Among private banks, Yapı Kredi places 4th with a 16% market share.

Additionally, the Bank continued to diversify its funding sources in 2016. During the year, the Bank raised USD 5.6 billion through syndications, securitizations, bond issuance and other financial instruments.

Yapı Kredi recorded consolidated net profit of TL 2,933 million in 2016. The Bank's return on average tangible equity stood at 12.8% while its capital adequacy ratio went up by 40 basis points over the prior year to 14.2%

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

Together with its domestic and foreign subsidiaries, Yapı Kredi is a pioneering financial services group.

ASSET SIZE

271
(TL billion)

RETURN ON AVERAGE EQUITY

12.2%
(12.8% Return on Average Tangible Equity)

SHAREHOLDER STRUCTURE

81.80% Koç Financial Services

18.20% Free Float

YAPI KREDİ

The banking sector's leader in digital transformation, Yapı Kredi once again broke new ground in the industry with its "Eye Scan" technology, a first in Turkey.

Yapı Kredi: Digital Bank of Turkey

At Yapı Kredi, 2016 was a year of developing and enhancing all digital channels, mobile banking particularly. Pioneering the digital transformation of banking, Yapı Kredi revamped its mobile branch entirely and introduced many "firsts" in 2016, including "eye-scanning" technology, cardless cash withdrawals using QR codes without even touching the ATM and direct access to the call center. All these innovations further reinforced Yapı Kredi's pioneering position in the banking industry.

During the year, the number of active mobile banking customers increased 62% to 2.4 million while the number of internet banking customers rose to 3.3 million, up 27%.

Yapı Kredi's market share in digital banking has consistently increased over the last 16 quarters. Additionally, one out of every four customers using digital channels preferred Yapı Kredi in the past two years. The bank's mobile applications have been downloaded 7 million times during the last two years.

Awards and achievements

Yapı Kredi received major awards in 2016:

- Bilkent Integrated Healthcare Campus Project in Ankara, in which Yapı Kredi participated in the financing of, received the "Finance Deal of the Year in Turkey" award from Project Finance International.
- During the year, Yapı Kredi continued to provide financing for major projects that are of critical importance for Turkey's development. Of these, five projects developed and financed by Yapı Kredi received six awards in different categories from EMEA Finance magazine.
- Yapı Kredi Private Banking was named the "Best Private Bank in Turkey" by Global Finance; in addition, the Bank received the Best in Turkey award in the category of "Philanthropic Advice – Turkey" from Euromoney.
- Euromoney named Yapı Kredi "Turkey's Best Trade Finance Provider" and "Turkey's Best Bank in Cash Management."
- Yapı Kredi's corporate Internet branch received the Best Design award in the "Corporate Internet Banking" category at the 2016 Best Digital Bank Awards organized by Global Finance. Yapı Kredi's website won the Best in Class award in both "Banking" and "Financial Services" categories at the Interactive Media Awards.
- Yapı Kredi also garnered important awards for its marketing communications activities. The Bank received six awards at the 28th Crystal Apple Festival of Creativity organized by the Association of Advertising Agencies, and seven awards at the 11th Felis Awards held by MediaCat.
- At the ETİKA Awards, organized by the Ethical Values Center Association (EDMER), Yapı Kredi was presented with the "Most Ethical Company in Turkey" award for the fourth time.

Corporate Governance Rating

In 2016, Yapı Kredi's Corporate Governance Rating Score was confirmed as 9.34.

Outlook, targets and strategies for 2017

In 2017, Yapı Kredi aims to maintain its strong position in the industry by sustaining its robust asset quality, capital and liquidity base. As the digital bank of Turkey, Yapı Kredi will continue investing in this area to boost its standing in the sector while introducing firsts to its customers and the market. Maintaining its consistently high performance in generating income will also be a top priority for the Bank in the coming period.

KOÇFİNANS

Koçfinans provides financial solutions, without the intermediation of branches.

Total assets in 2016: TL 3.8 billion
Established to provide customers with financing alternatives at sales locations, Koçfinans delivers loan services, primarily in the automotive sector but also in white goods, education, motorcycles, mortgage and housing development. Koçfinans provides financial solutions, without the intermediation of branches, via dealers who sell the products and services covered by the loan.

In 2016, Koçfinans expanded its loan portfolio with fleet loans and dealer inventory financing products for the automotive market in addition to new car and second-hand auto loans. As a result, the Company reported 20% growth over the prior year, with its loan portfolio climbing to TL 3.4 billion. In the housing development and education sectors, the client portfolio expanded significantly with the number of its customers doubling in the last two years.

Under the "Innovation and Digital Transformation" programs of Koç Holding, Koç Finansman initiated efforts related to cultural awareness and transformation with the aim of standing out in today's digitized world with innovative products and services. As part of the "New Things Innovation Program," new business ideas from employees were turned into projects to be implemented in the Company.

In 2016, Koçfinans' short term national credit rating was upgraded to (TR) A1+ and its long term national credit rating rose to (TR) AA-.

Outlook, targets and strategies in 2017
In line with its slogan "Koçfinans supports your dreams," Koçfinans plans to enhance its competitive edge and strengthen its market position through customer-oriented and innovative projects. The Company aims to meet the financing needs of retail and commercial customers in every area of their lives.

In 2017, in the second stage of the "New Things Innovation Program," Koçfinans will embrace new business ideas from stakeholders and the entrepreneurial ecosystem via open innovation. The Company is committed to delivering clients and sellers digital solutions that will provide unmatched experiences through all Koçfinans service channels.

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

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:

Tomato products with a **63%** revenue share,

Tomato paste with a **32%** revenue share,

Ketchup with a **31%** revenue share,

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

Premium pasta with a **48%** revenue share.

OWNERSHIP STRUCTURE

Koç Holding
43.65%

Free Float
41.41%

Other Koç
9.68%

Kagome Co. Ltd.
3.73%

Sumitomo Corp.
1.53%

Production

In 2016, 327 thousand tons of fresh tomatoes were processed at three Tat factories in Mustafakemalpaşa, Karacabey and Torbalı. Tat Gıda began implementing "Good Agricultural Practices" in collaboration with contract farmers, provided agricultural training to 650 contract farmers, and supported farmers towards improving harvest efficiency and postharvest quality. The Company also set up a climate station at the test field, provided technical training to farmers, and initiated the digital data collection process for agricultural engineers during their field visits.

The Company continues to undertake investments in the milk and dairy products business line in pursuit of its growth targets. In 2016, daily milk processing capacity reached 1,200 tons at SEK's milk processing plants in Mustafakemalpaşa and Söke.

The pasta production plant has a daily wheat milling capacity of 320 tons, and the Pastavilla brand produces plain, whole wheat and enriched products.

Financial position

In 2016, the Company's revenues grew around 8% over the prior year. Operating profit rose 7% over the previous year to TL 70 million while earnings before taxes from ongoing operations went up 8% to TL 69 million.

Despite the overall economic challenges in 2016, Tat Gıda recorded strong profitability thanks to efforts to increase productivity. In addition, the Company reduced its debt position and strengthened its financial structure. Accordingly, the Company will be able to allocate more resources to product development and brand investments in the coming period.

Leading brands and new products

In order to bolster its market leadership position in 2016, Tat Gıda conducted digital promotional campaigns targeting youth, in addition to the communication activities that strengthen consumers' emotional bonds with the Company's brands.

The "Sweet Tomatoes Family" campaign continued throughout 2016. The "Sweet Tomatoes Family" video was viewed more than 100 million times, and became one of the 10 most-viewed videos on YouTube twice in 2016.

SEK launched SEK Quark, a first-of-its-kind product in Turkey, and positioned the brand as "Good Sweet," thereby making a successful entry into the healthy snacks market. SEK Quark was introduced to consumers with an integrated marketing communications plan that included key opinion leaders in field of healthy eating.

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

Tat Gıda began implementing "Good Agricultural Practices" in collaboration with contract farmers.

TOTAL REVENUE	EBITDA*	PROFIT BEFORE TAX	NET PROFIT**	SHARE OF INTERNATIONAL REVENUES
981 (TL million)	**74** (TL million)	**69** (TL million)	**65** (TL million)	**9%**

* *Excluding FX gains/losses and credit finance income/charges on trade receivables and payables.*
** *The parent company's net profit for the period.*

FOOD/TAT GIDA

In 2016, Tat Gıda achieved its productivity and profitability targets.

In 2016, SEK achieved another "first" in the cheese category by launching plain and flavored "Fresh Cheese" products.

As the market leader in the pasteurized milk category, SEK continued to run the "Nurture with Goodness" campaign, which emphasizes the benefits of daily milk and aims to grow the category. The Company also launched new products in the pasteurized milk category.

Awards and achievements

The advertising campaign of "SEK Cold Coffee," a Tat Gıda brand, received two Gold awards at the 2016 Effie Awards Turkey, which aims to honor the most effective marketing campaigns. The campaign also won first prize at the 2016 Felis Awards.

The "Sweet Tomatoes" animated video received the "Bronze Award" at the 2016 Crystal Apple Festival of Creativity.

SEK Quark, pasteurized milk and tomato paste products received the "Superior Taste Award" from ITQI (International Taste & Quality Institute).

Outlook, targets and strategies for 2017

In 2016, Tat Gıda achieved its productivity and profitability targets. In 2017, the Company plans to launch innovative products, continue investing in brand equity, and support distribution and logistics activities in order to increase its sales volume and reinforce its market position. The Company also aims to boost the sale of its branded products in the European and Middle Eastern markets and gain more shelf space for the Tat brand in supermarkets.

FOOD/DÜZEY

Düzey bolstered its pioneering position in the sector by maintaining its growth drive of recent years.

Founded in 1975, Düzey distributes Koç Group food brands Tat, SEK and Pastavilla as well as other products outside the Group through a widespread distribution network, which the Company has expanded since 2003, along with six regional offices. Each year, Düzey sends invoices to more than 80 thousand sales points.

In 2016, Düzey increased its sales revenues by 13%.

In addition to the Tat, SEK and Pastavilla brands, Düzey has distributed the Nutella and Kinder brands of the leading Italian food manufacturer Ferrero since 2011.

The Company also undertakes the sales and distribution of Maret products, which were excluded from the Group's product portfolio in 2014.

In the last quarter of 2015, Düzey entered into a sales and distribution deal with Dardanel, Turkey's largest canned fish products manufacturer, and added Dardanel sandwich products to its portfolio in 2016.

In 2016, Düzey further expanded its portfolio and signed an agreement with Kellogg's for the sale and distribution of Pringles potato chips. The Company began selling these products in July.

Düzey continuously improves its logistics and technology infrastructure in parallel with the new brands it adds to its distribution portfolio.

Outlook, targets and strategies for 2017

Düzey will continue to grow in 2017 and beyond, and maintain its leading position in the sector with the support of its suppliers and employees.

As part of digital transformation efforts, projects are developed for structural changes, mainly in the field of logistics. In this sense, communication will continue uninterruptedly for possible collaborations with leading institutions in Turkey and the world.

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

Setur

TOURISM/SETUR

With its tourism services and duty-free stores, Setur maintains its position as the largest player in the sector.

Tourism

Setur operates in diversified areas of the tourism industry, including air ticket sales, domestic and international tours, congress and seminar events, cruise travel, educational services abroad and visa services. Setur serves customers via five sales centers, 41 authorized agents and 257 online agencies.

Despite the problems which beset the tourism sector in 2016, there were significant increases in the number of people who purchased individual tours, and 10% growth in ticket sales despite the overall contraction in the ticket market.

In 2016, Setur launched the brand SeturSelect along the concept of "Beyond travel" to offer guests a richer customer experience, thereby providing travel planning consultancy to 9 thousand individuals. The web sites setur.com.tr, seturselect.com and bookinturkey.com were upgraded during the year. The Company extended its presence in the corporate segment and expanding its customer portfolio to some 2,300 firms. In congress and meeting organizations, the Company organized over 700 events with success in 2016, thanks to its deep experience in this arena.

In a survey conducted by Marketing Türkiye and Akademetre, Setur was named the most successful tourism and travel brand of 2016.

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

Duty-Free Shops

Setur conducts duty-free sales operations with 846 employees at 40 shops in 17 regions, which include four airports, five land border gates, seven seaports and one diplomatic store.

The Istanbul Sabiha Gökçen Airport store, with some 3,800 m^2 of retail space, is Setur's biggest retail location. The store's product range and customer experience were enhanced in 2016 with addition of new brands such as the world-renowned accessories brand Michael Kors. In the electronics category, the Company pioneered a breakthrough in the Turkish duty-free sector by inaugurating an Apple store. Moreover, in 2016 the incoming passenger store in Ipsala on the Greek border was completed and inaugurated in June.

Outlook, targets and strategies in 2017

Setur has prioritized digital transformation in all its business processes and services, with numerous projects slated for completion in 2017.

In 2017, in the tourism business, the Company plans to enhance its presence in the retail ticket market with the product "SeturTicket", inaugurate a new branch on Bağdat Avenue to get closer to its customer base, and in particular, continue its rapid growth in corporate online products.

On the duty-free retail side, there are plans to renovate the incoming passenger shop at Sabiha Gökçen Airport in 2017; the target is to extend the market and embrace a new concept to grow further. With the renovation in the outgoing passenger Bazaar and Boutique shops, new boutique accessory brands will be introduced and the penetration to the Bazaar shop will be increased.

Aside from Sabiha Gökçen, renovation works are planned for five other locations.

TOURISM/SETUR MARINAS

Setur Marinas leads the Turkish marina sector with a capacity of 6,058 berths and a 25% market share.

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 Midilli. Setur Marinas has a capacity of 6,058 berths of which 5,801 are in Turkey and 257 are abroad. It leads the Turkish marina sector with a 25% market share.

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 issued a stay of execution motion for the zoning plan, Tek-Art A.Ş. opted out of the tender. The other participants followed suit; as a result, the tender was cancelled and thereby Tek-Art recovered its tender guarantee. The Privatization Administration has initiated work on a new tender.

Outlook, targets and strategies for 2017

Setur Marinas aims to maintain its domestic leadership by expanding its market share in Turkey and become an international brand by increasing the number of its marinas abroad. Therefore, the Company closely explores opportunities both domestically and internationally.

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

divan

TOURISM/DİVAN GROUP

Divan Group creates synergy in the sector by conducting accommodation services, patisserie, event management and cafe-restaurant operations.

The Divan Group operates 17 hotels, three residences, 23 patisseries (two of which are abroad), 43 bakeries, 13 restaurants, three stadium and Eataly 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 addition to the "Divan" brand in the hotel segment, Divan Group also operates under the brands "Divan Suites" and "Divan Express. In the residence sector, its brands are "Divan Residence" and "Managed by Divan."

In 2016, residence branding contracts were signed for the brand "Divan Residence" at the G Tower Project, Mahall Ankara Project and Mahall Bomonti İzmir Project; and an office branding project was signed for the brand "Managed by Divan" at Mahall Ankara Office Project.

Three new patisseries - Qatar, Dubai and Ankara Koçkule Divan patisseries - and Ankara Safranhan Restaurant opened in 2016.

In 2016, Divan signed yet another agreement as a stadium food and beverage provider: The Company became the exclusive authorized operator of Vodafone Arena's food and beverage areas for 15 years.

Outlook, targets and strategies in 2017

The number of Group hotels under operation, including those currently under construction, totals 27.

Divan Group plans to open G Marin Managed by Divan (556 units) in first quarter 2017. Divan Express Cizre (132 rooms) will start its operations in third quarter 2017.

Divan Group aims to open up a new concept restaurant "White Pepper by Divan" in Istanbul's BJK stadium with an 800-seat capacity in first quarter 2017.

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

RETAILING/KOÇTAŞ

Koçtaş is the leader in the Do It Yourself retail sector.

The market leader with a total sales area of 234 thousand m^2 in 42 Koçtaş and 21 Koçtaş Fix stores located across 22 provinces, Koçtaş served some 10 million customers in 2016. 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 2016.

Given the effect of rapidly changing technologies and socioeconomic conditions on customer expectations and shopping habits, the Company has introduced numerous firsts such as Koçtaş Fix stores with an average sales space of 200 m^2, the "Omni-channel" shopping experience and "Tıkla&Gelsin (Click to Order)" kiosks.

The "Tıkla&Gelsin (Click to Order)" kiosks are currently present in all Koçtaş Fix stores and allow access to 16 thousand additional products. The Company plans to install them in other Koçtaş stores in the coming period.

Awards and achievements

According to a survey conducted by Brand Finance in 2016, Koçtaş ranks 50th on the "100 Most Valuable Turkish Companies" list.

For its digital marketing campaigns, Koçtaş won the "Silver" award in the promotion category at the EMMA Smarties Awards held by the International Mobile Marketing Association (MMA).

Koçtaş garnered five prizes at the Crystal Apple awards, which recognizes the most creative advertising in the campaign; at the 11th edition of the Felis Awards, Koçtaş was awarded 1st prize in the newspaper ads category.

Social responsibility

Through its new retail stores designed to deliver "Better Homes, Better Lives," Koçtaş continues to undertake sustainable social responsibility projects.

In 2016, the Company continued to make donations to the Foundation for the Education and Protection of Mentally Handicapped Children.

Since 2012, the Company has been the main sponsor of the archeological excavation in Çatalhöyük, one of the most important Neolithic settlements in Anatolia, included on the UNESCO World Heritage List.

Koçtaş has supported the Koç University Anatolia Scholarship Program since 2012.

The Company joined forces with TEMA foundation to plant over 400 saplings honoring the newborn offspring of its employees.

Outlook, targets and strategies in 2017

Koçtaş's priority is entering those urban markets where it does not have stores yet, and thus creating value for its customers and other stakeholders across the nation. Koçtaş plans to expand its reach by inaugurating 15 new Koçtaş Fix stores in 2017.

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

SHIP & YACHT CONSTRUCTION/ RMK MARINE

RMK Marine is the only Turkish private sector shipyard to meet "NATO Quality Assurance Requirements for Design, Development and Production."

RMK Marine focuses on construction projects for superyachts, tankers, military ships and tugboats. RMK Marine is the only Turkish private sector shipyard to meet "NATO Quality Assurance Requirements for Design, Development and Production."

Turkey's largest warship

RMK Marine has the privilege of being the private shipyard that has initiated and successfully completed the project for the largest warship ever built in Turkey. The four Coast Guard Search and Rescue vessels completed and delivered in 2014 and 2015 perform with success the challenging duties ascribed to them in the open seas.

Continuing to introduce firsts

Designed and constructed by RMK Marine and delivered in 2014 and 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. In 2016, the most challenging year that the sector has faced in the last 35 years, the Company received orders for one chemical carrier from an existing client, and for one asphalt carrier and one chemical carrier from a domestic client. Construction of these ships began in 2016; they are planned for delivery in 2017, 2018 and first quarter 2019, respectively.

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

A global brand in superyachts

Constructed by RMK Marine, Nazenin V, Karia and Sarafin all garnered "Special Jury Awards" at the World Superyacht Awards, the "Oscars"of the superyacht sector. The Company's major business target for 2017 is to market the over 50-meter yachts specially designed in 2015 and 2016.

Outlook, targets and strategies in 2017

RMK Marine's strategic business plan includes the Turkish Fast Attack Boat project and the Class 600 Coast Guard Vessel project, whose tenders are expected to be launched soon by the Turkish Marine Forces.

The Company also carries out work on the following initiatives:

- Environmentally-friendly commercial ships with low operating costs,
- Superyachts with unique design.

RMK Marine's unwavering business target is to become a long-term, reliable solution partner that delivers added value.

KoçSistem

INFORMATION TECHNOLOGIES/ KOÇSİSTEM

KoçSistem acquired major new clients, thereby bolstering its leadership position in the managed services market.

KoçSistem, which has conducted its own digital transformation and that of its customers in line with the mega trends in the business and technology worlds, continued its efforts in 2016 with the same focus.

In 2016, KoçSistem's digital transformation approach was upgraded with the "NoW|New Opportunities World" concept and visualized around the theme "Smart City." Based on this concept, KoçSistem underscored the opportunities presented by digital transformation for companies, and its solutions to help seize these opportunities.

On the one hand, the Company creates the digital transformation platform for the sectors it serves; on the other, it focuses on the development of "Groundbreaking Employees" through its individual and corporate cultural transformation program "LeadNow."

In 2016, KoçSistem accomplished several projects successfully with the IT solutions and services it offered to clients. Turkey's most comprehensive SAP corporate transformation project was conducted at TürkTraktör; meanwhile, the technological transformation projects at HSBC, the Ministry of Customs and Trade, Allianz Insurance as well as the digital publishing project for Trabzonspor Şenol Güneş Akyazı Stadium were completed during the year. KoçSistem acquired major new clients such as Eureko Insurance, Groupama Insurance, Zurich Insurance, Çelebi Aviation Holding and Nobel Pharmaceuticals, thereby bolstering its leadership position in the managed services market. Having served its clients since 2000 at datacenters in İstanbul and Ankara, KoçSistem inaugurated its third datacenter "IstanbulOne" in 2015. In 2016, the Company doubled the datacenter in this third location to 1,000 m^2, significantly boosting its overall datacenter capacity.

In 2016, KoçSistem geared up investments in its software products, offering its clients the mobile product family "Mobile BusinessLine," the Internet of things platform "Platform360" and the financial business solutions product "finaLease." The Company is currently realizing the first project for "finaLease" at Aklease.

The Ministry of Science, Technology and Industry has granted the award for "Best Capacity – 2015" to the R&D and Innovation center of Koç Sistem as a result of positive assessments in the areas of project capacity, partnership, intellectual property and workforce competence.

Outlook, targets and strategies in 2017

With intensive efforts in 2016, KoçSistem increased its turnover 19% over the prior year. In 2017, KoçSistem plans to seize the opportunities presented to it by the evolving digital world. The Company aims to provide value to its stakeholders via integral technology projects while pursuing the vision of presenting customers with original products and technology through an authentic service model.

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

FOREIGN TRADE/ RAM DIŞ TICARET

Ram Foreign Trade successfully fulfilled its mission of providing support to Group companies in emerging markets.

In 2016, Ram Foreign Trade successfully fulfilled its mission of providing support to Group companies in emerging markets.

Ram continued the central procurement process for flat steel products. Approximately 319,000 tons of supplies were acquired with considerable advantages for the Group and its subsidiaries.

The Company continued to represent Boeing in the aviation industry and delivered two 787 cargo plants to Uzbek Airlines, a 747 cargo plane to Azerbaijan Airlines and a 737 cargo plants to Turkmenistan Airlines.

By participating in tenders held by the UN and other aid organizations, Ram has helped deliver various materials and consumables to refugees and those in need in countries affected by the war in the Middle East and Africa.

Outlook, targets and strategies for 2017

The Company plans to benefit economies of scale provided to Group companies in the central procurement of iron and steel to a great extent and develop new business/models accordingly.

In addition, the Company has planned 4 aircraft shipments while new regional representative offices are scheduled to open for the aviation sector in 2017.

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

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

CENTRAL PURCHASING/ ZER

Zer boasts a long history of developing strategies to implement procurement services with specialized expertise and technology for each category.

The core business of Zer is procurement services, which it delivers via cutting edge technologies and processes. Zer's highly specialized team provides savings and productivity in strategic and operational procurement in over 100 purchase categories.

Zer's main operational categories include:

End-to-End Procurement Services: Meeting corporate procurement needs via outsourcing is one of today's top business process outsourcing (BPO) trends. Zer provides end-to-end services at all stages of the supply process in the following areas:

- Logistics
- Services and Materials
- Media Procurement
- Digital Marketing

Promena Procurement Platform Solutions: The Promena application is a platform where expenditure analysis, supplier management, tender and negotiation processes can be managed in an integrated fashion. Zer conducts all strategic procurement operations via Promena. Customers may also use Promena as a standalone product for self-managed procurements.

Digital Marketing Services: Zer delivers a comprehensive range of services typically offered by a digital marketing agency, including ad display, search engine advertising, mobile marketing, social media marketing, and search engine optimization. As such, clients can monitor their footprint at lower costs, and in a more efficient way.

Clients outside the Koç Group: Zer is ramping up efforts to deliver the benefits it currently provides within Koç Group to external clients.

- In 2016, the Company started to deliver procurement services in 14 categories to clients outside Koç Group.
- Ekozer.com, an e-trade platform mainly designed to provide services to SMEs, was launched.

Results and developments in 2016

- Over 6 thousand procurement transactions were performed via electronic procurement systems.
- Zer managed over 350 thousand orders for clients whose procurement activities it manages.
- Zer provides services via 25,000 suppliers registered in the Promena system.
- The expenditure analysis application, which includes all details of customer data, has been made available for the use of Zer clients.
- The project for the innovation program "Bulldozer" was initiated via a partnership between Koç University and Kworks business association.
- An extensive portfolio was created for digital transformation projects.
- Zer and its employees contribute to the personal development of young individuals under a project started with TEGV (The Educational Volunteers Foundation of Turkey).

Outlook, targets and strategies in 2017

Zer boasts a long history of developing strategies to implement procurement services with specialized expertise and technology for each category. The Company plans to continue making capital investments in 2017, especially in the following categories:

- Digital marketing planning and customer experience follow-up
- Personnel transportation solutions
- Applications for the management of logistics operations
- IoT applications for service areas (forklift, cleaning, among others)
- Supplier management

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

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

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Integrating our sustainability strategy into our business models will provide significant competitive advantage.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY PERFORMANCE MANAGEMENT

From year one, the Koç Group 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.

At the Koç Group, sustainability efforts are managed in a manner to foster business strategies and stakeholder engagement. Accordingly, three focus areas have been identified with the sustainability model: Management, Practice, and Communications.

Regarding the first focus area, the Koç Group aims to bring together all relevant teams so that they can review global trends and share their experiences as part of sustainability management efforts. To this end, the Koç Group Sustainability Team, which consists of environmental, human resources, audit, purchasing, legal, and corporate communications managers from public companies, convened in October to share their experiences and to identify areas for collaboration. The Group plans to organize these sustainability meetings at least twice a year.

The second focus area involves the implementation of sustainability efforts in the field, or in other words, in practice. These efforts include the analysis of the current situation, establishing and updating related procedures, performance monitoring, and spreading shared standards. In 2016, Koç Holding performed an internal evaluation of Group companies with regard to their sustainability efforts. The purpose of this evaluation, which will be repeated every two years, is to provide insight into the development of sustainability leadership roadmaps of Koç Group companies and to create a common denominator for the companies' efforts. During the same period, Koç Holding also conducted a stakeholder survey to obtain stakeholders' opinions about sustainability. Opinion leaders and representatives of public entities, civil society organizations, international institutions and universities that work in areas such as environmental issues, innovation, transparency, employee rights, and diversity participated in the survey. Findings were shared with the Koç Group Sustainability Team and included in the planning process. As a result of these initiatives, Koç Holding Sustainability Department started working on a sustainability implementation guide, which will consist of sections such as Issue Management, Stakeholder Integration, Performance Indicators and Best Practice Criteria.

The third focus area is about creating a common language for sustainability efforts and tackling sustainability issues within a shared framework. United Nations Sustainable Development Goals adopted in 2015, did not only shape the global agenda, but also remained at the center of Koç Group's sustainability efforts. Sustainable Development Goals, which focus on 17 key areas from ending poverty to fighting climate change, from sustainable consumption and production to innovation, set specific targets to be achieved globally by the year 2030. These 17 goals also serve as a framework for Koç Holding's sustainability efforts. The Group shares its sustainability efforts with the public via the Koç Group Sustainability Report, which is published annually, as well as individual sustainability reports issued by Group companies.

Koç Holding's sustainability performance was reflected in the Borsa Istanbul (BIST) Sustainability Index, which was launched in

2014 and continued in 2015. All Koç Group companies included in the BIST 50 fulfilled the Index criteria in 2016. In addition to Koç Holding, Arçelik, Ford Otosan, Otokar, Tat Gıda, Tofaş, Tüpraş, Türk Traktör and Yapı Kredi were all included in the Index.

GLOBAL COMPACT

The United Nations Global Compact, signed by the late 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 2016 to extend and institutionalize the Global Compact in Turkey.

ENVIRONMENTALLY FRIENDLY PRACTICES

The Koç Group is committed to compliance with national and international environmental laws, regulations and standards in all of 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 constantly improving and 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 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.

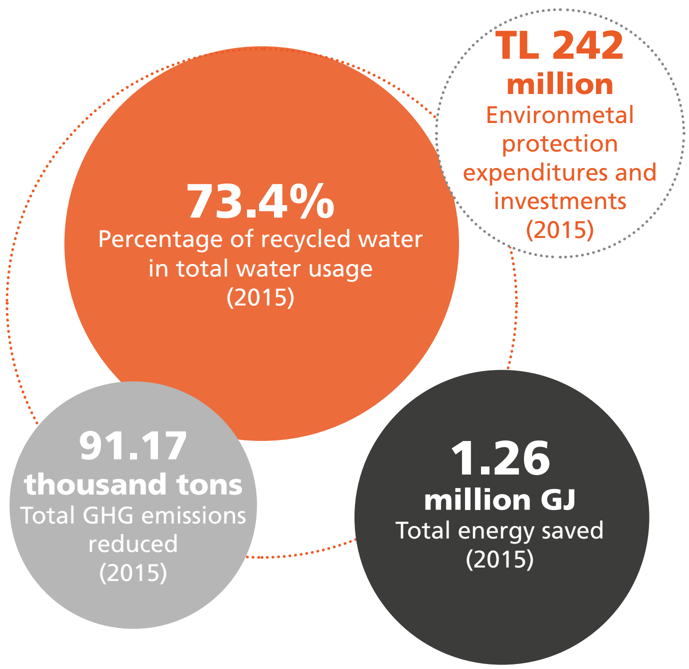
With a track record of numerous environmental achievements and initiatives, Koç Group companies carry out their environmental management efforts in four main areas: Climate Change Management, Resource Use Efficiency Management, Environmentally-Friendly Product Development, and Environmental Protection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

Climate change management

Koç Group Climate Change Strategy provides direction to Group companies with regard to their efforts in fighting climate change. All Group companies expend efforts to effectively measure and reduce greenhouse gas emissions. The report titled "Climate Change: Good and Bad Scenarios" was issued for companies in order to take the necessary precautions in response to possible changes related to the climate.

Since 2011, the Koç Group and the Turkish business community are represented on international platforms such as the Climate Change Conference of Parties. In 2016, representatives of Koç Group companies participated in the 22nd session of the United Nations Climate Change Conference, which was held in Marrakesh, and Arçelik made a presentation at the Turkish Pavilion.

Arçelik was awarded an 'A' for Performance by CDP (Carbon Disclosure Project) and included in the global 'A List: The CDP Climate Performance Leadership Index 2' (CPLI) in 2014 and 2016. Arçelik is the first Turkish industrial company to be listed for the second year.



SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

The Koç Group has become a leader in environmental performance by constantly enhancing its efforts in this area.

Aygaz devised and announced its Climate Change Strategy.

Opet Fuchs presented innovation opportunities that can be leveraged in production to reduce GHG emissions to the Climate Change Committee.

GHG verification was completed for Tüpraş Izmit Refinery, which was selected as a pilot facility within the framework of the Partnership for Carbon Market Readiness (PMR) project carried out by the Ministry of Environment and Urban Planning.

Arçelik, Ford Otosan, Opet, Opet Fuchs, THY Opet, Tofaş, Türk Traktör and Yapı Kredi Bank calculated their greenhouse gas emissions for 2015 in accordance with 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.

Yapı Kredi Bank and Ford Otosan reported to the CDP for the first time.

Resource use efficiency management

Arçelik, Aygaz, Ford Otosan, Tat Gıda, Tofaş, Türk Traktör and Tüpraş obtained ISO 50001 Energy Management System certification following audits by independent institutions.

Arçelik implemented a total of 265 energy efficiency projects, and as a result, reported 135,000 GJ in energy savings and reduced CO_2 emissions by 12,000 tons. Additionally, Arçelik also completed 2 VAP (Efficiency Boosting Project) projects, for which the Company had applied and obtained incentives in the previous period. The amount of water saved, recycled and reused at the plants totaled 170,000 m^3.

Aygaz achieved 1,769,500 kilowatt-hours of energy savings and 876-ton reduction in CO_2 emissions as a result of energy efficiency projects.

Entek started to utilize greywater from İSU; as a result, Kocaeli Plant met 75% of its water demand with recycled water.

Ford Otosan achieved 6,484-ton reduction in CO_2 emissions through energy efficiency projects.

Koçtaş completed LED transformation at 4 stores, thereby achieving 424,000 kilowatt-hours of energy savings.

As a result of energy efficiency efforts, Koç University Hospital reduced its energy consumption by 9% and achieved 1,927,684 kilowatt-hours of energy savings. The Hospital also reduced its natural gas consumption by 45%, and thereby saved 786,455 m^3 of natural gas.

Koç University Rumeli Feneri Campus saved 176,295 kilowatt hours of energy in one year with the use of LED lighting.

Mersin Solar Power Plant partially meets Opet Terminal's energy demand; the remaining 131,040 kilowatt hours were supplied to the grid.

As a result of efficiency projects, Tat Gıda saved 3,567,241 kilowatt hours of energy and 1,450 tons of steam.

Tofaş reported 60,169 GJ in energy savings and reduced its CO_2 emissions by 4,213 tons with 51 energy efficiency projects.

Flare Gas Recovery Systems were set up at Tüpraş Refineries in İzmit and Izmir. Tüpraş participated in the Integroil Project within the framework of the Horizon 2020 program. Some 8.9 million m^3 of water was recycled at the Izmir Refinery through the water preparation unit, which generates process water from the treated wastewater from Körfez Municipality, and through the refineries' wastewater treatment units.

272,148
Number of saplings planted for reforestation (2010-2015 total)

63
Number of facilities certified with OHSAS 18001 (2015)

79
Number of facilities certified with ISO 14001 (2015)

Reducing the environmental impact of production is a top priority for Koç Group companies.

Environmentally-friendly product development

An important aspect of the principle of "providing products and services that create added value for customers," which is a fundamental goal of the Koç Group, is minimizing the environmental impact of its products. Accordingly, the Group offered new environmentally friendly products and services to its consumers in 2016. Details pertaining to the development of these products are provided in the Sustainability Report.

Environmental protection and improvement

One of the priorities of the Koç Group companies is to minimize the environmental impact of production. Most of the Group companies have obtained ISO 14001 Environmental Management System certification; certification renewal processes were completed during the reporting period.

Under Arçelik's replacement campaign "Let the Return to Nature Begin," used products collected from consumers' homes are sent to the Company's recycling plants in Eskişehir and Bolu. Thereby, the Company achieves energy savings that are equivalent to the annual energy generation of 8 wind turbines at 2.5 MW.

Aygaz saves 1,900 m^3 of water per year through the Wastewater Treatment and Recycling Unit set up at the Company's Isparta Filling Station.

As part of the project "Educate One Child, Change the Society," which is carried out by Ford Otosan Kocaeli Factories, 8,000 children received training. Additionally, biodiversity monitoring efforts were initiated and 45 species were detected. The Environmental Club "FOÇEV" was formed; green-collar workers were assigned and work started. The Factory reduced paint sludge formation and achieved energy savings; commissioned a water demineralization plant; changed the disposal method for domestic waste and saved energy by replacing regular storage.

Opet completed the project "Developing Zero Liquid Discharge Technologies for Treating Wastewater from Fuel Oil Storage Tanks," which was approved by TÜBİTAK-TEYDEB (Directorate of Technology and Innovation Funding Programs).

Tat Gıda obtained the Good Agricultural Practices (GAP) certification. The Company continued to provide training programs, such as drip irrigation, to farmers at its canning factory.

THY Opet was awarded the "Green Airport Establishment" title at 45 airports in which it operates.

Within its mud reduction activities, Tofaş realized a 10% reduction.

Held on June 27, 2016, the "3rd Koç Group Environment Day," an annual event to celebrate World Environment Day, was organized under the theme "Eco-Innovation."

Awards and achievements

- Arçelik was awarded an 'A' for Performance by CDP (Carbon Disclosure Project) and included in the global 'A List: The CDP Climate Performance Leadership Index 2' (CPLI) in 2014 and 2016. Arçelik is the first Turkish industrial company to be listed for the second year.
- Arçelik Washing Machine Factory won first prize in the category of EVET (Energy-Efficient Industrial Plant); the Refrigerator Factory in Eskişehir won second prize in the SEVAP-2 category (Projects for Increasing Energy Efficiency in Industry).
- Arçelik A.Ş. was featured in the MSCI Global Sustainability Index Series with a score of "AAA" in 2016.
- Ford Otosan became a finalist with its project titled "Sustainable, Eco-Friendly and Energy-Efficient Manufacturing System & EOS Environmental Management System" at the 2016 European Business Awards for the Environment Turkey Program.
- Tofaş ranked 88th among 200 global companies listed by "Corporate Knights & As You Sow." Tofaş is the first and the only Turkish company to be ranked on this list.
- Tofaş won an award with its "Sustainable Waste Management and 5R" project at the Green Dot Industry Awards organized by ÇEVKO (Environmental Protection and Packaging Waste Recovery and Recycling Trust).
- Tofaş was the only automobile manufacturer among the seven companies that received the "CDP Turkey Climate Leadership" award.
- Tüpraş became a finalist with its project titled "Municipal Domestic Wastewater Treatment to Reuse as Process Water" at the 2016 European Business Awards for the Environment Turkey Program.
- Tüpraş İzmit Refinery won 2nd prize in the "SEVAP-3" category, and Kırıkkale Refinery won 3rd prize in the "SEVAP-3" category.
- Yapı Kredi Bank won awards in several categories including "Most Successful Bank in Project Development," "Most Energy-Efficient Project," and "Most Advanced Project in Managing Environmental and Social Impact."

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Within the scope of cooperation with UN Women, Koç Holding is one of the Global Impact Champions of the "HeForShe" movement.

SOCIAL DEVELOPMENT

The Koç Group places great importance on improving social prosperity, in accordance with the expectations of its stakeholders. Accordingly, the Group manages social development efforts within a strategic framework and allocates its resources to a number of areas including gender equality, education, healthcare, the environment, culture and arts.

Activities for gender equality

As part of efforts to achieve gender equality, Koç Holding focused on areas on which it has the strongest influence and carried out advocacy activities to support women's participation in labor force, retention, and equal participation in decision-making. Under the partnership agreement signed with the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), in 2016, Koç Holding continued to support the "HeForShe" movement as the only Turkish company and collaborated with the global business representatives to find solutions to common problems. Koç Holding Chairman Ömer M. Koç took on the leadership role after the late Mustafa V. Koç, within the framework of the Impact Champions, which was designed to advance gender equality. Koç Holding achieved its goal of reaching 4 million supporters by 2017 through this program, and made significant progress towards achieving its goal of delivering gender equality awareness education to at least 100 thousand people by the year 2020, and recognizing gender-sensitive workplace cultures in order to help establish equality.

Furthermore, Koç Holding signed Women's Empowerment Principles (WEPs) in 2015, and took an active role in Global Compact Turkey Women's Empowerment Working Group, which was established to support the learning processes among companies and contribute to spreading them across the country by merging private sector initiatives on gender equality.

Brand communication activities carried out by Koç Group companies were identified as another important area of intervention since mass media can be a very effective tool for breaking gender stereotypes. Accordingly, "Gender Equality in Marketing Communications" workshops were organized with the participation of marketing and corporate communications teams and advertising agencies of Group companies, and guidelines were prepared. These workshops are now being expanded to include all Group companies and their advertising and marketing communications partners.

The "For My Country" project aims to raise awareness of social issues and spread social entrepreneurship among 95 thousand employees and 10 thousand dealer representatives.

For My Country

The "For My Country" project is a Koç Holding social responsibility initiative that launched in 2006 to encourage the spread of social 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 challenges. "For My Country" focuses on a particular social need every two years. In the years 2006-2007, "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 period "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. In collaboration with the United Nations Development Program, Koç Holding provided awareness training about the participation of disabled people in employment and social life to 125,982 people between 2012 and 2015.

The main focus of the "For My Country" project will be gender equality between 2015 and 2017.

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 (TAPV), 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.

In this module of the "For My Country" project, "Information Windmill" seminars have been held at 32 Koç Group companies since September 2015 and reached nearly 65 thousand 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. Additionally, the project's area of influence was further expanded by raising gender equality awareness of 6 thousand stakeholders at a local level with the help of dealers.

CORPORATE SPONSORSHIP AND BRAND PROJECTS

Koç Sports Fest

Koç Holding and its affiliates started Koç Sports Fest in 2006 to bring music and entertainment to universities, create a special festival for students, and start a tradition. Koç Sports Fest has been to 35 cities and organized 97 festivals in its 11 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 Sports Fest University Games and Koç Holding has become an essential part of the festival. Through this initiative, Koç Sports Fest became the largest youth festival in Turkey, bringing together sports, music and fun under one umbrella. Koç Sports Fest aims to increase the number of athletes among university students while fostering a culture of being proper sports fans. All Koç Sports Fest activities are planned in a manner to advance amateur sports and attract more viewers to amateur sports.

Every year, Koç Sports Fest hosts more than 26,000 athletes in 57 disciplines from 185 universities. Some of the athletes and teams, who compete successfully at these annual sporting events, represent Turkey at international sports events with the support of Koç Holding.

Taking advantage of the opportunity to come together with students at their own campuses, Koç Holding organizes various activities within Koç Sports Fest to cultivate a sports culture among young people in everyday life. To this end, Koç Sports Fest includes various events which brings sports celebrities together with university students. Additionally, conversation sessions on various topics are also organized to cultivate young people into mentally and spiritually healthy individuals, who have strong moral character and understand the concept of teamwork.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

In 2016, the scope of Koç Sports Fest was extended to include winter sports such as skiing and snowboarding to maintain interaction with students year round and host more sporting disciplines. In its first year, 500 students from 35 universities participated in the winter games organized in Palandöken.

Supported by the largest 14 companies under the Koç Group, Koç Sports Fest is the biggest collective project of the Group. The activities, which are sponsored by Arçelik, Grundig, Beko, Tüpraş, Opet, Aygaz, Setur, Yapı Kredi, Koçtaş, Tanı, Bilkom, Avis, Ford and Fiat, provide a platform to introduce new digital technologies to young people.

Some 400 different suppliers and a team of 250 people contribute to the organization of Koç Sports Fest; therefore, it also supports local economies in those cities which host the sports competitions and thousands of athletes. With the participation of 5,000 athletes and hundreds of administrators, an Olympic atmosphere is created in the city that hosts the finals. In 2016, Koç Sports Fest visited seven universities and the grand finale was held at Antalya Akdeniz University.

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.

The purpose of the "Olympic Movement Days" project, which is carried out in collaboration with the National Olympic Committee of Turkey, is to instill a sports culture and Olympic values in elementary school-age children, and also to spread these values across society. Under the project, academicians and child psychologists educate children about sports culture, Olympic Games and philosophy, fair play, healthy eating, and environmental sensitivity by using interactive tools such as videos, cartoons, competitions and colorful images, thereby reaching thousands of students.

KidZania – Earthquake Simulation Center

The 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 centers on 5 continents and 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 nearly 100 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

The 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 top four 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.

The 15th Istanbul Biennial with its conceptual framework designated as "a good neighbor" by the Biennial curators Elmgreen & Dragset, will be organized between September 16 and November 12, 2017 and will offer free admission once again.

223
Number of donations, sponsorships and social responsibility projects (2015)

TL 55 million
Grants and donations (2016, Consolidated)

7,895
Number of employees volunteering for social projects (2015)

VEHBİ KOÇ FOUNDATION

Vehbi Koç Foundation was established on January 17, 1969 by Vehbi Koç as the first private foundation of the Turkish Republic.

Vehbi Koç Foundation continues to make a difference via institutions under the structure of the foundation and the projects that it supports. The major activities of Vehbi Koç Foundation in 2016 are highlighted below.

For more information about institutions and projects of Vehbi Koç Foundation, visit the website: http://www.vkv.org.tr/

EDUCATION

Vehbi Koç Foundation educational scholarships

Since 1969, Vehbi Koç Foundation has awarded over 50,000 scholarships for equal opportunity in education, providing scholarship support to talented, successful students of limited financial means. A total of 6,026 students benefited from these scholarships in the 2015-16 academic year, including vocational education scholarships, financial aid for undergraduates and research grants.

Preparations for the "Model School"

The "Model School" project, which focuses on reimagining and redesigning learning environments, will soon come to life at Beykoz Ziya Ünsel Middle School. Many preparatory activities with administrators and educators have continued seamlessly.

This year, two training programs were offered to teachers at the school. The first program took place June 22-23, 2016 at Rahmi M. Koç Museum and at Sadberk Hanım Museum. This training program that was held for the 5th time aimed to demonstrate the learning experience with the use of different teaching materials in different environments. The other activity, a certification training program that was organized September 6-7, focused on game-based learning and the use of brain teasers as part of classroom material.

Outstanding performance by Koç School and students

This year, 230 high school students graduated from the Koç School. Some 85 graduates decided to continue their higher education in Turkey while 141 chose to study abroad, most of them at prestigious universities and colleges in the US and Europe. The graduates that chose to study in Turkey were awarded TL 1.15 million in scholarships, and those that will continue their higher education abroad received USD 1.69 million in total. In addition, the Koç School accepted 75 new students to its high school, who scored among the top 0.04% on the TEOG exam, which over 2 million middle school students took this year.

Koç University launches Rahmi M. Koç Medal of Science award program

Koç University developed and launched the Rahmi M. Koç Medal of Science award program to encourage the development of science by supporting young and successful Turkish scientists in Turkey or abroad. The first award-winner was announced at a ceremony attended by Koç Family members, the science and academic community, many prominent business persons and numerous other invitees.

The first award was presented in the "Science, Engineering and Medicine" category to Professor Aydoğan Özcan for his seminal contributions to computational imaging, microscopy and photonics as well as his scientific work in telemedicine, mobile sensing and diagnostics. Dr. Özcan was named one of "Brilliant 10" young scientists by Popular Science magazine and is currently working at UCLA and the Howard Hughes Medical Institute.

Since its establishment, the Foundation has been committed to setting an example for "the best" in all of its endeavors, producing sustainable and replicable models.

HEALTHCARE

Professor Kamil Uğurbil receives the 15th Vehbi Koç Award

Vehbi Koç Foundation, established 47 years ago as Turkey's first private foundation, bestows the annual Vehbi Koç Award for culture, education and healthcare, respectively. This year, Professor Kamil Uğurbil was selected as the winner for his contributions to healthcare. Professor Uğurbil accepted the 15th Vehbi Koç Award from Koç Holding Chairman Ömer M. Koç.

Professor Uğurbil's studies pertain to the development of groundbreaking new technologies using magnetic resonance imaging to understand how the brain functions. His work has made it possible to analyze the causes for several diseases such as Alzheimer's and depression, and to generate solutions. These technologies developed through Professor Uğurbil's research have become essential in diagnosing diseases, planning their treatment, and monitoring responses to treatment.

Prof. Uğurbil completed high school at Robert College, Istanbul and his undergraduate and Ph.D. degrees in physics, and chemical physics, at Columbia University, New York. After his education, he joined AT&T Bell Laboratories in 1977; subsequently, he returned to Columbia as a faculty member in 1979. He was recruited to the University of Minnesota in 1982 where his research in magnetic resonance led to the evolution of his laboratory into an interdepartmental and interdisciplinary research center, the CMRR.

Koç University Hospital Bone Marrow Transplantation Unit started to admit patients

In 2016, Koç University Hospital Bone Marrow Transplantation Unit started to admit patients. The unit provides advanced health services with a facility equipped with state-of-the-art technology; it is coordinated by Prof. Dr. Olga Meltem Akay. The 2,200 m^2 section of the facility includes a flow cytometry laboratory, cryopreservation unit, apheresis unit and a Clean room. In addition, the facility features 14 individual patient rooms, two examination rooms, doctors' rooms, and a drug preparation room designed with a transparency-oriented approach; each of these are on average 30 m^2 in size.

American Hospital – MD Anderson international partnership

The partnership between American Hospital and the University of Texas MD Anderson Cancer Center began in the field of radiation oncology in 2010. It has now expanded further with the American Hospital becoming the only associate member in the region of the MD Anderson International Cancer Network. In addition to radiation oncology, the American Hospital now provides services at the same quality standards as the MD Anderson Cancer Center in all related areas.

First Faculty of Nursing among foundation universities

In a groundbreaking achievement among foundation-owned universities in Turkey, Koç University School of Nursing was elevated to the status of "Koç University Faculty of Nursing" starting from the academic year 2016/2017, following approval by the General Assembly of the Council of Higher Education.

Koç University First Aid Training Center continues training programs

Founded in 2010 under the umbrella of Koç University to meet the first aid training needs of Koç Group firms and other large corporations, the First Aid Training Center (KUİYEM) continues to deliver services at the Topkapı Medical Science Campus where Koç University Hospital is located.

VEHBİ KOÇ FOUNDATION

In addition to its institutions in the fields of education, healthcare and culture, Vehbi Koç Foundation provides support to many other projects in these areas.

CULTURE

AKMED: Serving researchers of Mediterranean civilizations

With over 26,000 titles, the AKMED Library is Turkey's richest library on Mediterranean studies and continued to expand as 600 new publications and visual materials were added this year. Some 551 local and foreign researchers made use of the library in 2016.

Support from AKMED to researchers

Convening on June 3, 2016, AKMED's Executive Board evaluated applications for annual project grants, resolving to support 19 excavation-survey projects, nine doctoral research and 13 master's degree fellowships. To date, AKMED has supported a total of 209 excavation-survey projects, 96 doctoral research and 80 master's degree fellowships.

Byzantine Identity and the Other at ANAMED

One of the highlights in the 2016 calendar of Koç University Research Center for Anatolian Civilizations (ANAMED) was the Fourth International Sevgi Gönül Byzantine Studies Symposium. Titled "Byzantine Identity and the Other in Geographical and Ethnic Imagination," the 2016 symposium was held on June 23 – 25 at the ANAMED building in Beyoğlu and hosted 32 Byzantinists from various countries.

A year filled with art from Arter

Launched in 2010 with the sub-title "Space for Art," Arter continues to organize individual and mixed exhibitions at its edifice on Istiklal Avenue in order to contribute to the visibility of contemporary art and to support the production of artworks in Turkey. Supporting the production of new artworks with both solo and group exhibitions, Arter hosted a number of exhibitions in 2016. These included Şener Özmen's "Unfiltered," Murat Akagündüz's "Vertigo," Bahar Yürükoğlu's "Flow Through," Nil Yalter's "Off the Record" and Bilge Friedlaender's "Words, Numbers, Lines" in addition to a group show entitled "Not All That Falls Has Wings" curated by Selen Ansen.

Construction of the Contemporary Art Museum continues

One of the most significant forward-looking cultural projects of Vehbi Koç Foundation is the establishment of a contemporary art museum set to open in 2018 in Istanbul's Dolapdere district. Conceptualized as a multidisciplinary cultural and educational

Vehbi Koç Foundation has today become a model of excellence for many philanthropists in Turkey and the rest of the world.

hub, the museum will house the Vehbi Koç Foundation Contemporary Art Collection. The new facility will also feature temporary exhibitions and associated events throughout the year, furthering Arter's ongoing program. Melih Fereli, Culture and Arts Advisor of Vehbi Koç Foundation, is the Founding Director of the museum, while Emre Baykal acts as the head of the curatorial team. Construction of the new art museum, which started in 2015, is slated for completion in 2018.

Sadberk Hanım Museum continues museum training programs for children

First launched in 2014, Sadberk Hanım Museum's "Let's Go to the Museum! Discover, Learn, Enjoy" educational project for children offers activities and events for students and teachers visiting the Museum. The innovative effort aims to inform youth about the cultural treasures of our country and help them develop an awareness of arts and culture. Activity books, prepared by art historian İdil Zanbak and distributed free-of-charge to visiting school groups, provide information about the Museum exhibits in an entertaining yet informative manner.

"Let's Go to the Museum!" events are held on Thursdays and Fridays in three sessions. The groups tour the Museum accompanied by the Museum's guide Gökçe Oflu before going on to participate in activities at the children's workshop with the guide and their own teachers.

Aiming to expand the scope of the program and reach youth also outside of school, the Museum has begun offering the "Let's Go to the Museum!" program on the last Saturday of each month for children's groups. Participation needs to be booked in advance. A total of 4,232 students participated in the educational activities of the Sadberk Hanım Museum in 2016.

VEKAM presents the exhibition "Irony and Tension"

During the year, Vehbi Koç Ankara Studies Practice and Research Center (VEKAM) played host to the exhibition "Irony and Tension." Assoc. Prof. M. Sinan Niyazioğlu of Mimar Sinan Fine Arts University curated the exhibit, which ran at the Çankaya Municipality Contemporary Arts Center – Füreya Koral Arts Gallery from November 16 to December 5, 2016. The exhibition addressed the perceptions of war in Turkey during World War II, exploring how these perceptions differed in Istanbul and Ankara by means of visual archives. "Irony and Tension" featured military albums, official bulletins, community center publications, postal stamps, popular culture magazines and comic books, all designed, printed and distributed within the country.

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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)	594,895,145	23.46	59,489,514,515	18.51
Temel Ticaret ve Yatırım A.Ş. (Group B)	428,196,786	16.88	42,819,678,578	13.32
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 related to the transaction concerning Koç Family members and Temel Ticaret ve Yatırım A.Ş. was disclosed with a statement dated 26 May 2016.

Information about significant changes in Koç Holding A.Ş.'s ownership of financial assets held in 2016:

Information on transactions that reach or fall below the limits set by the Turkish Commercial Code, the ownership of the financial assets that Koç Holding owns directly in 2016 are found in the table below.

COMPANIES	2016 (%)	2015 (%)	CHANGE	DISCLOSURE
Divan Turizm İşletmeleri A.Ş.	18.27	0.00	18.27	Shares corresponding to 18.27% of Divan's capital were purchased by Koç Holding.
Set Auto Ltd.	0.00	30.00	-30.00	Shares corresponding to 30% of Set Auto's capital, which had been in Koç Holding's possession, were purchased by Otokoç.

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Information on the changes in the ownership of financial fixed assets that 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	2016 (%)	2015 (%)	CHANGE	DISCLOSURE
Arçelik Pazarlama A.Ş.	40.51	0.00	40.51	Founded in 2016.
Bakırköy Tankercilik A.Ş.	34.95	0.00	34.95	Founded in 2016.
Beko US INC.	40.51	0.00	40.51	Founded in 2016.
Çengelköy Tankercilik A.Ş.	34.95	0.00	34.95	Founded in 2016.
Dawlance Electronics (Pvt.) Ltd.	40.51	0.00	40.51	Purchased in 2016.
Dawlance (Private) Ltd.	40.51	0.00	40.51	Purchased in 2016.
Divan Turizm İşletmeleri A.Ş.	30.08	11.81	18.27	Since 18.27% of Divan's capital was purchased by Koç Holding, Koç Holding's effective ratio of shares in the related company has changed.
Gelişim Gayrimenkul ve Yatırım Ticaret A.Ş.	0.00	10.01	-10.01	Gelişim Gayrimenkul Yatırım ve Ticaret A.Ş.'s entire assets and liabilities were acquired as a whole by merging with Yapı Kredi-Koray Gayrimenkul Yatırım Ortaklığı A.Ş.
Grundig Magyarország Kft. (Grundig Hungary)	0.00	40.51	-40.51	Liquidated in 2016.
Karaköy Tankercilik A.Ş.	34.95	0.00	34.95	Founded in 2016.
Karizma Turizm Giyim San. Ve Tic. Ltd. Şti.	30.08	11.81	18.27	Since 18.27% of Divan's capital was purchased by Koç Holding, Koç Holding's effective ratio of shares in the related company has changed.
Otokar Land Systems	44.90	0.00	44.90	Founded in 2016.
Otokoç Georgia LLC	96.42	0.00	96.42	Founded in 2016.
Pan Asia Private Equity Ltd.	40.51	0.00	40.51	Purchased in 2016.
Raupach Wollert GmbH	0.00	40.51	-40.51	Merger with Beko Deutschland in 2016.
Tuzla Tankercilik A.Ş.	34.95	0.00	34.95	Founded in 2016.
United Refrigeration Industries Ltd.	40.51	0.00	40.51	Purchased in 2016.
Demetkent Sitesi Management ve Sosyal Hizmetler A.Ş.	35.14	32.65	2.48	
Yapı Kredi Bankası A.Ş., Yapı Kredi Finansal Kiralama A.O., Yapı Kredi Holding B.V., Yapı Kredi Invest LLC, Yapı Kredi Bank Malta Ltd., Stiching Custody Services YKB, Yapı Kredi Azerbaijan C.J.S.C., Yapı Kredi Bank Moscow, Yapı Kredi Bank Nederland N.V., Agro-San Kimya San. ve Tic. A.Ş., Enternasyonel Turizm Yatırım A.Ş., Yapı Kredi Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş., Anatolia Investment Fund, Sun Investment Fund	35.39	32.89	2.50	Since 0.69% of Koç Financial Services' capital belonging to Vehbi Koç Foundation, and 3.98% of Koç Financial Services' capital belonging to Arçelik were purchased by Koç Holding, Koç Holding's effective ratio of shares in the related companies has changed.
Yapı Kredi Yatırım Menkul Değerler A.Ş., Yapı Kredi Faktoring A.Ş.	35.38	32.88	2.50	
Yapı Kredi Portföy Yönetimi A.Ş.	35.37	32.87	2.50	

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 (31.12.2016)	: **83.6%**

Extraordinary General Assembly Meeting, if held during the year

An Extraordinary General Assembly meeting was not held during the year.

Organizational changes within the year

On March 11, 2016, Board of Directors resolved to approve following changes in Koç Holding's organization structure, effective as of 5 April 2016:

- Otokar Otomotiv ve Savunma Sanayi A.Ş. is going to report to the CEO,
- Türk Traktör ve Ziraat Makinaları A.Ş. is going to report to the President of the Automotive Group,
- Bilkom Bilişim Hizmetleri A.Ş. is going to report to the President of the Consumer Durables Group,
- Other companies active in the Group are going to report to the President of the Tourism, Food and Retailing Group.

Apart from this change, there has not been any major organizational changes during the year.

Associated Company Report

Turkish Commercial Code No. 6102 Article 199, which came into effect on 1 July 2012, obliges Koç Holding'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 6 March 2017 states: "In all transactions conducted in 2016 with Koç Holding'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

Tax penalties amounting to TL 103 million, excluding the overdue interest levied as a result of the tax audit performed at Koç Holding A.Ş., were disputed under the Law No. 6736 "Restructuring of Certain Receivables;" subsequently, about TL 23 million was paid and thereby the disputes were resolved.

Apart from that, no administrative or judicial sanctions have been imposed on the Company, or its management due to regulatory violations in 2016.

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 2016, 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 evaluate them once the administrative, legal and technical infrastructure for the effective governance of our company has been investigated.

The major 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. 4.4.7: 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.

Within 2016, the activities in the field of Corporate Governance were carried out in accordance with the Capital Markets Law that includes the regulations regarding the Capital Markets Board's corporate governance principles, and with the communiqués issued based on this Law. In our Ordinary General Assembly held in 2016, our Board of Directors and the committees of our Board of Directors were established in accordance with the regulations stipulated in the Corporate Governance Communiqué. 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.

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 2015 was submitted to the Corporate Governance Committe in order to be presented to the Board of Directors on March 10th 2016. The report regarding the activities of 2016 was submitted to the Corporate Governance Committee and the Board of Directors in March 2017. In addition, at the beginning of every year, an investment relations strategic plan is prepared.

Investor Relations Contacts

CFO: 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 Sandıkcıoğlu

Nevin İmamoğlu İpek, Gizem Bodur and Ayça Sandıkçıoğlu each have a Capital Market Activities Advanced Level (Level 3) License and Corporate Governance Rating License. Funda Güngör Akpınar has already fulfilled the prerequisites (exam and training) for the Capital Market Activities Advanced Level (Level 3) License and the Corporate Governance Rating License and is currently waiting to receive her licenses.

In 2016, IR attended 15 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 30 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 and investor relations department. 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 financial reports 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 2016. It was held on April 5, 2016 with 80.61% 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 on the date 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 5 April 2016 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 commercial registry gazette 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 5 April 2016, the donation limit for 2016 was set at TL 20 million; TL 3.5 million in donations and aid was distributed by the Company during 2016.

In 2016, 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.

Some of the shareholders having managerial control, shareholder board members, senior management and relatives up to the second degree blood or affinity are also board members at several Koç Group companies including those with similar operations to our Company. In 2016, there has not been any transaction between the above mentioned persons and the Company or its subsidiaries that may lead to conflicts of interest.

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 was 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 2016, gross dividend of 29.1% 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. 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.

CORPORATE GOVERNANCE COMPLIANCE REPORT

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 third parties like customers, vendors 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.

By using the contact form on the Company's website, www.koc.com.tr, or calling the hotline number, which can be found on the Company's intranet sites, stakeholders can report practices that violate regulations and ethically inappropriate transactions to the Audit Group Presidency to be investigated by 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. 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, the 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.

The 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 human rights principles, the legislation 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): Önder Korkmaz
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 40 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 workplaces with unionized workers included in collective bargaining agreements, union representatives are designated in line with the regulations. 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 is constituted. The Committee meets 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 Human Resources 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. Furthermore, necessary trainings are regularly provided to the employees in our workplaces while training contents are reviewed according to the practices and developments. In addition to these, risk assessments in all our workplaces are timely completed in accordance with the legal regulations. 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 regularly. 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 42 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, the 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. The 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.

The 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 policies 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. By 2014, it was issued as Koç Holding Sustainability Report. Koç Holding Sustainability 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.

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In order to carry these efforts further, Koç Group Sustainability Management Project was launched by 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.

Koç Holding has been included in Borsa Istanbul's Sustainability Index since its launch in 2014. Only companies that demonstrate superior corporate sustainability performance are included in the BIST Sustainability Index.

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.

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 2016 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

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 except our CEO Levent Çakıroğlu. All Board Members were elected at the General Assembly dated 5 April 2016 to serve until the General Assembly where the operations of 2016 will be discussed.

NAME SURNAME	POSITION	CURRENT POSITIONS HELD OUTSIDE THE COMPANY	INDEPENDENT BOD MEMBER?	COMMITTEES AND POSITION
Mustafa Rahmi Koç	Honorary Chairman	BoD Member, Member and Chair of Committee	Not independent Member	Executive Committee Member
Mehmet Ömer Koç	Chairman	BoD Member, Member and Chair of Committee	Not independent Member	Executive Committee Chairman
Yıldırım Ali Koç	Vice-Chairman	BoD Member, Member and Chair of Committee	Not independent Member	Executive Committee Member
Semahat S. Arsel	Member	BoD Member, Member and Chair of Committee	Not independent Member	Executive Committee Member
Temel K.Atay	Member	BoD Member, Member and Chair of Committee	Not independent Member	Executive Committee Member, Risk Management Committee Member
Dr. Bülent Bulgurlu	Member	BoD Member, Member and Chair of Committee	Not independent Member	Corporate Governance Committee Member, Nomination and Remuneration Committee Member
Caroline Nicole Koç	Member	BoD Member and Member of Committee	Not independent Member	
İpek Kıraç	Member	BoD Member	Not independent Member	
Levent Çakıroğlu	Member, CEO	BoD Member and Member of Committee	Not independent Member	
Prof. Dr. John H. McArthur	Member	BoD Member in companies outside the Group, University Faculty Member	Not independent Member	
Prof. Dr. Heinrich Karl Pierer Von Esch	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	BoD Member in companies outside the Group	Independent Member	Audit Committee Member, Risk Management Committee Chairman, Nomination and Remuneration Committee Chairman
Kutsan Çelebican	Member	Consultant, Independent BoD Member, Member and Chair of Committee at Arçelik A.Ş. and Tüpraş A.Ş.	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	
Anne Marie Alice Lauvergeon	Member	BoD Member in companies outside the Group	Independent Member	

The CVs of the BoD Members can be found on our website and in our annual report. (See pages 160-163)

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The duties of the BoD Chairman and CEO are performed by 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 six independent members nominated for the Nomination and Remuneration Committee prior to the General Assembly dated 5 April 2016 were evaluated at the Committee and Board meetings dated 4 February 2016, 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 2016 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. The ratio of female board members in the Board of Directors is 22%.

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 2016, the Board made 38 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, 11 on 15-16-17-Member Boards and 12 on 18-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 5 April 2016, it was decided that the Audit Committee would be composed of two Independent Board Members. The Audit Committee Chairman will be Mr. Kutsan Çelebican and the Committee Member will be Mr. Muharrem Kayhan.

The operating principles of the Audit Committee are posted on the Company's website. In 2016, the Audit Committee convened twice to review its operations and to oversee compliance with tax laws and regulations. The Committee passed six resolutions and accordingly submitted to the Board of Directors its written opinions on the selection of an independent auditor for the periods 2016 and 2017, as well as its assessments of annual and interim financial statements in terms of their truthfulness, 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 5 April 2016 that the Corporate Governance Committee shall consist of three members and decided to appoint the Independent Member Kutsan Çelebican as its Chairman and Mr. Bülent Bulgurlu and Ahmet F. Ashaboğlu as the members. 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 2016, 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 5 April 2016 that the Committee shall consist of two members, with Independent Member Muharrem Hilmi Kayhan as Chairman and Mr. 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 2016, 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 5 April 2016 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 its website. The Committee convenes at least six times per year. In 2016, 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 on page 166, 167 and 170.

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 5 April 2016 , Semahat S. Arsel, Rahmi M. Koç, Ömer M. Koç, Ali Y. Koç, Temel K. Atay and 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 currency, liquidity, credit, interest and commodity price 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 "Information Document," published three weeks before the Ordinary General Assembly held on 5 April 2016, 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 30 March 2017 to discuss the activities of 2016 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 BoD 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 material 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, Honorary Chairman of the Board of Trustees of Koç University, Founder and Chairman of the Board of Directors of Rahmi M. Koç Museum and Cultural Foundation, Chairman of the Board of Directors of Vehbi Koç Foundation American Hospital, Honorary Chairman and Founder of TURMEPA (Turkish Marine and Environment Protection Association), Honorary President of the High Advisory Council of Turkish 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.

Ömer M. Koç, 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 Chairman of Turkish Educational Foundation Board of Trustees, Chairman of Koç University Board of Trustees, President of Geyre Foundation and Chairman of Yapı Kredi Kültür Sanat Yayıncılık Board of Directors and Tüpraş Board of Directors.

Ali Y. Koç, Vice Chairman
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. Koç is also the Chairman at various Koç Group companies. Ali Y. Koç also contributes to the country's social and economic development at URAK (International Competition Research Association) as President, 1907 Fenerbahçe Association as Chairman, Endeavor Association and DEİK (Foreign Economic Relations Board) as Board Member. He is also the Vice Chairman of TÜSİAD – Turkish Industry and Business Association and Member of the Global Advisory Council of Bank of America, Harvard University and CFR.

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.

Temel K. Atay, Member
A graduate of Mechanical Engineering from Istanbul Technical University, he holds an MBA degree from Wayne State University. He joined Koç Group in 1966 and later served as the General Manager of Otoyol Sanayi A.Ş. and Tofaş Türk Otomobil Fabrikası A.Ş. After working in various senior management posts at Koç Holding, he served as the CEO between 2000 and 2001. He has been a member of the Board of Directors since 1996.

Dr. Bülent Bulgurlu, Member
He graduated from Ankara Engineering and Architectural Faculty and earned his Ph.D. from Norwegian University of Science and Technology (NTNU). He started his career in 1972 as a Construction Engineer at Elliot Strömme A/S in Oslo. He joined Garanti İnşaat in 1977 as Construction Engineer and worked as Planning and Construction Manager, Site Coordination and Construction Manager, Assistant General Manager, General Manager and Executive Director at Garanti-Koza. He has worked at Koç Holding since 1996 as President of the Tourism and Services Group, President of the Tourism and Construction Group and President of the Consumer Durables and Construction Group. He was Koç Holding CEO between May 2007 and April 2010. He has been a Member of Koç Holding Board of Directors since May 2007. He is also a member of TÜSİAD and TURMEPA.

Caroline N. Koç, Member
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. Koç has always been an active contributor to philanthropic organizations. She is the Chairwoman of Turkish Family Health and Planning Foundation, President of İstanbul Golf Club, a Board Member at Tohum Autism Foundation, a Founding Member of Tina Foundation and a Founding Member of the Contemporary Education Foundation. She has been a member of Koç Holding Board of Directors since 2016.

İpek Kıraç, Member
She graduated from Koç Private High School in 2002 and from Brown University Department of Biology in 2007. Since March 2012, she has been a Board of Directors Member and CEO of Sirena Marine Maritime Industry and Trade Inc.; a subsidiary of Kıraça Holding. Besides being a founding member of the Suna and İnan Kıraç Foundation, İpek Kıraç continues to work as an Executive Board Chair 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). She has been a member of Koç Holding Board of Directors since 2016.

Levent Çakıroğlu, Member
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. He became a member of Koç Holding Board of Directors in 2016.

Prof. Dr. John H. McArthur, O.C., Member
He graduated from the University of British Columbia and received his MBA and doctorate from Harvard Business School. He became a professor at Harvard Business School in 1962 and served as Dean between 1980 and 1995. He is a member of the Board of Directors of Stemnion, Inc., and Aileron Therapeutics. He is the past chair of the Asia Pacific Foundation of Canada. 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 Duke University Health Systems, Thomson Reuters Founders Share Co. Ltd., 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 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.

BOARD OF DIRECTORS

Dr. 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 (2009-2014). 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 the University of Hong Kong. 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, Chairman of the Steering Committee on the Hong Kong Scholarship for Excellence Scheme and an adviser of the Infrastructure Financing Facilitation Office of the Hong Kong Monetary Authority. Dr. Fung is an independent non-executive Director of Chow Tai Fook Jewellery Group Limited in Hong Kong. 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 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 has represented Spain as Honorary Consul in İzmir 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's degrees at Galler University in Controlling Engineering and Edinburgh University in Fire Engineering. He started his career in 1977 at Koç Allianz Sigorta A.Ş. He worked as General Manager at Koç Allianz Hayat ve Emeklilik A.Ş. between 1991 and 2006; CEO of Allianz Turkey between 2001 and 2006; a member of the 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, Chairman of Turkish Insurance Institute Foundation, member of YASED International Investors Association, member and Chairman of EGM Pension Monitoring Center. He is an independent member of Avicennia Capital Sdn Bhd (subsidiary of Khazanah group which is strategic investment fund of the 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 since 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 RMIT University. Following a 33-year, global career with Ford Motor Company, Mr. Nasser served on the Ford Board as a Member 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 as well as 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 and as an adviser to government; he has received numerous awards and medals in Australia, Lebanon and the U.S. Jacques Nasser has been a member of the Board of Directors since 2015.

Anne Lauvergeon, Independent Member
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'Energie 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 network dedicated to IOT (Internet Of Things). Since 2015, she has been the Chairman of the Board of BoostHEAT, which develops and manufactures a new generation of heat pump boilers. She has been a member of Koç Holding Board of Directors since 2016.

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. He became a member of Koç Holding Board of Directors in 2016.

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 and 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 May 2009, Açıkalın was appointed as Executive Director and Chairman of the Executive Committee of Yapı Kredi. 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

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 Kemal Ebiçlioğlu, President, Consumer Durables Group

After graduating from Ankara University, Faculty of Political Science, Department of International Relations, Fatih Ebiçlioğlu received a Master's degree in Finance from the Virginia Commonwealth University, and earned a PhD degree in Finance-Accounting from Ankara University Faculty of Political Science. Between 1989 and 2002, Mr. Ebiçlioğlu worked as Assistant Tax Auditor at the Ministry of Finance, and later as Tax Auditor and Senior Tax Auditor. In addition, he served as a part-time instructor at Hacettepe, Bilkent and Atılım 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.

Yağız Eyüboğlu, President, 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 and since April 2016 he has been serving as President of Energy Group. Mr. Eyüboğlu currently serves as a Member on the Boards of several Koç Holding companies. He is also the President of the World LPG Association, the Chairman of the Board of Trustees of TAPV (Turkish Family Health and Planning Foundation) and Board Member of URAK (International Competition Research Association).

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.

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 Affairs 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 with government scholarship, and then worked in Washington, DC for five years as a Portfolio Director of Middle East and North Africa in the World Bank. Between 2001 and 2003, she became the Chief Advisor of the Prime Minister in the Ministry of Economy. 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.

Özgür Burak Akkol, Human Resources Director

After receiving his Bachelor's degree in Industrial Engineering from İstanbul 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 and 2005, and as an Audit Specialist and Senior Audit Specialist between 2005 and 2009. Akkol then worked as a System Development and Human Resources Director between 2009 and 2010, and as a System Development and Human Resources Director Coordinator between 2010 and 2014. Since April 2014, he has been working as Koç Holding Human Resources Director.

Kenan Yılmaz, General Counsel

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, he has been working as the General Counsel 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 Koç University Alumni Association.

Utku Barış Pazar, Strategy and Business Development Director

Utku Barış Pazar earned his BSc degree in Electrical and Electronics Engineering from Middle East Technical University and received his MBA from Emory University (US). Mr. Pazar began his professional career as a Customer Trainer at Nokia Networks Finland in 2000. Between 2003 and 2010, he assumed various roles in the Technical Support, Sales and Marketing Departments of Nokia Networks USA. Subsequently, Mr. Pazar worked as a Consultant at McKinsey & Company between 2010 and 2013, and later as Deputy General Manager of Technology and Operations at Doğuş Media Group from 2013 to 2015. He was the Strategic Planning Director of Arçelik A.Ş. between 2015 and 2016. In 2016, Mr. Pazar was appointed to the position of Strategy and Business Development Director at Koç Holding.

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. 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:

1. 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:

i) 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.

ii) 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.

iii) 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.

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

v) 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.

2. 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.

3. 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. The risk and fraud audit of financial and operational processes are periodically performed at Koç Group companies.

4. 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 2016. 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. Audit Committee is periodically informed about the Internal Control System and Internal Audit activities.

Audit Information

Tax penalties amounting to TL 103 million (excluding interest expenses) as a result of the tax audit performed at Koç Holding A.Ş., were settled under the Law No. 6736 "Restructuring of Certain Receivables"; subsequently, about TL 23 million was paid and thereby the disputes were resolved. Apart from that, in 2016 no administrative or judicial sanctions have been imposed on the Company, or its management due to regulatory violations.

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 KOCFR 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 2016, all Committees of the Board of Directors (BoD) 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 BoD.

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 BoD.

At the Company's Board meeting dated 5 April 2016, 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 2016, the Audit Committee convened twice to review its operations and to oversee compliance with tax laws and regulations. The Committee passed six resolutions and accordingly submitted to the BoD its written opinions on the selection of an independent auditor for the periods 2016 and 2017, as well as its assessments of annual and interim financial statements in terms of their truthfulness, 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 BoD on improving governance applications. The frequency with which the Committee gathers depends on what is required by the task assigned to it.

The Board of Directors resolved on 5 April 2016 that the Corporate Governance Committee shall consist of three members and decided to appoint the Independent Member Kutsan Çelebican as its Chairman and Mr. Bülent Bulgurlu and Ahmet F. Ashaboğlu as the members.

The Committee made an assessment of the Company's corporate governance principles and Corporate Governance Compliance Report in 2016, and informed the BoD on the activities of the Investor Relations Unit.

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 BoD 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.

EVALUATION ON WORKING PRINCIPLES AND ACTIVITIES OF BOARD COMMITTEES

The BoD also decided on 5 April 2016 that the Committee shall consist of two members, with Independent Member Muharrem Hilmi Kayhan as Chairman and Mr. Dr. Bülent Bulgurlu as Member.

In 2016, the Committee worked on the nomination of Independent Board Members, and on the benefits provided 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 also decided on 5 April 2016 that the Committee shall consist of two members: Independent BoD Member Muharrem Hilmi Kayhan as Chairman and Temel K. Atay as Member.

In 2016, 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 on pages 166-167.

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 enhances 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 5 April 2016, Semahat S. Arsel, Rahmi M. Koç, Ömer M. Koç, Ali Y. Koç, Temel K. Atay and 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.

POLICIES

DIVIDEND POLICY

(Please see page 24).

REMUNERATION POLICY

(Please see page 29).

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 documents 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
The 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.

The Executive Management of Koç Holding A.Ş. and the 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
The 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 the 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 website 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 forward-looking 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 FINANCIAL STATEMENTS

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: 17 February 2017
RESOLUTION NUMBER: 4

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 01.01.2016 – 31.12.2016 under the CMB Financial Reporting Communique numbered as II.14.1. in accordance with Turkish Accounting Principles/ Turkish Financial Reporting Standards ("TAP/TFRS) 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,

17 February 2017

Kutsan Çelebican	**Muharrem Hilmi Kayhan**	**Ahmet F. Ashaboğlu**
Chairman of Audit Committee	Member of Audit Committee	CFO

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: 7 MARCH 2017
RESOLUTION NUMBER: 10

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 2016 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,

7 March 2017

Kutsan Çelebican	**Muharrem Hilmi Kayhan**	**Ahmet F. Ashaboğlu**
Chairman of Audit Committee	Member of Audit Committee	CFO

KOÇ HOLDİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT

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

Building a better working world

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(Convenience translation 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 ("Koç Holding" or "the Company"), its subsidiaries and its joint ventures (together will be referred to as the ''Group") as at 31 December 2016 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 2016 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 2016 for the consolidated balance sheet; and the official EUR and USD average CBRT bid rates of the year 2016 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 17 February 2017.

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 2016 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

17 February 2017
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 2016 AND 2015

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

	Notes	2016 (*)EUR'000	2016 (*)USD'000	Audited 2016 TL'000	Audited 2015 TL'000
ASSETS					
Current assets:					
Cash and cash equivalents	5	4.581.504	4.829.768	16.996.921	10.553.331
Trade receivables	8	3.077.657	3.244.430	11.417.798	9.712.431
- Related parties	*8*	*284.014*	*299.404*	*1.053.664*	*908.959*
- Third parties	*8*	*2.793.643*	*2.945.026*	*10.364.134*	*8.803.472*
Receivables from finance sector operations	9	508.899	536.475	1.887.963	1.545.561
Derivative instruments	10	71.494	75.368	265.234	116.841
Inventories	11	2.182.210	2.300.461	8.095.781	5.680.030
Other receivables	20	299.035	315.240	1.109.391	763.001
Other current assets	21	336.577	354.816	1.248.668	1.527.244
		11.057.376	**11.656.558**	**41.021.756**	**29.898.439**
Assets held for sale	23	14.972	15.784	55.546	94.039
Total current assets		**11.072.348**	**11.672.342**	**41.077.302**	**29.992.478**
Non-current assets:					
Financial assets	6	37.385	39.411	138.696	136.366
Investments accounted for using the equity method	7	3.689.653	3.889.589	13.688.242	12.046.819
Trade receivables	8	13.343	14.066	49.501	327.939
- Third parties	*8*	*13.343*	*14.066*	*49.501*	*327.939*
Receivables from finance sector operations	9	399.336	420.975	1.481.495	1.286.986
Derivative instruments	10	161.439	170.188	598.924	409.183
Investment properties	12	119.159	125.616	442.067	451.254
Property, plant and equipment	13	5.347.860	5.637.652	19.840.024	19.127.538
Intangible assets		1.578.182	1.663.702	5.854.899	4.776.151
- Goodwill	*14*	*843.745*	*889.468*	*3.130.215*	*2.899.913*
- Other intangible assets	*15*	*734.437*	*774.234*	*2.724.684*	*1.876.238*
Deferred tax assets	17	944.376	995.550	3.503.541	3.243.842
Other non-current assets	21	376.404	396.801	1.396.421	1.186.346
Total non-current assets		**12.667.137**	**13.353.550**	**46.993.810**	**42.992.424**
Total assets		**23.739.485**	**25.025.892**	**88.071.112**	**72.984.902**

(*) 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 2016, 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 2016 has been approved for issue by the Board of Directors ("BOD") on 17 February 2017. 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 2016 AND 2015

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

	Notes	2016 (*) EUR'000	2016 (*) USD'000	Audited 2016 TL'000	Audited 2015 TL'000
LIABILITIES					
Current liabilities:					
Short term borrowings	16	689.157	726.502	2.556.705	1.706.870
Short term portion of long term borrowings	16	1.327.899	1.399.856	4.926.372	5.672.380
Trade payables	8	3.382.966	3.566.283	12.550.464	7.863.964
- Related parties	*8*	*325.103*	*342.720*	*1.206.100*	*915.813*
- Third parties	*8*	*3.057.863*	*3.223.563*	*11.344.364*	*6.948.151*
Derivative instruments	10	9.121	9.616	33.839	45.117
Current income tax liabilities	17	46.911	49.453	174.034	225.072
Short term provisions	19	289.234	304.907	1.073.028	819.831
Other payables	20	753.174	793.987	2.794.199	2.426.070
Other current liabilities	21	745.574	785.974	2.765.999	2.140.986
		7.244.036	**7.636.578**	**26.874.640**	**20.900.290**
Liabilities related to assets held for sale	23	677	714	2.513	2.472
Total current liabilities		**7.244.713**	**7.637.292**	**26.877.153**	**20.902.762**
Non-current liabilities:					
Long term borrowings	16	6.120.819	6.452.497	22.707.627	17.160.137
Derivative instruments	10	484	511	1.797	27.453
Deferred tax liabilities	17	175.503	185.013	651.098	345.113
Long term provisions		204.254	215.322	757.762	667.331
- Long term provisions for employee benefits	*18*	*163.293*	*172.141*	*605.799*	*530.092*
- Other long term provisions	*19*	*40.961*	*43.181*	*151.963*	*137.239*
Other non-current liabilities	21	56.545	59.609	209.777	206.508
Total non-current liabilities		**6.557.605**	**6.912.952**	**24.328.061**	**18.406.542**
Total liabilities		**13.802.318**	**14.550.244**	**51.205.214**	**39.309.304**
Equity:					
Paid-in share capital	22	683.549	720.589	2.535.898	2.535.898
Adjustment to share capital	22	260.732	274.860	967.288	967.288
Share premium		2.503	2.639	9.286	9.286
Other comprehensive income/expense not to be reclassified to profit or loss	22	(14.291)	(15.065)	(53.017)	(17.260)
Other comprehensive income/expense to be reclassified to profit or loss	22	(97.393)	(102.670)	(361.317)	(229.996)
Restricted reserves	22	681.929	718.882	2.529.890	2.464.438
Prior years' income		4.511.669	4.756.150	16.737.842	13.837.773
Profit for the period		932.638	983.176	3.459.993	3.567.593
Equity holders of the parent		6.961.336	7.338.561	25.825.863	23.135.020
Non-controlling interests		2.975.831	3.137.087	11.040.035	10.540.578
Total equity		**9.937.167**	**10.475.648**	**36.865.898**	**33.675.598**
Total liabilities and equity		**23.739.485**	**25.025.892**	**88.071.112**	**72.984.902**
Commitments and contingent liabilities	**32**				

(*) EUR and USD amounts presented above have been translated from TL for convenience purposes only, at the official TL bid rate announced by the CBRT at 31 December 2016, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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 2016 AND 2015

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

	Notes	2016 (*) EUR'000	2016 (*) USD'000	Audited 2016 TL'000	Audited 2015 TL'000
Revenue	24	21.088.723	23.312.324	70.432.243	69.110.098
Revenue from finance sector operations		149.525	165.291	499.386	381.609
Total revenue	**4**	**21.238.248**	**23.477.615**	**70.931.629**	**69.491.707**
Cost of sales	25	(17.470.333)	(19.312.410)	(58.347.522)	(57.766.595)
Cost of finance sector operations		(106.344)	(117.557)	(355.169)	(271.436)
Total costs		**(17.576.677)**	**(19.429.967)**	**(58.702.691)**	**(58.038.031)**
Gross profit (non-finance)		3.618.390	3.999.914	12.084.721	11.343.503
Gross profit (finance)		43.181	47.734	144.217	110.173
Gross profit		**3.661.571**	**4.047.648**	**12.228.938**	**11.453.676**
Marketing expenses	25	(1.305.690)	(1.443.362)	(4.360.750)	(3.738.015)
General administrative expenses	25	(859.387)	(950.001)	(2.870.186)	(2.396.740)
Research and development expenses	25	(68.304)	(75.506)	(228.122)	(192.404)
Other operating income	26	541.272	598.343	1.807.742	1.490.759
Other operating expenses	26	(558.194)	(617.050)	(1.864.258)	(1.751.880)
Share of profit/loss of investments accounted for using the equity method	7	669.314	739.886	2.235.378	1.811.914
Operating profit	**4**	**2.080.582**	**2.299.958**	**6.948.742**	**6.677.310**
Gains from investment activities	27	26.885	29.720	89.791	285.796
Losses from investment activities	27	(1.335)	(1.476)	(4.460)	(5.450)
Operating profit before financial income/(expense)		**2.106.132**	**2.328.202**	**7.034.073**	**6.957.656**
Financial income	28	1.553.817	1.717.651	5.189.446	3.531.596
Financial expense	28	(2.030.319)	(2.244.397)	(6.780.873)	(4.932.150)
Profit before tax	**4**	**1.629.630**	**1.801.456**	**5.442.646**	**5.557.102**
Tax income / (expense)		**(49.782)**	**(55.030)**	**(166.260)**	**272.249**
- Current income tax expense	17	(93.275)	(103.109)	(311.519)	(382.776)
- Deferred tax income	17	43.493	48.079	145.259	655.025
Profit for the period		**1.579.848**	**1.746.426**	**5.276.386**	**5.829.351**
Attributable to:					
Non-controlling interests	4	543.862	601.207	1.816.393	2.261.758
Equity holders of the parent	**4**	**1.035.986**	**1.145.219**	**3.459.993**	**3.567.593**
Earnings per share (Kr)	**35**			**1,364**	**1,407**

(*) 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 2016, 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 2016 AND 2015

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

			Audited	Audited
	2016 (*) EUR'000	2016 (*) USD'000	2016 TL'000	2015 TL'000
Profit for the period	**1.579.848**	**1.746.426**	**5.276.386**	**5.829.351**
Other comprehensive income:				
Items not to be reclassified to profit / loss:	**(25.495)**	**(28.183)**	**(85.149)**	**4.139**
Gains/(losses) on remeasurements of defined benefit plans	(21.547)	(23.819)	(71.964)	(4.024)
Share of other comprehensive income/(expenses) of investments accounted for using the equity method	(3.948)	(4.364)	(13.185)	8.163
Taxes relating to other comprehensive income not to be reclassified to profit/(loss)	**4.310**	**4.764**	**14.393**	**805**
Gains/(losses) on remeasurements of defined benefit plans, tax effect	4.310	4.764	14.393	805
Items to be reclassified to profit / loss:	**(81.619)**	**(90.223)**	**(272.590)**	**(635.819)**
Currency translation differences	205.254	226.899	685.512	147.951
Gains/(losses) on revaluation of available for sale financial assets	527	582	1.759	(10.908)
Gains/(losses) on hedges of net investments in foreign operations	(23.907)	(26.428)	(79.845)	(53.536)
Gains/(losses) on cash flow hedges	(229.098)	(253.254)	(765.142)	(634.957)
Share of other comprehensive income/(expenses) of investments accounted for using the equity method	(34.395)	(38.022)	(114.874)	(84.369)
Taxes relating to other comprehensive income to be reclassified to profit / loss	**49.361**	**54.566**	**164.857**	**137.789**
Gains/(losses) on revaluation of available for sale financial assets, tax effect	(26)	(29)	(88)	545
Gains/(losses) on hedges of net investments in foreign operations, tax effect	4.781	5.286	15.969	10.707
Gains/(losses) on cash flow hedges, tax effect	44.606	49.309	148.976	126.537
Other comprehensive income	**(53.443)**	**(59.076)**	**(178.489)**	**(493.086)**
Total comprehensive income	**1.526.405**	**1.687.350**	**5.097.897**	**5.336.265**
Attributable to:				
Non-controlling interest	539.896	596.823	1.803.148	2.040.477
Equity holders of the parent	**986.509**	**1.090.527**	**3.294.749**	**3.295.788**

(*) 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 2016, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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 2016

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

				Items not to be reclassified to profit/loss		Items to be reclassified to profit/loss				Retained earnings				
	Paid-in share capital	Adjustment to share capital	Share premium	Increase on revaluation of non-current assets	Gains/(losses) on remeasurement of defined benefit plans	Currency translation differences	Gains/ (losses) on hedge	Gains/(losses) on remeasurement/ reclassification of financial assets	Restricted reserves	Prior years' income	Profit for the period	Equity holders of the parent	Non controlling interests	Total equity
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/(expense)	-	-	-	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**
Balances at 1 January 2016	**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**
Adjustments related to prior years	-	-	-	-	-	-	-	-	-	120.056	-	120.056	160.358	280.414
Transfers	-	-	-	-	-	-	-	-	65.452	3.502.141	(3.567.593)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(849.207)	-	(849.207)	(1.302.013)	(2.151.220)
Capital increases	-	-	-	-	-	-	-	-	-	-	-	-	75.662	75.662
Transactions with non-controlling interests	-	-	-	-	400	13.362	(18.732)	2.899	-	126.133	-	124.062	(201.962)	(77.900)
Disposals from the scope of consolidation (*)	-	-	-	-	49	188	-	-	-	946	-	1.183	(35.736)	(34.553)
Total comprehensive income/(expense)	-	-	-	5.139	(41.345)	390.886	(450.974)	(68.950)	-	-	3.459.993	3.294.749	1.803.148	5.097.897
Balances at 31 December 2016	**2.535.898**	**967.288**	**9.286**	**35.827**	**(88.844)**	**704.026**	**(930.726)**	**(134.617)**	**2.529.890**	**16.737.842**	**3.459.993**	**25.825.863**	**11.040.035**	**36.865.898**

(*) Note 2.4.

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 2016 AND 2015

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

	Notes	2016 (*) EUR'000	2016 (*) USD'000	Audited 2016 TL'000	Audited 2015 TL'000
A. Cash flows from operating activities:					
Profit for the period		1.579.848	1.746.426	5.276.386	5.829.351
Adjustments to reconcile net cash generated:					
Tax (income)/expenses	17	49.782	55.030	166.260	(272.249)
Undistributed profits of investments accounted for using the equity method	7	(669.314)	(739.886)	(2.235.378)	(1.811.914)
Depreciation and amortisation	4	427.663	472.756	1.428.311	1.266.401
Adjustments for provisions	36	81.341	89.918	271.664	276.970
Adjustments for impairment loss/(reversal of impairment loss)	36	9.287	10.266	31.016	179.996
Interest income/(expenses), net	28	292.331	323.155	976.331	764.074
Fair value losses/(gains) on derivative instruments	28	(56.498)	(62.455)	(188.691)	(387.322)
Unrealised foreign exchange losses/(gains)		221.544	244.903	739.912	1.004.628
- Exchange (gains)/losses on borrowings, net		*823.928*	*910.803*	*2.751.759*	*2.021.376*
- Exchange (gains)/losses on cash and cash equivalents, net		*(602.384)*	*(665.900)*	*(2.011.847)*	*(1.016.748)*
Losses/(gains) on exchange transactions	27	(11.863)	(13.114)	(39.621)	(223.293)
Losses/(gains) on disposal of non-current assets	27	(6.738)	(7.448)	(22.503)	(33.018)
Gain on sale of Joint Venture	27	-	-	-	(2.919)
		1.917.383	**2.119.551**	**6.403.687**	**6.590.705**
Changes in working capital	36	486.052	537.301	1.623.319	(4.722.240)
Income taxes refund/(paid)		(77.354)	(85.510)	(258.348)	(187.492)
Dividend income from Joint Ventures, net	7	164.580	181.931	549.657	693.627
Contribution to capital increases of Joint Ventures	7	-	-	-	(5.250)
Tax and Competition Board penalties paid arising from the settlement process		-	-	-	(77.353)
Total cash flows from operating activities		**2.490.661**	**2.753.273**	**8.318.315**	**2.291.997**
B. Cash flows from investing activities:					
Cash outflow from purchases of property, plant and equipment and intangible assets	4	(1.001.623)	(1.107.235)	(3.345.227)	(3.502.291)
Cash inflow from sale of property, plant and equipment and intangible assets		274.123	303.027	915.518	957.761
Cash inflow from sale of interest/capital decrease in Associates/Joint Ventures		875	967	2.921	11.886
Cash outflow from acquisition of interest/capital increase in Associates		(533)	(589)	(1.780)	(5.261)
Cash flows used in obtaining control of Subsidiaries	3	(223.249)	(246.788)	(745.608)	(1.327)
Other cash inflows/(outflows)		(2.076)	(2.295)	(6.935)	-
- Disposals from the scope of consolidation		*(2.076)*	*(2.295)*	*(6.935)*	-
Total cash flows from investing activities		**(952.483)**	**(1.052.913)**	**(3.181.111)**	**(2.539.232)**
C. Cash flows from financing activities:					
Dividends paid		(644.115)	(712.031)	(2.151.220)	(991.328)
Cash inflow from borrowings		14.637.876	16.181.299	48.887.668	30.384.612
Cash outflow from repayments of borrowings		(13.882.100)	(15.345.833)	(46.363.522)	(28.825.728)
Cash inflow/(outflow) from derivate instruments, net		(51.191)	(56.588)	(170.967)	92.116
Interest paid		(527.040)	(582.612)	(1.760.213)	(1.176.537)
Interest received		231.512	255.923	773.206	528.495
Other cash inflows/(outflows)		(29.576)	(32.695)	(98.780)	(282.406)
- Transactions with non-controlling interests		*(52.231)*	*(57.738)*	*(174.442)*	*(282.406)*
- Contribution to capital increases of non-controlling interests		*22.655*	*25.043*	*75.662*	-
Total cash flows from financing activities		**(264.634)**	**(292.537)**	**(883.828)**	**(270.776)**
Effect of exchange rate changes on cash and cash equivalents		602.384	665.900	2.011.847	1.016.748
Net increase/(decrease) in cash and cash equivalents		1.875.928	2.073.723	6.265.223	498.737
Cash and cash equivalents at the beginning of the period		2.913.249	3.220.423	9.729.686	9.230.949
Cash and cash equivalents at the end of the period	**36**	**4.789.177**	**5.294.146**	**15.994.909**	**9.729.686**

(*) 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 2016, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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

KOÇ HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(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.

Total end of period and average number of personnel employed by the Parent Company Koç Holding, its Subsidiaries and Joint Ventures (together referred as the ''Group") by categories as of 31 December 2016 are as follows:

	End of period		Average	
	2016	**2015**	**2016**	**2015**
Monthly paid	44.538	43.110	43.907	42.718
Hourly paid	50.918	46.640	48.818	46.521
Total number of personnel	**95.456**	**89.750**	**92.725**	**89.239**

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 2016, the principal shareholders and their respective shareholding rates in Koç Holding are as follows:

	%
Companies owned by Koç Family members	45,05
Koç Family members	23,46
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.

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
Bakırköy Tankercilik A.Ş. ("Bakırköy Tankercilik") (1)	Turkey	Petroleum Shipping
Beykoz Tankercilik A.Ş. ("Beykoz Tankercilik")	Turkey	Petroleum Shipping
Çengelköy Tankercilik A.Ş. ("Çengelköy Tankercilik") (1)	Turkey	Petroleum Shipping
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
Entek Elektrik Üretimi A.Ş. ("Entek")	Turkey	Power Generation
Kadıköy Tankercilik A.Ş. ("Kadıköy Tankercilik")	Turkey	Petroleum Shipping
Kandilli Tankercilik A.Ş. ("Kandilli Tankercilik")	Turkey	Petroleum Shipping
Karaköy Tankercilik A.Ş. ("Karaköy Tankercilik") (1)	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
Pendik Tankercilik A.Ş. ("Pendik Tankercilik") (1)	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
Tuzla Tankercilik A.Ş. ("Tuzla Tankercilik") (1)	Turkey	Petroluem Shipping
Türkiye Petrol Rafinerileri A.Ş. ("Tüpraş")	Turkey	Production and Trading of Petroleum Products
Üsküdar Tankercilik A.Ş. ("Üsküdar Tankercilik")	Turkey	Petroleum Shipping

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
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
Tasfiye Halinde Opet Trade (Singapore) Pte. Ltd. ("Opet Singapore") (2)	Öztürk Family	Singapore	Petroleum Products Trading
THY Opet Havacılık Yakıtları A.Ş. ("THY Opet")	Türk Hava Yolları	Turkey	Petroleum Products Trading

(1) Established in 2016
(2) In the process of liquidation

Demir Export A.Ş. ("Demir Export") and Yeni Dore Madencilik San. ve Tic. A.Ş. ("Yeni Dore Madencilik"), a 100% subsidiary of Demir Export, were excluded from the scope of consolidation at the end of 2016.

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 2016

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

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

Automotive Sector

Subsidiaries	Country of incorporation	Nature of business
Otokar Europe SAS ("Otokar Europe") (1)	France	Sales and Marketing
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") (2)	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
Koç Fiat Kredi Finansman A.Ş. ("Fiat Finans") (Not 2.1.2)	Fiat Auto S.p.A.	Turkey	Consumer Finance
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

(1) Included in the scope of consolidation in 2016.
(2) In the process of liquidation.

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 2016
(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
Arçelik Pazarlama A.Ş. ("Arçelik Pazarlama") (2)	Turkey	Service/Sales/Marketing
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")	Malaysia	Sales
Beko Balkans D.O.O ("Beko Balkans")	Serbia	Sales
Beko Cesko ("Beko Cesko") (1)	Czechia	Sales
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales
Beko Egypt Trading LLC ("Beko Egypt")	Egypt	Sales
Beko Electronics Espāna S.L. ("Beko Espana")	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")	Czechia	Sales
Beko Thai Co.,Ltd. ("Beko Thailand")	Thailand	Production/Sales
Beko Ukraine LLC ("Beko Ukraine")	Ukraine	Sales
Beko US INC. ("Beko US") (3)	The USA	Sales
Bilkom Bilişim Hizmetleri A.Ş. ("Bilkom") (Note 2.1.2)	Turkey	Trading
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales
Computer Vision Interaction S.A. ("CoVii")	Portugal	R&D
Dawlance Electronics (Pvt.) Ltd. ("Dawlance Electronics") (4)	Pakistan	Sales
Dawlance (Private) Ltd. ("Dawlance (Private)") (4)	Pakistan	Production/Sales
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")	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 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
Pan Asia Private Equity Ltd. ("Pan Asia") (4)	British Virgin Islands	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales
United Refrigeration Industries Ltd. ("United Refrigeration") (4)	Pakistan	Production/Sales
Vietbeko Limited Liability Company ("Vietbeko")	Vietnam	Sales

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

(1) Non-operational companies as of the balance sheet date.
(2) Established on 30 December 2016, in order to carry out Arçelik's domestic operations other than R&D and production activities through a separate legal entity, as a result of demerger of Arçelik A.Ş. via applying partial demerger through associate model without compromising the business integrity of asset and liability items belonging to "dealer management", "advertising and sponsorship activities", "inventory and stock management", "logistics management", "guarantee services management "and "installation and service activities".
(3) Established as a sales and marketing company in 2016.
(4) Acquired in 2016 (Note 3).

Raupach Wollert GmbH ("Raupach") merged with Beko Deutschland in 2016.
Grundig Magyarország Kft. ("Grundig Hungary") were liquidated in 2016.

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 2016

(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 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 Azerbaycan")	UniCredit S.p.A.	Azerbaijan	Banking
Yapı Kredi Bank Nederland N.V. ("Yapı Kredi Nederland")	UniCredit S.p.A.	The Netherlands	Banking
Yapı Kredi Bank 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	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 securitisation transactions is included in the scope of consolidation.

Other Sectors

Subsidiaries	Country of incorporation	Nature of business
Ayvalık Marina ve Yat İşletmeciliği San. ve Tic. A.Ş. ("Ayvalık Marina")	Turkey	Tourism
Divan Turizm İşletmeleri A.Ş. ("Divan")	Turkey	Tourism
Düzey Tüketim Malları Sanayi Pazarlama A.Ş. ("Düzey")	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

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 4).

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 2016

(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.

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 trends in 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.

Following the organisational change in Koç Holding, Bilkom has been reported under Consumer Durables sector (previously Other Sector) and Fiat Finans has been reported under Automotive sector (previously Finance sector) in segment reporting prepared in accordance with the managerial approach. Additionally, THY Opet and Opet Fuchs, the joint ventures owned by the Joint Ventures of the Group, have been included in the combined financial information consistent with the managerial approach. Within the scope of respective changes, previous period information of segment reporting (Note 4) has been restated for comparable presentation.

Within the scope of compliance to the 2016 TAS Taxonomy published by POA and approved with the resolution dated 2 June 2016 and numbered 30, short - term "assets used in operational lease" amounting to TL459.320 thousand and long-term "assets used in operational lease" amounting to TL992.438 thousand, which are classified separately in the consolidated balance sheet as of 31 December 2015, are reclassified under "other current assets" and "motor vehicles" in "property, plant and equipment", respectively.

2.1.3 EUR and USD amounts presented in the financial statements

EUR and USD amounts shown in the consolidated balance sheet prepared in accordance with the TAS/TFRS have been translated from TL, as a matter of arithmetic computation only, at the official EUR and USD bid rates announced by the CBRT on 31 December 2016 of TL3,7099 = EUR1 and TL3,5192 = 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 2016 of TL3,3398 = EUR1 and TL3,0212 = 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 2016 are consistent with those applied in the preparation of the consolidated financial statements as of 31 December 2015, except for the new and amended TAS/TFRS standards which are valid as of 1 January 2016 and Turkey Financial Reporting Interpretations Committee's ("TFRIC") interpretations summarised below.

Standards, amendments and interpretations effective as of 1 January 2016:

- TFRS 11 - Acquisition of an Interest in a Joint Operation - (Amendments)
- 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 - Bearer Plants (Amendments)
- 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 TFRS 10 and TAS 28)
- TAS 1 - Disclosure Initiative (Amendments to TAS 1)
- Annual Improvements to TFRSs - 2012 - 2014 Cycle

These amendments did not have any impact on the financial position or performance of the Group.

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

Standards, amendments and improvements issued but not yet effective and not early adopted:

- TFRS 15 - Revenue from Contracts with Customers
- TFRS 9 - Financial Instruments

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:

- IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments
- Annual Improvements - 2010 - 2012 Cycle
- IFRS 16 - Leases
- IAS 12 - Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)
- IAS 7 - Statement of Cash Flows (Amendments)
- IFRS 2 - Classification and Measurement of Share-based Payment Transactions (Amendments)
- IFRS 4 - Insurance Contracts (Amendments)
- IAS 40 Investment Property: Transfers of Investment Property (Amendments)
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration
- Annual Improvements to IFRSs - 2014 - 2016 Cycle

The impacts of the new standards, amendments and improvements on the financial position and performance of the Group is being assessed.

2.3 Changes in Accounting Policies, Estimates and Errors

Any change in accounting policies resulting from the first time adoption of a new TAS/TFRS is made either retrospectively or prospectively in accordance with the transition requirements of TAS/TFRS. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements.

If changes in accounting estimates are related to only one period, they are recognised in the period when the changes are applied; if changes in estimates are related to future periods, they are recognised both in the period where the change is applied and in future periods prospectively. The 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/TFRS" and the application of uniform accounting policies and presentation.

b) Subsidiaries are companies over which Koç Holding has the power to control the financial and operating policies for the benefit of Koç Holding, either (a) through the power to exercise more than 50% of voting rights relating to the shares in the companies as a result of the ownership interest owned directly and indirectly by itself, and/or by certain Koç Family members and companies owned by them whereby Koç Holding exercises control over the ownership interest of the shares held by them and given to Koç Holding; or (b) although not having the power to exercise more than 50% of the ownership interest, Koç Holding has power to control the investee due to the dispersed capital structure of the investee and/or Koç Holding 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 2016
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NOTE 2- BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Subsidiaries included in the scope of the consolidation and their effective interests (%):

	Proportion of effective ownership interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
Subsidiaries	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
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
Anadoluhisarı Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Archin	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Arctic	39,18	39,18	96,72	96,72	-	-	96,72	96,72
Arçelik	40,51	40,51	40,51	40,51	11,42	11,42	51,93	51,93
Arçelik Pazarlama (1)	40,51	-	100,00	-	-	-	100,00	-
Ardutch	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Ardutch Taiwan	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Aygaz	40,68	40,68	40,68	40,68	10,53	10,53	51,21	51,21
Aygaz İletim	40,53	40,53	100,00	100,00	-	-	100,00	100,00
Aygaz Toptan Satış	40,36	40,36	100,00	100,00	-	-	100,00	100,00
Ayvalık Marina	48,46	48,46	95,57	95,57	4,43	4,43	100,00	100,00
Bakırköy Tankercilik (1)	34,95	-	100,00	-	-	-	100,00	-
Beko Australia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Balkans	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Cesko	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko China	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Czech	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Deutschland	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Egypt	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Espana	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko France	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Hong Kong	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	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko UK	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Polska	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Russia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Shangai	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Slovakia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko 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
Beko US (1)	40,51	-	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
CoVii	20,66	20,66	51,00	51,00	-	-	51,00	51,00
Çengelköy Tankercilik (1)	34,95	-	100,00	-	-	-	100,00	-
Dawlance Electronics (2)	40,51	-	100,00	-	-	-	100,00	-
Dawlance (Private) (2)	40,51	-	100,00	-	-	-	100,00	-
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 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
Ditaş	34,95	34,95	80,00	80,00	-	-	80,00	80,00
Divan (3)	30,08	11,81	43,73	25,46	56,27	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
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 (4)	-	40,51	-	100,00	-	-	-	100,00
Grundig Multimedia	40,51	40,51	100,00	100,00	-	-	100,00	100,00

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KOÇ HOLDİNG A.Ş.
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NOTE 2- BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
Subsidiaries	2016	2015	2016	2015	2016	2015	2016	2015
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 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
Karaköy Tankercilik (1)	34,95	-	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 (5)	38,60	36,81	41,45	36,81	33,46	33,46	74,91	70,27
Otokar (6)	44,90	44,90	44,92	44,92	2,70	2,70	47,62	47,62
Otokar Europe	44,90	44,90	100,00	100,00	-	-	100,00	100,00
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
Pan Asia (2)	40,51	-	100,00	-	-	-	100,00	-
Pendik Tankercilik (1)	34,95	-	100,00	-	-	-	100,00	-
Ram Dış Ticaret	57,70	57,70	83,45	83,45	14,66	14,66	98,11	98,11
Raupach (7)	-	40,51	-	100,00	-	-	-	100,00
RMK Marine	60,51	60,51	66,84	66,84	33,16	33,16	100,00	100,00
Salacak 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 (8)	96,42	92,49	100,00	100,00	-	-	100,00	100,00
Setur	46,38	46,38	81,13	81,13	18,87	18,87	100,00	100,00
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
Tuzla Tankercilik (1)	34,95	-	100,00	-	-	-	100,00	-
Tüpraş	43,70	43,70	51,00	51,00	-	-	51,00	51,00
United Refrigeration (2)	40,51	-	100,00	-	-	-	100,00	-
Üsküdar Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Vietbeko	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Yalova Marina	47,96	47,96	100,00	100,00	-	-	100,00	100,00
Zer Ticaret	39,00	39,00	39,00	39,00	60,06	60,06	99,06	99,06

Demir Export and Yeni Dore Madencilik have been excluded from the scope of consolidation as of the end of 2016, on the grounds of their insignificant impact on consolidated financial position and financial performance of the Group, and accounted for under financial assets. Proportion of effective interest of the related companies are 2,34%.

(1) Established in 2016.
(2) Acquired in 2016 (Note 3).
(3) The effective interest rate of Koç Holding has changed following the purchase of 18,27% of Divan shares by Koç Holding.
(4) Liquidated in 2016.
(5) Shareholders, who casted negative vote to the agenda item regarding the rental income at the Extraordinary General Assembly of Mares held on 31 May 2016, have been entitled the right to exit partnership through selling their shares to Mares. Within this scope, 4,64% of shares with a nominal value of TL256.009 were repurchased by Mares and the effective interest rate of Koç Holding has changed accordingly.
(6) Although, the total ownership interest of Koç Holding in Otokar is less than 50%, considering the dispersed capital structure of Otokar, Koç Holding is exposed to variable returns from its involvement in this company, has rights to these returns and has the power to affect these returns through its power. Accordingly, Koç Holding has the power to exercise control over Otokar and therefore consolidates the company.
(7) Merged with Beko Deutschland in 2016.
(8) The effective interest of Koç Holding has changed following Otokoç's purchase of 30% of Set Auto shares held by Koç Holding and 10% of Set Auto shares held by Setur.

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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.

"TFRS 11 Joint Arrangements", effective for the annual periods on or after 1 January 2013, supersedes "TAS 31 Shares in Joint Ventures" and requires the application of the equity method for the consolidation of interests in joint ventures in accordance with "TAS 28 Investments in Associates and Joint Ventures".

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 are necessary for the change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

Direct and indirect ownership held by Koç Holding is used in the equity accounting of Joint Ventures.

Voting rights of the Joint Ventures and their effective interests (%):

	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
Joint Ventures	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
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	2,61	41,07	41,07
Güney Tankercilik	9,00	9,00	50,00	50,00	-	-	50,00	50,00
Koç Finansal Hizmetler (*)	43,27	40,21	44,81	44,12	5,19	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 (*)	35,39	32,89	50,00	50,00	-	-	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
Yapı Kredi Azerbaycan (*)	35,39	32,89	50,00	50,00	-	-	50,00	50,00

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	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
Joint Ventures	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Yapı Kredi Bankası (*)	35,39	32,89	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Faktoring (*)	35,38	32,88	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Finansal Kiralama (*)	35,39	32,89	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Holding (*)	35,39	32,89	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Invest (*)	35,39	32,89	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Koray (*)	10,78	10,01	30,45	30,45	-	-	30,45	30,45
Yapı Kredi Malta (*)	35,39	32,89	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Menkul (*)	35,38	32,88	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Moscow (*)	35,39	32,89	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Nederland (*)	35,39	32,89	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Portföy (*)	35,37	32,87	50,00	50,00	-	-	50,00	50,00

(*) The effective interest rate of Koç Holding has changed following Koç Holding's purchase of 0,69% of Koç Finansal Hizmetler shares held by Vehbi Koç Vakfı, and 3,98% of Koç Finansal Hizmetler shares held by Arçelik.

d) Associates are accounted for using the equity method. Associates are companies in which the Group has voting power between 20% and 50% or the Group has power to participate in the financial and operating policy decisions but not control them. Unrealised gains or losses arising from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

Voting rights of the Associates and their effective interests (%):

	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
Associates	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Allianz Emeklilik (*)	7,08	6,58	20,00	20,00	-	-	20,00	20,00
Banque de Commerce (*)	10,85	10,09	30,67	30,67	-	-	30,67	30,67

(*) The effective interest rate of Koç Holding has changed following Koç Holding's purchase of 0,69% of Koç Finansal Hizmetler shares held by Vehbi Koç Vakfı, and 3,98% of Koç Finansal Hizmetler shares held by Arçelik.

e) Financial assets in which the Group together with Koç Family members, has ownership interests below 20%, or over 20% but which the Group and Koç family members does not exercise a significant influence or which are not exposed to significant influence of variable returns 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.

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.

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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 "TFRS 11 Joint Arrangements". Therefore, in the case that segment reporting is prepared based on the equity method set in "TFRS 11 Joint Arrangements", major financial information of Joint Ventures, except for net profit for the period, such as revenue, operating profit and profit before tax shall not be included in the related segment results.

The operations of Joint Ventures and their impacts on the financial results of the Group and the related segment are continued to be monitored in detail by the chief operating decision maker of the Group. Therefore, for the periods after 1 January 2013, segment reporting of Joint Ventures has not been prepared based on the equity method set by the "TFRS 11 Joint Arrangements"; rather, the financial information of Joint Ventures has been included in segment results by full consolidation method (as 100%) within the framework of new segment reporting approach. The Group defines this segment reporting information prepared in conformity with this new approach as "combined financial information".

2.4.3 Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of the Subsidiaries, Joint Ventures and Associates of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in TL, which is Koç Holding's functional and presentation currency.

Foreign currency transactions and balances

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates at the balance sheet date. Foreign exchange gains and losses resulting from trading activities (trade receivables and payables) denominated in foreign currencies of the Group companies operating in the non-finance sectors, have been accounted for under "other operating income/ expenses" whereas foreign exchange gains and losses resulting from the translation of other monetary assets and liabilities denominated in foreign currencies have been accounted for under "financial income/expenses" in the consolidated income statement. Foreign exchange gains and losses resulting from monetary asset and liabilities denominated in foreign currencies of the Group companies operating in the finance sector, have been classified under "revenue/cost of finance sector operations" in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to functional currency using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Financial statements of foreign subsidiaries, joint ventures and associates

The assets and liabilities, presented in the financial statements of the foreign Subsidiaries, Joint Ventures and Associates prepared in accordance with the Group's accounting policies, are translated into TL at the exchange rate at the date of the balance sheet whereas income and expenses are translated at the average exchange rates for the respective periods. Exchange differences resulting from using the exchange rates at the balance sheet date and the average exchange rates are recognised in the currency translation differences under the equity.

2.4.4 Assets and liabilities held for sale

Discontinued operation is a major line of business or geographical area of operations that is part of a single coordinated plan to be disposed of or is held-for-sale.

A single amount on the face of the income statements comprising the total of the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised by the disposal of the assets constituting the discontinued operation is disclosed. Also, the net cash flows of the discontinued operations associated with the operating, investment and financing activities are specified in the related note.

Group of non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Liabilities directly associated with those assets are also classified similarly.

Non-current assets or asset groups that meet the criteria of asset held for sale are measured at the lower of its carrying amount and fair value less cost to sell. These assets are not depreciated.

2.4.5 Related parties

For the purpose of these consolidated financial statements, shareholders, parents of 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".

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

2.4.6 Financial assets

The appropriate classification of financial assets is determined at the time of the purchase and re-evaluated by management on a regular basis.

“Financial assets at fair value through profit or loss” are either acquired for generating a profit from short-term price fluctuations or dealers’ margin, or included in a portfolio in which a pattern of short-term profit making exists. Financial assets at fair value through profit or loss are initially recognised and subsequently measured at fair value. All related gains and losses are accounted in the income statement.

Non-derivative financial assets with fixed maturities, where management has both the intent and the ability to hold to the maturity excluding the financial assets classified as loans and advances to customers are classified as *“held to- maturity financial assets”*. Held-to-maturity financial assets are carried at amortised cost using the effective yield method.

“Available-for-sale financial assets” are non-derivatives that are not designated in financial assets at fair value through profit or loss, held-to-maturity financial assets or loans and receivables. These are included in 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, other short-term liquid investments and blocked deposits.

2.4.9 Trade receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are carried at amortised cost. Trade receivables, net of unearned financial income, are measured at amortised cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for trade receivables is recognised if there is objective evidence for the inability to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to partial/full collection, the release of the provision is credited to other income. Doubtful receivables, for which no possibility of collection is foreseen, are written off from the records along with their related provisions.

Credit finance income/expenses and foreign exchange gains/losses arising from trading activities are accounted for under “other operating income/expense” in the consolidated statement of income.

2.4.10 Receivables from finance sector operations

Financial assets generated as a result of lending money or providing a loan are classified as receivables from finance sector operations 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.

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

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. The amount of provision is estimated based upon the Group's credit risk policy, the structure of the existing loan portfolio, historical patterns of losses in each component, the internal credit risk rating of the borrowers and the current economic climate in which the borrowers operate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is accounted 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.

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 the assets, used in operating leases and owned to be leased for over one year, as "property, plant and equipment"; and classifies the assets owned to be leased for shorter than one year and expected to be disposed at the end of related leasing period in the ordinary business of Otokoç, as "other current assets". 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. The assets used in operating lease are transferred to inventories based on their remaining net carrying values when they are decided to be sold at the end of their leasing period.

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.

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.

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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, customer relationships, 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
Customer relationships	8 - 50 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, property, plant and equipment or other current assets in the consolidated balance sheet (Note 2.4.13) and depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised in the consolidated income statement on a straight-line basis over the lease term.

2.4.18 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".

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

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.

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 recognises 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 recognises 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.

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.

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

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.

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 Warranty provisions

Warranty provisions 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.

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

2.4.29 Government grants

Government grants along with investment, research and development grants are accounted on accrual basis with their fair values when the application of grants is approved. 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 practice are evaluated within the scope of TAS 12 Income Taxes standard (Note 2.4.19).

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 loses 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 "gains/(losses) on cash flow hedges". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement.

On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement.

2.4.32 Earnings per share

Earnings per share disclosed in the consolidated income statement are determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported.

2.4.33 Events after the balance sheet date

The Group adjusts the amounts recognised in its 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.

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

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 from 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 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 - BUSINESS COMBINATIONS

On 2 November 2016, Arçelik, a Subsidiary of the Group, acquired total shares of Pan Asia Private Equity Ltd., Dawlance Private Limited and United Refrigeration Industries Limited (together referred as “Dawlance Group”), owning 100% shares of DEL (Private) Limited.

The details of the goodwill calculation, total acqusition cost and the net assets acquired are as follows:

Total consideration	749.545
Net assets acquired	(596.564)
Goodwill (Note 14)	**152.981**

The fair values of identifiable assets and liabilities in accordance with TFRS 3 arising from the acquisition are as follows:

Cash and cash equivalents	3.937
Trade receivables	38.547
Inventories	132.438
Other current assets	28.743
Property, plant and equipment (Note 13)	163.879
Other intangible assets (Note 15)	633.838
Other non - current assets	959
Borrowings	(151.202)
Trade and other payables	(39.807)
Other liabilities	(10.552)
Deferred tax liabilities (Note 17)	(204.216)
Total fair value of net assets acquired	**596.564**

The valuations of property plant and equipment, brand and customer relationships of Dawlance Group were performed by independent professional valuation companies. The acquisition accounting was finalised as of 31 December 2016 and the assets, liabilities and contingent liabilities determined based on TFRS 3, have been recorded based on their fair values at the date of the acquisition.

In the consolidated income statement, contribution of Dawlance Group to consolidated revenue following the date of the acquisition is TL88.787 thousand. In the same period, the contribution of Dawlance Group to consolidated net profit attributable to equity holders of the parent amounts to TL2.324 thousand. Had the financial statements of Dawlance Group been consolidated since 1 January 2016, the consolidated revenue and net profit attributable to equity holders of the parent would have been TL648.111 thousand and TL30.062 thousand higher, respectively.

The details of cash outflow due to acquisition are as follows:

Total consideration	749.545
Cash and cash equivalents - acquired	(3.937)
Cash outflow due to acquisition (net)	**745.608**

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NOTE 4 - 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 2016 and 2015 are presented separately.

1 January - 31 December 2016	Energy	Automotive	Consumer durables	Finance	Other	Total
External revenue	58.343.607	39.134.248	17.341.298	24.076.818	5.288.281	144.184.252
Intra segment revenue	8.695.667	3.239.011	576.929	40.574	1.138.367	13.690.548
Inter segment revenue	234.199	330.316	78.943	118.395	3.154.862	3.916.715
Combined revenue	**67.273.473**	**42.703.575**	**17.997.170**	**24.235.787**	**9.581.510**	**161.791.515**
Combined gross profit	**6.259.348**	**5.253.791**	**5.480.022**	**10.841.404**	**1.876.023**	**29.710.588**
Operating expenses	(2.499.345)	(2.476.759)	(4.210.014)	(4.574.575)	(1.774.441)	(15.535.134)
Other operating income / (expenses) (net) (1)	51.204	98.670	114.902	(2.282.271)	(13.559)	(2.031.054)
Exchange gains / (losses) and credit finance income / (charges) from operating activities (net) (2)	(417.658)	39.589	187.016	-	(17.960)	(209.013)
Combined operating profit	**3.393.549**	**2.915.291**	**1.571.926**	**3.984.558**	**70.063**	**11.935.387**
Gains / (losses) from investment activities (net) (3)	10.586	(6.051)	1.858	101.462	71.268	179.123
Financial income/expenses (net)	(924.302)	(554.484)	(760.470)	-	147.061	(2.092.195)
Combined profit before tax	**2.479.833**	**2.354.756**	**813.314**	**4.086.020**	**288.392**	**10.022.315**
Tax income / (expense) (net)	(282.684)	112.555	95.394	(795.648)	(59.475)	(929.858)
Combined net profit for the period	**2.197.149**	**2.467.311**	**908.708**	**3.290.372**	**228.917**	**9.092.457**
Net profit for the period (4)	**822.536**	**1.003.205**	**368.559**	**1.132.785**	**132.908**	**3.459.993**

(1) Provisions for loan impairment in Finance sector have been accounted for under "other operating income/expenses" account. The account includes gain on sale of Visa shares of Yapı Kredi Bankası, a Joint Venture of the Group, amounting to TL231.458 thousand.
(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 TL39.621 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 sale of Visa shares of Yapı Kredi Bankası and gain on exchange transaction of Koç Holding to consolidated net profit for the period is about TL101 million.

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NOTE 4 - SEGMENT REPORTING (Continued)

1 January - 31 December 2015	Energy	Automotive	Consumer durables	Finance	Other	Total
External revenue	58.368.221	32.378.474	15.335.415	21.119.342	4.884.782	132.086.234
Intra segment revenue	9.117.315	3.290.429	360.781	35.484	980.746	13.784.755
Inter segment revenue	221.510	446.852	62.329	112.015	2.907.047	3.749.753
Combined revenue	**67.707.046**	**36.115.755**	**15.758.525**	**21.266.841**	**8.772.575**	**149.620.742**
Combined gross profit	**6.124.643**	**4.541.913**	**4.652.802**	**9.112.390**	**1.639.526**	**26.071.274**
Operating expenses	(2.222.877)	(2.104.851)	(3.518.598)	(4.304.714)	(1.474.692)	(13.625.732)
Other operating income/(expenses) (net) (1)	65.871	60.920	53.520	(1.468.111)	3.233	(1.284.567)
Exchange gains/(losses) and credit finance income/ (charges) from operating activities (net) (2)	(564.469)	74.081	135.805	-	8.652	(345.931)
Combined operating profit	**3.403.168**	**2.572.063**	**1.323.529**	**3.339.565**	**176.719**	**10.815.044**
Gains from investment activities (net) (3)	26.240	7.802	2.981	48.713	270.462	356.198
Financial income/(expenses) (net)	(975.813)	(570.952)	(539.101)	-	149.369	(1.936.497)
Combined profit before tax	**2.453.595**	**2.008.913**	**787.409**	**3.388.278**	**596.550**	**9.234.745**
Tax income/(expense) (net)	265.179	107.081	102.113	(667.616)	(105.295)	(298.538)
Combined net profit for the period	**2.718.774**	**2.115.994**	**889.522**	**2.720.662**	**491.255**	**8.936.207**
Net profit for the period (4)	**1.059.966**	**869.970**	**362.327**	**904.275**	**371.055**	**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 4 - SEGMENT REPORTING (Continued)

a) Revenue	**2016**	**2015**
Energy	67.273.473	67.707.046
Automotive	42.703.575	36.115.755
Consumer durables	17.997.170	15.758.525
Finance	24.235.787	21.266.841
Other	9.581.510	8.772.575
Combined	**161.791.515**	**149.620.742**
Less: Joint Ventures (Note 7.d)	(86.961.116)	(76.493.148)
Less: Consolidation elimination and adjustments	(3.898.770)	(3.635.887)
Consolidated	**70.931.629**	**69.491.707**

b) Operating profit		
Energy	3.393.549	3.403.168
Automotive	2.915.291	2.572.063
Consumer durables	1.571.926	1.323.529
Finance	3.984.558	3.339.565
Other	70.063	176.719
Combined	**11.935.387**	**10.815.044**
Less: Joint Ventures (Note 7.d)	(7.222.023)	(5.949.648)
Add: Net profit shares of Joint Ventures (Note 7.c)	2.235.378	1.811.914
Consolidated	**6.948.742**	**6.677.310**

c) Depreciation and amortisation		
Energy	878.058	798.741
Automotive	1.169.964	934.288
Consumer durables	448.431	379.539
Finance	344.442	334.621
Other	128.117	108.695
Combined	**2.969.012**	**2.555.884**
Less: Joint Ventures (Note 7.d)	(1.540.701)	(1.289.483)
Consolidated	**1.428.311**	**1.266.401**

d) Profit before tax		
Energy	2.479.833	2.453.595
Automotive	2.354.756	2.008.913
Consumer Durables	813.314	787.409
Finance	4.086.020	3.388.278
Other	288.392	596.550
Combined	**10.022.315**	**9.234.745**
Less: Joint Ventures (Note 7.d)	(6.815.047)	(5.489.557)
Add: Net profit shares of Joint Ventures (Note 7.c)	2.235.378	1.811.914
Consolidated	**5.442.646**	**5.557.102**

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

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NOTE 4 - SEGMENT REPORTING (Continued)

e) Net profit for the period	2016	2015
Energy	2.197.149	2.718.774
Automotive	2.467.311	2.115.994
Consumer Durables	908.708	889.522
Finance	3.290.372	2.720.662
Other	228.917	491.255
Combined	**9.092.457**	**8.936.207**
Less: Joint Ventures (Note 7.d)	(6.051.449)	(4.918.770)
Add: Net profit shares of Joint Ventures (Note 7.c)	2.235.378	1.811.914
Less: Non-controlling interests	(1.816.393)	(2.261.758)
Consolidated (attributable to the equity holders of the parent)	**3.459.993**	**3.567.593**

f) Capital expenditures		
Energy (*)	1.486.292	2.108.733
Automotive	3.318.218	3.147.883
Consumer Durables	846.323	663.034
Finance	364.665	645.412
Other	148.779	319.537
Combined	**6.164.277**	**6.884.599**
Less: Joint Ventures	(2.819.050)	(3.086.561)
Consolidated	**3.345.227**	**3.798.038**

(*)Capital expenditures include foreign exchange losses amounting to TL295.747 thousand capitalised by Tüpraş in the period of 1 January- 31 December 2015 regarding the borrowings for which no cash out flow has been realised yet.

g) Total assets	31 December 2016	31 December 2015
Energy	46.352.486	39.318.035
Automotive	28.346.663	24.343.570
Consumer Durables	17.417.330	13.989.208
Finance	272.587.889	236.311.347
Other	19.694.815	16.314.570
Combined	**384.399.183**	**330.276.730**
Less: Joint Ventures (Note 7.d)	(300.490.897)	(259.958.191)
Add: Carrying values of Joint Ventures (Note 7.a)	13.688.242	12.046.819
Less: Eliminations	(9.525.416)	(9.380.456)
Consolidated	**88.071.112**	**72.984.902**

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2016			31 December 2015		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Cash in hand	-	4.822	4.822	-	2.555	2.555
Cheques received	-	91.158	91.158	-	62.040	62.040
Banks						
- Demand deposits	23.454	611.311	634.765	23.777	314.887	338.664
- Time deposits	116.394	15.861.637	15.978.031	51.056	9.868.953	9.920.009
Other	75.560	212.585	288.145	57.251	172.812	230.063
	215.408	**16.781.513**	**16.996.921**	**132.084**	**10.421.247**	**10.553.331**

As of 31 December 2016, total blocked deposits amounted to TL1.002.012 thousand (31 December 2015: TL823.645 thousand). As of 31 December 2016 and 2015, the related amount consists of the revenue shares collected by Tüpraş, a Subsidiary of the Group, as indicated in the Petroleum Market License Regulation.

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NOTE 6 - FINANCIAL ASSETS

	31 December 2016			31 December 2015		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Available-for-sale financial assets	-	138.696	138.696	-	136.366	136.366
	-	**138.696**	**138.696**	**-**	**136.366**	**136.366**

The list of equity securities and the shareholding rates are as follows:

	31 December 2016	(%)	31 December 2015	(%)
Listed:				
Altınyunus Çeşme Turistik Tesisler A.Ş.	20.108	30,00	18.349	30,00
	20.108		**18.349**	
Unlisted:				
Setur Antalya Marina İşletmeciliği A.Ş.	22.589	100,00	22.589	100,00
Alaşehir Alkollü İçkiler Sanayi ve Ticaret A.Ş.	22.200	93,20	21.000	93,00
Makmarin Kaş Marina İşletmeciliği Turizm ve Ticaret A.Ş.	20.721	50,00	23.642	50,00
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	17.755	88,00	19.364	88,00
Beldesan Otomotiv Yan San. ve Tic. A.Ş.	6.558	91,82	6.121	91,82
Mytilini Marina S.A.	4.769	50,00	3.859	50,00
Set Air Hava Taşımacılığı ve Hizmetleri A.Ş.	4.037	70,00	4.037	70,00
Körfez Hava Ulaştırma A.Ş.	4.000	100,00	4.000	100,00
Other	15.959		13.405	
	118.588		**118.017**	
	138.696		**136.366**	

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.

NOTE 7 - 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 2016		31 December 2015	
	%	Amount	%	Amount
Koç Finansal Hizmetler	44,81	9.947.388	44,12	8.631.207
Ford Otosan	38,46	1.209.740	38,46	1.172.074
Tofaş	37,59	1.098.067	37,59	970.459
Opet	41,33	602.138	41,33	497.399
Türk Traktör	37,50	262.448	37,50	244.090
Other		568.461		531.590
		13.688.242		**12.046.819**

b) The market values (Level 1) of the listed Joint Ventures are as follows:

	31 December 2016	31 December 2015
Yapı Kredi Bankası (*)	14.910.386	14.301.799
Ford Otosan	10.730.828	10.625.555
Tofaş	12.320.000	9.475.000
Türk Traktör	4.002.675	3.711.814
	41.963.889	**38.114.168**

(*) 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.

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NOTE 7- JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

c) The movement of Joint Ventures is as follows:

	2016	2015
Beginning of the period - 1 January	**12.046.819**	**11.006.282**
Shares of profit/(loss)	2.235.378	1.811.914
Shares of other comprehensive income/(loss)	(128.059)	(76.206)
Dividend income from Joint Ventures	(555.214)	(693.807)
Contribution to capital increases of Joint Ventures	-	5.250
Transactions with non-controlling interests (1)	96.542	-
Sale of a Joint Venture (2)	-	(8.967)
Profit eliminations	(12.781)	2.173
Dividend paid to Joint Ventures	5.557	180
End of the period - 31 December	**13.688.242**	**12.046.819**

(1) Related to the purchase of 0,69% shares of Koç Finansal Hizmetler from non-controlling interests (Note 2.4).
(2) Tedi İçecek, a Joint Venture of the Group, was sold on 29 May 2015.

Shares of profit/(loss) of Joint Ventures:

Koç Finansal Hizmetler	1.181.196	971.279
Ford Otosan	367.231	323.602
Tofaş	364.686	312.278
Opet	125.566	62.700
Türk Traktör	138.674	96.251
Other	58.025	45.804
	2.235.378	**1.811.914**

Shares of other comprehensive income/(loss) of Joint Ventures

Koç Finansal Hizmetler	38.443	(24.024)
Ford Otosan	(74.665)	(52.537)
Tofaş	(86.489)	(1.922)
Opet	4.778	5.909
Türk Traktör	(7.817)	(3.984)
Other	(2.309)	352
	(128.059)	**(76.206)**

Dividend income from Joint Ventures:

Koç Finansal Hizmetler	-	142.516
Ford Otosan	255.061	153.847
Tofaş	137.195	182.300
Opet	43.397	72.328
Türk Traktör	112.500	112.500
Other	7.061	30.316
	555.214	**693.807**

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

NOTE 7 - 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 2016	KFS	Ford Otosan	Tofaş	Opet	Türk Traktör	Other	Total
Cash and cash equivalents	36.532.506	1.189.033	2.215.727	112.230	228.417	1.029.625	41.307.538
Other current assets	10.593.974	3.467.891	2.636.630	2.931.896	1.354.568	1.377.973	22.362.932
Receivables from finance sector operations	188.980.851	-	2.229.351	-	-	-	191.210.202
Goodwill	1.283.686	-	-	-	-	12.687	1.296.373
Non-current assets	31.400.363	4.591.420	4.711.906	1.564.521	719.206	1.326.436	44.313.852
Total assets	**268.791.380**	**9.248.344**	**11.793.614**	**4.608.647**	**2.302.191**	**3.746.721**	**300.490.897**
Short-term borrowings	33.057.186	1.348.275	3.386.347	1.263.405	188.037	1.180.915	40.424.165
Other current liabilities	16.119.963	2.940.532	2.305.837	1.136.056	598.779	804.800	23.905.967
Payables from finance sector operations	163.345.662	-	-	-	-	-	163.345.662
Long-term borrowings	27.357.058	1.503.855	2.978.620	854.018	760.154	262.300	33.716.005
Other non-current liabilities	1.718.663	310.075	201.453	234.541	55.360	213.727	2.733.819
Total liabilities	**241.598.532**	**6.102.737**	**8.872.257**	**3.488.020**	**1.602.330**	**2.461.742**	**264.125.618**
Net assets:	**27.192.848**	**3.145.607**	**2.921.357**	**1.120.627**	**699.861**	**1.284.979**	**36.365.279**
Allocation of net assets:							
Non-controlling interests	4.891.326	-	-	-	-	-	4.891.326
Equity holders of the parent	**22.301.522**	**3.145.607**	**2.921.357**	**1.120.627**	**699.861**	**1.284.979**	**31.473.953**
Reconciliation of carrying value:							
Ownership of the Group	*44,81%*	*38,46%*	*37,59%*	*41,33%*	*37,50%*		
Net asset share of the Group	9.993.508	1.209.740	1.098.067	463.154	262.448	568.461	13.595.378
Goodwill carried at Group level	-	-	-	138.984	-	-	138.984
Impact of additional share purchase	(46.120)	-	-	-	-	-	(46.120)
Carrying value	**9.947.388**	**1.209.740**	**1.098.067**	**602.138**	**262.448**	**568.461**	**13.688.242**

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NOTE 7 - JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

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	154.187	34.690.716
Other current assets	10.834.865	3.050.512	1.649.648	2.130.179	1.129.845	1.251.715	20.046.764
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	1.415.381	641.922	1.365.777	39.480.523
Total assets	**233.298.321**	**8.415.583**	**9.866.566**	**3.589.994**	**2.016.048**	**2.771.679**	**259.958.191**
Short-term borrowings	29.714.343	1.259.731	1.832.481	723.938	206.845	371.565	34.108.903
Other current liabilities	14.482.843	2.563.860	2.694.979	1.005.303	646.791	716.804	22.110.580
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	318.295	28.062.989
Other non-current liabilities	2.170.691	243.294	203.665	230.265	45.569	211.187	3.104.671
Total liabilities	**209.454.557**	**5.367.920**	**7.284.707**	**2.722.790**	**1.365.141**	**1.617.851**	**227.812.966**
Net assets:	**23.843.764**	**3.047.663**	**2.581.859**	**867.204**	**650.907**	**1.153.828**	**32.145.225**
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**	**867.204**	**650.907**	**1.153.828**	**27.863.391**
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	358.415	244.090	531.590	11.907.835
Goodwill carried at Group level	-	-	-	138.984	-	-	138.984
Carrying value	**8.631.207**	**1.172.074**	**970.459**	**497.399**	**244.090**	**531.590**	**12.046.819**

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

NOTE 7 - JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Condensed income statement information:

1 January - 31 December 2016	**KFS**	**Ford Otosan**	**Tofaş**	**Opet**	**Türk Traktör**	**Other**	**Total**
Revenue	23.736.401	18.289.107	14.605.281	20.533.670	3.443.478	6.353.179	86.961.116
Depreciation and amortisation	343.919	456.389	522.631	87.704	57.639	72.419	1.540.701
Operating profit	3.929.806	1.111.024	800.892	555.979	503.019	321.303	7.222.023
Net financial expenses	-	(135.012)	(2.956)	(167.525)	(114.936)	(80.341)	(500.770)
Profit before tax	4.031.276	969.749	797.936	384.083	388.140	243.863	6.815.047
Net profit for the period	3.249.340	954.886	970.228	303.814	369.796	203.385	6.051.449
Non-controlling interests	591.382	-	-	-	-	-	591.382
Equity holders of the parents	**2.657.958**	**954.886**	**970.228**	**303.814**	**369.796**	**203.385**	**5.460.067**
Ownership of the Group	*44,81%*	*38,46%*	*37,59%*	*41,33%*	*37,50%*		
Net profit share of the Group	**1.181.196**	**367.231**	**364.686**	**125.566**	**138.674**	**58.025**	**2.235.378**

1 January - 31 December 2015	**KFS**	**Ford Otosan**	**Tofaş**	**Opet**	**Türk Traktör**	**Other**	**Total**
Revenue	20.885.232	16.746.395	10.168.542	18.485.152	3.102.562	7.105.265	76.493.148
Depreciation and amortisation	334.158	393.587	359.521	83.380	52.117	66.720	1.289.483
Operating profit	3.300.445	1.033.028	686.554	260.946	384.887	283.788	5.949.648
Net financial expenses	-	(168.167)	(68.567)	(108.376)	(83.437)	(103.492)	(532.039)
Profit before tax	3.348.919	865.359	617.987	170.507	301.480	185.305	5.489.557
Net profit for the period	2.691.088	841.440	830.801	151.706	256.670	147.065	4.918.770
Non-controlling interests	489.764	-	-	-	-		489.764
Equity holders of the parents	**2.201.324**	**841.440**	**830.801**	**151.706**	**256.670**	**147.065**	**4.429.006**
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**	**62.700**	**96.251**	**45.804**	**1.811.914**

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NOTE 7- 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) 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, a Joint Venture of the Group, has reconsidered its ongoing investments and obtained Priority Investment Incentive Certificates amounting to TL1.194.398 thousand for the New Generation Transit investment and TL 697.394 thousand for the new model Transit Courier which will be produced in the 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. Furthermore, in 2016, the Company has obtained priority investment incentive certificate amounting to TL849.160 thousand, for renewal and modernisation investments that will be made in upcoming periods on its ongoing productions of Ford Transit, Ford Transit Courier and Ford Transit Custom. Within the scope of these incentives, TL2.229.638 thousand of capital expenditures has been incurred as of the balance sheet date.

As of 31 December 2016, Ford Otosan accounted for TL740.039 thousand deferred tax asset regarding the investment incentives (31 December 2015: TL718.283 thousand).

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	31 December 2016	31 December 2015
Trade receivables		
Trade receivables	8.402.578	6.985.114
Notes and cheques receivable	2.316.776	2.390.208
Less: Provision for doubtful receivables	(265.138)	(213.333)
Less: Unearned finance income	(40.581)	(30.578)
	10.413.635	**9.131.411**
Due from related parties (Note 29)	1.053.664	908.959
	11.467.299	**10.040.370**
Short-term trade receivables	11.417.798	9.712.431
Long-term trade receivables	49.501	327.939
	11.467.299	**10.040.370**

Tüpraş, Arçelik and Otokar the Subsidiaries of the Group, offset TL1.625.766 thousand (31 December 2015: TL778.111 thousand), TL615.332 thousand (31 December 2015: TL382.302 thousand) and TL451.647 thousand (31 December 2015: TL34.728 thousand) respectively from their trade receivables that were collected from factoring companies as a part of irrevocable factoring agreements as of 31 December 2016.

Movement of the provision for doubtful receivables is as follows:

	2016	2015
Beginning of the period - 1 January	**213.333**	**191.217**
Increases during the period	53.550	28.765
Collections	(5.078)	(4.657)
Write-offs (1)	(7.994)	(4.111)
Acquisitions (2)	4.368	7
Disposals from the scope of consolidation (Note 2.4)	(137)	-
Currency translation differences	7.096	2.112
End of the period - 31 December	**265.138**	**213.333**

(1) Doubtful receivables, for which no possibility of collection is foreseen, are written off from the records along with their related provisions.
(2) Resulted from the acquisition of Dawlance Group by Arçelik, a Subsidiary of the Group.

	31 December 2016	31 December 2015
Trade payables		
Trade payables	11.372.378	6.965.352
Less: Unearned finance expense	(28.014)	(17.201)
	11.344.364	**6.948.151**
Due to related parties (Note 29)	1.206.100	915.813
	12.550.464	**7.863.964**

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

NOTE 9 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	31 December 2016	31 December 2015
Performing loans	3.376.835	2.818.881
Loans under legal follow-up	97.313	87.476
Gross	**3.474.148**	**2.906.357**
Less: Provision for impairment	(104.690)	(73.810)
Net	**3.369.458**	**2.832.547**
Short-term receivables from finance sector operations	1.887.963	1.545.561
Long-term receivables from finance sector operations	1.481.495	1.286.986
	3.369.458	**2.832.547**

Movement of provision for impairment is as follows:

	2016	2015
Beginning of the period - 1 January	**73.810**	**46.892**
Increase in provisions for loan impairment	58.179	34.870
Recoveries of amounts previously provisioned	(15.377)	(7.952)
Releases due to the sale of non-performing loan portfolio	(11.922)	-
End of the period - 31 December	**104.690**	**73.810**

NOTE 10 - DERIVATIVE INSTRUMENTS

As of 31 December 2016 and 2015, the breakdown of derivative instruments is as follows;

	31 December 2016		31 December 2015	
	Asset	Liability	Asset	Liability
Derivatives held for trading	209.012	8.814	181.242	9.253
Derivatives held for hedging	655.146	26.822	344.782	63.317
	864.158	**35.636**	**526.024**	**72.570**

	31 December 2016			31 December 2015		
		Fair values			Fair values	
	Contract amount (*)	Asset	Liability	Contract amount (*)	Asset	Liability
Derivatives held for trading:						
Currency forwards	1.734.865	4.623	2.183	1.019.796	2.360	1.734
Cross-currency fixed interest rate swaps	2.294.713	178.882	-	1.960.174	144.742	-
Currency swaps	2.605.477	25.507	2.202	2.246.710	34.140	3.004
Commodity derivatives	174.348	-	4.429	340.385	-	4.515
	6.809.403	**209.012**	**8.814**	**5.567.065**	**181.242**	**9.253**
Derivatives held for hedging:						
Interest rate swaps	4.102.685	6.586	5.588	3.924.655	-	63.317
Currency swaps	4.280.974	559.281	21.234	2.060.816	302.931	-
Operating lease receivables	460.557	73.804	-	389.718	37.981	-
Currency forwards	211.443	15.475	-	56.791	3.870	-
	9.055.659	**655.146**	**26.822**	**6.431.980**	**344.782**	**63.317**

(*) 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.

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NOTE 10 - DERIVATIVE INSTRUMENTS (Continued)

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 2016, total foreign exchange gain related to the hedged item accounted for under "financial income/expenses" amounted to TL35.823 thousand (2015: TL26.106 thousand foreign exchange gain).

b. Cash flow hedges:

Tüpraş, a Subsidiary of the Group, has entered into interest rate swap agreements with a total amount of USD535 million (31 December 2015: USD612 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, TL16.506 thousand net interest income after tax (2015: TL10.789 thousand net interest expense after tax) has been accounted for under "gains/(losses) on cash flow hedges" in the statement of other comprehensive income of 2016.

Tüpraş has entered into currency swap transactions in 2016, 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 USD82 million of other long term payables. The total net financial expense after tax recognised under the "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2016 within the scope of aforementioned currency swap transactions amounted to TL14.231 thousand (2015: TL47.864 thousand net financial income after tax).

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 USD1.426 million as of 31 December 2016 (2015: USD 1.709 million). The after tax foreign exchange loss recognised under "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2016 in the scope of cash flow hedge amounted to TL608.430 thousand (2015: TL545.213 thousand foreign exchange loss after tax).

Ditaş, a Subsidiary of the Group, has designated its loans borrowed for financing of ship investments as hedging instruments against the spot foreign exchange risk (USD/TL) associated with highly probable export revenues. In this context, Ditaş started to apply cash flow hedge accounting effective from 1 July 2016. The amount of loans associated within this scope amounted to USD32 million as of 31 December 2016. The after tax foreign exchange loss recognised under "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2016 in the scope of cash flow hedge amounted to TL20.015 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 "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2016 regarding the foreign exchange swap transactions and foreign exchange forward transactions amounted to TL10.076 thousand (2015: TL2.131 thousand foreign exchange gain 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 net interest expense of the aforementioned swap transactions recognised under "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2016 amounted to TL72 thousand (2015: TL2.413 thousand interest expense after tax).

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 2016, EUR150 million of debt securities in issue was designated as a net investment hedging instrument (31 December 2015: EUR150 million). Net foreign exchange losses after tax accounted for under "gains/(losses) on hedges of net investments in foreign operations" in the statement of other comprehensive income of 2016 amounted to TL63.876 thousand (2015: TL42.829 thousand foreign exchange loss after tax).

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NOTE 11 - INVENTORIES

	31 December 2016	31 December 2015
Finished goods	2.565.415	1.792.687
Raw materials and supplies	2.634.384	2.267.486
Merchandise	1.121.590	865.035
Work in progress	976.300	646.846
Goods in transit	808.809	175.553
Other inventories	83.710	107.563
Less: Provision for impairment	(94.427)	(175.140)
	8.095.781	**5.680.030**

Movement of provision for impairment on inventories is as follows:

	2016	2015
The beginning of the period - 1 January	**175.140**	**155.146**
Increases during the period	22.450	116.361
Acquisitions (*)	6.556	-
Reversal of provisions	(109.221)	(96.478)
Write-offs	-	(1.154)
Disposals from the scope of consolidation (Note 2.4)	(4.952)	-
Currency translation differences	4.454	1.265
End of the period - 31 December	**94.427**	**175.140**

(*) Resulted from the acquisition of Dawlance Group by Arçelik, a Subsidiary of the Group.

NOTE 12 - INVESTMENT PROPERTIES

As of 1 January	**2016**	**2015**
Cost	534.113	325.785
Accumulated depreciation	(82.859)	(86.730)
Net book value	**451.254**	**239.055**
Net book value at the beginning of the period	**451.254**	**239.055**
Additions from exchange transaction (1)	43.324	225.586
Additions	3.461	-
Disposals	-	(8.666)
Transfers (2)	(43.324)	-
Currency translation differences	-	553
Disposals from the scope of consolidation (Note 2.4)	(3.330)	-
Current period depreciation	(9.318)	(5.274)
Net book value at the end of the period	**442.067**	**451.254**
As of 31 December		
Cost	534.244	534.113
Accumulated depreciation	(92.177)	(82.859)
Net book value	**442.067**	**451.254**

(1) *The exchange transaction realised in 2016:* Includes 65 residence apartments delivered in the second quarter of 2016 within the scope of the joint project realised between Koç Holding and KİPTAŞ İstanbul Konut İmar Plan Turizm Ulaşım Sanayi ve Ticaret A.Ş. (KİPTAŞ). The initial recognition of the delivered property was accounted with fair value (Level 2) amounting to TL43.324 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 65 residence apartment delivered to Koç Holding 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, 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 2017.

The exchange transaction realised in 2015: Includes 91 offices and 18 commercial areas delivered in the last quarter of 2015 within the scope of the joint project realised between Koç Holding and Kule Yap Sat İnşaat Taahhüt Ticaret A.Ş. 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 delivered property to Koç Holding 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) Within the scope of the project realised jointly with KİPTAŞ 65 residences which were delivered 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 TL442.067 thousand (2015: TL451.254 thousand), is TL478.178 thousand (2015: TL494.642) as of 31 December 2016.

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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	Leasehold improvements	Total
As of 1 January 2016								
Cost	5.070.963	1.734.248	15.933.443	2.586.863	894.275	901.806	359.885	27.481.483
Accumulated depreciation	(667.587)	(568.263)	(5.810.958)	(519.340)	(577.903)	-	(209.894)	(8.353.945)
Net book value	**4.403.376**	**1.165.985**	**10.122.485**	**2.067.523**	**316.372**	**901.806**	**149.991**	**19.127.538**
Net book value at the beginning of the period	**4.403.376**	**1.165.985**	**10.122.485**	**2.067.523**	**316.372**	**901.806**	**149.991**	**19.127.538**
Additions	10.419	91.764	193.830	774.508	76.923	1.164.335	25.927	2.337.706
Disposals	(1.807)	(1.501)	(11.388)	(75.566)	(2.876)	(8.264)	(249)	(101.651)
Transfers (1)	203.555	82.776	634.469	(263.251)	87.970	(1.015.703)	2.265	(267.919)
Acquisitions (2)	39.913	59.939	56.675	-	5.800	1.552	-	163.879
Currency translation differences	14.465	65.636	106.533	5.130	7.784	15.621	1.493	216.662
Disposals from the scope of consolidation (Note 2.4)	(20.721)	(16.154)	(238.884)	(16.197)	(5.587)	(167.212)	(5.436)	(470.191)
Current period depreciation	(158.607)	(44.664)	(721.340)	(117.884)	(99.506)	-	(23.999)	(1.166.000)
Net book value at the end of the period	**4.490.593**	**1.403.781**	**10.142.380**	**2.374.263**	**386.880**	**892.135**	**149.992**	**19.840.024**
31 December 2016								
Cost	5.312.897	2.030.371	16.652.762	2.921.745	1.049.128	892.135	365.689	29.224.727
Accumulated depreciation	(822.304)	(626.590)	(6.510.382)	(547.482)	(662.248)	-	(215.697)	(9.384.703)
Net book value	**4.490.593**	**1.403.781**	**10.142.380**	**2.374.263**	**386.880**	**892.135**	**149.992**	**19.840.024**

(1) MIncludes transfers amounting to TL6.584 thousand to other intangible assets (Note 15) and TL261.335 thousand to other current assets (assets used in operational lease) (Note 21).
(2) Resulted from the acquisition of Dawlance Group by Arçelik, a Subsidiary of the Group (Note 3).

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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 2015								
Cost	3.136.489	1.452.385	10.311.776	2.054.621	765.398	7.138.004	335.256	25.193.929
Accumulated depreciation	(537.641)	(514.442)	(5.361.218)	(466.764)	(490.114)	-	(194.064)	(7.564.243)
Net book value	**2.598.848**	**937.943**	**4.950.558**	**1.587.857**	**275.284**	**7.138.004**	**141.192**	**17.629.686**
Net book value at the beginning of the period	**2.598.848**	**937.943**	**4.950.558**	**1.587.857**	**275.284**	**7.138.004**	**141.192**	**17.629.686**
Additions	36.128	5.358	302.035	866.604	79.706	1.610.143	16.414	2.916.388
Acquisitions (2)	-	-	228	-	-	-	-	228
Disposals	(2.246)	(643)	(45.253)	(95.621)	(1.503)	(1.752)	(569)	(147.587)
Transfers (3)	1.910.346	254.069	5.546.866	(178.686)	47.370	(7.844.951)	13.839	(251.147)
Currency translation differences	2.640	10.123	15.457	(13.751)	235	362	396	15.462
Current period depreciation	(142.340)	(40.865)	(647.406)	(98.880)	(84.720)	-	(21.281)	(1.035.492)
Net book value at the end of the period	**4.403.376**	**1.165.985**	**10.122.485**	**2.067.523**	**316.372**	**901.806**	**149.991**	**19.127.538**
31 December 2015								
Cost	5.070.963	1.734.248	15.933.443	2.586.863	894.275	901.806	359.885	27.481.483
Accumulated depreciation	(667.587)	(568.263)	(5.810.958)	(519.340)	(577.903)	-	(209.894)	(8.353.945)
Net book value	**4.403.376**	**1.165.985**	**10.122.485**	**2.067.523**	**316.372**	**901.806**	**149.991**	**19.127.538**

(1) Transfers from construction in progress amounting to TL7.229.540 thousand of TL7.844.951 thousand is resulted from the capitalisation of Residuum Upgrading Project of Tüpraş, a Subsidiary of the Group. The respective amount includes the capitalised borrowing costs in accordance with the cumulative method amounting to TL1.550.660 thousand, arising from foreign currency borrowings by comparison of TL benchmark interest rates as of 31 December 2016 (31 December 2015: TL1.079.536 thousand).
(2) Resulted from the 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), TL18.555 thousand to other intangible assets (Note 15) and TL194.405 thousand to other current assets (assets used in operational lease) (Note 21).

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NOTE 14 - GOODWILL

	2016	2015
Net book value at the beginning of the period - 1 January	**2.899.913**	**2.905.658**
Acquisitons (Note 3)	152.981	2.903
Currency translatiion differences	77.321	(8.648)
Net book value at the end of the period - 31 December	**3.130.215**	**2.899.913**

The allocation of the goodwill is as follows:

	31 December 2016	31 December 2015
Tüpraş	2.736.463	2.736.463
Defy Group	208.653	153.735
Dawlance Group	174.100	-
Other	10.999	9.715
	3.130.215	**2.899.913**

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 2016 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	8,6% - 10,0%
Discount rate (cost of equity)	9,4% - 12,6%

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 2017 and 31 December 2021. 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 8,50% - 12,75% 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.

c) Dawlance Group

Since there are no significant changes in the assumptions used in the calculation of goodwill between the acquisition date and 31 December 2016, no impairment provision for goodwill is foreseen as of the balance sheet date.

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NOTE 15 - OTHER INTANGIBLE ASSETS

	Rights	Brand	Development Costs	Customer Relations	Other	Total
1 January 2016						
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**
Additions	62.208	4	168.562	-	61.776	292.550
Disposals	(1.249)	-	-	-	-	(1.249)
Transfers (1)	6.424	-	54.763	-	(54.603)	6.584
Currency translation differences	1.251	137.729	-	58.541	29	197.550
Acquisitions (2)	134	209.566	-	424.058	80	633.838
Disposals from the scope of consolidation (Note 2.4)	(47.889)	-	-	-	-	(47.889)
Current period amortisation	(64.425)	-	(155.393)	(3.792)	(9.328)	(232.938)
Net book value at the end of the period	**443.434**	**843.457**	**620.263**	**478.807**	**338.723**	**2.724.684**
31 December 2016						
Cost	958.897	843.457	1.311.638	482.599	398.455	3.995.046
Accumulated amortisation	(515.463)	-	(691.375)	(3.792)	(59.732)	(1.270.362)
Net book value	**443.434**	**843.457**	**620.263**	**478.807**	**338.723**	**2.724.684**

(1) Includes transfers from property, plant and equipment.
(2) Resulted from the acquisition of Dawlance Group by Arçelik, a Subsidiary of the Group (Note 3).

Total research and development expenditures incurred in 2016 excluding amortisation amounts to TL261.910 thousand (2015: TL217.711 thousand).

The net book value of intangible assets with indefinite useful lives amounts to TL843.457 thousand (2015: TL496.158 thousand) and consists of brands. The useful lives of the related brands are assessed as indefinite, since there is no foreseeable limit to the period over which they are expected to generate net cash inflows for the Group.

Brand impairment test

As of 31 December 2016, 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 8,5% to 16,4% discount rates after tax. No impairment has been identified.

	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
Acquisitions (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 the acquisition of CoVii by Arçelik, a Subsidiary of the Group.

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NOTE 16 - BORROWINGS

	31 December 2016			31 December 2015		
	Finance	**Non-Finance**	**Total**	**Finance**	**Non-Finance**	**Total**
Short-term borrowings (*):						
Bank borrowings	1.609.421	5.028.510	6.637.931	1.498.182	5.380.627	6.878.809
Debt securities in issue	335.448	432.529	767.977	314.944	126.578	441.522
Factoring payables	-	70.446	70.446	-	39.628	39.628
Financial leasing payables	-	6.723	6.723	-	19.291	19.291
	1.944.869	**5.538.208**	**7.483.077**	**1.813.126**	**5.566.124**	**7.379.250**
Long-term borrowings:						
Bank borrowings	1.327.166	10.141.637	11.468.803	789.429	8.969.416	9.758.845
Debt securities in issue	152.491	11.079.127	11.231.618	120.000	7.104.207	7.224.207
Financial leasing payables	-	7.206	7.206	-	177.085	177.085
	1.479.657	**21.227.970**	**22.707.627**	**909.429**	**16.250.708**	**17.160.137**
Toplam borrowings	**3.424.526**	**26.766.178**	**30.190.704**	**2.722.555**	**21.816.832**	**24.539.387**

(*) Includes short-term portion of long term borrowings.

Long-term debt securities issued:

2016:

Otokoç, a Subsidiary of the Group, completed the bond issues with a nominal value of TL150 million and maturities of 24 months, coupon payments in every 6 months, principle and coupon payments at the end of maturity and annual interest rates between 10,50% and 11,73% in 2016.

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 3 months, principle and coupon payments at the end of maturity and an annual interest rate of 12,43% on 29 November 2016.

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 payments at the end of maturity and an annual interest rate of 5,40% on 15 March 2016.

Aygaz, a Subsidiary of the Group, completed the bond issue with a nominal value of TL75 million, maturity of 728 days, coupon payment in every 6 months and an annual interest rate of 13,09% on 28 January 2016.

Koç Finansman, a Subsidiary of the Group, completed the bond issues with a nominal value of TL365 million, maturities between 15 and 24 months, principle and coupon payments at the end of maturity and annual interest rates between 11,02% and 12,81% in 2016.

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NOTE 16 - BORROWINGS (Continued)

2015 and before:

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%.

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 19 January 2015.

Koç Finansman, a Subsidiary of the Group, completed the bond issue with a nominal value of TL120 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 between 8,96% and 12,90% in 2015.

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, principal and coupon payments 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.

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, principal and coupon payments at the end of maturity and an annual interest rate of 5,125% on 3 April 2013.

Tüpraş completed the bond issue, quoted on the London Stock Exchange, with a nominal value of USD700 million, maturity of 5,5 years, coupon payment in every 6 months, principal and coupon payments at the end of maturity and an annual interest rate of 4,168% on 2 November 2012.

Other major long term borrowings:

The loan obtained in 2006 in order to finance the acquisition cost of Tüpraş shares by EYAŞ, a Subsidiary of the Group, amounting to USD1.800 million, had a remaining balance of TL322 million as of 31 December 2016, with a maturity on 17 April 2017.

Tüpraş, a Subsidiary of the Group, signed three different loan agreements to finance the Fuel Oil Conversion Project in 2011. Within the scope of these loan agreements, USD1.988 million of loans are utilised for the insurance payments and capital expenditures between 2011 - 2015. The loans insured by the Spanish export credit Agency (CESCE) and the Italian export credit agency (SACE) within the scope of financing package 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. The repayment of these loans started in 2015 and the remaining balance of the mentioned loans is USD1.555 million as of 31 December 2016.

The redemption schedule of long-term bank borrowings is as follows:

	31 December 2016	31 December 2015
1-2 years	8.178.679	4.679.092
2-3 years	1.853.703	4.300.426
3-4 years	4.177.692	955.844
4-5 years	2.448.024	2.913.649
5 years and over	6.049.529	4.311.126
	22.707.627	**17.160.137**

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NOTE 17 - TAX ASSETS AND LIABILITIES

	31 December 2016	31 December 2015
Current income tax liabilities		
Domestic	284.559	371.551
Foreign	23.363	13.062
Less: Prepaid income tax	(133.888)	(159.541)
Current income tax liabilities (net)	**174.034**	**225.072**
Deferred tax liabilities		
Domestic	(238.507)	(195.478)
Foreign	(412.591)	(149.635)
	(651.098)	**(345.113)**
Deferred tax assets		
Domestic	3.411.259	3.170.275
Foreign	92.282	73.567
	3.503.541	**3.243.842**
Deferred tax assets (net)	**2.852.443**	**2.898.729**

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:

	2016	2015
Current period tax expense	(311.519)	(382.776)
Deferred tax income (net)	145.259	655.025
	(166.260)	**272.249**
Profit before tax	**5.442.646**	**5.557.102**
Less: Share of profit/loss of Joint Ventures	(2.235.378)	(1.811.914)
Profit before tax (excluding share of profit/(loss) of Joint Ventures)	**3.207.268**	**3.745.188**
Domestic tax rate	20%	20%
Tax calculated at domestic tax rate	(641.454)	(749.038)
Income not subject to tax	132.736	95.053
Investment tax credit (*)	386.482	998.691
Additions	(40.756)	(37.514)
Tax losses and other tax advantages (net effect)	(13.904)	(24.601)
Tax rate differences	12.666	(2.147)
Other	(2.030)	(8.195)
Tax income/(expense)	**(166.260)**	**272.249**

(*) Tüpraş and Arçelik, the Subsidiaries of the Group, have accounted, respectively TL198.864 thousand (2015: TL768.376 thousand) and TL187.618 thousand (2015: TL230.315 thousand) investment tax credits within the scope of investment incentives to be utilised in future periods as deferred tax income in the consolidated income statement in 2016.

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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/TFRS 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 2016	31 December 2015	31 December 2016	31 December 2015
Property, plant and equipment and intangible assets	4.912.481	4.693.843	(1.095.286)	(956.386)
Investment incentives (*)	(12.388.582)	(10.512.402)	4.222.204	3.910.862
Investment incentives to be offset (-) (*)	-	-	(517.666)	(344.638)
Provision for employment termination benefits	(485.163)	(419.585)	97.033	83.990
Deductible tax losses and other tax advantages	(394.439)	(309.662)	91.663	69.442
Warranty and assembly provisions	(386.202)	(327.842)	80.269	67.507
Inventories	(119.743)	(109.082)	25.410	21.883
Provisions for unused vacations	(69.627)	(62.487)	13.926	12.498
Deferred income	(33.081)	(49.851)	6.616	9.970
Expense accruals (net)	(28.324)	(36.942)	5.666	7.579
Provisions for lawsuits	(22.402)	(63.957)	4.481	12.792
Unearned finance income (net)	76.458	47.586	(15.294)	(9.518)
Derivative instruments	766.348	444.803	(153.269)	(88.959)
Other (net)	(626.831)	(595.040)	86.690	101.707
Deferred tax assets (net)			**2.852.443**	**2.898.729**

(*) For the Residuum Upgrade Project (RUP), in the first quarter 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 capital expenditures related with the new investments, 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, RUP 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 capital expenditures related with RUP, with a rate of 90% from tax base in accordance with the legislation provisions. Accordingly, as of 31 December 2016, investment expenditures amounting to TL7.969.662 thousand (31 December 2015: TL7.969.662 thousand) have been made and tax credits amounting to TL3.656.588 thousand (31 December 2015: TL3.656.588 thousand) have been realised to be used in the future periods. As of 31 December 2016, the Company recognised revaluation gain amounting to TL123.724 thousand regarding its investment incentives. Moreover, as of 31 December 2016 within the scope of the Strategic Investment Certificate, Tüpraş offset TL517.666 thousand from tax base (31 December 2015: TL344.638 thousand).

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 TL441.892 thousand as of 31 December 2016 (31 December 2015: TL254.274 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/TFRS, are separately classified under deferred tax assets and liabilities accounts in Koç Holding's consolidated balance sheet. Temporary differences and deferred tax assets and liabilities presented above, which are prepared on the basis of gross amounts, present the net deferred tax position.

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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 2016	31 December 2015
Up to 1 year	70.559	411.699
Up to 2 years	230.022	65.825
Up to 3 years	147.805	209.980
Up to 4 years	148.515	141.725
5 years and above	408.312	520.939
	1.005.213	**1.350.168**

Movements in deferred tax assets / (liabilities) are as follows:

	2016	2015
Beginning of the period - 1 January	**2.898.729**	**2.109.246**
Charge to the income statement	145.259	655.025
Charge to equity:		
- Gains/(losses) on revaluation of available for sale financial assets	(88)	545
- Gains/(losses) on cash flow hedges	148.976	126.537
- Gains/(losses) on remeasurements of defined benefit plans	14.393	805
Currency translation differences	(58.415)	6.571
Acquisitions (Note 3)	(204.216)	-
Disposals from the scope of consolidation (Note 2.4)	(3.955)	-
Incentive income to be offset	(88.240)	-
End of the period - 31 December	**2.852.443**	**2.898.729**

NOTE 18 - PROVISIONS FOR EMPLOYEE BENEFITS

Short-term employee benefits	31 December 2016	31 December 2015
Provision for unused vacations	101.624	88.858
Provision for employment termination benefits	504.175	441.234
	605.799	**530.092**

Provision for employment termination benefits:

- Domestic	500.762	438.944
- Foreign	3.413	2.290
	504.175	**441.234**

Under Turkish Labour Law, Koç Holding and its Turkish Subsidiaries and Joint Ventures are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men).

As of 31 December 2016, the amount payable consists of one month's salary limited to a maximum of 4.297,21 (31 December 2015: TL3.828,37) 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 TL4.426,16 effective from 1 January 2017 (1 January 2016: TL4.092,53) has been taken into consideration in calculating the consolidated reserve for employment.

TAS/TFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions have been used in the calculation of the total liability. Related rates have been presented by considering the weighted average of actuarial assumptions of the Subsidiaries within the scope of consolidation.

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NOTE 18 - PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

	31 December 2016	31 December 2015
Net discount rate (%)	4,50	4,60
Turnover rate to estimate the probability of retirement (%)	97,08	96,95

Movements in the provision for employment termination benefits are as follows:

	2016	2015
Beginning of the period - 1 January	**441.234**	**408.523**
Interest expense	35.169	27.376
Increases during the period	52.445	67.252
Gains/(losses) on remeasurement of defined benefit plans	71.964	4.024
Payments during the period	(92.829)	(66.392)
Currency translation differences	844	451
Disposals from the scope of consolidation (Note 2.4)	(4.699)	-
Acquisitions (*)	47	-
End of the period - 31 December	**504.175**	**441.234**

(*) Resulted from the acquisition of Dawlance Group by Arçelik, a Subsidiary of the Group

NOTE 19 - PROVISIONS

a) Short-term provisions	31 December 2016	31 December 2015
Cost accruals of construction contracts	420.994	288.845
Provisions for warranty and assembly	338.100	270.825
Special Consumption Tax (SCT) provision on imported LPG	83.577	68.496
Provisions for lawsuits and penalties	47.306	46.354
Provisions for transportation	31.260	18.654
Provision for Energy Market Regulation Authority participation share	23.581	21.282
Other	128.210	105.375
	1.073.028	**819.831**

b) Long-term provisions		
Warranty provision	151.963	137.239
	151.963	**137.239**

The movements of provisions for warranty and assembly, cost accruals of construction contracts, SCT provision on imported LPG and provision for lawsuits are as follows for the years ended 31 December 2016 and 2015:

	Provisions for warranty and assembly	Cost accruals of construction contracts	SCT provision on imported LPG	Provision for lawsuits
As of 1 January 2016	**408.064**	**288.845**	**68.496**	**46.354**
Additions	802.072	89.805	83.577	7.001
Acquisitons (*)	3.010	-	-	-
Disposals / Payments	(746.389)	-	(68.496)	(4.467)
Disposals from the scope of consolidation (Note 2.4)	-	-	-	(1.582)
Currency translation differences	23.306	42.344	-	-
As of 31 December 2016	**490.063**	**420.994**	**83.577**	**47.306**

(*) Resulted from the acquisition of Dawlance Group by Arçelik, a Subsidiary of the Group.

	Provisions for warranty and assembly	Cost accruals of construction contracts	SCT provision on imported LPG	Provision for lawsuits
As of 1 January 2015	**312.236**	**223.141**	**33.542**	**118.857**
Additions	723.690	58.424	68.496	16.810
Disposals / Payments	(643.381)	(13.943)	(33.542)	(89.217)
Currency translation differences	15.519	21.223	-	(96)
As of 31 December 2015	**408.064**	**288.845**	**68.496**	**46.354**

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NOT 20 - OTHER RECEIVABLES AND PAYABLES

a) Other receivables	31 December 2016	31 December 2015
VAT receivables	655.113	533.235
Taxes and funds deductible	454.278	229.766
	1.109.391	**763.001**

b) Other payables		
Taxes and duties payable	2.603.605	2.315.723
Social security premiums payable	190.594	110.347
	2.794.199	**2.426.070**

NOTE 21 - OTHER ASSETS AND LIABILITIES

a) Other current assets	31 December 2016	31 December 2015
Short-term assets used in operational lease	466.505	459.320
Prepaid expenses	305.602	234.375
Advances given	288.410	241.297
Income accruals	93.713	59.333
Deposits and guarantees given	34.401	28.956
Assets obtained as collaterals	12.495	10.255
Income accrual on commodity hedge (*)	-	445.148
Other	47.542	48.560
	1.248.668	**1.527.244**

(*) Tüpraş, a Subsidiary of the Group, 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 was collected as of 8 January 2016.

The movement of short-term assets used in operational lease is as follows:

	2016	2015
Beginning of the period- 1 January	**459.320**	**405.608**
Additions	711.510	658.964
Disposals	(790.115)	(765.207)
Transfers (*)	117.602	194.405
Current period depreciation	(31.812)	(34.450)
End of the period - 31 December	**466.505**	**459.320**

(*) Includes TL261.335 thousand transfers from property, plant and equipment and to inventories TL143.733 thousand (2015: TL194.405 thousand from property, plant and equipment).

b) Other non-current assets	31 December 2016	31 December 2015
Spare parts and other materials	996.946	862.494
Advances given	213.625	184.493
Prepaid expenses	148.361	116.547
Other	37.489	22.812
	1.396.421	**1.186.346**

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NOTE 21 - OTHER ASSETS AND LIABILITIES (Continued)

c) Other current liabilities	31 December 2016	31 December 2015
Revenue share [1]	1.006.511	827.793
Payables to personnel and premium accruals	348.501	288.685
Accruals for sales and incentive bonus	328.673	269.635
Advances received	287.742	300.770
Expense accrual on commodity hedge [2]	246.536	-
Deferred income	176.404	148.370
Accruals for license expenses	72.716	50.048
Deposits and guarantees received	21.199	27.073
Other	277.717	228.612
	2.765.999	**2.140.986**

(1) 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.
(2) Tüpraş, a Subsidiary of the Group, has financial instruments (swap transactions and zero cost collar transactions), maturing as of 31 December 2016, for 14 million barrels of inventory exposed to commodity price risk arising from fluctuations in crude oil prices. The expense accrual regarding the aforementioned transactions was paid as of 9 January 2017.

d) Other non-current liabilities	31 December 2016	31 December 2015
Deposits and guarantees received	89.489	83.953
Deferred income	60.024	59.505
Other	60.264	63.050
	209.777	**206.508**

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 2016
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 2016		31 December 2015	
	Share %	Amount	Share %	Amount
Temel Ticaret ve Yatırım A.Ş [1]	43,65	1.106.970	42,59	1.079.984
Koç Family Members [1]	23,46	594.895	24,52	621.881
Rahmi M. Koç ve Mahdumları Maden, İnşaat,Turizm, Ulaştırma, Yatırım ve Ticaret A.Ş.	1,40	35.386	1,40	35.386
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	7,26	184.172
Koç Holding Emekli ve Yardım Sandığı Vakfı	1,99	50.452	1,99	50.452
Other	22,24	564.023	22,24	564.023
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) On 26 May 2016, Temel Ticaret ve Yatırım A.Ş. realised the purchase of non-floating shares of Koç Holding from Koç Family Members with a total nominal value of TL29.986 thousand (1,06%).
(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:

1. In accordance with Article 6, pre-emptive rights are used in purchase of new shares issued for their own groups; however, pre-emptive rights not used by B-group shareholders, can be used by A-group shareholders within the terms of CMB Legislation.

2. In accordance with Article 15 paragraph "c", A-group shareholders have two voting rights for each share owned at the General Assembly meetings (except for resolutions to change the Articles and decisions given for filing release and liability suits).

Other Comprehensive Income/Expense

	31 December 2016	31 December 2015
Items not to be reclassified to profit/loss:		
Increase on revaluation of non-current assets	35.827	30.688
Gains/(losses) on remeasurement of defined benefit plans	(88.844)	(47.948)
	(53.017)	**(17.260)**

Items to be reclassified to profit/loss:		
Currency translation differences	704.026	299.590
Gains/(losses) on hedge	(930.726)	(461.020)
- Cash flow hedge	*(628.700)*	*(249.930)*
- Net investment hedge	*(302.026)*	*(211.090)*
Gains/(losses) on remeasurement/reclassification of financial assets	(134.617)	(68.566)
	(361.317)	**(229.996)**

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 2016	31 December 2015
Legal reserves	385.313	319.861
Special reserves	2.144.577	2.144.577
	2.529.890	**2.464.438**

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.

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.

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NOTE 22 - EQUITY (Continued)

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 2016, total amount of reserves that can be subject to dividend distribution without creating additional corporate tax burden is TL5.436.540 thousand.

At the Ordinary General Assembly Meeting of Koç Holding A.Ş. held on 5 April 2016, it was resolved;

- to distribute TL737.946.332,55 consisting the first level dividend amounting to TL175.175.018,03 and the second level dividend amounting to TL562.771.314,52 in cash;
- to source the related dividend payments of TL737.946.332,55 to shareholders, TL101.260.380,39 payment allocated to usufruct shareholders and TL10.000.000 payment allocated to Koç Holding Emekli ve Yardım Sandığı Vakfı, amounting to a total of TL849.206.712,94 from current year taxable earnings.

Cash dividend payments were completed as of 14 April 2016.

NOTE 23 - ASSETS HELD FOR SALE

i) 65 residence apartments delivered to Koç Holding amounting to TL43.324 thousand within the scope of the project realised jointly with KİPTAŞ have been transferred from investment properties to assets held for sale since they are intended to be sold in the short term (Note 12). As of 31 December 2016, the sale and deed transfer of the properties with a net book value of TL168.229 thousand (136 apartments) which were in the part of the properties delivered in 2014 amounting to TL170.506 thousand (138 apartments) has been completed.

ii) 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 2016 and 31 December 2015.

A summary of information regarding assets and liabilities related to assets held for sale is as follows:

Assets held for sale	31 December 2016	31 December 2015
Cash and cash equivalents	9.495	9.441
Investment properties	45.601	46.251
Property, plant and equipment (Note 13)	-	38.187
Other assets	450	160
	55.546	**94.039**

Liabilities related to assets held for sale	31 December 2016	31 December 2015
Provision for employment termination benefits	174	143
Other liabilities	2.339	2.329
	2.513	**2.472**

NOTE 24 - REVENUE

	2016	2015
Domestic revenue	51.999.274	50.661.782
Foreign revenue	18.432.969	18.448.316
Revenue	**70.432.243**	**69.110.098**
Sales of goods	68.423.527	66.525.671
Sales of services	2.008.716	2.584.427
Revenue	**70.432.243**	**69.110.098**

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NOTE 25 - EXPENSES BY NATURE

Expenses by nature include cost of goods sold, marketing expenses, general administrative expenses and research and development expenses.

	2016	2015
Raw materials and supplies	43.643.648	43.809.102
Changes in work in progress and finished goods	(1.133.375)	(79.221)
Cost of merchandise sold	9.955.226	8.902.453
Personnel expenses	4.249.107	3.580.226
Transportation, distribution and storage expenses	1.532.481	1.342.902
Depreciation and amortisation charges	1.428.311	1.266.401
Energy and utility expenses	1.229.061	1.218.976
Warranty and assembly costs	796.242	724.722
Advertisement and promotion expenses	683.439	521.709
Maintenance and repair expenses	554.159	444.853
Rent expenses	538.434	496.915
Outsourcing expenses	333.008	171.362
Insurance expenses	206.382	188.307
Taxes, duties and charges	186.096	180.523
Travel expenses	152.998	131.096
Litigation and consultancy expenses	139.350	102.983
Sales, incentives and premium expenses	136.602	107.423
Information systems and communication expenses	112.460	95.516
Royalty and license expenses	100.687	67.856
Grants and donations	54.914	40.010
Other	907.350	779.640
	65.806.580	**64.093.754**

The functional breakdowns of amortisation, depreciation and personnel expenses are as follows:

	2016	2015
Depreciation and amortisation charges		
Cost of sales	1.010.514	890.797
Marketing expenses	58.724	47.510
General administrative expenses	224.300	211.590
Research and development expenses	134.773	116.504
	1.428.311	**1.266.401**

Total depreciation charges capitalised in 2016 is TL11.757 thousand (2015: TL8.884 thousand).

	2016	2015
Personnel expenses		
Cost of sales	1.821.722	1.593.890
Marketing expenses	801.942	684.430
General administrative expenses	1.571.763	1.253.707
Research and development expenses	53.680	48.199
	4.249.107	**3.580.226**

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NOTE 26 - OTHER OPERATING INCOME/EXPENSES

Other operating income	**2016**	**2015**
Foreign exchange gains arising from trading activities	1.221.167	1.055.001
Income from claims and grants	203.982	85.787
Credit finance income arising from trading activities	200.388	197.679
Reversals of provisions	44.138	21.559
Other	138.067	130.733
	1.807.742	**1.490.759**

Other operating expenses		
Foreign exchange losses arising from trading activities	(1.485.171)	(1.483.576)
Provision expenses for doubtful receivables and loans	(107.180)	(57.521)
Provisions for lawsuits and penalties	(82.433)	(63.890)
Credit finance charges arising from trading activities	(78.830)	(62.013)
Other	(110.644)	(84.880)
	(1.864.258)	**(1.751.880)**

NOTE 27 - GAINS AND LOSSES FROM INVESTMENT ACTIVITIES

Gains from investment activities	**2016**	**2015**
Gain on exchange transaction (*)	39.621	223.293
Gain on sale of property, plant and equipment and scraps	26.963	38.468
Rent income	23.207	21.116
Gain on sale of joint venture (Note 7.c)	-	2.919
	89.791	**285.796**
Losses from investment activities		
Loss on sale of property, plant and equipment	(4.460)	(5.450)
	(4.460)	**(5.450)**

(*) *Exchange transaction in 2016:* Gain on exchange transaction resulting from the difference between the property delivered to Koç Holding within the scope of the project developed jointly with KİPTAŞ with a fair value of TL43.324 thousand (Note 12) and the land derecognised from the assets of Koç Holding with a net book value of TL3.703 thousand.

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.

NOTE 28 - FINANCIAL INCOME/EXPENSES

Financial income	**2016**	**2015**
Foreign exchange gains (*)	3.775.645	2.393.098
Interest income	789.175	519.248
Gains on derivative instruments	623.800	618.745
Other financial income	826	505
	5.189.446	**3.531.596**
Financial expenses		
Foreign exchange losses (*)	(4.515.255)	(3.397.726)
Interest expenses	(1.765.506)	(1.283.322)
Losses on derivative instruments	(435.109)	(231.423)
Other financial expenses	(65.003)	(19.679)
	(6.780.873)	**(4.932.150)**

(*) 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 2016			31 December 2015		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Cash and cash equivalents	11.616.491	-	11.616.491	6.777.703	-	6.777.703
Trade receivables	1.009.215	44.449	1.053.664	879.313	29.646	908.959
Trade payables	1.169.871	36.229	1.206.100	878.939	36.874	915.813
Borrowings	1.219.524	-	1.219.524	1.085.663	-	1.085.663

b) Related party transactions

	2016			2015		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Sales of goods and services	9.568.451	88.218	9.656.669	9.902.054	322.340	10.224.394
Purchases of goods and services	4.308.472	292.124	4.600.596	4.493.225	314.385	4.807.610
Interest income	573.831	-	573.831	408.650	-	408.650
Interest expense (-)	(81.809)	-	(81.809)	(53.853)	-	(53.853)

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 2016, cash and cash equivalents and borrowings balances include balances of the Group's Subsidiaries with Yapı Kredi Bankası. TL691.937 thousand (31 December 2015: TL583.917 thousand) of trade receivables is composed of Tüpraş balances against Opet and THY Opet, TL125.629 thousand (31 December 2015: TL112.934 thousand) of trade receivables is composed of balances of Zer Ticaret and TL68.180 thousand (31 December 2015: TL83.030 thousand) of trade receivables is composed of balances of Ram Dış Ticaret arising from the sales transactions with other Group companies. TL836.555 thousand (31 December 2015: TL614.626 thousand) of trade payables is composed of balances due to vehicle purchases of Otokoç from Ford Otosan and Tofaş.

TL7.541.374 thousand (2015: TL8.020.947 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 2016. TL3.277.957 thousand (2015: TL3.652.059 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 incurred by Koç Holding in 2016 amounted to TL259.019 thousand (31 December 2015: TL177.373 thousand). TL101.250 thousand (31 December 2015: 24.470) 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 TL122.232 thousand (31 December 2015: TL76.951 thousand). TL44.744 thousand (31 December 2015: TL6.245 thousand) of this amount is related to the payments made for employee leaves.

NOTE 30 - DISCLOSURES ON INTERESTS IN OTHER ENTITIES

Information regarding the Subsidiaries in which the Group has major non-controlling interests is as follows:

	31 December 2016			
Subsidiary	Non-controlling interest %	Gains/losses attributable to non-controlling interests	Accumulated non-controlling interests	Dividend paid to non-controlling interests
Tüpraş	56,30%	904.801	5.409.220	797.585
Arçelik	59,49%	517.143	3.548.869	155.862
Aygaz	59,32%	190.559	1.033.197	186.844

	31 December 2015			
Subsidiary	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

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NOTE 30 - DISCLOSURES ON INTERESTS IN OTHER ENTITIES (Continued)

Condensed financial information of Subsidiaries after consolidation adjustments and before eliminations is as follows:

Condensed balance sheet information:

		31 December 2016	
	Tüpraş	Arçelik	Aygaz
Cash and cash equivalents	6.050.721	2.441.871	567.728
Other current assets	7.634.815	8.543.889	792.636
Non-current assets	18.930.811	5.793.030	1.945.325
Total assets	**32.616.347**	**16.778.790**	**3.305.689**
Short-term borrowings	385.524	1.239.158	1.102
Other current liabilities	12.284.141	5.350.692	1.006.166
Long-term borrowings	10.176.307	3.407.081	400.143
Other non-current liabilities	223.651	834.438	157.085
Total liabilities	**23.069.623**	**10.831.369**	**1.564.496**
Total equity	**9.546.724**	**5.947.421**	**1.741.193**

		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**

Condensed income statement information:

		2016	
	Tüpraş	Arçelik	Aygaz
Revenue	34.854.851	16.096.172	6.748.761
Depreciation and amortisation	612.125	438.682	86.035
Operating profit	2.282.649	1.493.229	303.994
Net financial expense	(572.178)	(743.940)	(25.608)
Profit before tax	1.712.909	763.756	373.730
Net profit for the period	1.591.819	866.417	321.004

		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	2.679.353	1.278.168	258.027
Net financial expense	(599.036)	(516.643)	(28.537)
Profit before tax	2.155.565	777.371	228.727
Net profit for the period	2.508.360	884.340	189.383

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NOTE 31 - GOVERNMENT GRANTS

The Group is entitled to the following incentives and rights:

a) 100% exemption from customs duty on machinery and equipment imported,
b) Exemption from VAT on investment goods supplied from home and abroad,
c) Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
d) Inward processing permission certificates,
e) Cash refund from Tübitak-Teydeb for research and development expenditures,
f) Exemption from taxes, duties and charges,
g) Discounted corporate tax incentive,
h) Insurance premium employer share incentive,
i) Corporate tax incentive within the scope of investment incentive exemption (Note 17),
j) Brand supporting government grants given by the Ministry of Economy of Turkey (Turquality),
k) Incentive of environmental costs support by law 9715,
l) Patent incentives.

NOTE 32 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Contingent liabilities

Aygaz, a Subsidiary of the Group, received a notification on 13 August 2015 from the Competition Board informing that, with the decision dated 05 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. At the end of the investigation process, the decision of the Board, dated 16 November 2016, was notified to Aygaz on 21 November 2016 stating that Aygaz has not violated Article 4 of the Law numbered 4054, therefore no administrative fine was required to be imposed.

b) Guarantees:

The summary of guarantees given regarding the non-finance sector companies is as follows:

Guarantees given:

	31 December 2016	31 December 2015
Letters of guarantee	6.032.328	5.433.075
Letters of credit	672.163	305.121
Letters of guarantee given to banks	446.333	452.709
Other	3.999	3.738
	7.154.823	**6.194.643**

Collaterals/pledges/mortgages/bill of guarantees ("CPMB") of Subsidiaries of the Group, except finance sector, as of 31 December 2016 and 2015 are as follows (Foreign currency CPMBs are presented by their TL equivalents):

	31 December 2016	31 December 2015
A. Total amount of CPMB's given in the name of its own legal personality	6.540.894	5.605.242
-TL	2.864.695	3.116.544
-USD	2.585.563	1.818.047
-EUR	1.065.274	646.105
-Other	25.362	24.546
B. Total amount of CPMB's given on behalf of the fully consolidated companies (*)	613.929	589.401
-TL	90.066	142.030
-USD	246.378	215.146
-EUR	268.562	232.225
-Other	8.923	-
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.	-	-
	7.154.823	**6.194.643**

(*) As of 31 December 2016, the total amount of incurred commission expenses for the CPMBs of the Subsidiaries of the Group, except for 'A. CPMB's given in the name of its own legal personality', is TL2.406 thousand (31 December 2015: TL2.562 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 2016**	**31 December 2015**
Letter of guarantee	3.852.211	3.974.940
Mortgages	2.167.954	2.038.196
Bill of guarantees	510.225	518.437
Direct crediting limit	425.520	357.132
Guarantee notes	83.664	109.025
Other commitments	455.235	313.008
	7.494.809	**7.310.738**

In addition, Koç Finansman, a Subsidiary of the Group operating in the finance sector has a lien amounting to TL3.482.225 thousand as of 31 December 2016 (31 December 2015: TL2.849.402 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 2016	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)	**11.467.299**	**3.369.458**	**16.992.099**	**-**	**864.158**
A.Net book value of neither past due nor impaired financial assets (*)	10.401.825	2.231.186	16.992.099	-	864.158
B.Net book value of restructured financial assets	113.761	1.109.094	-	-	-
C.Net book value of past due but not impaired financial assets	894.673	36.555	-	-	-
D.Net book value of impaired assets	57.040	38.288	-	-	-
- Past due	57.040	38.288	-	-	-
- Gross amount	322.178	97.313	-	-	-
- Impairment	(265.138)	(59.025)	-	-	-
- Secured with guarantees	*53.594*	*38.593*	-	-	-
- Not past due	-	-	-	-	-
- Gross amount	-	-	-	-	-
- Impairment	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-
E.Collective provision for impairment (-)	-	(45.665)	-	-	-

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)	-	-	-

(*) Includes receviables from related parties amounting to TL1.053.664 thousand (31 December 2015: TL908.959 thousand).

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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:

	2016	2015
New customers (less than 3 months)	640.477	547.249
Public institutions and corporations	18.860	342.487
Other customers with no payment defaults	8.309.963	7.283.781
Customers with prior collection delays	1.432.525	1.146.895
	10.401.825	**9.320.412**

As of 31 December 2016, trade receivables that are not due and not impaired amounting to TL5.207.486 thousand are secured by guarantees (2015: TL4.670.089 thousand).

b) Analysis of past due trade receivables:

Not impaired	2016	2015
Past due up to 1 month	447.073	299.550
Past due 1 - 3 months	219.067	196.763
Past due 3 - 12 months	68.358	72.058
Past due over 1 year	160.175	47.508
	894.673	**615.879**

As of 31 December 2016, past due but not impaired trade receivables amounting to TL466.170 thousand are secured by guarantees (2015: TL317.569 thousand).

Impaired	2016	2015
Past due up to 3 months	9.814	51.136
Past due 3 - 6 months	53.707	8.631
Past due 6 - 12 months	57.940	19.232
Past due over 1 year	200.717	187.180
Less: Impairment	(265.138)	(213.333)
	57.040	**52.846**

As of 31 December 2016, impaired receivables amounting to TL53.594 thousand are secured by guarantees (2015: TL48.463 thousand).

Cash and cash equivalents

As of 31 December 2016 and 2015, 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.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Assets and liabilities denominated in foreign currency are as follows:

	31 December 2016	31 December 2015
Assets	15.911.553	9.656.899
Liabilities	(29.117.693)	(19.377.360)
Net balance sheet position	**(13.206.140)**	**(9.720.461)**
Off-balance sheet derivative instruments net position (1)	9.344.586	7.080.809
Net foreign currency position	**(3.861.554)**	**(2.639.652)**
Inventories under the natural hedge (2)	3.477.413	1.962.440
Net foreign currency position after the natural hedge	**(384.141)**	**(677.212)**

(1) The loans of Tüpraş related to financing the Residuum 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 has started to apply cash flow hedge accounting effective from 1 March 2015. As of 31 December 2016 the loans of Tüpraş which are subject to cash-flow hedge amounts to USD1.458 million (TL5.130 million) and related amount has been added to off-balance sheet derivative instruments net position (31 December 2015: USD1.709 million).

Foreign exchange gains/losses arising from the investment loans of RUP, are recognised under equity as "other comprehensive income/(expense) on cashflow hedges" until the realisation of the cash flows of the hedged item (Note 10).

(2) Tüpraş, manages its foreign currency risk resulting from its net financial liabilities by reflecting ("naturel hedge") the effects of the changes in foreign currencies to its selling prices of petroleum products. As of 31 December 2016, Tüpraş has raw materials and petroleum products amounting to TL3.477.413 thousand (31 December 2015: TL1.962.440 thousand).

Excluding the RUP investment loans designated as hedging instruments of highly probable export revenues and abovementioned natural hedge of Tüpraş, the Group has TL384.141 thousand (USD109 million) foreign exchange net short position as of 31 December 2016.

As of 31 December 2016, if EUR and USD had appreciated by 10% against TL with all other variables held constant, profit before tax would have been TL402.690 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 TL127 million.

The impact of 10% exchange increase in income statement (pre-tax profit):

31 December 2016	USD	EUR	Other	Total
Foreign currency net position (*)	(373.671)	(22.166)	(6.853)	(402.690)

(*) 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):

31 December 2016	USD	EUR	Other	Total
Hedged items (*)	(625.946)	(321.187)	-	(947.133)

(*) 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 2016			
	USD (1)	EUR (1)	Other (TL Equivalent)	Total (TL Equivalent)
Assets:				
Trade receivables (2)	395.667	507.538	899.151	4.174.498
Monetary financial assets	2.535.702	504.277	18.057	10.812.518
Non-monetary financial assets	59.006	18.544	17.673	294.123
Other assets	56.817	23.372	164	286.821
Current assets	**3.047.192**	**1.053.731**	**935.045**	**15.567.960**
Trade receivables (2)	-	2.037	-	7.558
Financial assets	195	22.807	90	85.391
Other assets	33.981	35.327	-	250.644
Non-current assets	**34.176**	**60.171**	**90**	**343.593**
Total assets	**3.081.368**	**1.113.902**	**935.135**	**15.911.553**
Liabilities:				
Trade payables (2)	1.391.896	342.283	94.202	6.262.395
Borrowings	501.430	178.998	1.687	2.430.383
Other liabilities	199.274	68.477	128	955.456
Short-term liabilities	**2.092.600**	**589.758**	**96.017**	**9.648.234**
Trade payables	4.645.384	823.940	-	19.404.768
Borrowings	15.673	2.570	-	64.691
Long-term liabilities	**4.661.057**	**826.510**	**-**	**19.469.459**
Total liabilities	**6.753.657**	**1.416.268**	**96.017**	**29.117.693**
Net balance sheet position	**(3.672.289)**	**(302.366)**	**839.118**	**(13.206.140)**
Derivative assets (3)	3.282.824	503.547	18.925	13.439.947
Derivative liabilities	(577.530)	(307.812)	(920.967)	(4.095.361)
Off-balance sheet derivative instruments net position	**2.705.294**	**195.735**	**(902.042)**	**9.344.586**
Net foreign currency position	**(966.995)**	**(106.631)**	**(62.924)**	**(3.861.554)**
Net foreign currency position of monetary items	(1.026.001)	(125.175)	(80.597)	(4.155.677)
Fair value of derivative instruments held for hedging	155.180	22.175	-	628.376

(1) Presented in original currencies.
(2) Represents balances before consolidation eliminations.
(3) Includes the investment loans of Tüpraş designated in cash flow hedge accounting.

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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[3]	3.289.071	452.940	93.443	11.096.008
Derivative liabilities	(761.037)	(315.746)	(799.094)	(4.015.199)
Off-balance sheet derivative instruments net position	**2.528.034**	**137.194**	**(705.651)**	**7.080.809**
Net foreign currency position	**(813.835)**	**(101.220)**	**48.289**	**(2.639.652)**
Net foreign currency position of monetary items	(853.293)	(114.435)	47.751	(2.796.912)
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.
(3) Includes the investment loans of Tüpraş designated in cash flow hedge accounting.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Export and import details (TL Equivalent)

Export	2016	2015
USD	8.073.513	9.498.989
EUR	4.618.908	4.083.498
Other	1.700.031	1.693.259
	14.392.452	**15.275.746**
Import		
USD	30.847.092	31.820.536
EUR	1.944.485	1.710.085
Other	35.685	42.322
	32.827.262	**33.572.943**

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 2016 and 2015 are as follows:

	31 December 2016			31 December 2015		
	USD	EUR	TL	USD	EUR	TL
Assets						
Cash and cash equivalents	3,61	0,91	11,34	2,66	0,64	13,15
Receivables from finance sector operations	7,24	5,39	15,90	5,60	5,53	14,86
Liabilities						
Borrowings	3,76	2,99	11,74	3,10	3,26	11,47

Consolidated financial assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates are as follows:

31 December 2016	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	15.988.254	-	-	-	1.008.667	16.996.921
Financial assets						
- Available-for-sale financial assets-	-	-	-	-	138.696	138.696
Receivables from finance sector operations	647.751	1.240.212	1.476.067	5.428	-	3.369.458
	16.636.005	**1.240.212**	**1.476.067**	**5.428**	**1.147.363**	**20.505.075**
Liabilities						
Borrowings	4.281.629	8.380.364	12.446.778	4.721.637	360.296	30.190.704
	4.281.629	**8.380.364**	**12.446.778**	**4.721.637**	**360.296**	**30.190.704**

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**

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 TL69 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 2016	31 December 2015
Fixed interest rate financial instruments		
Financial assets		
Cash and cash equivalents	14.797.655	9.192.453
Receivables from finance sector operations	3.369.458	2.832.547
	18.167.113	**12.025.000**
Financial liabilities		
Borrowings	22.062.602	18.223.412
	22.062.602	**18.223.412**
Floating interest rate financial instruments		
Financial assets		
Cash and cash equivalents	1.190.599	822.775
	1.190.599	**822.775**
Financial liabilities		
Borrowings (*)	7.767.806	6.219.234
	7.767.806	**6.219.234**

(*) Tüpraş, a Subsidiary of the Group, has entered into interest rate swap agreements amounting to USD535 million in order to hedge the cash flow risk arising from its floating rate loans (31 December 2015: USD612 million) (Note 10).

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 utilises 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 2016 and 2015 are as follows:

31 December 2016	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	30.190.704	32.957.170	2.476.078	5.770.072	18.385.889	6.325.131
Trade payables	12.550.464	12.677.476	12.460.733	182.940	33.803	-
Derivative instruments (*)						
Cash inflows	790.354	4.784.901	1.969.219	244.490	1.287.045	1.284.147
Cash outflows	(35.636)	(4.040.842)	(1.780.794)	(263.127)	(986.011)	(1.010.910)

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)

(*) Derivative instruments do not include the carrying value (Note 10) 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 2016 and 2015 is as follows:

	31 December 2016	31 December 2015
Total borrowings	30.190.704	24.539.387
Cash and cash equivalents	15.994.909	9.729.686
Net financial debt	14.195.795	14.809.701
Equity	36.865.898	33.675.598
Net financial debt/total equity multiplier	**0,39**	**0,44**

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 2016, 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 USD2.700 million and fixed interest rates (Note 16), are below by TL7 million from their fair values measured considering the prices in the active markets (Level 1).

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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 2016 and 2015 are as follows:

31 December 2016	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
- Equity securities	20.108	-	-	20.108
Derivative instruments	-	864.158	-	864.158
Total assets	**20.108**	**864.158**	**-**	**884.266**
Derivative instruments	-	35.636	-	35.636
Total liabilities	**-**	**35.636**	**-**	**35.636**

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**

NOTE 35 - EARNINGS PER SHARE

	2016	2015
Earnings per share:		
Profit for the period	5.276.386	5.829.351
Profit attributable to non-controlling interests	1.816.393	2.261.758
Profit attributable to equity holders of the parent	3.459.993	3.567.593
Weighted average number of shares with nominal value of Kr 1 each	253.589.805.000	253.589.805.000
Earnings per share (Kr)	**1,364**	**1,407**

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NOTE 36 - SUPPLEMENTARY CASH FLOW INFORMATION

Supplementary information for the details included in the consolidated cash flow statements as of 31 December 2016 and 2015 is as follows:

Changes in provisions:	**31 December 2016**	**31 December 2015**
Cost accruals for construction contracts	132.149	65.704
Provisions for warranty and assembly	82.000	95.828
Provisions for employee benefits	3.743	51.016
Provisions for lawsuits and penalties	952	4.850
Other provisions	52.820	59.572
	271.664	**276.970**

Adjustments for impairment loss/(reversal of impairment loss):		
Provisions for impairment on loans	58.179	34.870
Provisions for impairment on trade receivables	53.550	28.765
Provisions for impairment on inventories	(80.713)	116.361
	31.016	**179.996**

Changes in net working capital:		
Inventories	(2.118.353)	(321.639)
Trade receivables	(1.562.316)	(2.969.376)
Trade payables	4.690.865	(1.274.279)
Other payables and receivables, net	15.800	679.843
Other assets and liabilities, net	939.821	(385.062)
Receivables from finance sector operations	(595.090)	(555.141)
Currency translation differences	252.592	103.414
	1.623.319	**(4.722.240)**

Cash and cash equivalents:		
Cash and cash equivalents (Note 5)	16.996.921	10.553.331
Less: Blocked deposits (Note 5)	(1.002.012)	(823.645)
	15.994.909	**9.729.686**

NOTE 37 - EVENTS AFTER THE BALANCE SHEET DATE

None.

KOÇ HOLDİNG A.Ş. BALANCE SHEET AND INCOME STATEMENT ACCORDING TO THE LEGAL RECORDS

KOÇ HOLDİNG A.Ş. BALANCE SHEET AT 31 DECEMBER 2016 AND 2015 ISSUED ACCORDING TO THE LEGAL RECORDS (TL)

ASSETS		31/12/2016			31/12/2015
CURRENT ASSETS			7,392,687,498.60			4,562,413,914.29
Cash and Cash Equivalents		7,141,176,355.57			4,317,067,159.08	
Cash	600.00			500.00		
Banks	7,141,175,755.57			4,317,012,159.08		
Other Cash	-			54,500.00		
Short Term Trade Receivables		133,703,881.74			147,534,326.75	
Customers	133,703,881.74			147,534,326.75		
Doubtful Receivables	530,008.80			638,164.42		
Provision for Doubtful Receivables	-530,008.80			-638,164.42		
Other Short Term Receivables		4,533,568.09			62,416.45	
Receivables from Shareholders	4,241,275.69			62,402.48		
Other Miscellaneous Receivables	292,292.40			13.97		
Inventories		43,703,546.34			35,348,283.93	
Other Inventories	43,703,546.34			35,348,283.93		
Other Current Assets		69,570,146.86			62,401,728.08	
Prepaid Taxes and Funds	-			13,536,766.27		
Other Miscellaneous Current Assets	69,570,146.86			48,864,961.81		
NON-CURRENT ASSETS			8,023,062,612.81			7,303,742,658.29
Long Term Trade Receivables		42,014.44			115,750.01	
Deposits and Guarantees Given	42,014.44			115,750.01		
Financial Non-Current Assets		7,383,557,724.58			6,652,599,794.23	
Subsidiaries	4,567,855,020.60			3,836,897,090.25		
Affiliate Company	2,815,702,703.98			2,815,702,703.98		
Property, Plant and Equipment		617,252,972.52			646,037,728.23	
Lands	32,967,975.16			32,967,975.16		
Land Improvements	8,167,536.74			8,167,536.74		
Buildings	452,827,852.68			446,983,684.49		
Motor Vehicles Equipment	281,593,894.16			353,390,305.99		
Furniture and Fixtures	15,589,833.99			12,406,048.06		
Accumulated Depreciation	-178,392,663.06			-214,984,168.92		
Ongoing Investments	4,498,542.85			7,106,346.71		
Intangible Assets		242,994.79			177,499.31	
Rights	4,241,672.55			3,907,051.12		
Leasehold Improvements	5,100,886.32			5,100,886.32		
Accumulated Depreciation	-9,099,564.08			-8,830,438.13		
Prepaid Expenses for the Following Years		21,966,906.48			4,811,886.51	
Prepaid Expenses for the Following Years	21,966,906.48			4,811,886.51		
TOTAL ASSETS			15,415,750,111.41			11,866,156,572.58

LIABILITIES		31/12/2016			31/12/2015
CURRENT LIABILITIES			296,245,381.64			305,932,643.95
Trade Payables		13,039,130.00			44,836,522.57	
Suppliers	12,810,629.00			44,823,438.37		
Deposits and Guarantees Received	228,501.00			13,084.20		
Other Current Liabilities		194,013,934.46			141,610,210.81	
Liabilities to Associates	3,939,193.00			5,569,189.00		
Taxes and Duties Payable	82,176,812.39			64,759,512.92		
Social Security Premiums Payable	1,133,467.80			889,625.72		
Other Debts	106,764,461.27			70,391,883.17		
Provision for Debts and Expenses		89,192,317.18			119,485,910.57	
Provision for Profit of Period Taxes and Other	30,561,567.30			101,647,696.38		
Other Provision for Debts and Expenses	58,630,749.88			17,838,214.19		
NON-CURRENT LIABILITIES			5,286,739,222.60			2,187,598,444.60
Financial Liabilities		5,278,800,000.00			2,180,700,000.00	
Bonds Issued	5,278,800,000.00			2,180,700,000.00		
Provision for Debts and Expenses		7,939,222.60			6,898,444.60	
Provision for Employment Termination Benefits	7,939,222.60			6,898,444.60		
EQUITY			9,832,765,507.17			9,372,625,484.03
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		5,514,317,291.10			5,052,938,749.47	
Legal Reserves	499,583,929.31			434,131,844.88		
Extraordinary Reserves	2,868,953,981.32			2,474,229,420.12		
Special Funds	2,145,779,380.47			2,144,577,484.47		
Prior Years' Income-Inf. Adj. Profit-2004		174,879,886.04			174,879,886.04	
Profit for the Period		1,309,307,854.05			1,310,546,372.54	
TOTAL LIABILITIES AND EQUITY			15,415,750,111.41			11,866,156,572.58

KOÇ HOLDİNG A.Ş. INCOME STATEMENT FOR THE PERIOD OF 1 JANUARY-31 DECEMBER 2016 AND 2015, ISSUED ACCORDING TO THE LEGAL RECORDS (TL)

		2016		2015
GROSS REVENUES		**273,750,521.48**		**205,325,025.54**
Domestic Revenues	273,750,521.48		205,325,025.54	
OPERATING EXPENSES		**-497,735,646.47**		**-321,726,121.77**
General Administrative Expenses	-497,735,646.47		-321,726,121.77	
ORDINARY INCOME AND PROFIT FROM OTHER OPERATIONS		**2,758,536,314.64**		**1,795,581,518.12**
Dividend Income from Associates	856,613,642.31		858,685,873.06	
Dividend Income from Subsidiaries	370,910,858.21		48,161,412.29	
Interest Income	372,810,186.11		261,552,726.33	
Provisions No Longer Required	3,308,155.62		50,014.61	
F/X Income	1,125,125,174.13		601,498,110.68	
Other Ordinary Income and Profit	29,768,298.26		25,633,381.15	
ORDINARY EXPENSES AND LOSSES FROM OTHER OPERATIONS		**-169,147,580.36**		**-116,586,805.08**
Provision Expenses	-1,040,778.00		-892,768.24	
F/X Losses	-168,106,802.36		-115,694,036.84	
FINANCIAL EXPENSES		**-1,122,556,236.12**		**-517,269,312.41**
Short Term Borrowing Expenses	-8,805,042.93		-869,440.16	
Long Term Borrowing Expenses	-1,113,751,193.19		-516,399,872.25	
EXTRAORDINARY INCOME AND PROFIT		**97,256,531.27**		**366,953,492.91**
Other Extraordinary Income and Profit	97,256,531.27		366,953,492.91	
EXTRAORDINARY EXPENSES AND LOSSES		**-234,483.09**		**-83,728.39**
Other Extraordinary Expenses and Losses	-20,591.09		-83,728.39	
Prior Period Expenses and Losses	-213,892.00		-	
PROFIT FOR THE PERIOD		**1,339,869,421.35**		**1,412,194,068.92**
TAXES PAYABLES AND OTHER LEGAL LIABILITIES		**-30,561,567.30**		**-101,647,696.38**
NET PROFIT FOR THE PERIOD		**1,309,307,854.05**		**1,310,546,372.54**

INFORMATION DOCUMENT REGARDING THE ORDINARY GENERAL ASSEMBLY MEETING

STATEMENTS OF INDEPENDENCE

GLOSSARY

KOÇ HOLDİNG INFORMATION DOCUMENT FOR 30 MARCH 2017 ORDINARY GENERAL ASSEMBLY TO REVIEW FINANCIAL YEAR 2016

1. INVITATION TO THE 30 MARCH 2017 ORDINARY GENERAL ASSEMBLY

Koç Holding A.Ş.'s Ordinary General Assembly Meeting shall be convened on 30 March 2017 Thursday at 16:00 (2pm GMT) at the address of Nakkaştepe Azizbey Sok. No. 1, 34674 Kuzguncuk-Üsküdar/Istanbul (Tel: +90 216 531 00 00, Fax: +90 216 531 00 99). At the meeting, the activities of the Company for the fiscal year 2016 will be reviewed, the following agenda will be discussed and a resolution regarding the agenda will be reached.

In accordance with the legal requirements, 2016 Financial Statements, the Independent Auditor's Report (prepared by our Independent Auditor, 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 at least 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-Istanbul), 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.

Detailed information on processing shareholders' personal data within the framework of the Law on the Protection of Personal Data (No. 6698) is available at "Koç Holding Personal Data Protection and Processing Policy" disclosed on www.koc.com.tr.

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 Adress: Nakkaştepe Azizbey Sok. No:1 34674 Kuzguncuk-Üsküdar/İstanbul
Trade Registry and Number: İstanbul/85714
Mersis Number: 0570002057500012

2. ADDITIONAL EXPLANATIONS IN ACCORDANCE WITH 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, 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	GROUP	SHARE AMOUNT (TRY)	EQUITY RATIO (%)	VOTING RIGHT	VOTING RIGHT STAKE (%)
Temel Ticaret ve Yatırım A.Ş.	A	678,773,422	26.77	135,754,684,460	42.23
Temel Ticaret ve Yatırım A.Ş.	B	428,196,786	16.88	42,819,678,578	13.32
Koç Family	B	594,895,145	23.46	59,489,514,515	18.51
Vehbi Koç Foundation	B	184,171,754	7.26	18,417,175,384	5.73
Koç Holding Retirement and Assistance Fund Foundation	B	50,451,548	1.99	5,045,154,831	1.57
Rahmi M. Koç ve Mahdumları Maden İnşaat Turizm Ulaştırma Yatırım ve Ticaret A.Ş.	B	35,385,424	1.40	3,538,542,410	1.10
Free Float	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 Temel Ticaret ve Yatırım A.Ş. shares 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 article on the agenda

No request has been submitted in writing to the Koç Holding Investment Relations Department concerning the desire of shareholders to have an article placed on the agenda.

KOÇ HOLDİNG INFORMATION DOCUMENT FOR 30 MARCH 2017 ORDINARY GENERAL ASSEMBLY TO REVIEW FINANCIAL YEAR 2016

3. ANNOUNCEMENTS PERTAINING TO THE AGENDA ARTICLES OF THE ORDINARY GENERAL ASSEMBLY MEETING AT 30 MARCH 2017

1. Opening and election of the Chairman for the Meeting

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 by the Chairman. The Chairman may also appoint adequate number of vote-collectors.

2. Presentation for discussion and approval of the Annual Report of the Company prepared by the Board of Directors for the year 2016

Within the framework of the TCC, the Regulation and the Capital Markets Law and related regulations, information shall be given on the 2016 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 (CRA) 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 discussion and approval of our shareholders.

3. Presentation of the summary of the Independent Audit Report for the year 2016

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 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 2016

Information about our financial statements and legal statutory accounts, which, pursuant to the TCC, bylaws and Capital Markets Law have been posted three weeks prior to the General Assembly meeting at our Company Headquarters, on the Electronic General Assembly Portal of the CRA and on www.koc.com.tr for review of our shareholders, shall be presented 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 2016

Pursuant to the TCC and Bylaws, the release of our Board of Directors members for the activities, transactions and accounts for the year 2016 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 2016 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 01.01.2016 – 31.12.2016; consolidated profit attributable to equity holders of the parent in the amount of 3.459.993.000 TL 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 6 of the Articles of Association of the Company "Capital"

The amendments proposed by the Board of Directors for Article 6 related to "Capital" shall be submitted to the General Assembly for its approval. The proposed amendments 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 20.01.2017 and 01.02.2017 respectively.

8. Resolution of the number of the members of the Board of Directors and their terms of office, and election of the members of the Board of Directors in accordance with the resolved number and election of the independent board members

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 9 and at most 18 members, elected in line with the TCC and CMB regulations. 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 Director members shall meet the independence criteria as defined in the CMB's mandatory Corporate Governance Principles.

The Board of Directors, upon receipt of proposal of the Candidate Nomination and Remuneration Committee, has designated the following candidates as the Independent Members of the Board of Directors: Muharrem Hilmi Kayhan, Kutsan Çelebican, Mustafa Kemal Olgaç, Jacques Albert Nasser, Anne Lauvergeon and Ömer Dinçkök. Application has been submitted to CMB in accordance with Corporate Governance Principle 4.3.7 of the Corporate Governance Communique. CMB has not given any negative opinion on these candidates according to its statement dated 03.03.2017.

The CVs of Board of Directors candidates and Declarations 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 5 April 2016 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 dated 31 December 2016.

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 2017 shall be determined by the shareholders as per our Remuneration Policy submitted for the approval of 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 2 September 2016 to have PWC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.* (a member of PricewaterhouseCoopers) serve as the independent auditors of the Company's financial reports for the financial year 2017 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.

(*) *Its former trade name was Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.*

KOÇ HOLDİNG INFORMATION DOCUMENT FOR 30 MARCH 2017 ORDINARY GENERAL ASSEMBLY TO REVIEW FINANCIAL YEAR 2016

12. Presentation to the shareholders of the donations made by the Company in 2016, and resolution of an upper limit for donations for the year 2017
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 3.532 thousand TL were made to foundations and associations in 2016. The upper limit of donations to be made in 2017 shall be resolved 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 2016 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 2017.

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 2016 pursuant to the Corporate Governance Communique of the Capital Markets Board
The members of the Board of Directors can do business only with the approval of the General Assembly, as stipulated in the first subsection of Articles 395 and 396 of the TCC entitled Competition Ban and Ban on doing Business with the Company and Borrowing from the Company.

Pursuant to the Capital Markets Board mandatory Corporate Governance Principle No. 1.3.6, the General Assembly shall be informed in the event that shareholders having managerial control, shareholder board members, senior management and relatives up to the second degree of blood or affinity engaged in a significant business transaction creating a conflict of interest with the Company or its subsidiaries, competed with the company in the same line of business on their own behalf or on the behalf of others, or was involved in the same business as that of the Company as unlimited partner in another company. Information about said transactions must be included as a separate article on the agenda and recorded into the minutes of the General Assembly.

To fulfill the requirements of these regulations, permission shall be sought from the shareholders at the General Assembly. Some of the shareholders having managerial control, shareholder board members, senior management and relatives up to the second degree of blood or affinity are also board members at several Koç Group companies including those with similar operations to our Company. In 2016, there has not been any material transaction which requires notification in accordance with Corporate Governance Principle No. 1.3.6 of the Corporate Governance Communique.

15. Wishes and Opinions.

APPENDICES:
APPENDIX 1 - 2016 Dividend Distribution Proposal (See page 24-25)
APPENDIX 2 – Proposed Amendments to Articles of Association and the Related Board of Directors Decision (See page 26-27)
APPENDIX 3 - CVs of Board of Directors Candidates and Independence Declarations of Independent Board Member Candidates (See page 259-265)
APPENDIX 4 - Remuneration Policy for Board of Directors and Executive Management (See page 29)

APPENDIX 3 - CVS OF BOARD OF DIRECTORS CANDIDATES AND INDEPENDENCE DECLARATIONS OF INDEPENDENT BOARD MEMBER CANDIDATES

Ömer Dinçkök

Ömer Dinçkök was born in Istanbul, in 1948. Following the completion of his BA studies at Robert College, Istanbul, he acquired his postgraduate degree in the UK. Ömer Dinçkök's entrance into business life was with the Akkök Holding, which embodies some of the country's leading industrial and trading companies, founded by his father the late Mr. Raif Dinçkök in 1952. He took responsibilities as chairman, vice chairman and board member at Akkök Holding and various companies within the group until mid-2012. Ömer Dinçkök founded Atlantik Holding in 2008 to amalgamate and oversee the performance of the family holdings. Starting in the second half of 2012, he decided to focus his entrepreneurial efforts solely on planning and guiding the activities of Atlantik Holding, which is one of the three equal partners of Akkök Holding. In addition to his executive responsibilities in Akkök Holding and Atlantik Holding since 1971, Mr. Dinçkök has actively contributed to the establishment and/or development of the business and philanthropic organizations below: Honorary Chairman of the Turkish Industrialists' and Businessmen's Association (TÜSİAD) (2011 - present); Honorary Member of the Assembly at the Istanbul Chamber of Industry (ISO) (2008 - present); Member of Board of Trustees at Koç University (2006 - present); Member of Board of Trustees (2007 - present), President of Board of Trustees (2004 - 2007), President (2001 - 2004) and Vice President (1994 - 2001) of the Turkish Education Foundation (TEV); Founding Member and Member of the Board at the Educational Volunteers Foundation of Turkey (TEGV) (1995 - present); Chairman of the Assembly at the Istanbul Chamber of Industry (ISO) (1992 - 2001); Chairman of the Industrial Counsel at the Turkish Union of Chamber of Commerce and Industry (TOBB) (1992-2000); Member of Board of Trustees at Wilberforce University in Ohio, USA (1989 - 2000); Chairman of the Turkish Industrialists' and Businessmen's Association (TÜSİAD) (1987- 1989).

** For the CVs of other BoD members, see page 160-163.*

STATEMENTS 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. 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 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,

g) I will dedicate enough time to follow up the activities of the Company and for the duly fulfillment of my responsibilities,

h) I have not been on the board of the Company for more than six years within last ten years,

i) 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,

j) I am not registered in the name of any legal entity elected as a board member.

Muharrem Hilmi Kayhan

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. 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 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,

g) I will dedicate enough time to follow up the activities of the Company and for the duly fulfillment of my responsibilities,

h) I have not been on the board of the Company for more than six years within last ten years,

i) 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,

j) I am not registered in the name of any legal entity elected as a board member.

Kutsan Çelebican

STATEMENTS 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. 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 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,

g) I will dedicate enough time to follow up the activities of the Company and for the duly fulfillment of my responsibilities,

h) I have not been on the board of the Company for more than six years within last ten years,

i) 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,

j) I am not registered in the name of any legal entity elected as a board member.

Mustafa Kemal Olgaç

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,

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Jacques Albert Nasser

STATEMENTS OF INDEPENDENCE

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Anne Lauvergeon

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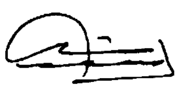

Ömer Dinçkök

GLOSSARY

ABBREVIATION	TERM	DEFINITION
A		
Artificial Intelligence		An expression which refers to a computer or a computer-controlled robot performing various activities much like an intelligent being.
AÇEV	**Mother Child Education Foundation**	Established in 1993, the foundation organizes education programs for children and families in need to offer them a pleasant and healthy "early childhood period", to create a more developed society, and to pave the ground for equal opportunities in education.
B		
	Base Year	A base year is the year or period used as a starting point for comparison in measuring a proportional change.
	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.
CAGR	**Compound Annual Growth Rate**	
CBRT	**Central Bank of the Republic of Turkey**	The Central Bank of Turkey has the primary objective of achieving and sustaining price stability.
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	The generic name for services that share software and information in the main resource for distribution of the current IT service to electricity distributers via computers and other devices over the IT network (Internet).
CoMoSeF	**Co-operative Mobility Services of the Future**	Developing applications and hardware for creating future services for Intelligent Traffic Systems

ABBREVIATION	TERM	DEFINITION
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.
D		
	Dividend	The portion distributed to shareholders of a company's earnings in a certain period, in the form of cash or share certificates.
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 Assesment**	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 distributer of top quality Italian food including water, non-alcoholic beverages, fresh meats, processed meat products, cheese, pastas and pastries.
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	**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.
	EU Framework Program	EU Framework Programs are the main programs whereby the European Union gives its support to multinational research and technology development projects. The first FP was launched in 1984. These multi-annual programs saw their scope and budget increase regularly over the years.
	Eureka Project	It is an international R&D support program for projects that are market-oriented and can be commercialized in a short period of time by developing products and processes.

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.
G		
GEF	**Global Environment Facility**	This is an environmental program jointly directed by UNDP, UNEP and the World Bank.
H		
H2020	**Horizon 2020**	Horizon 2020 is the world's largest R&D program, initiated in 2014 to unite under a single umbrella all research and innovation financing infrastructures.
I-İ		
	Industry 4.0	Following major industrial transformations in the manufacturing sector, countries and companies were obliged to adapt themselves to these changes and devised certain strategies to maintain their competitive edge despite the intensifying competition. Industry 4.0, first formulated in Germany, is the name of one such strategy.
	İnovaLİG	Turkey's first innovation development program, developed by Turkish Exporters' Assembly.
IoT	**Internet of Things**	It is a network which connects physical objects to each other and to larger systems. Objects are marked with singular keys, so that they can work together over the internet. As a result, small pieces join together to create values larger than their arithmetic sum.
IPSOS		A company which delivers market research, public relations and public survey services.
ISO 14001		An environment management system standard
İSBAK	**İstanbul IT and Smart City Technologies Company**	Established in 1986 by Istanbul Metropolitan Municipality to provide traffic and system engineering services, project design and application services. In 1995, upon the establishment of the R&D department, its field of activity has expanded and it started to work on smart transport solutions with a particular emphasis on traffic signal systems.
İSO		Istanbul Chamber of Industry. It is the largest chamber of industry in Turkey.

ABBREVIATION	TERM	DEFINITION
K		
KOÇ-KAM	**Koç University Gender and Women Studies Research and Application Center**	Established under the umbrella of Koç University as an interdisciplinary research and application center, KOÇ-KAM brings together numerous academics and researchers who specialize in fields such as sociology, social psychology, law, philosophy, political science, history and visual arts. These scientists share their research, jointly run national and international research projects, and conduct scientific and educational activities on gender and women-related issues within and outside the university.
L		
	Lean Startup	One of the models that appeared along with the rise of the entrepreneurial movement, Lean Startup can be briefly defined as delivering a product or service with a minimum of capital, under conditions of uncertainty.
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 invesment 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 Interest Margin	A banking measure of the difference between interest revenue and interest expense relative to the amount of the interest-earning assests.

GLOSSARY

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.
	Open Innovation	Open Innovation refers to innovation efforts that are carried out in communication and by sharing information with other companies and institutions.
P		
	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	SANTEZ Industrial Theses Program	Launched by Ministry of Science, Industry and Technology, this support mechanism is designed to inspire a culture of R&D and innovation among SMEs, and help them overcome their problems in collaboration by tapping into the information generated by universities.
SENVER		The Turkish abbreviation for the Industrial Energy Efficiency Competition.
SDR	Special Drawing Right	An international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves.
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.

ABBREVIATION	TERM	DEFINITION
T		
TAP	**Turkish Foundation for Family Health and Planning**	The objectives of this NGO are ensuring the health of Turkish families for economic and social development, by means of improving the conditions of reproductive health, maternal and child health, and sexual health; raising the livings standards of individuals, youth, families and the society; and enhancing women's social status within the family and society.
TCC (TTK)	**Turkish Commercial Code**	A set of laws designed to regulate commerce in Turkey.
TEYDEB	**Technology and Innovation Support Programs Directorate**	It is a directorate under TÜBİTAK which is in charge of supporting, encouraging and monitoring industrial research, technology development and innovation, and designing and running collaborative programs and projects bringing together the industry and university.
TESİD	**Turkish Electronics Industry Association**	
TETAŞ	**Turkish Electricity Commerce and Contracting Company**	It is the public agency in charge of electricity commerce and contracting operations in Turkey
TEMA	**Turkish Foundation for Fight Against Erosion, Forestation, and Protection of the Nature**	It is an NGO established to raise public awareness of erosion and desertification which threaten Turkey's future, and to encourage the state to take up the fight against these developments as an official policy.
TPE	**Turkish Patent Institute**	Turkish Patent Institute is established with the objective of supporting the technological development in Turkey and of establishing and protecting of industrial property rights, as well as providing the public with the worldwide information on industrial property rights, thereby supporting the cultivation of a competitive environment and the development of research activities.
TÜBİTAK	**Turkey Scientific and Technological Research Institution**	
TÜİK	**Turkish Statistical Institute**	Turkish Statistical Institute is the Turkish government agency commissioned with producing official statistics on Turkey, its population, resources, economy, society, and culture.
TÜSİAD	**Turkish Industry and Business Association**	
TTGV	**Turkish Foundation for Technological Advancement**	Established in 1991 to support public-private partnerships and the technology and innovation activities in Turkey, the foundation works to translate technological advances into real life solutions.
	3D Printing	The printing of any three-dimensional object designed in virtual environment.

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.
Y		
YoY	**Year over Year**	
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
Website 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 2016, included in this Annual Report ("Report"), are prepared in accordance with the legal requirements for the Ordinary General Assembly, which will be held on Thursday, March 30, 2016 at 4.00pm, at Koç Holding headquarters, Nakkaştepe, Azizbey Sokak No: 1 Kuzguncuk 34674, Istanbul.

This Report is prepared only to provide information to the shareholders, and it is not intended to form the basis of any investment decision. The opinions and statements regarding estimated figures contained within this Report solely 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 the 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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