

KOÇ HOLDİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2022

TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT

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



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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Koç Holding A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Koç Holding A.Ş. ("Koç Holding" or the "Company"), its subsidiaries and its joint ventures (collectively referred to as the "Group"), which comprise the consolidated balance sheet as at 31 December 2022 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (including International Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
<p><i>Impairment tests of indefinite-life intangible assets</i></p> <p>The consolidated financial statements as of and for the year ending 31 December 2022 include goodwill and brands under intangible assets, with carrying values of TL 6.519 million and TL 5.470 million, respectively. While TL 2.737 million of the total goodwill is related to the energy segment, TL 2.013 million of the total goodwill is related to financial services segment, the rest of the goodwill and the brands are mostly related to the durable goods segment. These indefinite-life intangible assets should be tested for impairment annually, as required by TFRS.</p> <p>Relevant indefinite-life intangible assets are material to the consolidated financial statements. In addition, significant judgments and estimates are used in the impairment tests performed by management. For goodwill and brand impairment tests; these are earnings before interest, tax, depreciation and amortization ("EBITDA") growth forecasts, long term growth rates and discount rates. In addition, royalty rates used in the relief from royalty method for the brand impairment tests are also key estimates. The outcomes of such estimates are very sensitive to changes in market conditions. Therefore, these impairment tests are key matters for our audit.</p> <p>Please refer to notes 2.4, 2.5, 14 and 15 to the consolidated financial statements for the relevant disclosures, including the accounting policy and sensitivity analysis.</p>	<p>We performed the following procedures in relation to the impairment tests of indefinite-life intangible assets:</p> <ul style="list-style-type: none"> • Evaluating the appropriateness of the Cash Generating Units ("CGUs") determined by management, • Understanding management's future plans and cash flow forecasts for relevant segments and evaluating these in light of available macroeconomic data, • Assessing reasonableness of forecasted cash flows for each CGU by comparing them against their historical financial performance, • Through involvement of our internal valuation experts, assessing and challenging key assumptions, including long term growth rates, discount rates and royalty rates and benchmarking these against rates used in the relevant industries, • Testing the setup of the discounted cash flow models and their mathematical accuracy, • Testing management's sensitivity analysis for key assumptions, • Testing the disclosures in the consolidated financial statements in relation to the impairment tests of tangible and indefinite-life intangible assets and evaluating the adequacy of such disclosures for TFRS' requirements. <p>We had no material findings related to the impairment tests of relevant assets as a result of these procedures.</p>

3. Key Audit Matters (Continued)

Key audit matters	How our audit addressed the key audit matter
<p>Yapı ve Kredi Bankası A.Ş. (“YKB”) - Impairment of loans and receivables</p> <p>Consolidated financial statements as of 31 December 2022 include an impairment provision of TL 36.945 million in relation to loans and receivables of YKB amounting TL 657.307 million. Aforementioned amounts represent a significant portion of the YKB's and Koç Holding's total assets.</p> <p>Due to (1) complexity of estimates and information used in the impairment assessment such as historical loss experiences, current conditions, forward looking macro-economic expectations; (2) significance of loans and receivables in the consolidated financial statements; (3) level of judgments and estimations made by the management used in classification of loans as per their credit risk (staging) and (4) timely and correct identification of default event, significant increase in credit risk and level of judgements and estimations made by the management, impairment of loans and receivables is considered as a key matter for audit of the consolidated financial statements.</p> <p>Please refer to notes 2.4, 2.5, 10, 30 and 33 to the consolidated financial statements for the accounting policy and the relevant disclosures.</p>	<p>We performed the following procedures in relation to the impairment of loans and receivables:</p> <ul style="list-style-type: none"> • Understanding the policies, procedures and principles of management with respect to staging of loans and calculation of expected credit losses in accordance with TFRS 9 and testing design and operating effectiveness of controls in these processes implemented by management, • Inquiries with YKB's management about their forward-looking assumptions in the expected credit loss calculations, and evaluation of those assumptions by using publicly available information, • Through involvement of our financial risk experts, assessment and testing of the appropriateness of segmentation used in the models, lifetime probability of default model, loss given default model, and approaches in relation to forward-looking expectations (including macroeconomic factors), • Through involvement of our financial risk experts, assessment and testing of the reasonableness of the changes in the expected credit loss allowance methodology and the performance of the impairment models used, • Through involvement of financial risk experts, testing selected models used in determination of provisions for various credit portfolios on a sample selection basis, • Testing the appropriateness of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flows and the arithmetical calculations for a sample of exposures,



3. Key Audit Matters (Continued)

<i>Key audit matters</i>	<i>How our audit addressed the key audit matter</i>
	<ul style="list-style-type: none"> • Testing the calculation of the loss given default (LGD) used by YKB in the expected credit losses calculations, as well as testing of collaterals, recovery and costs, • Testing the expected credit losses for individual loans based on YKB's policy through assessing the reasonableness of provisions in light available data and inquiring with management, • Through involvement of our information technology specialists, testing key source data used in YKB's expected credit losses calculations; and testing the reliability and completeness of the data used in expected credit losses calculations, • Testing the mathematical accuracy of expected credit losses calculations, • Performing loan review procedures based on a selected sample in order to assess the appropriateness of the determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment, • Testing the adequacy of the disclosures in the consolidated financial statements in relation to the impairment of loans and receivables. <p>We had no material findings related to the impairment tests of impairment of loans and receivables as a result of these procedures.</p>

3. Key Audit Matters (Continued)

<i>Key audit matters</i>	<i>How our audit addressed the key audit matter</i>
<p>Yapı ve Kredi Bankası A.Ş. (“YKB”) - Valuation of Pension Fund (“Pension Fund”) obligations</p> <p>The consolidated financial statements as of 31 December 2022 include a provision for Pension Fund liabilities of YKB in amounting to TL 2.945 million under non-current liabilities.</p> <p>Pension Fund liabilities of YKB are material to YKB’s and Koç Holding’s consolidated financial statements. In addition, the total obligation of the fund is estimated using separate methods and assumptions for benefits to be transferred and for non-transferrable benefits. These assumptions include transferrable social benefits, discount rates, salary increases, economic and demographic assumptions. These assumptions and estimates are very sensitive to changes in market conditions. In addition, the uncertainty of the transfer date, the fact that technical interest rate is determined by law and the significance of possible deviations from these assumptions, accounting of Pension Fund liabilities is a key matter for our audit.</p> <p>Please refer to notes 2.4, 2.5 and 19 to the consolidated financial statements for the accounting policy and the relevant disclosures.</p>	<p>We performed the following procedures in relation to the relevant obligations:</p> <ul style="list-style-type: none"> • Testing, on a sample basis, the accuracy of the employee data supplied by the Group management to the external actuary firm for pension obligation calculation, • Verifying the existence and carrying values of the Pension Fund assets, • Examining whether there are significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities or regulations related to valuations, and testing such significant changes, • Through use of our actuarial specialists, assessing the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the obligation, • Testing the adequacy of the disclosures in the consolidated financial statements in relation to the Pension Fund obligations. <p>We had no material findings related to the valuation of Pension Fund obligations as a result of these procedures.</p>

4. Other Matter

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 2022 for the consolidated balance sheet; and the official EUR and USD average CBRT bid rates of the year 2022 for the consolidated statement of profit or loss, consolidated statement of other comprehensive income and consolidated statement of cash flows, and they do not form part of the consolidated financial statements.

5. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

6. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



6. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

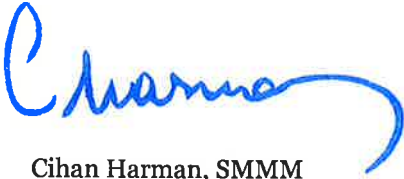
B. Other Responsibilities Arising from Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Company’s bookkeeping activities concerning the period from 1 January to 31 December 2022 period are not in compliance with the TCC and provisions of the Company’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor’s report on the early risk identification system and committee was submitted to the Company’s Board of Directors on 10 February 2023.

Additional explanation for convenience translation into English

Turkish Financial Reporting Standards differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of IAS 29 - Financial Reporting in Hyperinflationary Economies by 31 December 2022. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position and results of operations of the Group in accordance with IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.



Cihan Harman, SMMM
Partner

Istanbul, 10 February 2023

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
1 JANUARY- 31 DECEMBER 2022**

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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 2022 AND 2021**

(Amounts on tables expressed in millions of Turkish Lira ("TL") unless otherwise indicated.)

		2022	2022	<i>Audited</i>	<i>Audited</i>
		(*) Million	(*) Million	2022	2021
	Notes	EUR	USD	Million	Million
				TL	TL
ASSETS					
Current assets:					
Cash and cash equivalents	5	7.606	8.109	151.618	93.849
Balances with the Central Bank of the Republic of Turkey	6	6.569	7.004	130.959	103.245
Financial assets	7	1.211	1.291	24.145	14.483
Trade receivables	9	3.753	4.002	74.829	46.980
- <i>Related parties</i>	9	275	294	5.491	3.074
- <i>Third parties</i>	9	3.478	3.708	69.338	43.906
Receivables from finance sector operations	10	20.803	22.179	414.715	229.362
Derivative instruments	11	475	506	9.470	16.780
Inventories	12	3.939	4.199	78.521	46.258
Other receivables	21	592	631	11.795	6.585
Other current assets	22	4.314	4.600	86.003	48.396
		49.262	52.521	982.055	605.938
Assets held for sale		2	2	35	35
Total current assets		49.264	52.523	982.090	605.973
Non-current assets:					
Financial assets	7	11.499	12.260	229.232	118.155
Investments accounted for using the equity method	8	1.072	1.143	21.369	12.135
Trade receivables	9	56	60	1.119	776
- <i>Third parties</i>	9	56	60	1.119	776
Receivables from finance sector operations	10	10.684	11.390	212.975	187.381
Derivative instruments	11	666	710	13.271	8.828
Investment properties		18	19	358	369
Property, plant and equipment	13	3.663	3.906	73.026	51.168
Intangible assets		1.178	1.256	23.486	18.443
- <i>Goodwill</i>	14	327	349	6.519	5.582
- <i>Other intangible assets</i>	15	851	907	16.967	12.861
Deferred tax assets	18	1.047	1.116	20.871	13.057
Other non-current assets	22	241	257	4.797	4.268
Total non-current assets		30.124	32.117	600.504	414.580
Total assets		79.388	84.640	1.582.594	1.020.553

(*) 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") effective as of 31 December 2022, 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 2022 have been approved for issue by the Board of Directors ("BOD") on 10 February 2023. These consolidated financial statements will be finalised following their approval in the General Assembly.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş.

**CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2022 AND 2021**

(Amounts on tables expressed in millions of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2022 (*) Million EUR	2022 (*) Million USD	Audited 2022 Million TL	Audited 2021 Million TL
LIABILITIES					
Current liabilities:					
Short term borrowings	16	4.636	4.942	92.414	61.806
Short term portion of long-term borrowings	16	6.699	7.142	133.538	61.704
Trade payables	9	5.159	5.500	102.839	71.588
- Related parties	9	347	370	6.921	2.690
- Third parties	9	4.812	5.130	95.918	68.898
Payables of finance sector operations	17	35.476	37.822	707.203	445.328
Derivative instruments	11	373	398	7.433	12.944
Current income tax liabilities	18	285	304	5.682	2.565
Short term provisions	20	326	347	6.495	3.698
Other payables	21	638	680	12.719	4.778
Other current liabilities	22	3.877	4.137	77.332	45.266
Total current liabilities		57.469	61.272	1.145.655	709.677
Non-current liabilities:					
Long term borrowings	16	7.655	8.161	152.598	162.779
Payables of finance sector operations	17	263	280	5.237	5.846
Derivative instruments	11	402	429	8.017	9.158
Deferred tax liabilities	18	202	215	4.025	2.607
Long term provisions		734	782	14.630	7.348
- Long term provisions for employee benefits	19	573	611	11.424	4.899
- Other long-term provisions	20	161	171	3.206	2.449
Other non-current liabilities	22	263	280	5.234	2.033
Total non-current liabilities		9.519	10.147	189.741	189.771
Total liabilities		66.988	71.419	1.335.396	899.448
Equity:					
Paid-in share capital	23	127	136	2.536	2.536
Adjustment to share capital	23	49	52	967	967
Treasury shares	23	(1)	(1)	(19)	(19)
Share premium		0	0	9	9
Other comprehensive income/expense not to be reclassified to profit or loss	23	(176)	(188)	(3.509)	(620)
Other comprehensive income/expense to be reclassified to profit or loss	23	993	1.059	19.800	5.635
Restricted reserves	23	34	37	683	538
Prior years' income		2.964	3.160	59.080	39.402
Profit for the period		3.502	3.733	69.806	15.193
Equity holders of the parent		7.492	7.988	149.353	63.641
Non-controlling interests		4.908	5.233	97.845	57.464
Total equity		12.400	13.221	247.198	121.105
Total liabilities and equity		79.388	84.640	1.582.594	1.020.553
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 effective as of 31 December 2022, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş.

**CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021**

(Amounts on tables expressed in millions of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2022 (*) Million EUR	2022 (*) Million USD	Audited 2022 Million TL	Audited 2021 Million TL
Revenue	24	42.221	44.306	733.868	273.653
Revenue from finance sector operations	24	9.665	10.142	167.989	73.036
Total revenue	4	51.886	54.448	901.857	346.689
Cost of sales	25	(35.059)	(36.790)	(609.386)	(227.236)
Cost of finance sector operations	25	(3.776)	(3.963)	(65.636)	(39.388)
Total costs		(38.835)	(40.753)	(675.022)	(266.624)
Gross profit (non-finance)		7.162	7.516	124.482	46.417
Gross profit (finance)		5.889	6.179	102.353	33.648
Gross profit		13.051	13.695	226.835	80.065
Marketing expenses	25	(1.932)	(2.027)	(33.573)	(15.587)
General administrative expenses	25	(1.971)	(2.068)	(34.257)	(16.942)
Research and development expenses	25	(60)	(63)	(1.038)	(631)
Other operating income	26	866	908	15.045	12.314
Other operating expenses	26	(2.076)	(2.179)	(36.082)	(30.424)
Share of profit/loss of investments accounted for using the equity method	8	714	750	12.416	5.880
Operating profit	4	8.592	9.016	149.346	34.675
Gains from investment activities	27	146	153	2.537	637
Losses from investment activities	27	(5)	(5)	(81)	(54)
Operating profit before financial income/(expense)		8.733	9.164	151.802	35.258
Financial income	28	1.537	1.613	26.720	39.892
Financial expense	28	(2.554)	(2.680)	(44.385)	(46.021)
Profit before tax	4	7.716	8.097	134.137	29.129
Tax income/(expense)		(915)	(961)	(15.917)	(2.944)
- Current income tax expense	18	(1.445)	(1.517)	(25.125)	(5.302)
- Deferred tax income	18	530	556	9.208	2.358
Profit for the period		6.801	7.136	118.220	26.185
Attributable to:					
Non-controlling interests	4	2.785	2.923	48.414	10.992
Equity holders of the parent	4	4.016	4.213	69.806	15.193
Earnings per share (Kr)	35			27,537	5,992

(*) 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 2022, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş.

**CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021**

(Amounts on tables expressed in millions of Turkish Lira ("TL") unless otherwise indicated.)

	2022 (*) Million EUR	2022 (*) Million USD	Audited 2022 Million TL	Audited 2021 Million TL
Profit for the period	6.801	7.136	118.220	26.185
Other comprehensive income:				
Items not to be reclassified to profit/loss	(314)	(328)	(5.445)	(807)
Gains/(losses) on remeasurements of defined benefit plans	(276)	(289)	(4.791)	(732)
Share of other comprehensive income/(expenses) of investments accounted for using the equity method	(38)	(39)	(654)	(75)
Taxes relating to other comprehensive income not to be reclassified to profit/(loss)	56	58	965	154
Gains/(losses) on remeasurements of defined benefit plans, tax effect	56	58	965	154
Items to be reclassified to profit/loss	1.510	1.587	26.252	10.461
Currency translation differences	555	583	9.626	10.329
Gains/(losses) on financial assets measured at fair value through other comprehensive income	518	544	9.010	1.673
Gains/(losses) on hedges of net investments in foreign operations	(147)	(154)	(2.549)	(4.062)
Gains/(losses) on cash flow hedges	490	515	8.523	2.130
Share of other comprehensive income/(expenses) of investments accounted for using the equity method	94	99	1.642	391
Taxes relating to other comprehensive income to be reclassified to profit/loss	(215)	(227)	(3.748)	266
Gains/(losses) on financial assets measured at fair value through other comprehensive income, tax effect	(127)	(133)	(2.203)	(323)
Gains/(losses) on hedges of net investments in foreign operations, tax effect	38	39	652	993
Gains/(losses) on cash flow hedges, tax effect	(126)	(133)	(2.197)	(404)
Other comprehensive income	1.037	1.090	18.024	10.074
Total comprehensive income	7.838	8.226	136.244	36.259
Attributable to:				
Non-controlling interest	3.345	3.511	58.150	16.939
Equity holders of the parent	4.493	4.715	78.094	19.320

(*) 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 2022, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
(NOTE 2.6)

KOÇ HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

(Amounts on tables expressed in millions 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	Treasury shares	Share premium	Gains/(losses) on remeasurement of defined benefit plans	Currency translation differences	Gains/(losses) on hedge	Gains/(losses) on financial assets measured at fair value through other comprehensive income	Restricted reserves	Prior years' income	Profit for the period	Equity holders of the parent	Non- controlling interests	Total equity
Balances at 1 January 2021	2.536	967	-	9	(279)	3.173	(2.395)	389	524	32.145	9.273	46.342	41.729	88.071
Transfers	-	-	-	-	-	-	-	-	(5)	9.278	(9.273)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(1.770)	-	(1.770)	(1.637)	(3.407)
Increase/(decrease) through treasury share transactions	-	-	(19)	-	-	-	-	-	19	(19)	-	(19)	-	(19)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	(232)	-	(232)	(808)	(1.040)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	1.241	1.241
Total comprehensive income/(expense)	-	-	-	-	(341)	5.290	(1.470)	648	-	-	15.193	19.320	16.939	36.259
Balances at 31 December 2021	2.536	967	(19)	9	(620)	8.463	(3.865)	1.037	538	39.402	15.193	63.641	57.464	121.105
Balances at 1 January 2022	2.536	967	(19)	9	(620)	8.463	(3.865)	1.037	538	39.402	15.193	63.641	57.464	121.105
Transfers	-	-	-	-	-	-	-	-	145	15.048	(15.193)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(2.751)	-	(2.751)	(2.092)	(4.843)
Transactions with non-controlling interests (*)	-	-	-	-	(105)	1.213	530	1.350	-	7.381	-	10.369	(15.677)	(5.308)
Total comprehensive income/(expense)	-	-	-	-	(2.784)	6.088	1.641	3.343	-	-	69.806	78.094	58.150	136.244
Balances at 31 December 2022	2.536	967	(19)	9	(3.509)	15.764	(1.694)	5.730	683	59.080	69.806	149.353	97.845	247.198

(*) Significant portion of the transactions with non-controlling interests is related to the additional 18% share purchase of Yapı Kredi Bankası and treasury share transactions of Arçelik, a Subsidiary of the Group.

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 FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021**

(Amounts on tables expressed in millions of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2022 (*) Million EUR	2022 (*) Million USD	Audited 2022 Million TL	Audited 2021 Million TL
A. Cash Flows From Operating Activities:					
Profit for the period		6.801	7.136	118.220	26.185
Adjustments to reconcile profit for the period to cash generated from operating activities:					
Tax expense/(income)	18	916	961	15.917	2.944
Undistributed profits of investments account for using the equity method	8	(714)	(750)	(12.416)	(5.880)
Depreciation and amortisation	4	475	499	8.260	5.286
Adjustments for provisions	36	270	283	4.692	2.537
Adjustments for impairment loss/(reversal of impairment loss)	36	1.040	1.091	18.072	4.307
Adjustments for non-finance sector interest (income)/expenses, net	28	535	562	9.303	4.992
Adjustments for finance sector interest (income)/expenses		(2.907)	(3.050)	(50.524)	(14.630)
Fair value losses/(gains) on derivative instruments		641	673	11.141	1.796
Fair value losses/(gains) on financial investments	27	(21)	(22)	(372)	-
Unrealised foreign exchange losses/(gains)		1.137	1.192	19.748	21.304
- Exchange (gains)/losses on borrowings, net		3.573	3.749	62.097	74.158
- Exchange (gains)/losses on cash and cash equivalents, net		(2.436)	(2.557)	(42.349)	(52.854)
Losses/(gains) on disposal of non-current assets	27	(21)	(22)	(363)	(265)
Gain from bargain purchase	27	(84)	(88)	(1.462)	(235)
Adjustments for dividend income	27	(5)	(5)	(91)	(9)
Losses/(gains) on disposal of non-current assets held for sale	27	-	-	-	3
Changes in working capital	36	(438)	(460)	(7.613)	3.791
Income taxes refund/(paid)		(1.259)	(1.321)	(21.876)	(4.065)
Dividends received from Joint Ventures, net	8	279	292	4.843	2.063
Total cash flows from operating activities		6.645	6.971	115.479	50.664
B. Cash Flows From Investing Activities:					
Cash outflows from purchases of property, plant and equipment and intangible assets	4	(1.588)	(1.666)	(27.596)	(12.528)
Cash inflows from sale of property, plant and equipment and intangible assets		220	230	3.816	2.410
Cash outflows from acquisition of additional interest in Subsidiaries		(203)	(213)	(3.532)	-
Cash inflows/outflows from acquisition/payments to gain control of Subsidiaries, net	3	78	82	1.354	(2.570)
Cash outflows from acquisition of interest/capital increase in financial assets		(19)	(20)	(332)	(303)
Cash outflows from capital increase of Joint Ventures	8	(28)	(29)	(485)	(200)
Cash outflows from acquisition of interest in Joint Ventures	8	(10)	(11)	(180)	-
Dividends received	27	5	5	91	9
Cash inflows from disposal of non-current assets held for sale		-	-	-	2
Other cash inflows/(outflows)		(3.427)	(3.596)	(59.557)	(40.420)
- Cash outflows from purchase/sale of financial assets measured at fair value through other comprehensive income and measured at amortised cost, net		(3.427)	(3.596)	(59.557)	(40.420)
Total cash flows from investing activities		(4.972)	(5.218)	(86.421)	(53.600)
C. Cash Flows From Financing Activities:					
Dividends paid		(279)	(292)	(4.843)	(3.407)
Cash inflows from borrowings	16	6.438	6.756	111.897	82.826
Cash outflows from repayments of borrowings	16	(4.771)	(5.007)	(82.937)	(60.102)
Cash inflows/(outflows) from derivative instruments, net		(707)	(742)	(12.286)	(2.692)
Cash outflows from payments of lease liabilities	16	(125)	(131)	(2.178)	(1.381)
Non-finance sectors interest paid		(572)	(600)	(9.942)	(5.738)
Non-finance sectors interest received		164	172	2.845	1.755
Transactions with non-controlling interests		(108)	(114)	(1.883)	(1.040)
Cash outflows from purchase of treasury shares	23	-	-	-	(19)
Total cash flows from financing activities		40	42	673	10.202
Effect of exchange rate changes on cash and cash equivalents		2.434	2.557	42.349	52.853
Net increase/(decrease) in cash and cash equivalents		4.147	4.352	72.080	60.119
Cash and cash equivalents at the beginning of the period		8.326	8.737	144.718	84.599
Cash and cash equivalents at the end of the period	36	12.473	13.089	216.798	144.718

(*) EUR and USD amounts presented above have been translated from TL for convenience purposes only, at the EUR and USD average CBRT bid rates for the year ended 31 December 2022, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(Amounts on tables expressed in millions 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 their categories are as follows:

	End of period		Average	
	2022	2021	2022	2021
Monthly paid	52.952	48.678	50.833	46.784
Hourly paid	61.725	57.230	60.080	56.447
Total number of personnel	114.677	105.908	110.913	103.231

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

Koç Holding is subject to regulations of the Capital Markets Board ("CMB") and its shares have been quoted on the Borsa İstanbul ("BİST") since 10 January 1986. As of 31 December 2022, shareholding structure of Koç Holding is as follows:

	%
Companies owned by Koç Family members	45,05
Koç Family members	18,65
Vehbi Koç Vakfı	7,26
Koç Holding Emekli ve Yardım Sandığı Vakfı	2,35
Other (*)	26,69
	100,00

(*) Includes treasury shares of 0,04% as of 31 December 2022 (Note 23).

Koç Holding is organised mainly in Turkey under five core business segments:

- Energy
- Automotive
- Consumer durables
- Finance
- Other (*)

(*) Other operations of Group mainly comprise of food, retail, tourism, information technologies and ship construction, none of which are of a sufficient size to be reported separately.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(Amounts on tables expressed in millions of Turkish Lira ("TL") unless otherwise indicated.)

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

The subsidiaries ("Subsidiaries"), the joint ventures ("Joint Ventures") and the associates ("Associates") included in the consolidation scope of Koç Holding, their country of incorporation, nature of business and their respective business segments are as follows:

Energy Sector

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Nature of business</u>
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")	Turkey	Petroleum Shipping
Bal Kaynak Su İhracat İthalat San. ve Tic. A.Ş. ("Bal Kaynak Su")	Turkey	Trading of Water Products
Beykoz Tankercilik A.Ş. ("Beykoz Tankercilik")	Turkey	Petroleum Shipping
Çengelköy Tankercilik A.Ş. ("Çengelköy Tankercilik")	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
Enspire Enerji Yatırımları ve Hizmetleri A.Ş. ("Enspire Enerji")	Turkey	Power Generation
Entek Elektrik Üretimi A.Ş. ("Entek")	Turkey	Power Generation
Göztepe Tankercilik A.Ş. ("Göztepe Tankercilik")	Turkey	Petroleum Shipping
Kadıköy Tankercilik A.Ş. ("Kadıköy Tankercilik")	Turkey	Petroleum Shipping
Kandilli Tankercilik A.Ş. ("Kandilli Tankercilik")	Turkey	Petroleum Shipping
Karaköy Tankercilik A.Ş. ("Karaköy Tankercilik")	Turkey	Petroleum Shipping
Karşıyaka Tankercilik A.Ş. ("Karşıyaka Tankercilik")	Turkey	Petroleum Shipping
Kartal Tankercilik A.Ş. ("Kartal Tankercilik")	Turkey	Petroleum Shipping
Körfez Ulaştırma A.Ş. ("Körfez")	Turkey	Air, Sea, Road and Railway Transportation
Kuleli Tankercilik A.Ş. ("Kuleli Tankercilik")	Turkey	Petroleum Shipping
Kuruçesme Tankercilik A.Ş. ("Kuruçesme Tankercilik") ⁽¹⁾	Turkey	Petroleum Shipping
Kuzguncuk Tankercilik A.Ş. ("Kuzguncuk Tankercilik")	Turkey	Petroleum Shipping
Maltepe Tankercilik A.Ş. ("Maltepe Tankercilik")	Turkey	Petroleum Shipping
Menzelet Kılavuzlu Elektrik Üretimi A.Ş. ("Menzelet Kılavuzlu Elektrik")	Turkey	Power Generation
Pendik Tankercilik A.Ş. ("Pendik Tankercilik")	Turkey	Petroleum Shipping
Salacak Tankercilik A.Ş. ("Salacak Tankercilik")	Turkey	Petroleum Shipping
Sarıyer Tankercilik A.Ş. ("Sarıyer Tankercilik")	Turkey	Petroleum Shipping
Sendeo Dağıtım Hizmetleri A.Ş. ("Sendeo")	Turkey	Cargo Transport/Distribution
Süloğlu Elektrik Üretimi A.Ş. ("Süloğlu Elektrik")	Turkey	Power Generation
T Damla Denizcilik A.Ş. ("T Damla Denizcilik")	Turkey	Mooring and Tug Service
Tuzla Tankercilik A.Ş. ("Tuzla Tankercilik")	Turkey	Petroleum Shipping
Türkiye Petrol Rafinerileri A.Ş. ("Tüpraş")	Turkey	Production and Trading of Petroleum Products
Tüpraş Enerji Girişimleri A.Ş. ("Tüpraş Enerji Girişimleri") ⁽¹⁾	Turkey	Petroleum Products Trading
Tüpraş Trading Ltd. ("Tüpraş Trading")	The UK	Petroleum Products Trading
Üsküdar Tankercilik A.Ş. ("Üsküdar Tankercilik")	Turkey	Petroleum Shipping
<u>Joint Ventures</u>	<u>Joint Venture Partner</u>	<u>Country of incorporation</u>
Güney Tankercilik A.Ş. ("Güney Tankercilik")	Türk Hava Yolları	Turkey
Kuzey Tankercilik A.Ş. ("Kuzey Tankercilik")	Türk Hava Yolları	Turkey
Opet Aygaz Gayrimenkul A.Ş. ("Opet Aygaz Gayrimenkul")	Öztürk Family	Turkey
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. ("Opet Fuchs")	Fuchs Petrolub SE	Turkey
Opet International Limited ("Opet International")	Öztürk Family	The UK
Opet Market ve Akaryakıt İstasyon İşletmeciliği A.Ş. ("Opet Market ve Akaryakıt")	Öztürk Family	Turkey
Opet Petrolcülük A.Ş. ("Opet")	Öztürk Family	Turkey
Opet Trade B.V. ("Opet Trade BV")	Öztürk Family	Netherlands
Tasfiye Halinde Opet Trade (Singapore) Pte. Ltd. ("Opet Singapore") ⁽²⁾	Öztürk Family	Singapore
THY Opet Havacılık Yakıtları A.Ş. ("THY Opet")	Türk Hava Yolları	Turkey
United LPG Ltd. ("United LPG") ⁽³⁾	United Enterprises & Co. Ltd.	Bangladesh

(1) Established in 2022.

(2) In the process of liquidation.

(3) Aygaz acquired 50% of United LPG shares in 2021. With the Shareholders Agreement signed on 20 January 2021, the title of the joint venture company was decided to be United Aygaz LPG Ltd., which will be effective following the completion of necessary approvals.

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 2022**

(Amounts on tables expressed in millions of Turkish Lira ("TL") unless otherwise indicated.)

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

Automotive Sector

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Nature of business</u>
Olympic Commercial and Tourist Enterprises S.A. ("Olympic")	Greece	Car Rental and Trading
Otokar Europe SAS ("Otokar Europe")	France	Sales and Marketing
Otokar Europe Filiala Bucuresti S.R.L. ("Otokar Europe Filiala")	Romania	Sales and Marketing
Otokar Land Systems LLC ("Otokar Land Systems")	UAE	Sales and Marketing
Otokar Otomotiv ve Savunma Sanayi A.Ş. ("Otokar")	Turkey	Production
Otokoç ABG Hollanda B.V. ("Otokoç Hollanda")	The Netherlands	Investment
Otokoç Azerbaijan MMC ("Otokoç Azerbaijan")	Azerbaijan	Car Rental
Otokoç Otomotiv Tic. Ve San. A.Ş. ("Otokoç")	Turkey	Car Rental and Trading
Otokoç Hungary KFT ("Otokoç Hungary")	Hungary	Car Rental
Otokoç Kazakistan LLP ("Otokoç Kazakistan") ⁽¹⁾	Kazakhstan	Car Rental
Otokoç Sigorta Aracılık Hizmetleri A.Ş. ("Otokoç Sigorta")	Turkey	Insurance

<u>Joint Ventures</u>	<u>Joint Venture Partner</u>	<u>Country of incorporation</u>	<u>Nature of business</u>
Al Jasoor Heavy Vehicle Industry LLC ("Al Jasoor")	Tawazun	UAE	Sales and Marketing
Fer Mas Oto Ticaret A.Ş. ("Fer-Mas")	Stellantis N.V.	Turkey	Trading
Ford Otomotiv Sanayi A.Ş. ("Ford Otosan")	Ford Deutschland Holding Gmbh	Turkey	Production
Ford Otosan Netherlands B.V.			
("Ford Netherlands") ⁽¹⁾	Ford Deutschland Holding Gmbh	The Netherlands	Sales and Marketing
Ford Romania SRL ("Ford Romania") ⁽²⁾	Ford Deutschland Holding Gmbh	Romania	Production
Koç Fiat Kredi Finansman A.Ş. ("Fiat Finans")	Stellantis N.V.	Turkey	Consumer Finance
Koç Fiat Sigorta Aracılık Hizmetleri A.Ş. ("Koç Fiat Sigorta") ⁽³⁾	Stellantis N.V.	Turkey	Insurance
Tofaş Türk Otomobil Fabrikası A.Ş. ("Tofaş")	Stellantis N.V.	Turkey	Production
Türk Traktör ve Ziraat Makinaları A.Ş. ("Türk Traktör")	CNH Österreich Gmbh	Turkey	Production

(1) Included in the scope of consolidation in 2022.

(2) Acquired in 2022 (Note 3).

(3) Established in 2022.

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 2022**

(Amounts on tables expressed in millions of Turkish Lira ("TL") unless otherwise indicated.)

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

Consumer Durables Sector

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Nature of business</u>
Arçelik A.Ş. ("Arçelik")	Turkey	Production/Sales
Arçelik Hitachi Home Appliances B.V. ("Arçelik Hitachi")	The Netherlands	Holding
Arçelik Hitachi Home Appliances IBC Co. Ltd. ("Arçelik Hitachi Thailand IBC") ⁽¹⁾	Thailand	Services
Arçelik Hitachi Home Appliances (Shanghai) Co., Ltd. ("Arçelik Hitachi Shanghai")	China	Production/Sales
Arçelik Hitachi Home Appliances (Thailand) Ltd. ("Arçelik Hitachi Thailand")	Thailand	Production/Sales
Arçelik Hitachi Home Appliances Sales (Singapore) Pte. Ltd. ("Arçelik Hitachi Singapore")	Singapore	Sales
Arçelik Hitachi Home Appliances Sales (Thailand) Ltd. ("Arçelik Hitachi Sales Thailand")	Thailand	Sales
Arçelik Hitachi Home Appliances Sales Malaysia Sdn. Bhd. ("Arçelik Hitachi Malaysia")	Malaysia	Sales
Arçelik Hitachi Home Appliances Sales Middle East Fze ("Arçelik Hitachi Dubai")	United Arab Emirates	Sales
Arçelik Hitachi Home Appliances Sales Vietnam Co., Ltd. ("Arçelik Hitachi Vietnam")	Vietnam	Sales
Arçelik Hitachi Home Appliances Sales Hong Kong Limited ("Arçelik Hitachi Hong Kong")	Hong Kong, China	Sales
Arçelik Hitachi Taiwan Home Appliances Sales Ltd. ("Arçelik Hitachi Taiwan")	Taiwan	Sales
Arçelik Pazarlama A.Ş. ("Arçelik Pazarlama")	Turkey	Service/Sales/Marketing
Arch R&D Co. Ltd. ("Arch R&D")	China	R&D
Arcwaste Collection SRL ("Arcwaste")	Romania	Services
Ardutch B.V. ("Ardutch")	The Netherlands	Holding
Ardutch B.V. Taiwan ("Ardutch Taiwan")	Taiwan	Procurement
Beko A and NZ Pty Ltd. ("Beko Australia")	Australia	Sales
Beko A and NZ Pty Ltd. New Zealand Branch ("Beko New Zealand")	New Zealand	Sales
Beko APAC IBC Co. ("Beko APAC")	Thailand	Services
Beko Appliances Indonesia, PT ("Beko Indonesia")	Indonesia	Sales
Beko Appliances Malaysia Sdn Bhd. ("Beko Malaysia")	Malaysia	Sales
Beko Azerbaijan MMC ("Beko Azerbaijan") ⁽²⁾	Azerbaijan	Sales
Beko Balkans D.O.O ("Beko Balkans")	Serbia	Sales
Beko Central Asia LLC ("Beko Central Asia")	Kazakhstan	Sales
Beko Cesko ("Beko Cesko") ⁽³⁾	Czechia	-
Beko Egypt Home Appliances Industries LLC ("Beko Egypt LLC") ⁽²⁾	Egypt	Production/Sales
Beko Egypt Trading LLC ("Beko Egypt")	Egypt	Sales
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales
Beko France S.A.S. ("Beko France")	France	Sales
Beko Grundig Croatia d.o.o ("Beko Grundig Croatia") ⁽²⁾	Croatia	Sales
Beko Grundig Deutschland GmbH ("Beko Deutschland")	Germany	Sales
Beko Grundig Deutschland GmbH Croatia Branch Office ("Beko Croatia")	Croatia	Sales
Beko Grundig Hellas Single Member SA ("Beko Greece") ⁽²⁾	Greece	Sales
Beko Grundig Österreich AG ("Beko Österreich") ⁽⁴⁾	Austria	Sales
Beko Grundig Schweiz GmbH ("Beko Switzerland")	Switzerland	Sales
Beko Gulf FZE ("Beko Gulf")	UAE	Sales
Beko Home Appliances Portugal, Unipessoal LDA ("Beko Portugal")	Portugal	Sales
Beko Hong Kong Ltd. ("Beko Hong Kong")	Hong Kong, China	Procurement
Beko Hungary Kft ("Beko Hungary") ⁽²⁾	Hungary	Sales
Beko Israel Household Appliances Ltd. ("Beko Israel")	Israel	Marketing
Beko Italy SRL ("Beko Italy")	Italy	Sales
Beko LLC. ("Beko Russia")	Russia	Production/Sales
Beko Morocco Household Appliances SARL ("Beko Morocco")	Morocco	Sales
Beko Pilipinas Corporation ("Beko Philippines")	Philippines	Sales
Beko Plc. ("Beko UK")	The UK	Sales
Beko Plc. ("Beko Ireland")	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")	United States of America	Sales
Bilkom Bilişim Hizmetleri A.Ş. ("Bilkom")	Turkey	Trading
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales
Dawlance (Private) Ltd. ("DPL")	Pakistan	Production/Sales

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 2022**

(Amounts on tables expressed in millions of Turkish Lira ("TL") unless otherwise indicated.)

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

Consumer Durables Sector (Continued)

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Nature of business</u>	
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 Sales East Africa Limited (“Defy Kenya”)	Kenya	Sales	
Defy (Swaziland) (Proprietary) Limited (“Defy Swaziland”)	Swaziland	Sales	
DEL Electronics (Pvt.) Ltd. (“DEL”)	Pakistan	Sales	
Grundig Intermedia Ges.m.b.H (“Grundig Austria”) ⁽³⁾	Austria	-	
Grundig Multimedia A.G. (“Grundig Switzerland”)	Switzerland	Sales	
Grundig Nordic AB. (“Grundig Sweden”)	Sweden	Sales	
Grundig Nordic AB Finland Branch of Nordic AB (“Grundig Finland”)	Finland	Sales	
Grundig Nordic No AS (“Grundig Norway”)	Norway	Sales	
Grundig Nordic Denmark Branch of Grundig Nordic AS (“Grundig Denmark”)	Denmark	Sales	
IHP Appliances Sales LLC (“IHP Appliances Sales”) ⁽⁵⁾	Russia	Sales	
IHP Appliances JSC (“IHP Appliances JSC”) ⁽⁵⁾	Russia	Production/Sales	
IHP Kazakhstan LLP (“IHP Kazakhstan LLP”) ⁽⁵⁾	Kazakhstan	Sales	
Life Tech Trading DMCC (“Life Tech”)	United Arab Emirates	Sales	
Pan Asia Private Equity Ltd. (“Pan Asia”)	British Virgin Islands	Holding	
PT Arçelik Hitachi Home Appliances Sales Indonesia (“Arçelik Hitachi Indonesia”)	Indonesia	Sales	
PT Home Appliances Indonesia (“PT Home”)	Indonesia	Sales	
Retail Holdings Bhold B.V. (“Retail Holdings”)	The Netherlands	Holding	
SC Arctic SA (“Arctic”)	Romania	Production/Sales	
Singer Bangladesh Limited (“Singer Bangladesh”)	Bangladesh	Production/Sales	
United Refrigeration Industries Ltd. (“United Refrigeration”)	Pakistan	Production/Sales	
Vietbeko Limited Liability Company (“Vietbeko”)	Vietnam	Sales	
Wat Mobilite Çözümleri Teknoloji ve Ticaret A.Ş. (“Wat Mobilite”) ⁽²⁾	Turkey	Sales	
Wat Motor San. ve Tic. A.Ş. (“Wat Motor”)	Turkey	Production/Sales	
<u>Joint Ventures</u>	<u>Joint Venture Partner</u>	<u>Country of incorporation</u>	<u>Nature of business</u>
Arçelik-LG Klima San. ve Tic. A.Ş. (“Arçelik LG”)	LG Electronics Inc.	Turkey	Air Conditioner Production
VoltBek Home Appliances Private Limited (“VoltBek”)	Tata Group	India	Production/Sales

- (1) Arçelik Hitachi Home Appliances IBC Co. Ltd. ("Arçelik Hitachi Thailand IBC") started its operations on January 2022 following the completion of capital transfer and other transactions.
- (2) Established in 2022.
- (3) Non-operational companies as of the balance sheet date.
- (4) The title of Elektra Bregenz AG ("Elektra Bregenz") was changed as Beko Grundig Österreich AG ("Beko Österreich") on 11 January 2022.
- (5) In accordance with the share purchase agreement signed between Arçelik and Whirlpool EMEA S.p.A., the purchase of the entire shares of IHP Appliances Sales LLC (formerly: Whirlpool RUS LLC), IHP Appliances JSC (formerly: Indesit International JSC) and IHP Kazakhstan LLP (formerly: Whirlpool Kazakhstan LLP) was completed as of 31 August 2022 (Note 3).

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Continued)

Finance Sector

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Nature of business</u>
Koç Finansal Hizmetler A.Ş. ("Koç Finansal Hizmetler" or "KFS")	Turkey	Holding
Koç Finansman A.Ş. ("Koç Finansman")	Turkey	Consumer Finance
Stiching Custody Services YKB ("Stiching Custody")	The Netherlands	Custody
Yapı Kredi Azerbaijan C.J.S.C. ("Yapı Kredi Azerbaijan")	Azerbaijan	Banking
Yapı Kredi Bankası Nederland N.V. ("Yapı Kredi Nederland")	The Netherlands	Banking
Yapı Kredi Diversified Payment Rights Finance Company ("Yapı Kredi SPC") ⁽¹⁾	Cayman Islands	Special Purpose
Yapı Kredi Faktoring A.Ş. ("Yapı Kredi Faktoring")	Turkey	Factoring
Yapı Kredi Finansal Kiralama A.O. ("Yapı Kredi Finansal Kiralama")	Turkey	Leasing
Yapı Kredi Holding B.V. ("Yapı Kredi Holding")	The Netherlands	Financial Consulting
Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy")	Turkey	Portfolio Management
Yapı Kredi Yatırım Menkul Değerler A.Ş. ("Yapı Kredi Yatırım")	Turkey	Brokerage
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi Bankası")	Turkey	Banking
<u>Associates</u>	<u>Country of incorporation</u>	<u>Nature of Business</u>
Allianz Yaşam ve Emeklilik A.Ş. ("Allianz Emeklilik")	Turkey	Insurance
Banque de Commerce et de Placements S.A. ("Banque de Commerce")	Switzerland	Banking

(1) Although Yapı Kredi Bankası has no shareholding interest, the special purpose company established for securitisation transactions is included in the scope of consolidation.

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
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(Amounts on tables expressed in millions of Turkish Lira ("TL") unless otherwise indicated.)

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

Other Sectors

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Nature of business</u>	
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	
Entegart Teknoloji Çözüm ve Hizmetleri A.Ş. ("Entegart")	Turkey	Technology	
Koç Bilgi ve Savunma Teknolojileri A.Ş. ("Koç Bilgi ve Savunma")	Turkey	Technology	
KoçDigital Çözümler A.Ş. ("KoçDigital")	Turkey	Technology	
Koç Investments B.V. ("Koç Investments")	The Netherlands	Investment	
KoçSistem Bilgi ve İletişim Hizmetleri A.Ş. ("Koç Sistem")	Turkey	Technology	
KoçSistem Azerbaijan LLC ("Koç Sistem Azerbaijan")	Azerbaijan	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 Antalya Marina İşletmeciliği A.Ş. ("Antalya Marina")	Turkey	Tourism	
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	
Token Azerbaijan MMC ("Token Azerbaijan") ⁽¹⁾	Azerbaijan	Payment Services	
Token Finansal Teknolojiler A.Ş. ("Token")	Turkey	Information Technologies	
Token Ödeme Hizmetleri ve Elektronik Para A.Ş. ("Token Ödeme Hizmetleri")	Turkey	Payment Services	
Token International Holdings B.V. ("Token International")	The Netherlands	Holding	
Token Payment Services SRL ("Token Payment")	Romania	Payment Services	
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer Ticaret")	Turkey	Trading	
<u>Joint Ventures</u>	<u>Joint Venture Partner</u>	<u>Country of incorporation</u>	<u>Nature of business</u>
Ingage Dijital Pazarlama Hizmetleri A.Ş. ("Ingage")	Russell Square Holding	Turkey	Digital Marketing
Koçtaş Yapı Marketleri Ticaret A.Ş. ("Koçtaş Yapı Market")	Kingfisher Plc	Turkey	Retail
Makmarin Kaş Marina İşl. Turizm ve Tic. A.Ş. ("Kaş Marina")	Makyol İnşaat	Turkey	Tourism
Netsel Turizm Yatırımları A.Ş. ("Netsel")	Torunlar GYO A.Ş.	Turkey	Tourism

(1) Established in 2022.

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 2022

(Amounts on tables expressed in millions 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 Financial Reporting Standards ("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.

POA made an announcement on 20 January 2022 in order to eliminate the hesitations regarding the application of TAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29 Financial Reporting in Hyperinflationary Economies) in 2021 financial reporting period for the entities applying Turkish Financial Reporting Standards ("TFRS"). Accordingly, it has been stated that the entities applying TFRS should not adjust financial statements for TAS 29 Financial Reporting in Hyperinflationary Economies, and no new explanation has been made by the POA regarding the application of TAS 29. Considering that no new explanation has been made as of the date of these consolidated financial statements were prepared, no inflation adjustment was made in accordance with TAS 29 while preparing the consolidated financial statements as of 31 December 2022.

The accompanying consolidated financial statements are presented in accordance with the "Announcement regarding to TAS Taxonomy" which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

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 Treasury and Finance, banking law, accounting principles and instructions promulgated by the Banking Regulation and the Supervision Agency ("BRSA") and 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 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.

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 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 effective as of 31 December 2022 of TL19,9349 = EUR1 and TL18,6983 = 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 2022 of TL17,3818 = EUR1 and TL16,5638 = USD1, respectively, and do not form part of these consolidated financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts on tables expressed in millions of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 2022 are consistent with those applied in the preparation of the consolidated financial statements as of 31 December 2021 except for the new and amended TFRS standards which are valid as of 1 January 2022 and Turkey Financial Reporting Interpretations Committee's ("TFRIC") interpretations summarised below.

Standards, amendments and interpretations effective as of 1 January 2022:

- TFRS 16 - "Leases - COVID 19 Related Rent Concessions (Amendments)"
- Annual improvements and amendments on TFRSs - TFRS 3, TAS 16, TAS 37, TFRS 1, TFRS 9, TAS 41 and TFRS 16

These amendments did not have any significant impact on the financial position or performance of the Group.

Standards and amendments that are issued but not effective as of 31 December 2022:

- TAS 1 - "Non-current liabilities with covenants (Amendments)"
- TAS 1 - "Practice statement 2" and narrow scope amendments on TAS 8
- TAS 12 - "Deferred tax related to assets and liabilities arising from a single transaction (Amendments)"
- TFRS 16 - "Lease on sale and leaseback"

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 TFRS is made either retrospectively or prospectively in accordance with the transition requirements of 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 does not have any significant changes in accounting policy or accounting estimates in the current period.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

KOÇ HOLDİNG A.Ş.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies

Accounting policies used in the preparation of consolidated financial statements are summarised below:

2.4.1 Group accounting

- a) The consolidated financial statements include the accounts of the parent company, Koç Holding, its Subsidiaries, its Joint Ventures and its Associates on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with "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 by certain Koç Family members or companies owned by them whereby Koç Holding exercises control over the ownership interest of the shares held by them and shares to be used according to Koç Holding preferences; 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.

Subsidiaries included in the scope of the consolidation and their effective interests (%):

Subsidiaries	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
	2022	2021	2022	2021	2022	2021	2022	2021
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
Antalya Marina	59,71	59,71	100,00	100,00	-	-	100,00	100,00
Arch R&D ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Arctic ⁽¹⁾	43,68	41,47	96,72	96,72	-	-	96,72	96,72
Arcwaste ⁽¹⁾	43,68	41,47	96,72	96,72	-	-	96,72	96,72
Arçelik ⁽¹⁾	45,16	42,87	50,75	45,95	11,42	11,42	62,17	57,37
Arçelik Hitachi ⁽¹⁾	27,10	25,72	60,00	60,00	-	-	60,00	60,00
Arçelik Hitachi China ⁽²⁾	-	25,72	-	100,00	-	-	-	100,00
Arçelik Hitachi Dubai ⁽¹⁾	27,10	25,72	100,00	100,00	-	-	100,00	100,00
Arçelik Hitachi Hong Kong ⁽¹⁾	27,10	25,72	100,00	100,00	-	-	100,00	100,00
Arçelik Hitachi Indonesia ⁽¹⁾	18,29	17,36	67,50	67,50	-	-	67,50	67,50
Arçelik Hitachi Malaysia ⁽¹⁾	27,10	25,72	100,00	100,00	-	-	100,00	100,00
Arçelik Hitachi Sales Thailand ⁽¹⁾	27,10	25,72	100,00	100,00	-	-	100,00	100,00
Arçelik Hitachi Shanghai ⁽¹⁾	25,74	24,44	95,00	95,00	-	-	95,00	95,00
Arçelik Hitachi Singapore ⁽¹⁾	27,10	25,72	100,00	100,00	-	-	100,00	100,00
Arçelik Hitachi Taiwan ⁽¹⁾	27,10	25,72	100,00	100,00	-	-	100,00	100,00
Arçelik Hitachi Thailand ⁽¹⁾	22,78	21,62	84,07	84,07	-	-	84,07	84,07

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Subsidiaries	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
	2022	2021	2022	2021	2022	2021	2022	2021
Arçelik Hitachi								
Thailand IBC ^(1, 3)	27,10	25,72	100,00	100,00	-	-	100,00	100,00
Arçelik Hitachi Vietnam ⁽¹⁾	27,10	25,72	100,00	100,00	-	-	100,00	100,00
Arçelik Pazarlama ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Arçelik Üretim ve Teknoloji ⁽⁴⁾	-	42,87	-	100,00	-	-	-	100,00
Ardutch ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Ardutch Taiwan ⁽¹⁾	45,16	42,87	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	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Aygaz Toptan Satış	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Ayvalık Marina ⁽⁵⁾	59,97	60,17	97,45	95,57	2,55	4,43	100,00	100,00
Bakırköy Tankercilik ^(6, 20)	36,90	34,95	100,00	100,00	-	-	100,00	100,00
Bal Kaynak Su	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Beko APAC ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Australia ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Azerbaycan ⁽⁷⁾	45,16	-	100,00	-	-	-	100,00	-
Beko Balkans ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Central Asia ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Cesko ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko China ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Croatia ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Czech ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Deutschland ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Egypt ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Egypt LLC ⁽⁷⁾	45,16	-	100,00	-	-	-	100,00	-
Beko Espana ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko France ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Greece ⁽⁷⁾	45,16	-	100,00	-	-	-	100,00	-
Beko Grundig Croatia ⁽⁷⁾	45,16	-	100,00	-	-	-	100,00	-
Beko Switzerland ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Gulf ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Hong Kong ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Hungary ⁽⁷⁾	45,16	-	100,00	-	-	-	100,00	-
Beko Indonesia ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Ireland ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Israel ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Italy ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Malaysia ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Morocco ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko New Zealand ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Österreich ^(1, 8)	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Philippines ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Polska ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Portugal ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Russia ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Shanghai ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Slovakia ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Thailand ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko UK ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko Ukraine ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beko US ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Beykoz Tankercilik ^(6, 20)	36,90	34,95	100,00	100,00	-	-	100,00	100,00
Bilkom ⁽⁹⁾	82,34	82,28	100,00	99,94	-	0,06	100,00	100,00
Çengelköy Tankercilik ^(6, 20)	36,90	34,95	100,00	100,00	-	-	100,00	100,00
DEL ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
DPL ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Defy ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00

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 2022**

(Amounts on tables expressed in millions of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Subsidiaries	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
	2022	2021	2022	2021	2022	2021	2022	2021
Defy Botswana ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Defy Kenya ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Defy Namibia ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Defy Swaziland ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Ditaş ^(6, 20)	36,90	34,95	80,00	80,00	-	-	80,00	80,00
Divan ⁽¹⁰⁾	40,13	30,15	51,77	43,73	48,23	56,27	100,00	100,00
Düzey ⁽¹¹⁾	32,73	31,73	33,36	32,36	61,33	61,33	94,68	93,68
Eltek ^(6, 20)	45,77	69,80	100,00	100,00	-	-	100,00	100,00
Enerji Yatırımları ^(6, 20)	85,73	85,68	98,50	98,50	-	-	98,50	98,50
Enspire Enerji ^(6, 20)	45,77	69,80	100,00	100,00	-	-	100,00	100,00
Entegart ⁽¹⁾	70,44	70,39	100,00	100,00	-	-	100,00	100,00
Entek ^(6, 20)	45,77	69,80	99,23	99,23	-	-	99,23	99,23
Göztepe Tankercilik ^(6, 20)	36,90	34,95	100,00	100,00	-	-	100,00	100,00
Grundig Austria ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Grundig Denmark ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Grundig Finland ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Grundig Multimedia ⁽¹²⁾	-	42,87	-	100,00	-	-	-	100,00
Grundig Norway ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Grundig Portugal ⁽¹³⁾	-	42,87	-	100,00	-	-	-	100,00
Grundig Sweden ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Grundig Switzerland ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
IHP Appliances Sales ⁽¹⁴⁾	45,16	-	100,00	-	-	-	100,00	-
IHP Appliances JSC ⁽¹⁴⁾	45,16	-	100,00	-	-	-	100,00	-
IHP Kazakhstan ⁽¹⁴⁾	45,16	-	100,00	-	-	-	100,00	-
Kadıköy Tankercilik ^(6, 20)	36,90	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 ^(6, 20)	36,90	34,95	100,00	100,00	-	-	100,00	100,00
Karşıyaka Tankercilik ^(6, 20)	36,90	34,95	100,00	100,00	-	-	100,00	100,00
Kartal Tankercilik ^(6, 20)	36,90	34,95	100,00	100,00	-	-	100,00	100,00
Koç Bilgi ve Savunma ⁽¹⁾	60,33	60,17	92,24	92,24	7,76	7,76	100,00	100,00
Koç Finansal Hizmetler	86,62	86,62	89,70	89,70	5,96	5,96	95,66	95,66
Koç Finansman ^(1, 15)	72,41	65,84	100,00	94,50	-	5,50	100,00	100,00
Koç Investments B.V.	55,00	55,00	55,00	55,00	45,00	45,00	100,00	100,00
KoçDigital	41,15	41,15	100,00	100,00	-	-	100,00	100,00
KoçSistem	41,15	41,15	41,18	41,18	53,17	53,17	94,35	94,35
KoçSistem Azerbaycan	41,15	41,15	100,00	100,00	-	-	100,00	100,00
Koç Yapı Malzeme ⁽¹⁶⁾	49,21	45,93	49,21	45,93	47,62	47,62	96,84	93,55
Körfez ^(6, 20)	46,12	43,70	100,00	100,00	-	-	100,00	100,00
Kuleli Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Kuruçeşme Tankercilik ⁽⁷⁾	36,90	-	100,00	-	-	-	100,00	-
Kuzguncuk Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Life Tech ⁽⁹⁾	82,34	82,28	100,00	100,00	-	-	100,00	100,00
Maltepe Tankercilik ^(6, 20)	36,90	34,95	100,00	100,00	-	-	100,00	100,00
Mares	38,64	38,64	41,54	41,54	33,46	33,46	75,00	75,00
Menzelet Kılavuzlu								
Elektrik ^(6, 20)	45,77	69,80	100,00	100,00	-	-	100,00	100,00
Olympic	57,27	57,27	100,00	100,00	-	-	100,00	100,00
Otokar ⁽¹⁷⁾	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
Otokar Europe Filiala	44,90	44,90	100,00	100,00	-	-	100,00	100,00
Otokar Land Systems	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 Azerbaycan	96,42	96,42	100,00	100,00	-	-	100,00	100,00
Otokoç Holland	57,27	57,27	59,40	59,40	-	-	59,40	59,40
Otokoç Hungary	96,42	96,42	100,00	100,00	-	-	100,00	100,00
Otokoç Kazakistan ⁽⁷⁾	96,42	96,42	100,00	100,00	-	-	100,00	100,00
Otokoç Sigorta	48,23	48,23	50,02	50,02	49,98	49,98	100,00	100,00

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 2022**

(Amounts on tables expressed in millions of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

<u>Subsidiaries</u>	<u>Proportion of effective interest</u>		<u>Direct and indirect ownership interest held by Koç Holding</u>		<u>Ownership interest held by Koç Family members</u>		<u>Total ownership interest</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Pan Asia ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Pendik Tankercilik ^(6, 20)	36,90	34,95	100,00	100,00	-	-	100,00	100,00
PT Home ^(1, 18)	45,16	28,72	100,00	67,00	-	-	100,00	67,00
Ram Dış Ticaret ⁽¹⁾	59,28	58,50	83,45	83,45	14,66	14,66	98,11	98,11
Retail Holdings ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
RMK Marine ⁽¹⁹⁾	58,88	56,24	69,49	66,84	30,51	33,16	100,00	100,00
Salacak Tankercilik ^(6, 20)	36,90	34,95	100,00	100,00	-	-	100,00	100,00
Sarıyer Tankercilik ^(6, 20)	36,90	34,95	100,00	100,00	-	-	100,00	100,00
Sendeo	67,38	67,38	100,00	100,00	-	-	100,00	100,00
Setur	46,68	46,68	81,13	81,13	18,87	18,87	100,00	100,00
Singer Bangladesh ⁽¹⁾	25,74	24,43	56,99	56,99	-	-	56,99	56,99
Stiching Custody ⁽²¹⁾	62,49	44,49	100,00	100,00	-	-	100,00	100,00
Süloğlu Elektrik ^(6, 20)	45,77	69,80	100,00	100,00	-	-	100,00	100,00
T Damla Denizcilik ^(6, 20)	36,90	34,95	100,00	100,00	-	-	100,00	100,00
Tat Gıda ⁽¹⁾	43,84	43,83	44,07	44,07	7,12	7,12	51,19	51,19
Tek-Art Marina	59,71	59,71	89,27	89,27	10,73	10,73	100,00	100,00
Token	54,44	54,44	54,44	54,44	45,56	45,56	100,00	100,00
Token Azerbaijan ⁽⁷⁾	54,44	-	100,00	-	-	-	100,00	-
Token International	54,44	54,44	100,00	100,00	-	-	100,00	100,00
Token Ödeme Hizmetleri	54,44	54,44	100,00	100,00	-	-	100,00	100,00
Token Payment	54,44	54,44	100,00	100,00	-	-	100,00	100,00
Tuzla Tankercilik ^(6, 20)	36,90	34,95	100,00	100,00	-	-	100,00	100,00
Tüpraş ^(6, 20)	46,12	43,70	52,75	51,00	0,48	-	53,22	51,00
Tüpraş Enerji Girişimleri ⁽⁷⁾	46,12	-	100,00	-	-	-	100,00	-
Tüpraş Trading ^(6, 20)	46,12	43,70	100,00	100,00	-	-	100,00	100,00
United Refrigeration ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Üsküdar Tankercilik ^(6, 20)	36,90	34,95	100,00	100,00	-	-	100,00	100,00
Vietbeko ⁽¹⁾	45,16	42,87	100,00	100,00	-	-	100,00	100,00
Wat Mobilite ⁽⁷⁾	51,83	-	88,00	-	-	-	88,00	-
Wat Motor	55,00	55,00	100,00	100,00	-	-	100,00	100,00
Yalova Marina ⁽⁵⁾	59,72	59,73	100,00	100,00	0,00	0,00	100,00	100,00
Yapı Kredi Azerbaijan ⁽²¹⁾	62,49	44,49	100,00	100,00	-	-	100,00	100,00
Yapı Kredi Bankası ⁽²¹⁾	62,49	44,49	67,97	49,97	-	-	67,97	49,97
Yapı Kredi Faktoring ⁽²¹⁾	62,47	44,48	100,00	100,00	-	-	100,00	100,00
Yapı Kredi Fin.Kiralama ⁽²¹⁾	62,49	44,49	99,99	99,99	-	-	99,99	99,99
Yapı Kredi Holding ⁽²¹⁾	62,49	44,49	100,00	100,00	-	-	100,00	100,00
Yapı Kredi Malta ⁽²²⁾	-	44,49	-	100,00	-	-	-	100,00
Yapı Kredi Yatırım ⁽²¹⁾	62,48	44,48	100,00	100,00	-	-	100,00	100,00
Yapı Kredi Nederland ⁽²¹⁾	62,49	44,49	100,00	100,00	-	-	100,00	100,00
Yapı Kredi Portföy ⁽²¹⁾	62,46	44,47	100,00	100,00	-	-	100,00	100,00
Zer Ticaret	39,54	39,54	39,54	39,54	60,11	60,11	99,65	99,65

- (1) Koç Holding's effective ownership interest rate has changed following Arçelik's purchase of shares constituting 4,80% of Arçelik's share capital through share buybacks realised in 2022.
- (2) Liquidation process of Arçelik Hitachi Home Appliances Sales (China) Ltd. ("Arçelik Hitachi China") was completed as of September 2022.
- (3) Arçelik Hitachi Thailand IBC started its operations on January 2022.
- (4) The merger under Arçelik through acquisition of all the assets and liabilities of Arçelik Üretim ve Teknoloji A.Ş., a 100% subsidiary of Arçelik, was approved by Capital Markets Board on 30 June 2022. The merger was registered with Istanbul Trade Registry Office on 1 July 2022.
- (5) Koç Holding's effective ownership interest rate has changed following the capital increase in Ayvalık Marina in 2022 by Tek-Art.
- (6) It has been resolved to transfer Entek shares corresponding to 49,62% of the registered Entek capital in Koç Holding to Tüpraş through a partial demerger transaction through the associates model and the transfer of Entek shares corresponding to 49,62% of the registered Entek capital in Aygaz to Tüpraş through a partial demerger transaction through the model of share transfer to its shareholders by Aygaz, simultaneously. Koç Holding's effective ownership interest rate has changed following the transactions completed in August 2022.
- (7) Established in 2022.
- (8) The title of Elektra Bregenz was changed as Beko Österreich on 11 January 2022.

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 2022**

(Amounts on tables expressed in millions of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (9) Koç Holding's effective ownership interest rate has changed following Koç Holding's purchase of shares belonging to Temel Ticaret and constituting 0,06% of Bilkom's share capital.
- (10) Koç Holding's effective ownership interest rate has changed following the capital increase realised in 2022 by Koç Holding.
- (11) Koç Holding's effective ownership interest rate has changed following the transfer of shares belonging to non-controlling interest and constituting 1% of Düzey's share capital to Koç Holding.
- (12) Grundig Multimedia B.V. ("Grundig Multimedia") merged under Ardutch B.V. as of September 2022.
- (13) Liquidation process of the Grundig Portuguesa Lda ("Grundig Portugal") was completed as of July 2022.
- (14) In accordance with the share purchase agreement signed between Arçelik and Whirlpool EMEA S.p.A., the purchase of entire shares of IHP Appliances Sales LLC (formerly: Whirlpool RUS LLC), IHP Appliances JSC (formerly: Indesit International JSC), and IHP Kazakhstan LLP (formerly: Whirlpool Kazakhstan LLP) was completed as of 31 August 2022.
- (15) Koç Holding's effective ownership interest rate has changed following the Koç Holding's purchase of shares belonging to Temel Ticaret and constituting 5,5% of Koç Finansman's share capital.
- (16) Koç Holding's effective ownership interest rate has changed following the transfer of shares belonging to non-controlling interests and constituting 3,28% of Koç Yapı Malzeme's share capital to Koç Holding.
- (17) Although the total ownership interest of Koç Holding in the relevant companies are less than 50%, considering the dispersed capital structures of the related companies, exposure of Koç Holding to variable returns from its involvement in those companies and Koç Holding's power to affect these returns through its power; Koç Holding has the power to exercise control over these companies and consolidates them.
- (18) Koç Holding's effective ownership interest rate has changed following the acquisition of shares belonging to other shareholders and constituting 33% of PT Home's share capital by Beko APAC on March 2022.
- (19) Koç Holding's effective ownership interest rate has changed following Koç Holding's purchase of shares belonging to Temel Ticaret and constituting 2,65% of RMK Marine's share capital.
- (20) Koç Holding's effective ownership interest rate has changed following Tüpraş's purchase of shares belonging to Temel Ticaret and constituting 1,67% of Opet's share capital.
- (21) Koç Holding's effective ownership interest rate has changed following Koç Holding's purchase of UniCredit S.p.A. shares and constituting 18% of Yapı Kredi Bankası's share capital.
- (22) Yapı Kredi Bank Malta Ltd. ("Yapı Kredi Malta"), which is in the liquidation process, has been excluded from the scope of consolidation.

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KOÇ HOLDİNG A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts on tables expressed in millions of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- c) Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Koç Holding and one or more other parties. Koç Holding exercises such joint control through direct and indirect voting rights related to the shares held by itself and/or through the voting rights related to the shares held by Koç Family members and the companies owned by them.

"TFRS 11 Joint Arrangements", 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. For changes in the equity of an investee that do not go through the investee's profit or loss or other comprehensive income, the Group adjusts the carrying value of its investment with a corresponding change in its own equity.

Direct and indirect ownership held by Koç Holding is used in the equity accounting of Joint Ventures.

Voting rights of the Joint Ventures and their effective interests (%):

Joint Ventures	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
	2022	2021	2022	2021	2022	2021	2022	2021
Al Jasoör	22,00	22,00	49,00	49,00	-	-	49,00	49,00
Arçelik LG Klima ⁽¹⁾	25,32	24,29	50,00	50,00	-	-	50,00	50,00
Ayas Enerji ⁽²⁾	-	34,90	-	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	38,65	38,65	38,65	38,65	0,67	0,67	39,32	39,32
Ford Otosan Netherlands ⁽³⁾	38,65	38,65	39,32	39,32	-	-	39,32	39,32
Ford Romania ⁽⁴⁾	38,65	-	39,32	-	-	-	39,32	-
Güney Tankercilik ^(5, 6)	9,87	9,00	50,00	50,00	-	-	50,00	50,00
Ingage	19,70	19,70	19,70	19,70	30,07	30,07	49,77	49,77
Kaş Marina	29,85	29,85	50,00	50,00	-	-	50,00	50,00
Koç Fiat Sigorta ⁽⁷⁾	37,59	-	37,86	-	-	-	37,86	-
Koçtaş Yapı Market ^(8, 9)	43,50	42,99	50,00	49,92	-	0,08	50,00	50,00
Kuzey Tankercilik ^(5, 6)	9,87	9,00	50,00	50,00	-	-	50,00	50,00
Netsel	32,84	32,84	55,00	55,00	-	-	55,00	55,00
Opet ^(5, 6)	19,75	18,00	43,00	41,33	7,00	8,67	50,00	50,00
Opet Aygaz Gayrimenkul ^(5, 6)	30,22	29,34	50,00	50,00	-	-	50,00	50,00
Opet Fuchs ^(5, 6)	9,87	9,00	50,00	50,00	-	-	50,00	50,00
Opet International ^(5, 6)	19,75	18,00	50,00	50,00	-	-	50,00	50,00
Opet Market ve Akaryakıt ^(5, 6)	19,75	18,00	50,00	50,00	-	-	50,00	50,00
Opet Trade BV ^(5, 6)	19,75	18,00	50,00	50,00	-	-	50,00	50,00
Opet Trade Singapore ^(5, 6)	19,75	18,00	50,00	50,00	-	-	50,00	50,00
THY Opet ^(5, 6)	9,87	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
United LPG	20,34	20,34	50,00	50,00	-	-	50,00	50,00
VoltBek ⁽¹⁾	23,13	22,01	50,00	50,00	-	-	50,00	50,00

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(Amounts on tables expressed in millions of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (1) Koç Holding's effective ownership interest rate has changed following Arçelik's purchase of shares constituting 4,80% of Arçelik's share capital through share buybacks realised in 2022.
 - (2) Transfer of shares constituting 50% of Ayas Enerji capital, previously held by Entek, to Oyak Birleşik Enerji A.Ş. was completed on 29 December 2022.
 - (3) Included in the scope of consolidation in 2022.
 - (4) Acquired in 2022 (Note 3).
 - (5) It has been resolved to transfer Entek shares corresponding to 49,62% of the registered Entek capital in Koç Holding to Tüpraş through a partial demerger transaction through the associates model and the transfer of Entek shares corresponding to 49,62% of the registered Entek capital in Aygaz to Tüpraş through a partial demerger transaction through the model of share transfer to its shareholders by Aygaz, simultaneously. Koç Holding's effective ownership interest rate has changed following the transactions completed in August 2022.
 - (6) Koç Holding's effective ownership interest rate has changed following Tüpraş's purchase of shares belonging to Temel Ticaret and constituting 1,67% of Opet's share capital.
 - (7) Established in 2022.
 - (8) Koç Holding's effective ownership interest rate has changed following Koç Holding's purchase of shares belonging to Temel Ticaret and constituting 0,08% of Koçtaş Yapı Market's share capital.
 - (9) Koç Holding's effective ownership interest rate has changed following the transfer of shares belonging to non-controlling interests and constituting 3,28% of Koç Yapı Malzeme's share capital to Koç Holding.
- 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 (%):

Associates	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
	2022	2021	2022	2021	2022	2021	2022	2021
Allianz Emeklilik ⁽¹⁾	12,50	8,90	20,00	20,00	-	-	20,00	20,00
Banque de Commerce ⁽¹⁾	19,16	13,64	30,67	30,67	-	-	30,67	30,67

- (1) Koç Holding's effective ownership interest rate has changed following Koç Holding's purchase of UniCredit S.p.A. shares and constituting 18% of Yapı Kredi Bankası's share capital.

- 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 financial assets measured at fair value through profit or loss or financial assets measured at fair value through other comprehensive income 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, 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”.

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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 assets 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 Discontinued operations and 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 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.

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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".

2.4.6 Financial assets

Group classifies its financial assets in three categories of financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss in accordance with TFRS 9.

The classification of financial assets is determined considering the business model under which the financial asset is being managed and contractual cash flows representing solely payments of principal and interest of the financial asset. The appropriate classification of financial assets is determined at the time of the purchase.

Assessment of the business model

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not a single instrument basis approach for classification and should be determined on a higher level of aggregation. During the assessment of the business model for management of financial assets, all relevant evidences (policies and targets specified for the portfolio, how the performance of the portfolio is evaluated and reported to the Group's management, how additional payments to management are determined, the risks that affect the performance of the business model and the frequency, volume and timing of sales in prior periods, the reasons for such sales and the expectations about future sales activity) at the assessment date have been taken into consideration.

The business models are divided into three categories. These categories are defined below:

Business model whose objective is to hold assets in order to collect contractual cash flows:

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. That is, the Group manages the assets held within the portfolio to collect those particular contractual cash flows. Although the objective of Group's business model may be to hold financial assets in order to collect contractual cash flows, the Group does not need to hold all of those instruments until their maturity. Thus, the Group's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur or are expected to occur in the future.

Business model whose objective is achieved by both collecting contractual cash flows and selling financial assets:

The Group may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the Group's management has made a decision on both collecting contractual cash flows and selling financial assets are necessary for achieving the objective of the business model. There are various objectives that may be consistent with this type of business model. For example, the objective of the business model may be to manage liquidity needs on daily basis, to maintain a particular interest yield profile or to match the duration of the financial assets to the duration of the liabilities funding those assets. To achieve such an objective, the Group will both collect contractual cash flows and sell financial assets.

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Compared to a business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. This is because selling financial assets is integral to achieving the business model's objective instead of being only incidental to it.

Other business models:

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

A business model in which the Group manages its financial assets in order to obtain cash flows arising from their sales, result in the measurement of financial assets by reflecting the fair value changes to profit or loss. The Group is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the credit risk associated with the time value of money and the unpaid principal amount over a specified period and other basic lending risks and costs.

When evaluating whether the contractual cash flows are solely payments of principal and interest, the Group considers the terms of the contract for the relevant financial instrument. This assessment includes contract terms such as; conditions that may change the amount or timing of cash flows, leverage features, prepayment and extension terms, terms that limit the Group's claim to demand cash flows from specified assets and features that modify consideration of the time value of money.

Financial asset categories

"Financial assets measured at amortised cost" are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group's financial assets measured at amortised cost comprise "cash and cash equivalents", "trade receivables", "debt securities" and "receivables from finance sector operations". Financial assets carried at amortised cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortised cost are accounted for under the consolidated statement of income.

"Financial assets measured at fair value through other comprehensive income" are either equity securities or debt securities that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated as financial assets at fair value through profit or loss. The Group measures related financial assets at fair value. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for foreign exchange gains and losses. When an equity security is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings. When a debt security is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under statement of income.

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"Financial assets at fair value through profit or loss" are assets that are not measured at amortised cost or at fair value through other comprehensive income. Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Gains and losses resulting from the valuation of these assets are accounted in the consolidated statement of income.

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 include cash in hand, deposits held in banks with maturities of 3 months or less, government bonds/treasury bills with original maturities of 3 months or less, other short-term liquid investments and blocked deposits. Group evaluates its cash and cash equivalents in accordance with expected credit loss model for impairment.

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.

The Group collects a part of its receivables through factoring. The amounts that the factoring company takes the risk of collection are deducted from the related receivables accounts. The amount that the Group's collection risk continues are presented in the consolidated financial statements and the amount received from the factoring company in exchange of those receivables is classified as factoring payables under the "Borrowings" account in the consolidated financial statements. Factoring transactions do not change the "hold to collect" business model of the Group as long as only short-term receivables are factored and / or factoring transactions are not frequent.

Impairment

Group has preferred to apply "simplified approach" defined in TFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason.

Group uses a provision matrix for the calculation of the expected credit losses on trade receivables which is based on past experience and future expectations. The provision matrix calculates fixed provision rates depending on the number of days that a trade receivable is past due and those provision rates are reviewed and, revised if necessary, in every reporting period. The changes in the expected credit losses on trade receivables are accounted for under "other operating income/expenses" account of the consolidated statement of income.

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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.

Impairment

Group has adopted "three stage approach (general model)" defined in TFRS 9 for the recognition of impairment losses on receivables from finance sector operations, carried at amortised cost or carried at fair value through other comprehensive income. General model considers the changes in the credit quality of the financial instruments after the initial recognition. Three stages defined in the general model are as follows:

"Stage 1", includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ("ECL") are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date and represents the credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

"Stage 2", includes financial instruments that have had a significant increase in credit risk since initial recognition but those do not have objective evidence of impairment. For these assets, lifetime expected credit losses are recognised and interest revenue is calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

"Stage 3", includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognised.

Group appropriately classifies its financial instruments considering common risk factors (such as the type of the instrument, credit risk rating, guarantees, time to maturity and sector) to determine whether the credit risk on a financial instrument has increased significantly and to account appropriate amount of credit losses in the consolidated financial statements.

The changes in the expected credit losses on receivables from finance sector operations are accounted for under "other operating income/expenses" account of the consolidated statement of income.

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.

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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 service. 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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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

Group - as a lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group considers following indicators for the assessment of whether a contract conveys the right to control the use of an identified asset for a period of time or not:

- The contract includes an identified asset (contract includes a definition of a specified asset explicitly or implicitly),
- A capacity portion of an asset is physically distinct or represents substantially all of the capacity of an asset (if the supplier has a substantive right to substitute the asset and obtain economic benefits from use of the asset, then the asset is not an identified asset),
- Group has the right to obtain substantially all of the economic benefits from use of the identified asset,
- Group has the right to direct the use of an identified asset.
Group has the right to direct the use of the asset throughout the period of use only if either:
 - a) Group has the right to direct how and for what purpose the asset is used throughout the period of use or
 - b) Relevant decisions about how and for what purpose the asset is used are predetermined:
 - i. Group has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
 - ii. Group designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

Group recognises a right-of-use asset and a lease liability at the commencement date of the lease following the consideration of the above mentioned factors.

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Right-of-use asset

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- a) The amount of the initial measurement of the lease liability,
- b) Any lease payments made at or before the commencement date, less any lease incentives received,
- c) Any initial direct costs incurred by the Group, and
- d) An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

When applying the cost model, Group measures the right-of-use asset at cost:

- a) Less any accumulated depreciation and any accumulated impairment losses; and
- b) Adjusted for any remeasurement of the lease liability.

Group applies the depreciation requirements in TAS 16 Property, Plant and Equipment Standard in depreciating the right-of-use asset.

Group applies TAS 36 Impairment of Assets Standard to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease, if that rate can be readily determined, or by using the Group's incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) Fixed payments, less any lease incentives receivable,
- b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- c) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, Group measures the lease liability by:

- a) Increasing the carrying amount to reflect interest on the lease liability,
- b) Reducing the carrying amount to reflect the lease payments made, and
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications. The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Options to extend and terminate

Group assesses the contractual options to extend or to terminate the lease when determining the lease liability. The majority of the options to extend and terminate are exercisable both by the Group and the respective lessor. Group determines the lease term of a lease considering the periods covered by options to extend and terminate the lease if the options are exercisable by the Group and the Group is reasonably certain to exercise those options. If a significant change in circumstances takes place, related lease term assessment is revisited by the Group.

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Variable lease payments

Some lease contracts of the Group contain variable payment terms. Variable lease payments are not in the scope of TFRS 16 Standard and recognised in the statement of income in the related period.

Practical expedients

The short-term lease agreements with a lease term of 12 months or less and agreements related to information technology equipment leases (mainly printer, laptop, mobile phone etc.), which are determined by the Group as low value, have been evaluated within the scope of practical expedients introduced by the TFRS 16 Leases Standard and related lease payments are recognised as an expense in the period in which they are incurred.

Group - as a lessor

All the leases that Group is the lessor are operating leases. Assets leased out under operating leases are classified under investment properties, property, plant and equipment or other current assets in the consolidated balance sheet. Rental income is recognised in the consolidated statement of income on a straight-line basis over the lease term.

2.4.18 Business combinations and goodwill

Business combinations are accounted for by using the purchase method in the scope of TFRS 3 "Business combinations". Any excess of the cost of acquisition over the acquirer's interest in the (i) net fair value of the acquiree's identifiable assets and contingent liabilities as of the acquisition date, (ii) amount of any non-controlling interest in the acquired entity and (iii) fair value of any equity interest previously held by acquirer is accounted for as goodwill. If those amounts are less than fair value of the net identifiable assets of the business acquired, the difference is recognised directly in "Gains from investment activities" as a gain from bargain purchase.

Under this method, the cost of an acquisition is measured over the fair value of cash and other assets given as of the acquisition date, equity instruments issued or liabilities incurred. 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 the cost of business combination at acquisition date is adjusted.

Identifiable assets, liabilities and contingent liabilities of the business acquired are measured initially at their fair values at the acquisition date in the scope of TFRS 3.

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.

TFRS 3 is not applicable to legal merges between the entities controlled by the Group. As a result of these transactions, no goodwill is recognised.

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 "transactions under common control" in "prior years' income".

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. Financial liabilities are excluded from the balance sheet when the obligation specified in the contract is fulfilled, canceled or expired. When the terms of a financial liability are renegotiated or transferred to another party, the difference between the carrying value of the financial liability and the amount paid, including the transferred non-cash assets and liabilities, is recognised in the income statement as profit or loss.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 and recognised under other comprehensive income.

b) Pension rights

The personnel of Yapı Kredi Bankası, a Subsidiary of the Group, are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("the Fund") which was established in accordance with the 20th temporary article of the Social Security Law numbered 506. The technical financial statements of the Fund are audited in accordance with Article 38 of the Insurance Supervision Law and with "Regulation regarding the Actuaries" by a registered independent actuary.

Paragraph one of temporary article 23 of the Banking Act published in the Official Gazette dated 1 November 2005 numbered 25983 stated that foundations like the Fund are to be transferred to the Social Security Institution ("SSI") within three years of the published date of the article. Law article related to the transfer was cancelled by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated 22 March 2007) published in the Official Gazette No. 26479 dated 31 March 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated 15 December 2007, numbered 26371. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" numbered 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on 17 April 2008. The New Law was published in the Official Gazette dated 8 May 2008, numbered 26870 and came into force. With the New Law, the pension funds of the banks are transferred to the SSI in three years from the issuance date of the related article and this period can be extended for maximum two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated 9 April 2011. According to the "Amendment of Social Insurance and General Health Insurance Law No. 6283" published in the Official Gazette dated 8 March 2012, Council of Ministers was authorised to increase the two year extension period to four years. Based on the decision of the Council of Ministers dated 24 February 2014; May 2015 was determined as the date of the transfer. The Council of Ministers was authorised to determine the transfer date of pension funds in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 and numbered 29335. The President was authorised to determine the transfer date of pension funds in accordance with the Official Gazette dated 9 July 2018 and numbered 30473.

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(Amounts on tables expressed in millions of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Under the New Law, a committee is decided to be formed, whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organisation, BRSA and Saving Deposit Insurance Fund ("SDIF") representing the Fund and one member representing the Fund members. This committee is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% by law taking into consideration the income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, the social rights and payments of Fund members and their beneficiaries, which are not provided although they are included in the Fund Title Deed, will be provided by the Fund and the employers of the Fund members.

Yapı Kredi Bankası accounts for a provision for the technical deficit based on the report prepared by a registered actuary with the rates determined by the New Law and in accordance with "TAS 19 - Employee Benefits" standard. As a result of this, service and interest costs incurred in the change of provision for the pension fund are recognised in the income statement and actuarial gains and losses are recognised under equity.

c) Defined contribution plans

The Group has to pay contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. These contributions are recognised as an employee benefit expense when they are accrued.

d) 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

Revenue is accounted for in the consolidated financial statements within the scope of the five-stage model below.

- Identification of customer contracts,
- Identification of performance obligations,
- Determination of the transaction price in the contracts,
- Allocation of transaction price to the performance obligations,
- Recognition of revenue when the performance obligations are satisfied.

Group evaluates each contracted obligation separately and respective obligations, committed to deliver the distinct goods or perform services, are determined as separate performance obligations.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Group determines at contract inception whether the performance obligation is satisfied over time or at a point in time. When the Group transfers control of a good or service over time, and therefore satisfies a performance obligation over time, then the revenue is recognised over time by measuring the progress towards complete satisfaction of that performance obligation.

When a performance obligation is satisfied by transferring promised goods or services to a customer, the Group recognises the revenue as the amount of the transaction price that is allocated to that performance obligation. The goods or services are transferred when the control of the goods or services is delivered to the customers.

Following indicators are considered while evaluating the transfer of control of the goods and services:

- a) Presence of Group's collection right of the consideration for the goods or services,
- b) Customer's ownership of the legal title on goods or services,
- c) Physical transfer of the goods or services,
- d) Customer's ownership of significant risks and rewards related to the goods or services,
- e) Customer's acceptance of goods or services.

If Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted. On the other hand, when the contract effectively constitutes a financing component, 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.

Finance sector

Interest income and expenses are recognised in the income statement on an accrual basis by using the effective interest method. When loans and advances to customers are considered doubtful of collection by the management, interest income is suspended and the rediscount amounts recorded until the cessation date are canceled and not recorded as income until the collection is made. Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognised either in the period when the transaction is realised or deferred based on the type of the underlying transaction. Other commission income and fees from various banking services are recorded as income at the time of realisation.

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.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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 attributable to ongoing investments (interest expenses and foreign exchange losses based on the difference between the TL benchmark interest and interest regarding the foreign currency denominated loans) are capitalised until the completion of the investments.

2.4.31 Derivative instruments and hedging activities

Derivative 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.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The hedging transactions of the Group that qualify for hedge accounting are accounted for as follows:

Fair value hedge

Changes in the fair value of derivatives that are designated and qualified 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.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4.33 Treasury shares

As the Group Companies repurchase their own equity instruments, these instruments are accounted for as "treasury shares" and deducted from equity. Gain or loss is not recognised in the consolidated statement of income due to the purchase, sale, issue or cancellation of the equity instruments of the Group Companies and the amounts received or paid for these transactions are recognised directly in equity.

2.4.34 Events after the balance sheet date

The Group adjusts the amounts recognised in its consolidated financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements.

2.4.35 Statement of cash flows

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.

Impairment tests of intangible assets with indefinite useful lives

As discussed in Note 2.4, goodwill and brands with indefinite useful lives are not amortised but reviewed for impairment on a yearly basis or more frequently, if the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment tests for goodwill are performed by comparing the amount calculated according to the discounted cash flows of each cash generating unit based on long term projections, with the carrying value of the goodwill; whereas impairment tests for brands are performed by comparing the amount calculated by the royalty relief method, with the carrying value of the brand. No impairment was identified as a result of the impairment tests performed as of 31 December 2022 (Note 14 and 15).

Recoverability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available in the foreseeable future. The recoverable amount of deferred tax assets, partially or fully, is estimated under the current conditions. During the assessment of the recoverability of deferred tax assets, future taxable profit forecasts and expiration dates of government grants, carry forward tax losses and other tax advantages were considered (Note 18).

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pension fund

Within the scope of pension fund provision of Yapı Kredi Bankası, a Subsidiary of the Group, which is detailed in Note 2.4.22, the present value of funded obligations is calculated by taking into account the discount rate, mortality rate and medical benefits stated in the New Law and related assumptions are explained in Note 19.

Impairment on receivables from finance sector activities

The Group reviews its financial assets classified as measured at fair value through other comprehensive income and measured at amortised cost at each balance sheet date in order to assess whether they are impaired in line with the accounting policies set out in Note 2.4.10.

The methodology and assumptions used for estimating both significant increase in credit risk and forward-looking information in Note 2.4.10 are discussed below.

Significant increase in credit risk

In the assessment of significant increase in credit risk quantitative and qualitative assessments are made.

Qualitative Assessment:

As a result of quantitative assessment, related financial asset is classified as Stage 2 (significant increase in credit risk) when any of the following criterias are satisfied.

As of reporting date;

- Lifetime expected credit losses shall be recognised on a transaction base, when a past due status is reached. The Group can abandon this estimation only if it has positive, reasonable and supportable information available regarding the client's repayment.
- In case a loan has been restructured, it will be followed up under Stage 2 during the follow-up period mentioned in the related regulations. The loan can be transferred back to Stage 1 at end of the follow-up period if there is no significant deterioration.
- Provisions on unindemnified non-cash loans are evaluated as significant increase in credit risk.

Quantitative assessment:

The probability of significant increase in credit risk under qualitative assessment is based on the comparison of probability of default of a loan in the origination and as of reporting date.

The Group uses distribution regression on segment basis in order to calculate the thresholds used in defining the significant increase in credit risk.

Forward-looking macroeconomic information

The Group incorporates forward-looking macroeconomic information into credit risk parameters during the assessment of significant increase in credit risk and expected credit loss calculation.

For the calculation of expected credit loss, the Group uses macroeconomic forecasting model developed in the stage of creating multiple scenarios. Macroeconomic variables prevailing during this forecasting are Gross Domestic Product (GDP), Unemployment Rate and Foreign Trade Balance. When expected credit losses are estimated in accordance with the forward-looking macroeconomic information, the Group evaluates three scenarios (base, pessimistic and optimistic) with different weights. Each of these three scenarios is associated with different probability of default risk.

2.6 Convenience Translation into English of Consolidated Financial Statements

The accounting principles described in Note 2 (defined as 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

i) A share purchase agreement was signed between Arçelik, a Subsidiary of the Group, and Whirlpool EMEA S.p.A for the purchase of the entire shares of IHP Appliances JSC and IHP Appliances Sales LLC, which operate in Russia, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Armenia, Georgia, Azerbaijan, Kazakhstan, Belarus and Mongolia. Transactions were completed as of 31 August 2022. As of the closing date, entire shares of IHP Appliances JSC and IHP Appliances Sales were directly owned, and their wholly owned subsidiary IHP Kazakhstan LLP's shares were indirectly owned by Arçelik.

The acquired companies own facilities in Lipetsk with a total capacity of 2,8 million units, where refrigerators and laundry products are produced, and have approximately 2.500 employees.

The purchase price shall not exceed the upper limit determined based on the fixed assets and net working capital within the closing financial statements of the acquired companies. This upper limit has been set and finalised as EUR 261,4 million based on the balance sheets of the acquired companies as of 31 August 2022 which were prepared in accordance with IFRS.

The amount of the acquisition cost to be paid for each year will be calculated annually over a period of ten years. Annual payments will be calculated based on the performance and deduction of defined liabilities; and will be paid following the completion of regulatory authorisations regarding the availability of distributable reserves, and the legal restrictions, if any, existing at the time the payment is due. Amounts calculated in Rubles will be paid by converting to EUR at the exchange rate of the day of payment. Any remaining consideration amount that is not yet been accrued and paid since the conditions are not fulfilled as of the tenth year will be accrued and paid over the next five years if the conditions are fulfilled.

The valuation process of the balance sheets as of 31 August 2022 regarding the acquisition are still ongoing. The acquisition has been provisionally accounted in the consolidated financial statements in accordance with TFRS 3 "Business Combinations" as of 31 December 2022. Within the scope of TFRS 3, differences that occur due to the actual results of the valuation studies will be reflected in the consolidated financial statements of the next period.

In addition to the transfer of "Stinol" brand, the right of use of "Indesit" and "Hotpoint" brands have been granted to Arçelik for at least 20 years with the option to extend up to a total of 40 years, by extending in every 10 years.

The provisional fair values of identifiable assets and liabilities in accordance with TFRS 3 arising from the acquisition are as follows:

Cash and cash equivalents	1.354
Trade receivables	691
Inventories	1.288
Other current assets	134
Property, plant and equipment (Note 13)	1.684
Deferred tax assets (Note 18)	118
Trade and other payables	(460)
Other liabilities	(325)
Fair value of total identifiable net assets (%100) (provisional)	4.484
Total contingent consideration (provisional) (*)	3.022
Gain on bargain purchase (Note 27)	1.462

(*) Contingent consideration amount calculated as of 31 August 2022 has been accounted at its fair value in the consolidated financial statements as of 31 December 2022 (Note 22.d).

Had the financial statements of acquired companies been consolidated since 1 January 2022, additional contribution to consolidated revenue and net profit attributable to equity holders of the parent would have amounted to TL2.859 million and TL10 million, respectively.

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NOTE 3 - BUSINESS COMBINATIONS (Continued)

ii) Ford Otosan, a Joint Venture of the Group, acquired entire shares of Ford Romania SRL on 1 July 2022. Ford Romania SRL manufactures cars and engines at its Craiova plant.

According to the agreement, the first installment of the purchase price was paid as TL7,1 billion (EUR406 million) and calculated considering the cash and debt amounts on the provisional financial statements dated 30 June 2022 and adjusted for the net working capital and investment amount for the Next Generation Courier project. After the calculations made on the closing balance sheet of Ford Romania SRL dated 30 June 2022, an additional payment of TL256 million (EUR13 million) was made. EUR196 million including interest will be paid in June 2025, and EUR23 million including interest will be paid in December 2028. In addition, an additional payment of up to EUR140 million including interest may be realised depending on the capacity utilisation rate of the Romania plant for the years 2028-2034.

In addition to the total amount of TL7,4 billion paid, the consideration amount consists of the second and third installments to be paid in 2025 and 2028, , and a contingent payment amount of TL5,5 billion, which is calculated depending on the capacity utilisation rate of the Romania plant for the years 2028-2034. The aforementioned amount has been taken into account in the goodwill calculation of the acquisition accounting. In this context, total consideration amount calculated according to the best estimates of Ford Otosan management as of 31 December 2022 is TL12,9 billion, including the interest accrual.

In accordance with TFRS 3, any difference in the contingent consideration amount resulting from operational results in the following period will be recognised in the consolidated statement of profit or loss.

The details of the goodwill calculation, total consideration amount and the net assets acquired are as follows:

Total consideration amount	12.871
- Cash consideration amount	7.375
- Contingent and deferred consideration amount	5.496
Net assets acquired	12.429
Goodwill	442

The fair values of identifiable assets and liabilities in accordance with TFRS 3 arising from the acquisition are as follows:

Cash and cash equivalents	293
Trade receivables	2.235
Other receivables	386
Inventories	3.517
Prepaid expenses	147
Other current assets	442
Property, plant and equipment	9.154
Right-of-use-assets	32
Intangible assets	3.234
Trade and other payables	(5.554)
Deferred tax liabilities	(489)
Other liabilities	(968)

Fair value of total identifiable net assets	12.429
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NOTE 3 - BUSINESS COMBINATIONS (Continued)

The details of cash outflow due to acquisition are as follows:

Total consideration - cash	7.375
Cash and cash equivalents - acquired	(293)
Cash outflow due to acquisition (net)	7.082

In addition to production, supply and spare part supply agreements for Courier, Puma and EcoSport models and engines with Ford Otosan, Ford Motor Company and related Ford Group Companies; technology and production license agreements for these products have been signed with Ford Motor Company.

Within the scope of these agreements, Craiova Plant's vehicle production capacity will increase to a total of 272 thousand units per year. According to the production plan, New Generation Courier production will increase to 100 thousand and Puma production will increase to 189 thousand annually. Besides, the engine production capacity is determined as 350 thousand units. In addition, in accordance with the supply agreements, it is foreseen that EUR490 million investment and engineering expenditure will be made in the next three years for the production of the New Generation Courier, which will start in 2023.

It is estimated that a significant portion of the manufactured vehicles will be sold to Ford Motor Company or subsidiaries, and the transfer price will be calculated with cost plus methodology through which investment costs will be reflected to Ford Motor Company.

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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 2022 and 2021 are presented separately.

1 January - 31 December 2022	Energy	Automotive	Consumer durables	Finance	Other	Total
External revenue	602.961	298.038	148.651	167.467	29.564	1.246.681
Intra segment revenue	108.275	11.034	3.783	303	3.597	126.992
Inter segment revenue	2.491	3.801	1.279	929	23.366	31.866
Combined revenue	713.727	312.873	153.713	168.699	56.527	1.405.539
Combined gross profit	71.854	53.348	41.085	99.942	10.407	276.636
Operating expenses	(13.468)	(14.442)	(32.067)	(17.729)	(8.184)	(85.890)
Other operating income/(expenses) (net) ⁽¹⁾	464	367	156	(13.105)	(23)	(12.141)
Exchange gains/(losses) and credit finance income/(charges) from operating activities (net) ⁽²⁾	(9.123)	588	615	-	(144)	(8.064)
Combined operating profit	49.727	39.861	9.789	69.108	2.056	170.541
Gains/(losses) from investment activities (net) ⁽³⁾	104	196	1.493	89	714	2.596
Financial income/expenses (net)	(8.948)	(6.237)	(6.893)	-	(262)	(22.340)
Combined profit before tax	40.883	33.820	4.389	69.197	2.508	150.797
Tax income/(expense) (net)	1.304	2.416	407	(16.716)	(461)	(13.050)
Combined net profit for the period	42.187	36.236	4.796	52.481	2.047	137.747
Net profit for the period ⁽⁴⁾	19.028	16.341	2.170	31.659	608	69.806

(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 bargain purchase of Arçelik, a Subsidiary of the Group, arising from the acquisition of IHP Appliances JSC and IHP Appliances Sales LLC amounting to TL1.462 million, has been accounted for under "gains/losses from investment activities" account of the Consumer Durables sector (Note 27).

(4) Represents consolidated net profit attributable to the equity holders of the parent.

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NOTE 4 - SEGMENT REPORTING (Continued)

1 January - 31 December 2021	Energy	Automotive	Consumer durables	Finance	Other	Total
External revenue	190.188	128.215	74.843	73.065	13.349	479.660
Intra segment revenue	38.647	10.039	1.694	113	1.419	51.912
Inter segment revenue	714	761	352	336	10.597	12.760
Combined revenue	229.549	139.015	76.889	73.514	25.365	544.332
Combined gross profit	21.632	25.071	21.035	30.788	4.448	102.974
Operating expenses	(5.935)	(6.653)	(15.967)	(9.090)	(3.578)	(41.223)
Other operating income/(expenses) (net) ⁽¹⁾	429	(204)	46	(8.210)	8	(7.931)
Exchange gains/(losses) and credit finance income/(charges) from operating activities (net) ⁽²⁾	(12.686)	340	2.017	-	(155)	(10.484)
Combined operating profit	3.440	18.554	7.131	13.488	723	43.336
Gains/(losses) from investment activities (net) ⁽³⁾	176	32	251	-	179	638
Financial income/(expenses) (net)	355	(2.191)	(3.736)	-	565	(5.007)
Combined profit before tax	3.971	16.395	3.646	13.488	1.467	38.967
Tax income/(expense) (net)	921	(434)	(443)	(3.363)	(255)	(3.574)
Combined net profit for the period	4.892	15.961	3.203	10.125	1.212	35.393
Net profit for the period ⁽⁴⁾	1.675	7.012	1.311	4.593	602	15.193

(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 bargain purchase of Arçelik, a Subsidiary of the Group, arising from the acquisition of Whirlpool Beyaz Eşya Sanayi ve Ticaret A.Ş. (currently Arçelik Üretim ve Teknoloji A.Ş.) amounting to TL235 million, has been accounted for under "gains/losses from investment activities" account of the Consumer Durables sector (Note 27).

(4) Represents consolidated net profit attributable to the equity holders of the parent.

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NOTE 4 - SEGMENT REPORTING (Continued)

	2022	2021
a) <u>Revenue</u>		
Energy	713.727	229.549
Automotive	312.873	139.015
Consumer durables	153.713	76.889
Finance	168.699	73.514
Other	56.527	25.365
Combined	1.405.539	544.332
Less: Joint Ventures (Note 8.d)	(468.973)	(182.739)
Less: Consolidation eliminations and adjustments	(34.709)	(14.904)
Consolidated	901.857	346.689
b) <u>Operating profit</u>		
Energy	49.727	3.440
Automotive	39.861	18.554
Consumer durables	9.789	7.131
Finance	69.108	13.488
Other	2.056	723
Combined	170.541	43.336
Less: Joint Ventures (Note 8.d)	(35.991)	(17.372)
Less: Consolidation eliminations and adjustments	2.380	2.831
Add: Net profit shares of Joint Ventures and associates (Note 8.c)	12.416	5.880
Consolidated	149.346	34.675
c) <u>Depreciation and amortisation</u> (*)		
Energy	1.825	1.584
Automotive	5.735	3.548
Consumer durables	3.361	1.870
Finance	1.291	1.041
Other	602	426
Combined	12.814	8.469
Less: Joint Ventures (Note 8.d)	(4.400)	(3.064)
Less: Consolidation eliminations and adjustments	(154)	(119)
Consolidated	8.260	5.286

(*) Includes the depreciation expenses of right-of-use assets. As of 31 December 2022, combined depreciation expense of the right-of-use assets amounted to TL2.097 million (31 December 2021: TL1.458 million) and consolidated depreciation expense amounted to TL1.461 million (31 December 2021: TL951 million).

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NOTE 4 - SEGMENT REPORTING (Continued)

	2022	2021
d) <u>Profit before tax</u>		
Energy	40.883	3.971
Automotive	33.820	16.395
Consumer durables	4.389	3.646
Finance	69.197	13.488
Other	2.508	1.467
Combined	150.797	38.967
Less: Joint Ventures (Note 8.d)	(29.076)	(15.718)
Add: Net profit shares of Joint Ventures and associates (Note 8.c)	12.416	5.880
Consolidated	134.137	29.129
e) <u>Net profit for the period</u>		
Energy	42.187	4.892
Automotive	36.236	15.961
Consumer durables	4.796	3.203
Finance	52.481	10.125
Other	2.047	1.212
Combined	137.747	35.393
Less: Joint Ventures (Note 8.d)	(31.943)	(15.088)
Add: Net profit shares of Joint Ventures and associates (Note 8.c)	12.416	5.880
Less: Non-controlling interests	(48.414)	(10.992)
Consolidated (attributable to the equity holders of the parent)	69.806	15.193
f) <u>Capital expenditures</u> (*)		
Energy	3.946	2.342
Automotive	26.457	10.818
Consumer durables	6.145	2.605
Finance	1.484	802
Other	2.443	687
Combined	40.475	17.254
Less: Joint Ventures	(12.879)	(4.726)
Consolidated	27.596	12.528

(*) Capital expenditures do not include the additions related to the right-of-use assets.

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NOTE 4 - SEGMENT REPORTING (Continued)

	31 December 2022	31 December 2021
g) Total assets		
Energy	199.543	119.769
Automotive	206.211	100.125
Consumer durables	142.638	90.677
Finance	1.191.487	788.430
Other	68.820	45.485
Combined	1.808.699	1.144.486
Less: Joint Ventures (Note 8.d)	(192.069)	(94.663)
Add: Carrying values of Joint Ventures and associates (Note 8.a)	21.369	12.135
Less: Eliminations	(55.405)	(41.405)
Consolidated	1.582.594	1.020.553

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2022			31 December 2021		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Cash in hand	13.177	34	13.211	12.884	14	12.898
Cheques received	-	196	196	-	126	126
Banks						
- Demand deposits	32.024	10.102	42.126	24.222	6.312	30.534
- Time deposits	16.592	76.215	92.807	13.763	34.315	48.078
- Reverse repo receivables	53	-	53	1.806	-	1.806
Other	2.462	763	3.225	-	407	407
	64.308	87.310	151.618	52.675	41.174	93.849

As of 31 December 2022, total blocked deposits amounted to TL6.610 million (31 December 2021: TL4.325 million). As of 31 December 2022, TL3.370 million (31 December 2021: TL2.720 million) of the related amount consists of the revenue shares collected by Tüpraş, a Subsidiary of the Group, as indicated in the Petroleum Market License Regulation and TL2.705 million (31 December 2021: TL1.528 million) of the related amount consist of blocked demand deposits Tüpraş, for derivative transactions carried out in foreign stock exchanges.

Group companies operating in Non-Finance sectors have cash and cash equivalent balances amounting to TL22.736 million held at Yapı Kredi Bankası and eliminated during the preparation of consolidated financial statements as of 31 December 2022 (31 December 2021: TL22.178 million).

NOT 6 - BALANCES WITH CENTRAL BANK OF THE REPUBLIC OF TURKEY

	31 December 2022	31 December 2021
Balances with Central Bank of the Republic of Turkey	130.959	103.245
- Required reserves (*)	59.169	48.051
- Free deposits	71.790	55.194
	130.959	103.245

(*) In accordance with the legislation of the CBRT numbered 2013/15 "Decree on Reserve Deposits", banks operating in Turkey must place TL, USD, EUR and gold reserves for their liabilities. As of 31 December 2022, the ratios for TL reserves are between 3% and 8% (31 December 2021: 3% and 8%) and the ratios for foreign currency reserves are between 5% and 26% (31 December 2021: 5% and 26%) for deposits and other liabilities depending on their maturity structures.

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NOTE 7 - FINANCIAL ASSETS

	31 December 2022			31 December 2021		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Financial assets measured at fair value through profit or loss	4.752	431	5.183	802	380	1.182
Financial assets measured at fair value through other comprehensive income	10.861	68.890	79.751	10.272	25.064	35.336
Financial assets measured at amortised cost	8.532	159.911	168.443	3.409	92.711	96.120
	24.145	229.232	253.377	14.483	118.155	132.638

a) Financial assets measured at fair value through profit or loss

	31 December 2022			31 December 2021		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Debt securities:						
Government bonds	596	-	596	211	-	211
	596	-	596	211	-	211
Deposits:						
Time deposits	-	2.473	2.473	-	-	-
	-	2.473	2.473	-	-	-
Equity securities:						
Listed	1.683	-	1.683	363	-	363
Unlisted	-	431	431	228	380	608
	1.683	431	2.114	591	380	971
	2.279	2.904	5.183	802	380	1.182

b) Financial assets measured at fair value through other comprehensive income

	31 December 2022			31 December 2021		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Debt securities:						
Government bonds	59.418	-	59.418	27.730	-	27.730
Eurobonds	16.980	-	16.980	6.023	-	6.023
Private sector bonds	1.899	-	1.899	954	-	954
	78.297	-	78.297	34.707	-	34.707
Equity securities:						
Listed	-	921	921	-	484	484
Unlisted	202	331	533	93	52	145
	202	1.252	1.454	93	536	629
	78.499	1.252	79.751	34.800	536	35.336

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NOTE 7 - FINANCIAL ASSETS (Continued)

The movement of financial assets at fair value through other comprehensive income is as follows:

	2022	2021
Beginning of the period - 1 January	35.336	25.479
Additions	36.723	8.788
Disposals / redemptions	(12.377)	(7.900)
Currency translation differences	4.332	4.432
Change in interest accruals	15.301	4.408
Fair value gains / impairment losses (net)	436	108
Business combinations	-	21
End of the period - 31 December	79.751	35.336

c) Financial assets measured at amortised cost

	31 December 2022			31 December 2021		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Debt securities:						
Government bonds	95.884	-	95.884	47.676	-	47.676
Eurobonds	66.690	-	66.690	44.130	-	44.130
Other	5.869	-	5.869	4.314	-	4.314
	168.443	-	168.443	96.120	-	96.120

The movement of financial assets measured at amortised cost is as follows:

	2022	2021
Beginning of the period - 1 January	96.120	53.013
Additions	31.057	23.582
Disposals / redemptions	(8.560)	(2.067)
Currency translation differences	32.704	15.183
Change in interest accruals	17.122	6.409
End of the period - 31 December	168.443	96.120

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NOTE 8 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a) The details of carrying values and consolidation rates subject to equity accounting of Joint Ventures and associates are as follows:

	31 December 2022		31 December 2021	
	%	Amount	%	Amount
Ford Otosan	38,65	8.289	38,65	3.955
Tofaş	37,59	4.238	37,59	2.145
Banque de Commerce	30,67	2.872	30,67	2.051
Opet	43,00	1.680	41,33	1.340
Türk Traktör	37,50	1.364	37,50	771
Allianz Emeklilik	20,00	655	20,00	426
Other		2.271		1.447
		21.369		12.135
Joint Ventures		17.842		9.658
Associates		3.527		2.477
		21.369		12.135

b) The market values (Level 1) of the listed Joint Ventures are as follows:

	31 December 2022	31 December 2021
Ford Otosan	184.052	83.552
Tofaş	82.850	37.850
Türk Traktör	35.224	11.955

c) The movement of Joint Ventures and associates is as follows:

	2022	2021
Beginning of the period - 1 January	12.135	8.367
Shares of profit/(loss)	12.416	5.880
Shares of other comprehensive income/(loss)	988	316
Dividend received	(4.858)	(2.645)
Dividend paid	15	42
Contribution to capital increases	485	200
Transactions with non-controlling interests (*)	180	-
Profit eliminations	8	(2)
Disposals from the scope of consolidation	-	(23)
End of the period - 31 December	21.369	12.135

(*) Related to the acquisition of shares constituting 1,67% of Opet's share capital from non-controlling interests (Note 2.4).

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NOTE 8 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

<i>Shares of profit/(loss) of Joint Ventures and associates:</i>	2022	2021
Ford Otosan	7.213	3.301
Tofaş	3.218	1.233
Opet	270	553
Türk Traktör	1.114	496
Other	601	297
	12.416	5.880
Joint Ventures	12.180	5.741
Associates	236	139
	12.416	5.880
<i>Shares of other comprehensive income/(loss) of Joint Ventures and associates:</i>	2022	2021
Ford Otosan	(344)	(722)
Tofaş	77	(191)
Banque de Commerce	870	848
Opet	124	103
Türk Traktör	(70)	53
Other	331	225
	988	316
Joint Ventures	47	(511)
Associates	941	827
	988	316
<i>Dividend income/(capital increases) from Joint Ventures and associates:</i>	2022	2021
Ford Otosan	2.536	1.382
Tofaş	1.203	564
Banque de Commerce	49	-
Opet	248	83
Allianz Emeklilik	77	51
Türk Traktör	450	319
Other	(190)	46
	4.373	2.445

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NOTE 8 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

d) Condensed financial information of Joint Ventures after consolidation adjustments is as follows:

Condensed balance sheet information of Joint Ventures:

31 December 2022	Ford Otosan	Tofaş	Opet	Türk Traktör	Other	Total
Cash and cash equivalents	10.115	12.019	6.508	4.417	2.807	35.866
Other current assets	44.969	18.281	16.405	7.172	9.653	96.480
Receivables from finance sector operations	-	4.809	-	-	-	4.809
Other non-current assets	40.269	5.184	3.494	2.220	3.747	54.914
Total assets	95.353	40.293	26.407	13.809	16.207	192.069
Short-term borrowings	13.219	5.071	12.427	3.402	3.866	37.985
Other current liabilities	32.951	20.956	6.016	5.923	6.095	71.941
Long-term borrowings	18.293	1.889	4.520	459	483	25.644
Other non-current liabilities	9.577	1.104	118	386	481	11.666
Total liabilities	74.040	29.020	23.081	10.170	10.925	147.236
Net assets:	21.313	11.273	3.326	3.639	5.282	44.833
Allocation of net assets:						
Non-controlling interests	-	-	-	-	-	-
Equity holders of the parent	21.313	11.273	3.326	3.639	5.282	44.833
Reconciliation of carrying value:						
<i>Ownership of the Group</i>	<i>38,65%</i>	<i>37,59%</i>	<i>43,00%</i>	<i>37,50%</i>		
Net asset share of the Group	8.238	4.238	1.430	1.364	2.259	17.529
Goodwill carried at Group level	-	-	139	-	-	139
Impact of additional share purchase	51	-	111	-	12	174
Carrying value	8.289	4.238	1.680	1.364	2.271	17.842

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NOTE 8 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

31 December 2021	Ford Otosan	Tofaş	Opet	Türk Traktör	Other	Total
Cash and cash equivalents	14.174	4.215	1.320	1.567	1.056	22.332
Other current assets	18.640	9.797	8.761	3.373	5.864	46.435
Receivables from finance sector operations	-	4.383	-	-	-	4.383
Other non-current assets	9.929	5.031	2.509	1.171	2.873	21.513
Total assets	42.743	23.426	12.590	6.111	9.793	94.663
Short-term borrowings	8.257	4.138	2.430	569	1.290	16.684
Other current liabilities	12.525	9.608	3.376	2.798	4.469	32.776
Long-term borrowings	10.799	3.621	3.844	533	472	19.269
Other non-current liabilities	1.061	351	35	156	239	1.842
Total liabilities	32.642	17.718	9.685	4.056	6.470	70.571
Net assets:	10.101	5.708	2.905	2.055	3.323	24.092
Allocation of net assets:						
Non-controlling interests	-	-	-	-	-	-
Equity holders of the parent	10.101	5.708	2.905	2.055	3.323	24.092
Reconciliation of carrying value:						
<i>Ownership of the Group</i>	<i>38,65%</i>	<i>37,59%</i>	<i>41,33%</i>	<i>37,50%</i>		
Net asset share of the Group	3.904	2.145	1.201	771	1.435	9.456
Goodwill carried at Group level	-	-	139	-	-	139
Impact of additional share purchase	51	-	-	-	12	63
Carrying value	3.955	2.145	1.340	771	1.447	9.658

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NOTE 8 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Condensed income statement information:

1 January - 31 December 2022	Ford Otosan	Tofaş	Opet ⁽²⁾	Türk Traktör	Other	Total
Revenue	171.797	66.793	179.988	21.835	28.560	468.973
Depreciation and amortisation	1.895	1.519	542	214	230	4.400
Operating profit	19.141	8.930	2.847	2.949	2.124	35.991
Net financial income/(expenses)	(3.503)	(452)	(2.270)	(107)	(720)	(7.052)
Profit before tax	15.621	8.562	592	2.863	1.438	29.076
Net profit for the period	18.662	8.561	664	2.971	1.085	31.943
Non-controlling interests	-	-	-	-	-	-
Equity holders of the parents	18.662	8.561	664	2.971	1.085	31.943
<i>Ownership of the Group</i>	<i>38,65%</i>	<i>37,59%</i>	<i>43,00%</i>	<i>37,50%</i>		
Net profit share of the Group	7.213	3.218	270	1.114	365	12.180
1 January - 31 December 2021	Ford Otosan ⁽¹⁾	Tofaş	Opet ⁽²⁾	Türk Traktör	Other	Total
Revenue	71.101	30.513	56.007	11.644	13.474	182.739
Depreciation and amortisation	1.054	1.199	433	161	217	3.064
Operating profit	9.115	4.096	1.775	1.413	973	17.372
Net financial income/(expenses)	(716)	(622)	(276)	95	(189)	(1.708)
Profit before tax	8.361	3.512	1.533	1.510	802	15.718
Net profit for the period	8.540	3.281	1.338	1.322	607	15.088
Non-controlling interests	-	-	-	-	-	-
Equity holders of the parents	8.540	3.281	1.338	1.322	607	15.088
<i>Ownership of the Group</i>	<i>38,65%</i>	<i>37,59%</i>	<i>41,33%</i>	<i>37,50%</i>		
Net profit share of the Group	3.301	1.233	553	496	158	5.741

(1) The operational results of Ford Otosan, a Joint Venture of the Group, for the period January-December 2021 include TL225 million expected credit losses provision (TL168,8 million net amount with TL56,3 million deferred tax impact) provided for the misconduct identified regarding dealer receivables and risks (profit/loss impact in the consolidated financial statements: TL65,3 million).

(2) The operational results of Opet, a Joint Venture of the Group, for the period January-December 2020 include TL325 million administrative penalty expense regarding the payment realised to the Competition Authority. In the lawsuit filed by Opet for the cancellation of the related penalty, a stay of execution decision was granted and related administrative penalty was repaid to Opet with its legal interest in September 2021. Therefore, the financial results of Opet for the period January-December 2021 include TL325 million income resulting from the cancellation of the administrative penalty. The Competition Authority applied to the Court of Appeal for the annulment of the cancellation decision of the Court of First Instance and the trial continues.

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES

Trade receivables	31 December 2022	31 December 2021
Trade receivables	70.787	44.265
Notes and cheques receivable	2.659	2.179
Less: Provision for expected credit loss	(1.946)	(1.302)
Less: Unearned finance income	(1.043)	(460)
	70.457	44.682
Due from related parties (Note 29)	5.491	3.074
	75.948	47.756
Short-term trade receivables	74.829	46.980
Long-term trade receivables	1.119	776
	75.948	47.756

Tüpraş and Arçelik, the Subsidiaries of the Group, offset TL6.211 million (31 December 2021: TL642 million) and TL5.767 million (31 December 2021: TL2.366 million) respectively, from their trade receivables that were collected from factoring companies as a part of irrevocable factoring agreements as of 31 December 2022.

Movement of the provision for expected credit losses is as follows:

	2022	2021
Beginning of the period - 1 January	1.302	877
Increases during the period	203	143
Business combinations	275	30
Collections	(29)	(36)
Write-offs (*)	(92)	(66)
Currency translation differences	287	354
End of the period - 31 December	1.946	1.302

(*) Doubtful receivables, for which no possibility of collection is foreseen, are written off from the records along with their related provisions.

Trade payables	31 December 2022	31 December 2021
Trade payables	96.546	69.130
Less: Unearned finance expense	(628)	(232)
	95.918	68.898
Due to related parties (Note 29)	6.921	2.690
	102.839	71.588

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NOTE 10 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	31 December 2022	31 December 2021
Short-term receivables from finance sector operations	414.715	229.362
Long-term receivables from finance sector operations	212.975	187.381
	627.690	416.743

The breakdown of receivables from finance sector operations is as follows:

31 December 2022	Corporate and commercial loans	Consumer loans	Credit card receivables	Leasing receivables	Factoring receivables	Total
Stage 1	314.252	113.841	103.391	19.074	10.514	561.072
Stage 2	65.209	8.281	6.629	765	576	81.460
Stage 3	15.515	4.723	1.406	501	100	22.245
Gross (*)	394.976	126.845	111.426	20.340	11.190	664.777
Stage 1 and 2	(17.304)	(1.856)	(856)	(399)	(110)	(20.525)
Stage 3	(10.504)	(4.337)	(1.281)	(368)	(72)	(16.562)
Expected credit losses (-) (*)	(27.808)	(6.193)	(2.137)	(767)	(182)	(37.087)
Net	367.168	120.652	109.289	19.573	11.008	627.690

31 December 2021	Corporate and commercial loans	Consumer loans	Credit card receivables	Leasing receivables	Factoring receivables	Total
Stage 1	222.020	70.305	47.532	14.113	5.189	359.159
Stage 2	56.923	5.831	3.460	887	786	67.887
Stage 3	15.103	3.090	1.443	438	139	20.213
Gross	294.046	79.226	52.435	15.438	6.114	447.259
Stage 1 and 2	(13.471)	(1.701)	(454)	(355)	(85)	(16.066)
Stage 3	(10.043)	(2.677)	(1.273)	(343)	(114)	(14.450)
Expected credit losses (-) (*)	(23.514)	(4.378)	(1.727)	(698)	(199)	(30.516)
Net	270.532	74.848	50.708	14.740	5.915	416.743

(*) TL657.307 million (31 December 2021: TL445.079 million) of gross receivables from finance sector operations and TL36.945 million (31 December 2021: TL30.392 million) of expected credit losses are related to Yapı Kredi Bankası.

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NOTE 10 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

Movement of the expected credit losses is as follows:

2022	Corporate and commercial loans	Consumer loans	Credit card receivables	Leasing receivables	Factoring receivables	Total
Beginning of the period - 1 January	23.514	4.378	1.727	698	199	30.516
Increases during the period	10.718	4.653	1.634	178	96	17.279
Collections	(7.978)	(1.886)	(767)	(174)	(56)	(10.861)
Disposals due to sale of portfolio	(209)	(997)	(467)	-	-	(1.673)
Write-offs	(3.111)	(4)	-	-	(56)	(3.171)
Currency translation differences	4.874	49	10	65	(1)	4.997
End of the period - 31 December	27.808	6.193	2.137	767	182	37.087

2021	Corporate and commercial loans	Customer loans	Credit card receivables	Leasing receivables	Factoring receivables	Total
Beginning of the period - 1 January	19.477	2.953	1.629	568	154	24.781
Increases during the period	1.795	1.766	337	205	78	4.181
Collections	(1.747)	(343)	(255)	(74)	(32)	(2.451)
Write-offs	(1.035)	(32)	(2)	(69)	(1)	(1.139)
Currency translation differences	5.024	34	18	68	-	5.144
End of the period - 31 December	23.514	4.378	1.727	698	199	30.516

Stage-based movement of the expected credit losses is as follows:

2022	Stage 1	Stage 2	Stage 3	Total
Beginning of the period - 1 January	3.339	12.727	14.450	30.516
Increases during the period	2.187	4.535	10.557	17.279
Collections	(1.684)	(3.894)	(5.283)	(10.861)
Write-offs	-	-	(3.171)	(3.171)
Disposals due to sale of portfolio	-	-	(1.673)	(1.673)
Transfers to Stage 1	315	(315)	-	-
Transfers to Stage 2	(20)	114	(94)	-
Transfers to Stage 3	(1)	(1.646)	1.647	-
Currency translation differences	724	4.144	129	4.997
End of the period - 31 December	4.860	15.665	16.562	37.087

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NOTE 10 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

2021	Stage 1	Stage 2	Stage 3	Total
Beginning of the period - 1 January	2.795	8.344	13.642	24.781
Increases during the period	630	899	2.652	4.181
Collections	(542)	(793)	(1.116)	(2.451)
Write-offs	-	-	(1.139)	(1.139)
Transfers to Stage 1	605	(569)	(36)	-
Transfers to Stage 2	(739)	927	(188)	-
Transfers to Stage 3	(69)	(451)	520	-
Currency translation differences	659	4.370	115	5.144
End of the period - 31 December	3.339	12.727	14.450	30.516

NOTE 11 - DERIVATIVE INSTRUMENTS

The breakdown of derivative instruments as of 31 December 2022 and 2021 is as follows:

	31 December 2022		31 December 2021	
	Asset	Liability	Asset	Liability
Derivatives held for trading	11.447	13.020	19.199	17.201
Derivatives held for hedging	11.294	2.430	6.409	4.901
	22.741	15.450	25.608	22.102

Finance:

	31 December 2022			31 December 2021		
	Contract amount (*)	Fair Values		Contract amount (*)	Fair Values	
		Asset	Liability		Asset	Liability
Derivatives held for trading:						
Interest rate swaps	244.236	2.897	2.422	231.544	1.541	1.474
Currency swaps	264.250	2.121	3.733	173.875	10.287	7.825
Currency forwards	30.740	1.038	221	26.393	1.178	1.611
Cross-currency fixed interest rate swaps	14.788	3.134	5.836	23.004	4.126	5.681
Option agreements	111.771	1.163	331	13.594	163	61
Other derivative instruments	99.778	785	12	88.038	847	6
	765.563	11.138	12.555	556.448	18.142	16.658
Derivatives held for hedging:						
Interest rate swaps	120.990	7.556	35	113.088	3.560	683
Cross-currency fixed interest rate swaps	1.935	-	1.381	1.496	-	989
	122.925	7.556	1.416	114.584	3.560	1.672

(*) Refers to the aggregate contract amounts of buy and sell legs of the related derivative instruments.

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NOTE 11 - DERIVATIVE INSTRUMENTS (Continued)

Non-finance:

	31 December 2022			31 December 2021		
	Contract amount (*)	Fair values		Contract amount (*)	Fair values	
		Asset	Liability		Asset	Liability
Derivatives held for trading:						
Currency forwards	32.057	172	331	52.142	1.055	416
Currency swaps	14.688	60	56	6.560	2	27
Commodity futures	852	77	78	20.448	-	100
	47.597	309	465	79.150	1.057	543
Derivatives held for hedging:						
Interest rate swaps	6.787	182	16	9.141	93	112
Cross-currency fixed interest rate swaps	248	216	-	369	274	-
Currency swaps	672	14	298	558	-	177
Currency forwards	2.276	2	-	151	9	-
Commodity futures	92.587	3.324	700	34.675	2.473	2.940
	102.570	3.738	1.014	44.894	2.849	3.229

(*) Refers to the aggregate contract amounts of buy and sell legs of the related derivative instruments.

NOTE 12 - INVENTORIES

	31 December 2022	31 December 2021
Raw materials and supplies	22.602	11.110
Work in progress	10.300	5.018
Finished goods	24.132	13.977
Merchandise	10.372	4.948
Goods in transit	11.679	11.413
Other inventories	366	105
Less: Provision for impairment	(930)	(313)
	78.521	46.258

Movement of provision for impairment on inventories is as follows:

	2022	2021
The beginning of the period - 1 January	313	188
Increase during the period	641	83
Reversal of provisions	(100)	(105)
Business combinations	49	36
Currency translation differences	27	111
End of the period - 31 December	930	313

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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 2022								
Cost	6.972	13.774	29.995	18.589	5.759	2.550	1.288	78.927
Accumulated depreciation	(1.634)	(4.719)	(13.411)	(3.945)	(3.303)	-	(747)	(27.759)
Net book value	5.338	9.055	16.584	14.644	2.456	2.550	541	51.168
Net book value at the beginning of period	5.338	9.055	16.584	14.644	2.456	2.550	541	51.168
Additions	347	2.928	1.624	11.394	2.257	4.556	276	23.382
Business combinations (Note 3)	40	766	822	17	20	11	8	1.684
Additions to the scope of consolidation (Note 1)	-	-	-	358	7	-	-	365
Disposals	(11)	(350)	(127)	(498)	(38)	(292)	(15)	(1.331)
Transfers (*)	23	330	1.475	(1.218)	187	(2.157)	33	(1.327)
Currency translation differences	140	1.127	1.236	2.577	271	212	7	5.570
Current period depreciation	(197)	(1.334)	(2.080)	(1.878)	(849)	-	(147)	(6.485)
Net book value at the end of the period	5.680	12.522	19.534	25.396	4.311	4.880	703	73.026
31 December 2022								
Cost	7.509	18.848	36.882	31.340	8.939	4.880	1.550	109.948
Accumulated depreciation	(1.829)	(6.326)	(17.348)	(5.944)	(4.628)	-	(847)	(36.922)
Net book value	5.680	12.522	19.534	25.396	4.311	4.880	703	73.026

(*) Include transfers amounting to TL1.236 million from other non-current assets used in operational lease classified under property, plant and equipment to inventories and transfers amounting to TL91 million from property, plant and equipment to other intangible assets (Note 15).

Net book value of the right-of-use assets classified under property, plant and equipment is TL5.110 million as of 31 December 2022 (31 December 2021: TL3.297 million). For the year ended 31 December 2022, additions to the right-of-use assets amounted to TL3.067 million (31 December 2021: TL1.524 million) and depreciation expenses amounted to TL1.461 million (31 December 2021: TL951 million).

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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	Leasehold improvements	Total
As of 1 January 2021								
Cost	6.153	10.798	23.049	11.731	3.985	2.295	934	58.945
Accumulated depreciation	(1.443)	(3.565)	(10.062)	(2.291)	(2.499)	-	(564)	(20.424)
Net book value	4.710	7.233	12.987	9.440	1.486	2.295	370	38.521
Net book value at the beginning of the period	4.710	7.233	12.987	9.440	1.486	2.295	370	38.521
Additions	198	1.437	1.591	4.973	971	1.243	202	10.615
Business combinations	412	373	1.252	11	165	33	1	2.247
Disposals	(1)	(438)	(9)	(310)	(18)	(33)	(7)	(816)
Transfers (*)	13	33	904	(599)	77	(1.213)	22	(763)
Currency translation differences	190	1.276	1.261	2.157	302	225	66	5.477
Current period depreciation	(184)	(859)	(1.402)	(1.028)	(527)	-	(113)	(4.113)
Net book value at the end of the period	5.338	9.055	16.584	14.644	2.456	2.550	541	51.168
31 December 2021								
Cost	6.972	13.774	29.995	18.589	5.759	2.550	1.288	78.927
Accumulated depreciation	(1.634)	(4.719)	(13.411)	(3.945)	(3.303)	-	(747)	(27.759)
Net book value	5.338	9.055	16.584	14.644	2.456	2.550	541	51.168

(*) Include transfers amounting to TL749 million from other non-current assets used in operational lease classified under property, plant and equipment to inventories and transfers amounting to TL14 million from property, plant and equipment to other intangible assets (Note 15).

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NOTE 14 - GOODWILL

	2022	2021
Net book value at the beginning of the period - 1 January	5.582	3.726
Currency translation differences	937	643
Business combinations	-	1.213
Net book value at the end of the period - 31 December	6.519	5.582

The allocation of the goodwill is as follows:

	31 December 2022	31 December 2021
Tüpraş	2.736	2.736
Hitachi	1.747	1.212
Defy Group	898	662
Singer Bangladesh	688	574
Dawlance Group	427	376
Other	23	22
	6.519	5.582

Goodwill impairment tests:

As indicated in Note 2.4.18, goodwill allocated to cash-generating units is tested for impairment annually or more frequently when there is an indication of impairment. The recoverable amount of a cash generating unit is determined by calculating the value in use or fair value less costs to sell.

As specified below in details, no impairment has been identified as of 31 December 2022 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 has been 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 nine years period. The Group considers that, the analysis covering a period longer than five years is more appropriate to evaluate operating results and prospective assumptions in the sector and therefore impairment test is based on longer term plans. The cash flows for the periods beyond fourteen years are extrapolated using the long term growth rate of 2% (2021: 1%). The discount rate (cost of equity) used to discount the related cash flows is 12% (2021: 9,7%).

b) Hitachi 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. Goodwill impairment test is based on the projections denominated in USD, approved by Arçelik management covering five years period between 1 January 2023 and 31 December 2027. Cash flows for further periods were extrapolated using a constant growth rate of 1% which does not exceed the estimated average growth rate of economy of the country. Weighted average cost of capital rate of 12% is used as after tax discount rate in order to calculate the recoverable amount of the unit. The post-tax rate was adjusted considering the tax cash outflows, other future tax cash flows and differences between the cost of the assets and their tax bases.

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NOTE 14 - GOODWILL (Continued)

c) Defy Group

The recoverable amount of the goodwill has been determined based on value in use calculations. Value in use is determined by discounting the expected future cash flows to be generated by the cash generating unit. Goodwill impairment test is based on the projections denominated in South African Rand, approved by Arçelik management covering five years period between 1 January 2023 and 31 December 2027. Cash flows for further periods were extrapolated using a constant growth rate of 7,2% (2021: 5%) which does not exceed the estimated average growth rate of economy of the country. Weighted average cost of capital rate of 14,7% (2021: 13,2%) 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.

d) Singer Bangladesh

In order to test for the impairment of the goodwill generated during the acquisition of Singer Bangladesh, the listed subsidiary of Arçelik, the market value of the Company has been used which was calculated over the share price at Bangladesh Stock Exchange as of 31 December 2022.

e) Dawlance 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. Goodwill impairment test is based on the projections in Pakistan Rupee currency, approved by Arçelik management covering five years period between 1 January 2023 and 31 December 2027. Cash flows for further periods were extrapolated using a constant growth rate of 4% (2021: 4%) which does not exceed the estimated average growth rate of economy of the country. Weighted average cost of capital rate of 16,8% (2021: 14,3%) 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.

Sensitivity analysis:

The effects of 1% negative deviation on the significant assumptions used in the base scenario of impairment tests have been analysed for each cash generating unit. Positive deviations on recoverable amounts with respect to the carrying amounts including goodwill as a result of the sensitivity analysis performed as of 31 December 2022 are summarised in the following table:

	Tüpraş	Hitachi	Defy Group	Singer Bangladesh	Dawlance Group
Base scenario	77%	181%	36%	60%	131%
Sensitivity analysis:					
Long-term growth rate: 1% decrease	68%	563%	29%	-	113%
Discount rate: 1% increase	63%	543%	18%	-	99%
20% decrease in market value	-	-	-	28%	-

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NOTE 15 - OTHER INTANGIBLE ASSETS

	Rights	Brand	Deposit Base	Development Costs	Customer Relations	Other	Total
1 January 2022							
Cost	2.465	4.549	1.615	4.609	2.322	2.365	17.925
Accumulated amortisation	(1.336)	-	(561)	(1.931)	(261)	(975)	(5.064)
Net book value	1.129	4.549	1.054	2.678	2.061	1.390	12.861
Additions	532	-	-	2.113	-	313	2.958
Disposals	(1)	-	-	-	-	(2)	(3)
Transfers (*)	70	-	-	(13)	-	34	91
Currency translation differences	6	921	-	(60)	1.589	196	2.652
Current period amortisation	(282)	-	(207)	(458)	(353)	(292)	(1.592)
Net book value at the end of the period	1.454	5.470	847	4.260	3.297	1.639	16.967
31 December 2022							
Cost	3.081	5.470	1.615	6.665	3.912	3.059	23.802
Accumulated amortisation	(1.627)	-	(768)	(2.405)	(615)	(1.420)	(6.835)
Net book value	1.454	5.470	847	4.260	3.297	1.639	16.967
	Rights	Brand	Deposit Base	Development Costs	Customer Relations	Other	Total
1 January 2021							
Cost	1.796	3.678	1.615	3.641	641	1.660	13.031
Accumulated amortisation	(1.032)	-	(353)	(1.626)	(110)	(704)	(3.825)
Net book value	764	3.678	1.262	2.015	531	956	9.206
Additions	236	-	-	1.027	-	229	1.492
Business combinations	35	-	-	-	1.362	329	1.726
Disposals	(5)	-	-	(2)	-	-	(7)
Transfers (*)	12	-	-	(57)	-	59	14
Currency translation differences	267	871	-	1	319	57	1.515
Current period amortisation	(180)	-	(208)	(306)	(151)	(240)	(1.085)
Net book value at the end of the period	1.129	4.549	1.054	2.678	2.061	1.390	12.861
31 December 2021							
Cost	2.465	4.549	1.615	4.609	2.322	2.365	17.925
Accumulated amortisation	(1.336)	-	(561)	(1.931)	(261)	(975)	(5.064)
Net book value	1.129	4.549	1.054	2.678	2.061	1.390	12.861

(*) Includes transfers from property, plant and equipment.

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NOTE 15 - OTHER INTANGIBLE ASSETS (Continued)

Total research and development expenditures incurred in 2022 excluding amortisation amounts to TL2.724 million (2021: TL1.345 million).

As of 31 December 2022, net book value of intangible assets with indefinite useful lives amounted to TL5.470 million (2021: TL4.549 million) 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.

The breakdown of the Group's brands is as follows:

	31 December 2022	31 December 2021
Yapı Kredi Bankası	2.013	2.013
Arçelik		
<i>Grundig</i>	<i>1.716</i>	<i>1.183</i>
<i>Defy</i>	<i>1.102</i>	<i>799</i>
<i>Dawlance</i>	<i>555</i>	<i>486</i>
<i>Other</i>	<i>84</i>	<i>68</i>
	5.470	4.549

Brand impairment test

Yapı Kredi Bankası brand

As of 31 December 2022, Yapı Kredi Bankası brand has been tested for impairment using the royalty relief method. Revenue 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, revenue forecasts have been extrapolated by 2,7% expected growth rate. The royalty income was estimated by applying 1% royalty rate to these revenue forecasts. Estimated royalty income determined with the aforementioned method has been discounted by using 28,2% discount rate after tax. Value in use of the brand was calculated 104% above its carrying value and no impairment has been identified.

According to the sensitivity scenario in which 1% higher after tax discount rate is used in the value in use calculation, value in use of the brands is calculated 96% higher than their carrying amounts.

Arçelik brands

As of 31 December 2022, Arçelik brands 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 have been extrapolated by 3% to 7,2% expected growth rates. The royalty income was estimated by applying 2% to 3% royalty rates to these sales forecasts. Estimated royalty income determined with the aforementioned method has been discounted using 8,1% to 16,8% discount rates after tax. Value in use of the brands has been calculated as 12,3 times of their carrying values and no impairment has been identified.

According to the sensitivity scenario in which 1% higher after tax discount rate is used in the value in use calculation, value in use of the brands is calculated as 10,4 times of their carrying amounts.

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NOTE 16 - BORROWINGS

	31 December 2022			31 December 2021		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Short-term borrowings (*):						
Bank borrowings	108.319	45.340	153.659	55.129	27.860	82.989
Debt securities in issue	37.044	31.111	68.155	37.718	1.772	39.490
Factoring payables	-	2.908	2.908	-	251	251
Lease liabilities	453	777	1.230	308	472	780
	145.816	80.136	225.952	93.155	30.355	123.510
Long-term borrowings:						
Bank borrowings	15.114	25.397	40.511	33.878	24.656	58.534
Debt securities in issue	70.338	37.945	108.283	56.993	44.603	101.596
Lease liabilities	1.524	2.280	3.804	1.043	1.606	2.649
	86.976	65.622	152.598	91.914	70.865	162.779
Total borrowings	232.792	145.758	378.550	185.069	101.220	286.289

(*) Includes short-term portion of long-term borrowings.

Group companies operating in Non-Finance sectors have borrowings amounting to TL3.413 million obtained from Yapı Kredi Bank and eliminated during the preparation of consolidated financial statements as of 31 December 2022 (31 December 2021: TL1.802 million).

Major borrowings in 2022:

Finance:

Koç Finansman, a Subsidiary of the Group completed the bond issues with a nominal value of TL1.460 million, maturity between 12 and 13 months, principal and coupon payments at the end of maturity and annual interest rate between 20,95% - 34,50% in 2022.

Non-finance:

Arçelik, a Subsidiary of the Group completed the financial bill and bond issues with a nominal value of TL3.875 million, fixed interest rate single coupon payments and annual interest rate between 24% - 34,5% in 2022.

Tat, a Subsidiary of the Group completed the bond issues with a nominal value of TL1.150 million, maturities between 179 and 375 days, principal and coupon payments at the end of maturity and annual interest rate between 24,50% - 30% in 2022.

Aygaz, a Subsidiary of the Group completed the bond issues with a nominal value of TL750 million, maturities between 175 and 368 days, coupon payments at the end of maturity and annual interest rate between 24% - 33% in 2022.

Otokoç, a Subsidiary of the Group completed the bond and financial bill issues with a nominal value of TL675 million, maturities between 179 and 370 days, principal and coupon payments at the end of maturity and annual interest rate between 24,9% - 33% in 2022.

Arçelik completed the bond issue with a nominal value of TL650 million, coupon payments in every 3 months with variable interest rate on 13 April 2022. Maturity of the bond is 5 April 2024 and coupon interest rate is DIBS+130.

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NOTE 16 - BORROWINGS (Continued)

Bilkom, a Subsidiary of the Group, completed the financing bill issue with a nominal value of TL150 million, maturity of 175 days, principal and coupon payments at the end of maturity and an annual interest rate of 26,50% on 9 November 2022.

Olympic, a Subsidiary of the Group, completed the bond issue with a nominal value of EUR90 million with a maturity of 366 days on 29 June 2022.

Major borrowings before 2022:

Finance:

Yapı Kredi Bankası, a Subsidiary of the Group, launched a Basel III compliant subordinated note with an amount of USD500 million, 10 year maturity and an early payment option at the end of the 5th year on 22 January 2021. The note has 7,875% coupon rate and if the notes are not redeemed at the fifth year, the coupon will be reset as 5 year USD Treasury + 7,415% for the remaining 5 years.

Yapı Kredi Bankası issued a Basel III compliant debt instrument abroad with a nominal value of USD650 million, annual interest rate of 13,875% for the first five years and mid-swap +11,24% for the next five years on 15 January 2019.

Yapı Kredi Bankası obtained a loan from UniCredit Bank Austria AG on 18 December 2013 amounting to USD470 million with 10 years maturity and a repayment option at the end of 5 years. The interest rate was determined as 6,35% for the first 5 years and midswap +4,68% for the remaining 5 years. On 30 January 2015, loan agreement has been amended in accordance with Article 8 of the "Regulation Regarding the Equity of Banks" and interest rate has been revised as 6,55% for the first 5 years and midswap +4,88% for the remaining 5 years. The interest rate has been fixed as 7,7156% for the second five years. Yapı Kredi Bank prepaid USD200 million of the related loan on 16 January 2019.

Yapı Kredi Bankası had early repaid its borrowing for USD585 million on 9 January 2013 which was received from UniCredit Bank Austria AG on 22 February 2012 with an interest rate of 3 months Libor + 8,30%. Yapı Kredi Bank received another subordinated loan from the same counterparty for USD585 million with 10 years of maturity (payable after 5 years) and 5,5% fixed interest rate. On 30 January 2015, loan agreement has been amended in accordance with Article 8 of the "Regulation Regarding the Equity of Banks" and interest rate has been revised as 5,70%.

Non-finance:

Arçelik obtained the green loan amounting to EUR150 million from European Bank for Reconstruction and Development with maturity of 8 years and interest rate of 2,35% to be used in energy and resource efficiency investments and R&D infrastructure in production facilities in Turkey on November 2021.

Arçelik completed the green bond issue, quoted on the Irish Stock Exchange, with a nominal value of EUR350 million, maturity of 5 years, coupon payments in each year, principal and coupon payments at the end of maturity and annual interest rate of 3% on 25 May 2021.

Arçelik completed the bond issue, quoted on the Borsa Istanbul, with a nominal value of TL1,2 billion, maturity of 728 days, coupon payments in every 3 months with variable interest rate, principal and coupon payments at the end of maturity and 140 bps additional return over TLREF reference ratio on 12 February 2021.

Tüpraş completed the bond issue with a nominal value of TL1,1 billion, maturity of 728 days, coupon payments in every 3 months with variable interest rate, principal and coupon payments at the end of maturity and 140 bps additional return over TLREF reference ratio on 3 February 2021.

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NOTE 16 - BORROWINGS (Continued)

Olympic completed the bond issue with a nominal value of EUR130 million, maturity of 1011 days on 13 August 2020.

Koç Holding completed the bond issue, quoted on the Irish Stock Exchange, with a nominal value of USD750 million, maturity of 6 years, coupon payments in every 6 months, principal and coupon payments at the end of maturity and an annual interest rate of 6,625% on 11 March 2019.

Tüpraş completed the bond issue, quoted on the London Stock Exchange, with a nominal value of USD700 million, maturity of 7 years, coupon payments in every 6 months, principal and coupon payments at the end of maturity and an annual interest rate of 4,5% on 18 October 2017.

Koç Holding completed the bond issue, quoted on the Irish Stock Exchange, with a nominal value of USD750 million, maturity of 7 years, coupon payments 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. As of the balance sheet date, USD71,5 million of the bond has been repurchased.

Arçelik completed the bond issue, quoted on the Irish Stock Exchange, with a nominal value of USD500 million, maturity of 10 years, coupon payments 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 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 USD193 million as of 31 December 2022 (31 December 2021: USD385 million).

The redemption schedule of long-term financial liabilities is as follows:

	31 December 2022	31 December 2021
1-2 years	56.147	67.094
2-3 years	39.003	29.903
3-4 years	24.793	31.351
4-5 years	3.600	11.179
5 years and over	29.055	23.252
	152.598	162.779

Movement of the financial liabilities as of 31 December 2022 and 2021 is as follows:

	2022	2021
Beginning of the period - 1 January	286.289	181.807
Additions	111.897	82.826
Repayments of borrowings	(82.937)	(60.102)
New lease contracts / impact of lease modifications	2.739	1.162
Cash outflows from payments of lease liabilities	(2.178)	(1.381)
Change in exchange rates	62.043	79.822
Change in interest accruals	3.051	1.283
Currency translation differences	2.461	2.567
Consolidation eliminations and adjustments	(4.815)	(1.979)
Business combinations	-	284
End of the period - 31 December	378.550	286.289

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NOTE 17 - PAYABLES OF FINANCE SECTOR OPERATIONS

	31 December 2022	31 December 2021
Short-term payables to finance sector operations	707.203	445.328
Long-term payables to finance sector operations	5.237	5.846
	712.440	451.174

Breakdown of payables to finance sector operations is as follows:

	31 December 2022			31 December 2021		
	Demand	Time	Total	Demand	Time	Total
TL deposits						
Saving deposits	48.659	164.803	213.462	22.116	53.764	75.880
Commercial deposits	42.458	104.925	147.383	14.196	38.170	52.366
Interbank deposits	364	8.234	8.598	218	5.354	5.572
Funds deposited under repurchase agreements	-	23.122	23.122	-	48.578	48.578
Public sector deposits	1.074	1.922	2.996	1.834	70	1.904
	92.555	303.006	395.561	38.364	145.936	184.300
Foreign currency deposits						
Saving deposits	119.305	65.907	185.212	78.640	77.263	155.903
Commercial deposits	72.157	50.221	122.378	60.090	44.531	104.621
Interbank deposits	961	928	1.889	1.565	-	1.565
Funds deposited under repurchase agreements	-	7.400	7.400	-	4.785	4.785
	192.423	124.456	316.879	140.295	126.579	266.874
	284.978	427.462	712.440	178.659	272.515	451.174

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NOTE 18 - TAX ASSETS AND LIABILITIES

	31 December 2022	31 December 2021
Current income tax liabilities	25.126	5.229
Less: Prepaid income tax	(19.444)	(2.664)
Current income tax liabilities (net)	5.682	2.565
Deferred tax assets	20.871	13.057
Deferred tax liabilities	(4.025)	(2.607)
Deferred tax assets (net)	16.846	10.450
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 23% in Turkey in 2022 (2021: 25%). 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:		
	2022	2021
Current period tax expense	(25.125)	(5.302)
Deferred tax income (net)	9.208	2.358
	(15.917)	(2.944)
Profit before tax	134.137	29.129
Less: Share of profit/loss of Joint Ventures	(12.416)	(5.880)
Profit before tax (excluding share of profit/(loss) of Joint Ventures)	121.721	23.249
Domestic tax rate	23%	25%
Tax calculated at domestic tax rate	(27.996)	(5.812)
Investment tax credits	10.423	2.447
Tax allowances/exemptions	1.953	885
Additions	(1.132)	(559)
Tax rate differences /changes	267	63
Tax losses and other tax advantages (net effect)	122	(46)
Other	446	78
Tax income/(expense)	(15.917)	(2.944)

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NOTE 18 - 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 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 2022	31 December 2021	31 December 2022	31 December 2021
Property, plant and equipment and intangible assets	21.186	15.124	(4.688)	(3.463)
Investment incentives (*)	-	-	11.235	6.737
Impairment provision for loans and receivables	(24.148)	(18.576)	6.033	3.908
Provision for employment termination benefits	(6.677)	(2.534)	1.474	528
Deductible tax losses and other tax advantages	(3.939)	(4.513)	1.094	1.042
Provision for the pension fund obligations	(2.945)	(1.813)	736	363
Warranty and assembly provisions	(2.213)	(1.529)	452	352
Unearned finance income (net)	(793)	(1.440)	168	330
Provisions for unused vacations	(659)	(301)	154	62
Provisions for lawsuits	(341)	(116)	69	27
Expense accruals (net)	(174)	(121)	37	30
Derivative instruments	11.522	3.865	(2.827)	(882)
Deferred income	1.201	(197)	(248)	60
Inventories	76	(1.177)	30	337
Other (net)	(12.630)	(4.563)	3.127	1.019
Deferred tax assets (net)			16.846	10.450

(*) Tüpraş, a Subsidiary of the Group, was granted a large-scaled investment incentive for the Residium 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. In accordance with the related legislation, Tüpraş can deduct 30% of its capital expenditures related with RUP, 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. In accordance with the related investment incentives, tax credits of TL9.741 million as of 31 December 2022 (31 December 2021: TL6.264 million) that Tüpraş will benefit in the foreseeable future have been recognised as deferred tax asset in the consolidated financial statements.

Gains of Arçelik, 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 the investment reaches to the contribution amount. In accordance with the related investment incentives, tax credits of TL1.419 million as of 31 December 2022 (31 December 2021: TL386 million) that Arçelik will benefit in the foreseeable future have been recognised as deferred tax asset in the consolidated financial statements.

Otokar, a Subsidiary of the Group, was granted an investment certificate by the Incentive Implementation and Foreign Investment Department of Ministry of Industry and Technology of Republic of Turkey for its modernisation investment which is intended to be completed in four-year period. In accordance with the related investment certificate, tax credits of TL75 million as of 31 December 2022 (31 December 2021: TL86 million) that Otokar will benefit in the foreseeable future have been recognised as deferred tax asset in the consolidated financial statements.

Net deferred tax assets and liabilities recognised in the Subsidiaries' financial statements prepared in accordance with 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 18 - 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 2022	31 December 2021
Up to 1 year	480	369
Up to 2 years	490	178
Up to 3 years	261	142
Up to 4 years	531	399
5 years and above	1.802	801
	3.564	1.889

Movements in deferred tax assets/(liabilities) are as follows:

	2022	2021
Beginning of the period - 1 January	10.450	8.554
Charge to the income statement	9.208	2.358
Charge to equity:		
- Gains/(losses) on financial assets measured at fair value through other comprehensive income	(2.203)	(323)
- Gains/(losses) on cash flow hedges	(2.197)	(404)
- Gains/(losses) on hedges of net investments in foreign operation	520	733
- Gains/(losses) on remeasurements of defined benefit plans	965	154
Business combinations (Note 3)	118	(335)
Currency translation differences	(15)	(287)
End of the period - 31 December	16.846	10.450

NOTE 19 - PROVISIONS FOR EMPLOYEE BENEFITS

	31 December 2022	31 December 2021
Provision for employment termination benefits	7.594	2.662
Provision for the pension fund	2.945	1.813
Provision for unused vacations	885	424
	11.424	4.899

Provision for employment termination benefits:

- Domestic	6.726	2.245
- Foreign	868	417
	7.594	2.662

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NOTE 19 - PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

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 2022, the amount payable consists of one month's salary limited to a maximum of TL15.371,40 (31 December 2021: TL8.284,51) 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 TL19.982,83 effective from 1 January 2023 (1 January 2022: TL10.848,59) has been taken into consideration in calculating the consolidated reserve for employment.

TFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions have been used in the calculation of the total liability. Related rates have been presented by considering the weighted average of actuarial assumptions of the Subsidiaries within the scope of consolidation.

	31 December 2022	31 December 2021
Net discount rate (%)	0,55	4,45
Turnover rate to estimate the probability of retirement (%)	94,47	95,09

Movements in the provision for employment termination benefits are as follows:

	2022	2021
Beginning of the period - 1 January	2.662	1.640
Increases during the period	134	397
Losses on remeasurement of defined benefit plans	4.791	421
Payments during the period	(354)	(234)
Interest expense	81	82
Currency translation differences	280	132
Business combinations	-	224
End of the period - 31 December	7.594	2.662

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NOTE 19 - PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

Provision for the pension fund:

Yapı Kredi Bankası, a Subsidiary of the Group, accounted for a provision amounting to TL2.945 million (31 December 2021: TL1.813 million) as of 31 December 2022 for the technical deficit based on the report prepared by a registered actuary in accordance with the technical interest rate of 9,80% determined by the New Law and CSO 1980 mortality table (Note 2.4.22). The following disclosures reflect the actuarial parameters and results in accordance with the New Law.

	31 December 2022	31 December 2021
Present value of funded obligations	8.220	5.227
- Pension benefits transferable to SSI	9.538	5.554
- Post-employment medical benefits transferable to SSI	(1.318)	(327)
Fair value of plan assets	(5.275)	(3.414)
	2.945	1.813

The fair value of pension assets are comprised as follows:

	31 December 2022	%	31 December 2021	%
Bank placements	1.238	23,0	1.721	51,0
Government bonds and treasury bills	2.887	55,0	1.177	34,0
Property, plant and equipment	883	17,0	386	11,0
Other	267	5,0	130	4,0
	5.275	100	3.414	100

The principal actuarial assumptions used are as follows:

	31 December 2022	31 December 2021
Discount rates (%):		
- Pension benefits transferable to SSI	9,80	9,80
- Post-employment medical benefits transferable to SSI	9,80	9,80

The average life expectancy of a pensioner is defined according to CSO 1980 mortality table.

The sensitivity analysis of provision for the pension fund is as follows:

% change in defined benefit obligation	%
Discount rate +1%	(14,9)
Discount rate -1%	19,6
Price inflation +1%	19,6
Price inflation -1%	(15,1)

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NOTE 20 - PROVISIONS

a) Short-term provisions	31 December 2022	31 December 2021
Provisions for warranty and assembly	2.684	1.615
Provisions for transportation	651	263
Expense accruals of construction contracts	500	323
Provisions for lawsuits	465	211
Provision for price revision (*)	363	441
Provisions for demurrage	268	73
Provision for Energy Market Regulation Authority participation share	145	89
Other	1.419	683
	6.495	3.698

(*) As communicated to Aygaz Doğal Gaz Tüptan Satış A.Ş., a Subsidiary of the Group, by Akfel Gaz Sanayi ve Ticaret A.Ş. ("Akfel"), from which natural gas is supplied; the price revision arbitration process initiated by Gazprom Export LLC ("Gazprom"), which Akfel has imported natural gas, was concluded against Akfel and provision amount has been revised as USD19 million (total TRY363 million) based on the best estimates of the Company management as of 31 December 2022 (31 December 2021: USD34 million - TL441 million).

b) Other long-term provisions	31 December 2022	31 December 2021
Provisions for non-cash loans	2.224	1.720
Provisions for warranty	571	392
Provisions for lawsuits	238	200
Provisions for credit card points	110	66
Other	63	71
	3.206	2.449

The movements of provision for non-cash loans, provisions for warranty and assembly, expense accruals of construction contracts and provision for lawsuits for the years ended 31 December 2022 and 2021 are as follows:

	Provision for non-cash loans	Provisions for warranty and assembly	Expense accruals of construction contracts	Provision for lawsuits
As of 1 January 2022	1.720	2.007	323	411
Additions	497	4.663	177	324
Disposals/(payments)	(3)	(3.814)	-	(32)
Business combinations	-	17	-	-
Currency translation differences	10	382	-	-
As of 31 December 2022	2.224	3.255	500	703
	Provision for non-cash loans	Provisions for warranty and assembly	Expense accruals of construction contracts	Provision for lawsuits
As of 1 January 2021	1.063	1.144	190	225
Additions	667	2.555	133	199
Disposals/(payments)	(11)	(2.057)	-	(12)
Business combinations	-	71	-	-
Currency translation differences	1	294	-	(1)
As of 31 December 2021	1.720	2.007	323	411

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NOTE 21 - OTHER RECEIVABLES AND PAYABLES

a) Other receivables	31 December 2022	31 December 2021
VAT and SCT receivables	8.609	5.058
Taxes and funds deductible	3.186	1.527
	11.795	6.585
b) Other short-term payables		
Taxes and duties payable	11.957	4.219
Social security premiums payable	757	285
Dividend payables to shareholders	5	48
Payables to the Privatisation Administration	-	226
	12.719	4.778

NOTE 22 - OTHER ASSETS AND LIABILITIES

a) Other current assets	31 December 2022	31 December 2021
Prepaid expenses	33.515	2.924
Pledged assets (*)	24.728	28.032
Advances given	6.041	4.335
Short-term assets used in operational lease	5.909	3.090
Interbank cheque clearing accounts	5.807	3.902
Gold reserves	4.109	1.407
Income accruals	3.100	2.492
Assets received for commitments of loans and receivables	1.086	1.355
Deposits and guarantees given	256	215
Income accrual on commodity hedge	288	-
Other	1.164	644
	86.003	48.396

(*) Includes collaterals given by Yapı Kredi Bankası to the counter parties of derivative transactions.

The movement of short-term assets used in operational lease is as follows:

	2022	2021
Beginning of the period - 1 January	3.090	1.650
Additions	4.322	1.944
Transfers (*)	(1.404)	(492)
Currency translation differences	186	162
Current period depreciation	(285)	(174)
End of the period - 31 December	5.909	3.090

(*) Represents the net amount of transfers from other non-current assets used in operational lease classified under property, plant and equipment and transfers to inventories.

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NOTE 22 - OTHER ASSETS AND LIABILITIES (Continued)

b) Other non-current assets	31 December 2022	31 December 2021
Spare parts and other materials	2.602	1.898
Advances given	1.954	2.174
Prepaid expenses	90	42
Other	151	154
	4.797	4.268

c) Other current liabilities

Credit card payables	34.566	19.072
Interbank/customer clearing accounts	6.277	4.596
Accruals for sales and incentive bonus	5.754	3.618
Deposits and guarantees received	5.507	4.854
Payables to personnel and premium accruals	3.772	1.252
Revenue share ⁽¹⁾	3.384	2.730
Miscellaneous payables to bank customers	2.330	1.256
Deferred income	2.002	1.290
Advances received	1.716	1.107
Import deposits and transfer orders	741	746
Accruals for rent and advertising expenses	504	384
Blocked deposits	359	65
Saving deposit insurance fund payable	308	156
License fee expense accruals	210	246
Expense accrual on commodity hedge	79	528
Liabilities related to business combinations ⁽²⁾	-	95
Other	9.823	3.271
	77.332	45.266

(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 overnight deposits according to the decision of National Petroleum Reserves Commission. Deposits related to the revenue share are classified as time deposits under "Cash and cash equivalents" (Note 5).

(*) The contingent consideration amount regarding to the collection or offsetting expectation of VAT receivables in the closing balance sheet of Arçelik Üretim ve Teknoloji A.Ş. (formerly Whirlpool Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi) until 2023 and which was calculated as TL94,7 million according to the best estimates of Arçelik management as of 31 December 2021, has been realised as TL65,9 million in accordance with the agreement signed between Arçelik and Whirlpool Global. The difference amounting to TL29 million has been recognised as "income from changes in contingent liabilities" in the consolidated financial statements (Note 27).

d) Other non-current liabilities	31 December 2022	31 December 2021
Liabilities related to the business combinations ^(*)	2.737	-
Deferred income	1.864	1.281
Deposits and guarantees received	130	371
Other	503	381
	5.234	2.033

(*) Represents the fair value of the consideration amount (31 August 2022: TL3.022 million) of Arçelik, a Subsidiary of the Group as of 31 December 2022, regarding the purchase of entire shares of IHP Appliances JSC and IHP Appliances Sales LLC dated 31 August 2022 (Note 3).

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NOTE 23 - EQUITY

Share Capital

Koç Holding adopted the registered share capital system and its registered and issued share capital is as follows:

31 December 2022

Limit on registered share capital (historical)	5.000
Issued share capital in nominal value	2.536

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 2022		31 December 2021	
	Share %	Amount	Share %	Amount
Family Danışmanlık Gayrimenkul ve Ticaret A.Ş. ⁽¹⁾	43,65	1.107	-	-
Temel Ticaret ve Yatırım A.Ş. ⁽¹⁾	-	-	43,65	1.107
Koç Family Members	18,65	473	18,65	473
Rahmi M. Koç ve Mahdumları Maden, İnşaat, Turizm, Ulaştırma, Yatırım ve Ticaret A.Ş.	1,40	35	1,40	35
Total Koç Family members and companies owned by Koç Family members	63,70	1.615	63,70	1.615
Vehbi Koç Vakfı	7,26	184	7,26	184
Koç Holding Emekli ve Yardım Sandığı Vakfı	2,35	60	1,99	50
Treasury shares ⁽²⁾	0,04	1	0,04	1
Other	26,65	675	27,01	685
Paid-in share capital	100,00	2.536	100,00	2.536
Adjustment to share capital ⁽³⁾		967		967
Total share capital		3.503		3.503

(1) The shares were transferred to Family Danışmanlık Gayrimenkul ve Ticaret Anonim Şirketi, which is 100% owned by Temel Ticaret ve Yatırım A.Ş., through partial demerger.

(2) Refers to shares that have been repurchased and publicly traded as of 31 December 2022.

(3) Adjustment to share capital includes the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with TAS 29 and fair value differences of share issues within the context of acquisitions and mergers.

The analysis of shares by group is as follows:

Group	Unit of shares	Million TL	Nature of shares
A	67.877.342.230	679	Registered
B	185.712.462.770	1.857	Registered
		2.536	

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).

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NOTE 23 - EQUITY (Continued)

Treasury shares

Driven by the recent market conditions and the impacts of the developments in the global economies on the sectors operated in and on the Turkish capital markets, the current market price and the current net asset value discount of Koç Holding A.Ş. shares traded at Borsa İstanbul is deemed ineffective in reflecting the true value and fundamentals of Koç Holding. In this respect, in order to contribute to the fair valuation of Koç Holding A.Ş. shares, the Board of Directors of Koç Holding A.Ş. resolved to initiate a share buyback program from the market on 1 July 2021. Within the scope of the related decision, considering the transactions that were cleared as of 31 December 2022, shares with a nominal value of TL890 thousand (31 December 2021: TL890 thousand) corresponding to 0,04% of Koç Holding's share capital were repurchased with a total cost of TL19 million including the transaction costs (31 December 2021: TL19 million). No treasury shares have been sold as of the issue date of this report.

Other Comprehensive Income/Expense

	31 December 2022	31 December 2021
Items not to be reclassified to profit/loss:		
Gains/(losses) on remeasurement of defined benefit plans	(3.509)	(620)
	(3.509)	(620)
Items to be reclassified to profit/loss:		
Currency translation differences	15.764	8.463
Gains/(losses) on hedge	(1.694)	(3.865)
- <i>Cash flow hedge</i>	2.384	(1.526)
- <i>Net investment hedge</i>	(4.078)	(2.339)
Gains/(losses) on financial assets measured at fair value through other comprehensive income	5.730	1.037
	19.800	5.635

The movements in other comprehensive income/expenses 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 2022	31 December 2021
Legal reserves	507	507
Special reserves	157	12
Reserves for treasury shares (*)	19	19
	683	538

(*) In accordance with the TCC and CMB regulations, reserves are provided for the treasury shares in an amount corresponding to the purchase price. In this context, reserves are provided within the legal reserves amounting to TL19 million (31 December 2021: TL19 million) including the transaction costs in the consolidated financial statements as of 31 December 2022 for the treasury shares

Within the scope of the Exemption for Sale of Property and Participation Shares, the gains in statutory financial statements arising from the sale of investments and sale of properties have been classified under "Special Reserves".

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NOTE 23 - EQUITY (Continued)

Dividend Distribution

Listed companies in BIST are subject to dividend regulations of CMB as follows:

According to the Article 19 of the Capital Market Law, numbered 6362 and Dividend Communiqué of CMB, numbered II-19.1, listed companies shall distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the prevailing regulations. Regarding the profit distribution policies of the listed companies, CMB may set different principles on companies with similar qualifications.

In accordance with the Turkish Commercial Code, unless the required reserves and the dividend for shareholders as determined in the Articles of Association or in the dividend distribution policy of the company are set aside; no decision may be taken to set up other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct shares, to the members of the board of directors or to the employees; and no dividend can be distributed to these people unless the determined dividend for shareholders is paid in cash.

For the listed companies, dividend distribution is made evenly to all existing shares as of the date of dividend distribution without considering the dates of issuance and acquisition of the shares.

Companies shall distribute their profits through general assembly decisions in accordance with the profit distribution policies to be determined by their general assemblies as well as the related provisions of the prevailing regulations. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their articles of associations or profit distribution policies. Furthermore, dividends may be paid in installments with same or different amounts and profit share advances may be distributed over the profit in the interim financial statements.

In accordance with profit distribution policy of Koç Holding, as long as regulatory policies and financial conditions permit, 5% of distributable profit of the period is paid in cash to the shareholders after taking market expectations, long term Group strategies, capital needs of the Company, associates and subsidiaries, investing and financing policies, profitability and cash position into the consideration.

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 2022, total amount of reserves that can be subject to dividend distribution without creating additional corporate tax burden is TL15.726 million.

At the Ordinary General Assembly Meeting of Koç Holding held on 1 April 2022, it was decided to distribute TL2.287.380.041,10 dividend to shareholders, TL451.977.482,93 dividend to usufruct shareholders and TL12.500.000 dividend to Koç Holding Emekli ve Yardım Sandığı Vakfı from taxable earnings of 2021. Cash dividend payments were completed as of 7-11 April 2022.

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NOTE 24 - REVENUE

Non-finance revenue

	2022	2021
Domestic revenue	539.658	182.325
Foreign revenue	194.210	91.328

Revenue	733.868	273.653
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Sales of goods	709.409	264.550
Sales of services	24.459	9.103

Revenue	733.868	273.653
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The Group has accounted for revenue amounting to TL731.524 million (2021: TL272.518 million) related to performance obligation at a point in time and TL2.344 million (2021: TL1.135 million) related to performance obligation over time.

Revenue from finance sector operations

	2022	2021
Interest income	134.984	55.191
Fee and commission income	21.608	10.917
Other operating income	11.397	6.928

Revenue from finance sector operations	167.989	73.036
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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.

	2022	2021
Raw materials and supplies	399.450	158.633
Changes in work in progress and finished goods	(15.438)	(10.578)
Cost of merchandise sold	184.282	63.153
Personnel expenses	36.397	17.380
Energy and utility expenses	16.671	4.044
Transportation, distribution and storage expenses	14.212	5.864
Depreciation and amortisation charges	8.260	5.286
Advertisement and promotion expenses	5.108	2.319
Warranty and assembly costs	4.657	2.545
Maintenance and repair expenses	4.232	1.761
Outsourcing expenses	3.463	1.366
Information systems and communication expenses	2.413	1.204
Rent expenses (*)	1.593	700
Litigation and consultancy expenses	1.460	872
Insurance expenses	1.455	808
Taxes, duties and charges	1.270	722
Sales, incentives and premium expenses	1.245	438
Saving Deposit Insurance Fund expenses	925	519
Travel expenses	875	334
Grants and donations	666	173
Royalty and license expenses	625	394
Other	4.433	2.459
	678.254	260.396

(*) In 2022, TL1.231 million (2021: TL538 million) of the rent expenses is related to variable leases, TL248 million (2021: TL93 million) is related to short-term leases and TL114 million (2021: TL69 million) is related to low-value leases.

The functional breakdowns of depreciation, amortisation and personnel expenses are as follows:

	2022	2021
Depreciation and amortisation charges		
Cost of sales	4.243	2.610
Marketing expenses	1.397	802
General administrative expenses	2.185	1.557
Research and development expenses	435	317
	8.260	5.286

Total depreciation charges capitalised in 2022 is TL118 million (2021: TL86 million).

	2022	2021
Personnel expenses		
Cost of sales	10.379	5.281
Marketing expenses	5.593	2.783
General administrative expenses	20.058	9.161
Research and development expenses	367	155
	36.397	17.380

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NOTE 25 - EXPENSES BY NATURE (Continued)

Cost of finance sector operations

	2022	2021
Interest expense	55.002	35.945
Fee, commissions and other expenses	10.634	3.443
Cost of finance sector operations	65.636	39.388

Fees for Services Received from Independent Auditor/ Independent Audit Firms

The Group's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POA dated 19 August 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on 30 March 2021, are as follows:

	2022^(*)	2021^(*)
Audit and assurance fee	74	31
Tax consulting fee	8	6
Other assurance services fee	5	3
Other service fee apart from audit	1	1
	88	41

(*) The fees above have been determined through including the independent audit and other related service fees of all Subsidiaries and Joint Ventures and the foreign currency fees of foreign subsidiaries and affiliates have been converted into TL using the annual average rates of the relevant years.

NOTE 26 - OTHER OPERATING INCOME/(EXPENSES)

	2022	2021
Other operating income		
Foreign exchange gains arising from trading activities	8.691	10.342
Credit finance income arising from trading activities	4.845	1.286
Reversals of provisions	338	95
Income from claims and grants	133	98
Other	1.038	493
	15.045	12.314
Other operating expenses		
Foreign exchange losses arising from trading activities	(18.926)	(20.908)
Expected credit losses for loans and receivables	(13.370)	(8.444)
Credit finance charges arising from trading activities	(2.706)	(585)
Provisions for lawsuits and penalties	(883)	(337)
Other	(197)	(150)
	(36.082)	(30.424)

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NOTE 27 - GAINS/(LOSSES) FROM INVESTMENT ACTIVITIES

	2022	2021
Gains from investment activities		
Gain on bargain purchase (Note 3)	1.462	235
Gain on sale of property, plant and equipment and scraps	444	311
Gain on fair value change of financial assets (*)	372	-
Rent income	139	82
Dividend income	91	9
Income from changes in contingent liabilities (Note 22.c)	29	-
	2.537	637
Losses from investment activities		
Loss on sale of property, plant and equipment and other intangible assets	(81)	(46)
Loss on liquidation of a subsidiary	-	(3)
Loss on impairment of property, plant and equipment	-	(5)
	(81)	(54)

(*) Related to time deposits, which are recognised in financial assets measured at fair value through profit or loss.

NOTE 28 - FINANCIAL INCOME/(EXPENSES)

	2022	2021
Financial income		
Foreign exchange gains ⁽¹⁾	18.157	29.525
Gains on derivative instruments	5.652	8.675
Interest income	2.816	1.629
Other financial income	95	63
	26.720	39.892
Financial expenses		
Foreign exchange losses ⁽¹⁾	(25.756)	(29.095)
Losses on derivative instruments	(6.450)	(10.217)
Interest expenses ⁽²⁾	(12.119)	(6.621)
Other financial expenses	(60)	(88)
	(44.385)	(46.021)

(1) Foreign exchange income/(expenses) arising from trading activities (trade receivables and payables) are accounted for under "other operating income/(expenses)".

(2) In 2022, TL216 million of interest expense is related to lease liabilities (2021: TL159 million).

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NOTE 29 - RELATED PARTY DISCLOSURES

a) Related party balances

	31 December 2022			31 December 2021		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Trade receivables	4.879	612	5.491	2.511	563	3.074
Trade payables	6.507	414	6.921	2.503	187	2.690
Loans and advances given	4.054	1.171	5.225	1.251	887	2.138
Deposits	8.772	18.130	26.902	5.568	13.305	18.873
Borrowings	-	82	82	-	112	112

b) Related party transactions

	2022			2021		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Sales of goods and services	106.649	994	107.643	41.455	336	41.791
Purchases of goods and services	36.026	1.677	37.703	12.498	1.345	13.843
Interest expense (-)	-	(27)	(27)	-	(26)	(26)

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 2022, TL2.918 million (31 December 2021: TL1.454 million) of trade receivables is composed of Tüpraş balances against Opet and THY Opet, TL878 million (31 December 2021: TL388 million) of trade receivables is composed of balances of Zer Ticaret and TL336 million (31 December 2021: TL290 million) of trade receivables is composed of balances of Ram Dış Ticaret arising from the sales transactions with Joint Ventures and other related parties not included in the scope of consolidation. TL5.059 million (31 December 2021: TL2.148 million) of trade payables is composed of balances due to vehicle purchases of Otokoç from Ford Otosan and Tofaş, and TL249 million (31 December 2021: TL218 million) of trade payables is composed of balances due to air conditioner purchases of Arçelik from Arçelik LG. Loans and advances given and deposit balances arise from loan and deposit transactions of Yapı Kredi Bankası, a Subsidiary of the Group, with Joint Ventures and other related parties.

TL97.287 million (31 December 2021: TL35.760 million) 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 2022. TL23.159 million (31 December 2021: TL9.758 million) of purchases of goods and services is composed of balances due to Otokoç's vehicle purchases from Ford Otosan and Tofaş, and TL2.844 million (31 December 2021: TL1.192 million) of purchases of goods and service is composed of transactions due to air conditioner purchases of Arçelik from Arçelik LG.

c) Key management compensation

The key management of Koç Holding is identified as the members of the Board of Directors (including the President), CEO and the Group Presidents. Total key management compensation incurred by Koç Holding in 2022 amounted to TL1.389 million (31 December 2021: TL486 million). TL310 million of the respective amount is related to the payments made for employee leaves and the remaining portion is comprised of short-term employee benefits (31 December 2021: TL26 million).

After charging the costs to Koç Group companies to whom services are provided, the cost incurred by Koç Holding A.Ş. amounted to TL468 million (31 December 2021: TL184 million). TL68 million of this amount is related to the payments made for employee leaves (31 December 2021: TL4 million).

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NOTE 30 - DISCLOSURES ON INTERESTS IN OTHER ENTITIES

Information regarding the Subsidiaries in which the Group has major non-controlling interests is as follows:

31 December 2022				
Subsidiary	Non-controlling interest %	Gains/(losses) attributable to non-controlling interests	Accumulated non-controlling interests	Dividend paid to non-controlling interests
Yapı Kredi Bankası	37,51%	19.699	46.832	320
Tüpraş	53,88%	21.118	27.103	40
Arçelik	54,84%	2.701	15.539	325
Aygaz	59,32%	(24)	773	89
31 December 2021				
Subsidiary	Non-controlling interest %	Gains/(losses) attributable to non-controlling interests	Accumulated non-controlling interests	Dividend paid to non-controlling interests
Yapı Kredi Bankası	55,51%	5.607	35.730	250
Tüpraş	56,30%	1.666	3.879	20
Arçelik	57,13%	1.878	12.497	905
Aygaz	59,32%	109	928	89

Condensed financial information of Subsidiaries after consolidation adjustments and before eliminations is as follows:

Condensed balance sheet information:

31 December 2022				
	Yapı Kredi Bankası	Tüpraş	Arçelik	Aygaz
Cash and cash equivalents	194.577	46.236	24.529	1.827
Receivables from finance sector operations	626.301	-	-	-
Other current assets	101.702	71.046	67.457	5.622
Deferred tax assets	5.421	9.622	4.055	183
Other non-current assets	254.865	22.164	35.638	2.375
Total assets	1.182.866	149.068	131.679	10.007
Short-term borrowings	140.935	11.644	35.229	2.789
Payables to finance sector operations	736.018	-	-	-
Other current liabilities	73.671	66.315	44.130	4.772
Long-term borrowings	90.588	19.788	16.210	810
Other non-current liabilities	16.794	1.211	9.550	421
Total liabilities	1.058.006	98.958	105.119	8.792
Total equity	124.860	50.110	26.560	1.215

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NOTE 30 - DISCLOSURES ON INTERESTS IN OTHER ENTITIES (Continued)

	31 December 2021			
	Yapı Kredi Bankası	Tüpraş	Arçelik	Aygaz
Cash and cash equivalents	155.621	20.400	16.015	1.693
Receivables from finance sector operations	414.686	-	-	-
Other current assets	69.995	45.029	43.580	2.945
Deferred tax assets	3.316	7.442	1.824	57
Other non-current assets	138.981	18.551	23.208	2.457
Total assets	782.599	91.422	84.627	7.152
Short-term borrowings	90.523	11.399	13.044	1.067
Payables to finance sector operations	473.291	-	-	-
Other current liabilities	46.509	52.589	27.458	2.795
Long-term borrowings	93.777	20.219	19.535	1.486
Other non-current liabilities	14.133	501	3.970	256
Total liabilities	718.233	84.708	64.007	5.604
Total equity	64.366	6.714	20.620	1.548

Condensed income statement information:

	2022			
	Yapı Kredi Bankası	Tüpraş	Arçelik	Aygaz
Revenue	167.141	474.235	133.916	37.507
Depreciation and amortisation	1.282	906	3.311	241
Operating profit	68.842	44.354	9.090	322
Net financial expense	-	(5.751)	(6.289)	(384)
Profit before tax	69.167	38.802	4.093	4
Net profit for the period	52.519	39.135	4.598	75

	2021			
	Yapı Kredi Bankası	Tüpraş	Arçelik	Aygaz
Revenue	72.711	150.962	68.184	15.893
Depreciation and amortisation	1.034	856	1.846	180
Operating profit	13.316	382	7.020	590
Net financial expense	-	996	(3.660)	(354)
Profit before tax	13.454	1.572	3.519	275
Net profit for the period	10.137	2.903	3.147	213

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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 18),
- j) Brand supporting government grants given by the Ministry of Economy of Turkey (Turquality),
- k) Patent incentives.

NOTE 32 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Guarantees given:

Finance:

Non-cash loans:

	31 December 2022	31 December 2021
Letters of guarantee	181.373	118.970
- TL	88.884	40.321
- Foreign currency	92.489	78.649
Letter of credits	33.200	26.320
Acceptance credits	865	546
Other	28.354	15.081
	243.792	160.917
Less: Provisions (Note 20.b)	(2.224)	(1.720)
	241.568	159.197

Non-Finance:

	31 December 2022	31 December 2021
Letters of guarantee	25.507	11.921
Letters of credit	11.728	15.974
Guarantees given to banks	2.493	2.549
Guarantorships given to banks	1.924	1.386
Other	18	1
	41.670	31.831

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NOTE 32 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Collaterals/pledges/mortgages/bill of guarantees ("CPMB") of Subsidiaries of the Group as of 31 December 2022 and 2021 are as follows (foreign currency CPMBs are presented by their TL equivalents):

	31 December 2022	31 December 2021
A. Total amount of CPMB's given in the name of its own legal personality	31.906	23.912
-TL	15.163	5.432
-USD	13.393	16.760
-EUR	2.173	1.476
-Other	1.177	244
B. Total amount of CPMB's given on behalf of the fully consolidated companies ⁽¹⁾	9.762	7.913
-TL	404	52
-USD	4.543	3.818
-EUR	1.985	1.699
-Other	2.830	2.344
C. Total amount of CPMB's given on behalf of third parties for ordinary course of business ⁽²⁾	243.794	160.923
-TL	100.512	41.183
-USD	66.370	58.462
-EUR	66.861	54.659
-Other	10.051	6.619
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	-	-
-TL	-	-
-USD	-	-
-EUR	-	-
-Other	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-
	285.462	192.748

(1) As of 31 December 2022, 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 TL43 million (31 December 2021: TL20 million).

(2) Significant portion of the amount is related to the CPMB's (non-cash loans) given by Yapı Kredi Bankası, a Subsidiary of the Group, to related and third parties within the scope of its ordinary business activities.

Finance:

Financial assets pledged as collateral:

As of 31 December 2022, financial assets measured at fair value through other comprehensive income, measured at amortised cost and measured at fair value through profit and loss whose total carrying amount is TL30.335 million (31 December 2021: TL51.912 million) are pledged to banks and other financial institutions against funds obtained under repurchase agreements, borrowed funds and total return swap transactions.

In addition, as of 31 December 2022, financial assets amounting to TL105.970 million (31 December 2021: TL41.065 million) are also pledged to regulatory authorities for legal requirements and other financial institutions as a guarantee for stock exchange and money market operations. These are mainly the CBRT, Borsa İstanbul, Settlement and Custody Bank and other various banks.

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NOTE 32 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Guarantees received:

Non-finance:

	31 December 2022	31 December 2021
Letters of guarantee	18.443	8.341
Mortgages	4.720	3.001
Direct crediting limit	2.859	1.640
Bill of guarantees	389	316
Guarantee notes	360	108
Other	4.686	1.500
	31.457	14.906

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, product profit margin/crack margin 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

Finance:

Credit risk which is inherent in all products ranging from loans to customers and commitments to letters of credit is monitored through detailed credit policies and procedures by the management of companies operating in the finance sector.

Yapı Kredi Bankası identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and industry and geographical concentration and considering credit policies determined by the Board of the Directors each year. The limits defined by the Board of Directors for each bank are followed up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls for each Treasury Management employee authorised for market transactions are followed by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office. Also the pricing of these commitments are decided by coordination with treasury management.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Rating system used for corporate/commercial customers, medium sized entities and small and medium sized entities is also used for defining the authorisation level for loan granting. Thus, customers with a low rating are assigned to higher authority levels, whereas customers with a high rating are assigned to lower authority levels. By using this methodology, it is aimed to establish risk based optimisation in the loan processes. Furthermore, probability of default of a customer is calculated through this internally developed rating system created for customers with different characteristics.

There are control limits over the positions of forwards, options and similar agreements. These positions are measured and managed by following their market values and by taking potential risk into considerations throughout their maturities, in accordance with counterparty credit risk management. Yapı Kredi Bankası dynamically manages and calculates its limits by taking these potential risks into consideration. Daily market value calculations, limit controls, collateral assessments are performed and reported to the relevant departments.

Yapı Kredi Bankası may use its rights, as stated in the agreements based on which the derivative transactions are realised, in order to eliminate the risks that may arise due to being exposed to severe risk levels arising from fluctuations in the market.

Non-finance:

The Group's non-finance sector companies are exposed to credit risk arising from their trade receivables, financial assets, derivative instruments and bank deposits.

Major portion of trade receivables stem from the dealers over which the Group exerts a significant control mechanism. Credit risk by dealer is followed up by taking into account the relevant customers' financial position, past experience and other related factors; and guarantees are obtained to the greatest extent possible.

Credit risk details

The exposure of consolidated financial assets to credit risk is as follows:

31 December 2022	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)	75.948	627.690	138.407	249.809	22.741
A. Book value of neither past due nor impaired financial assets ⁽¹⁾	72.643	638.240	138.407	249.809	22.741
- Secured with guarantees	27.091	203.828	-	-	-
B. Book value of past due but not impaired financial assets	3.297	4.293	-	-	-
C. Net book value of impaired assets	49	5.682	-	-	-
- Past due	49	5.682	-	-	-
- Gross amount	1.954	22.244	-	-	-
- Impairment	(1.905)	(16.562)	-	-	-
- Secured with guarantees	89	4.501	-	-	-
- Not past due	-	-	-	-	-
- Gross amount	-	-	-	-	-
- Impairment	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-
D. Expected credit losses (-) ⁽²⁾	(41)	(20.525)	-	-	-

(1) Trade receivables and receivables from finance sector operations include related party balances amounting to TL5.491 million and TL5.225 million, respectively.

(2) Include expected credit losses related to receivables from finance sector operations classified under "A" and "B" categories in the table above.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2022, the Finance Segment is exposed to credit risk arising from non-cash loans in the amount of TL243.792 million (Note 32). By taking the related risk into consideration, the maximum credit risk amount, to which the Group is exposed, is TL1.358.387 million.

31 December 2021	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)	47.756	416.743	80.951	131.038	25.608
A. Book value of neither past due nor impaired financial assets ⁽¹⁾	44.836	422.786	80.951	131.038	25.608
- Secured with guarantees	18.990	129.728	-	-	-
B. Book value of past due but not impaired financial assets	2.890	4.260	-	-	-
C. Net book value of impaired assets	59	5.763	-	-	-
- Past due	59	5.763	-	-	-
- Gross amount	1.332	20.213	-	-	-
- Impairment	(1.273)	(14.450)	-	-	-
- Secured with guarantees	72	5.407	-	-	-
- Not past due	-	-	-	-	-
- Gross amount	-	-	-	-	-
- Impairment	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-
D. Expected credit losses (-) ⁽²⁾	(29)	(16.066)	-	-	-

(1) Trade receivables and receivables from finance sector operations include related party balances amounting to TL3.074 million and TL2.138 million, respectively.

(2) Include expected credit losses related to receivables from finance sector operations classified under "A" and "B" categories in the table above.

As of 31 December 2021, the Finance Segment is exposed to credit risk arising from non-cash loans in the amount of TL160.917 million (Note 32). By taking the related risk into consideration, the maximum credit risk amount, to which the Group is exposed, is TL863.013 million.

Trade receivables

a) Details of neither past due nor impaired trade receivables' credit quality:

	2022	2021
Customers with no payment defaults	61.107	38.141
Public institutions and corporations	6.915	4.047
Customers with prior collection delays	2.896	2.167
New customers (less than 3 months)	1.725	481
	72.643	44.836

As of 31 December 2022, trade receivables that are not due and not impaired amounting to TL27.091 million are secured by guarantees (2021: TL18.990 million).

b) Analysis of past due trade receivables:

Not impaired	2022	2021
Past due up to 1 month	1.673	1.216
Past due 1 - 3 months	498	178
Past due 3 - 12 months	371	291
Past due more than 1 year	755	1.205
	3.297	2.890

As of 31 December 2022, past due but not impaired trade receivables amounting to TL1.327 million are secured by guarantees (2021: TL1.048 million).

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

<i>Impaired</i>	2022	2021
Past due up to 3 months	131	182
Past due 3 - 6 months	70	26
Past due 6 - 12 months	835	328
Past due more than 1 year	918	796
Less: Provision for impairment	(1.905)	(1.273)
	49	59

As of 31 December 2022, impaired receivables amounting to TL89 million are secured by guarantees (2021: TL72 million).

c) Expected credit losses:

31 December 2022	Not past due	0 - 1 month past due	1 - 3 months past due	More than 3 months past due	Total
Expected loss rate (%)	0,003	0,02	0,19	1,26	
Period end balance (*)	67.152	1.768	533	2.950	72.403
Expected credit losses	3	0	1	37	41
31 December 2021					
Expected loss rate (%)	0,004	0,06	0,30	0,98	
Period end balance (*)	41.761	1.278	298	2.647	45.984
Expected credit losses	2	1	1	25	29

(*) Represents gross trade receivables excluding related party balances and impairment losses.

Receivables from finance sector operations

a) As of 31 December 2022 and 2021, the rating concentration of undue corporate and commercial loans of Yapı Kredi Bankası is as follows:

		Concentration level (%)	
	Rating class	31 December 2022	31 December 2021
Above average	1 - 4	43,6%	36,6%
Average	5+ - 6	40,7%	45,9%
Below average	7+ - 9	15,7%	17,5%

b) Considering the scoring models, Yapı Kredi Bankası classifies its loan portfolio into the following groups as of 31 December 2022 and 2021:

31 December 2022	% of loans and advances	Provision coverage (%)
Stage 1	84,37%	0,85%
Stage 2	12,28%	19,24%
Stage 3	3,35%	74,42%

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2021	% of loans and advances	Provision coverage (%)
Stage 1	80,20%	0,91%
Stage 2	15,27%	18,76%
Stage 3	4,53%	71,45%

c) The details of the receivables from finance sector operations that are overdue but not impaired, which are classified as Stage 2, are as follows:

31 December 2022	Corporate and commercial loans	Consumer loans	Credit card receivables	Financial leasing receivables	Factoring receivables	Total
0 - 1 months overdue	201	1.439	326	55	2	2.023
1 - 3 months overdue	321	1.483	321	144	1	2.270
	522	2.922	647	199	3	4.293

31 December 2021	Corporate and commercial loans	Consumer loans	Credit card receivables	Financial leasing receivables	Factoring receivables	Total
0 - 1 months overdue	492	1.097	232	10	5	1.836
1 - 3 months overdue	711	1.311	232	55	48	2.357
3 - 6 months overdue	53	12	2	-	-	67
	1.256	2.420	466	65	53	4.260

d) Sectoral breakdown of receivables from finance sector operations is as follows:

	31 December 2022	%	31 December 2021	%
Public sector	255.785	42	133.431	32
Production	171.897	27	107.979	26
Financial institutions	128.326	20	109.699	26
Food and retail	44.198	7	24.253	6
Real estate	14.530	2	11.880	3
Consumer loans	7.324	1	4.420	1
Other sectors	5.630	1	25.081	6
	627.690	100	416.743	100

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

B) Market Risk

a) Foreign Exchange Risk

The difference between the foreign currency denominated and foreign currency indexed assets and liabilities of the Group are defined as the "Net foreign currency position" and it is the basis of the currency risk. Another important dimension of the currency risk is the changes of the exchange rates of different foreign currencies in net foreign currency position (cross currency risk).

The Group keeps the currency risk exposure within the limits set by Koç Holding, the Parent Company and within the limits approved by their Board of Directors. Derivative contracts such as swaps, options and forwards are also used as instruments for currency risk management for hedging purposes, when needed.

Assets and liabilities denominated in foreign currency are as follows:

	31 December 2022	31 December 2021
Assets	580.059	468.832
Liabilities	(702.807)	(577.215)
Net balance sheet position	(122.748)	(108.383)
Derivative instruments net position	67.248	76.511
Net foreign currency position	(55.500)	(31.872)
Loans designated as hedging instruments ⁽¹⁾	11.538	9.069
Net foreign currency position after hedging instruments	(43.962)	(22.803)
Inventories under the natural hedge ⁽²⁾	37.990	25.343
Net foreign currency position after hedging instruments and natural hedge	(5.972)	2.540

(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 USD denominated export revenues. The loans of Tüpraş which are subject to cash flow hedge amounted to USD190 million (TL3.547 million) as of 31 December 2022 (31 December 2021: USD388 million).

The USD denominated loans of Entek are designated as hedging instruments against the spot foreign exchange rate risk (USD/TL) associated with highly probable USD denominated revenue related to Renewable Energy Sources Support Mechanism ("YEKDEM"). The loans of Entek which are subject to cash flow hedge amounted to USD15 million (TL286 million) as of 31 December 2022 (31 December 2021: USD49 million).

Foreign exchange gains/losses related to the loans of Tüpraş and Entek are recognised under equity as "gains/losses on cash flow hedges" until the realisation of the cash flows at the hedged items.

Arçelik, a Subsidiary of the Group designated EUR200 million (TL3.987 million) of bank loan and RUB10.548 million (TL2.737 million) of contingent liability; Otokoç, a Subsidiary of the Group, designated EUR49 million (TL981 million) of bank loan as hedging instruments in order to hedge the foreign currency risk arising from the translation of net assets of the subsidiaries operating in Europe and Russia from foreign currency to Turkish Lira (31 December 2021: Arçelik: EUR200 million - Otokoç: EUR22 million). Foreign exchange gains/losses of the related loans are recognised under equity as "gains/(losses) on net investment hedges" in order to offset the foreign exchange gains/(losses) arising from the translation of the net assets of investments in foreign operations to Turkish Lira.

(2) Tüpraş and Aygaz manage their foreign currency risk resulting from their net financial liabilities by reflecting the effects of the changes in foreign currencies to their selling prices of petroleum products ("natural hedge"). As of 31 December 2022, Tüpraş and Aygaz have raw materials and petroleum products amounting to TL35.835 million (31 December 2021: TL24.198 million) and TL2.155 million (31 December 2021: TL1.145 million), respectively.

Excluding the loans designated as hedging instruments and the inventories under the natural hedge, the Group has TL5.972 million (USD319 million) foreign exchange net short position as of 31 December 2022.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2022, if EUR and USD had appreciated by 10% against TL with all other variables held constant, profit before tax would have been TL4,3 billion 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 TL1,5 billion.

The impact of 10% exchange increase in income statement (pre-tax profit):

	USD	EUR	Other	Total
31 December 2022				
Foreign currency net position (*)	(4.758)	122	306	(4.330)

(*) Profit before tax impacts arising from foreign exchange positions of Joint Ventures have been included in the sensitivity analysis.

Above sensitivity analysis has been performed by taking "net foreign currency position after hedging instruments" into account and based on a scenario of a sudden increase in exchange rates as of the balance sheet date. Therefore, related analysis does not include the profitability that will arise in the following months, via the reflection of the exchange rate increase on the sales prices of the products defined as "natural hedges". If "net foreign currency position after hedging instruments and the natural hedge" is taken into account, which is followed by the Group in the context of risk management policies, a possible 10% increase in foreign exchange rates would have a limited effect on Group's pre-tax profitability, since the net position after natural hedge is limited.

The impact of 10% exchange increase in other comprehensive income statement (pre-tax profit):

	USD	EUR	Other	Total
31 December 2022				
Hedged items (*)	(383)	(2.048)	-	(2.431)

(*) 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 2022			
	USD ⁽¹⁾	EUR ⁽¹⁾	Other (TL Equivalent)	Total (TL Equivalent)
Assets:				
Trade receivables ⁽²⁾	712	634	3.440	29.392
Receivables from finance sector operations	1.942	2.214	6.894	87.358
Monetary financial assets	7.117	3.102	19.423	214.336
Non-monetary assets	2	-	12	47
Other assets	1.336	386	4.215	36.885
Current assets	11.109	6.336	33.984	368.018
Receivables from finance sector operations	3.124	2.632	945	111.819
Monetary financial assets	4.315	442	2.955	92.435
Other assets	278	118	217	7.787
Non-current assets	7.717	3.192	4.117	212.041
Total assets	18.826	9.528	38.101	580.059
Liabilities:				
Trade payables ⁽²⁾	3.207	500	729	70.669
Borrowings	5.362	1.987	4.056	143.925
Payables of finance sector operations	9.298	5.311	42.370	322.097
Other liabilities	377	465	285	16.608
Short-term liabilities	18.244	8.263	47.440	553.299
Borrowings	5.787	1.230	317	133.051
Payables of finance sector operations	16	243	23	5.176
Other liabilities	296	72	4.330	11.281
Long-term liabilities	6.099	1.545	4.670	149.508
Total liabilities	24.343	9.808	52.110	702.807
Net balance sheet position	(5.517)	(280)	(14.009)	(122.748)
Derivative assets	9.709	1.577	20.330	233.310
Derivative liabilities	(6.879)	(1.585)	(5.834)	(166.062)
Derivative instruments net position	2.830	(8)	14.496	67.248
Net foreign currency position	(2.687)	(288)	487	(55.500)
Loans designated as hedging instruments ⁽³⁾	205	249	2.737	11.538
Net foreign currency position after hedging instruments	(2.482)	(39)	3.224	(43.962)
Net foreign currency position of monetary items	(2.689)	(288)	474	(55.547)
Fair value of derivative instruments held for hedging	316	51	-	6.918

(1) Presented in original currencies.

(2) Represents balances before consolidation eliminations.

(3) Includes loans of Tüpraş, Arçelik, Otokoç and Entek designated as hedging instruments.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2021			
	USD ⁽¹⁾	EUR ⁽¹⁾	Other (TL Equivalent)	Total (TL Equivalent)
Assets:				
Trade receivables ⁽²⁾	615	716	4.398	22.901
Receivables from finance sector operations	2.343	2.673	4.167	73.828
Monetary financial assets	8.591	2.981	11.306	166.568
Non-monetary assets	6	1	114	202
Other assets	1.937	530	1.473	34.364
Current assets	13.492	6.901	21.458	297.863
Receivables from finance sector operations	4.187	3.687	621	109.102
Monetary financial assets	3.670	557	2.053	57.854
Other assets	177	111	100	4.013
Non-current assets	8.034	4.355	2.774	170.969
Total assets	21.526	11.256	24.232	468.832
Liabilities:				
Trade payables ⁽²⁾	3.860	493	1.016	58.340
Borrowings	4.448	1.500	91	79.830
Payables of finance sector operations	11.980	6.118	27.915	273.213
Other liabilities	537	438	115	13.528
Short-term liabilities	20.825	8.549	29.137	424.911
Borrowings	9.284	1.404	214	141.308
Payables of finance sector operations	16	381	2	5.810
Other liabilities	318	71	21	5.186
Long-term liabilities	9.618	1.856	237	152.304
Total liabilities	30.443	10.405	29.374	577.215
Net balance sheet position	(8.917)	851	(5.142)	(108.383)
Derivative assets	8.925	1.260	17.414	151.749
Derivative liabilities	(2.530)	(2.239)	(9.533)	(75.238)
Derivative instruments net position	6.395	(979)	7.881	76.511
Net foreign currency position	(2.522)	(128)	2.739	(31.872)
Loans designated as hedging instruments ⁽³⁾	437	222	-	9.069
Net foreign currency position after hedging instruments	(2.085)	94	2.739	(22.803)
Net foreign currency position of monetary items	(2.528)	(129)	2.624	(32.074)
Fair value of derivative instruments held for hedging	(63)	(6)	-	(901)

(1) Presented in original currencies.

(2) Represents balances before consolidation eliminations.

(3) Includes loans of Tüpraş, Arçelik, Otokoç and Entek designated as hedging instruments.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Export and import details (TL Equivalent)

Group's consolidated export and import balances are as follows:

Export	2022	2021
USD	96.473	37.562
EUR	27.558	14.358
Other	11.966	6.745
	135.997	58.665
Import		
USD	370.868	139.342
EUR	12.991	5.574
Other	67	35
	383.926	144.951

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 monitoring of interest rate sensitive assets and liabilities and sensitivity analysis of Yapı Kredi Bankası, a Subsidiary of the Group, regarding the effect of interest rate fluctuations on the financial statements are performed by the Risk Management Department for all interest sensitive instruments. The results of studies such as time analysis, difference analysis, base point value analysis, scenario analysis, net interest income simulations are presented to the Board of Directors monthly within the scope of the Asset-Liability Management function. By using sensitivity and scenario analyses, the possible loss effects on the equity are analysed due to the interest rate volatility not only within current year but also for the future periods. The effects of the volatility of market interest rates on positions and on cash flows are also closely monitored.

The weighted average effective annual interest rates (%) for the consolidated financial assets and liabilities outstanding as of 31 December 2022 and 2021 are as follows:

	31 December 2022			31 December 2021		
	USD	EUR	TL	USD	EUR	TL
Assets						
Cash and cash equivalents	2,65	0,63	21,23	0,83	0,60	19,94
Financial assets						
- Measured at fair value through profit or loss	5,38	4,80	-	3,43	3,87	15,57
- Measured at fair value through other comprehensive income	7,56	3,32	48,65	6,27	3,32	28,75
- Measured at amortised cost	6,39	2,62	53,69	6,25	2,71	30,36
Receivables from finance sector operations	8,18	6,09	23,07	5,64	4,48	19,38
Liabilities						
Borrowings	6,29	3,13	18,37	3,70	1,79	15,98
Payables of finance sector operations	1,12	0,24	8,26	0,40	0,16	11,90

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Consolidated financial assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates are as follows:

31 December 2022	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	84.674	8.982	-	-	57.962	151.618
Balances with CBRT	3.266	-	-	-	127.693	130.959
Financial assets						
- Measured at fair value through profit or loss	8	2.493	127	211	2.344	5.183
- Measured at fair value through other comprehensive income	29.243	20.418	13.157	15.508	1.425	79.751
- Measured at amortised cost	68.937	13.787	29.677	56.042	-	168.443
Receivables from finance sector operations	248.580	210.237	136.829	32.044	-	627.690
	434.708	255.917	179.790	103.805	189.424	1.163.644
Liabilities						
Borrowings	158.336	95.957	117.707	5.896	654	378.550
Payables to finance sector operations	401.780	28.403	4.898	338	277.021	712.440
	560.116	124.360	122.605	6.234	277.675	1.090.990
31 December 2021	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	44.003	5.961	-	-	43.885	93.849
Balances with CBRT	68.178	-	-	-	35.067	103.245
Financial assets						
- Measured at fair value through profit or loss	4	6	58	139	975	1.182
- Measured at fair value through other comprehensive income	13.526	13.360	3.718	4.137	595	35.336
- Measured at amortised cost	31.441	13.387	11.652	39.640	-	96.120
Receivables from finance sector operations	116.313	155.686	119.420	25.324	-	416.743
	273.465	188.400	134.848	69.240	80.522	746.475
Liabilities						
Borrowings	112.164	62.996	103.764	6.148	1.217	286.289
Payables to finance sector operations	266.918	10.689	2.898	277	170.392	451.174
	379.082	73.685	106.662	6.425	171.609	737.463

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Sensitivity to interest rate risk

The sensitivity analysis of Yapi Kredi Bankası, a Subsidiary of the Group operating in the finance sector, regarding fluctuations in interest rates was carried out for all interest-bearing assets and debts with interest. In the case of 100 bps rise in the annual interests in TL, USD and EUR currencies, the negative impact on the Group's consolidated equity holders of the parent is around TL1,4 million. (In the case of 100 bps decrease in the annual interests, the positive impact on the Group's consolidated equity holders of the parent is around TL1,6 million.)

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 TL500 million for the subsidiaries of the Group which operate in non-finance sector. 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's non-finance sector operations' results within 1-year period.

The interest rate position is as follows:

	31 December 2022	31 December 2021
Fixed interest rate financial instruments		
<i>Financial assets</i>		
Cash and cash equivalents	86.457	46.464
Balances with CBRT	3.266	68.178
Financial assets		
- Measured at fair value through profit or loss	2.839	207
- Measured at fair value through other comprehensive income	56.080	12.477
- Measured at amortised cost	119.917	48.746
Receivables from finance sector operations	451.525	302.107
	720.084	478.179
<i>Financial liabilities</i>		
Borrowings	269.216	193.423
Payables to finance sector operations	435.357	280.773
	704.573	474.196
Floating interest rate financial instruments		
<i>Financial assets</i>		
Cash and cash equivalents	7.199	3.500
Financial assets		
- Measured at fair value through other comprehensive income	22.246	22.264
- Measured at amortised cost	48.526	47.374
Receivables from finance sector operations	176.165	114.636
	254.136	187.774
<i>Financial liabilities</i>		
Borrowings	108.680	91.650
Payables to finance sector operations	62	9
	108.742	91.659

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Commodity price risk

Tüpraş, a Subsidiary of the Group is exposed to risk arising from fluctuations in crude oil prices due to raw material inventory held for production. Tüpraş management manages the risk by regularly reviewing the amount of the inventory held.

Tüpraş sets its sales price according to Petroleum Market Law No: 5015 considering the product prices at the Mediterranean market, which are the closest reachable world competitive market and USD currency rates. The changes in prices in the Mediterranean market and USD currency rate are evaluated daily by Tüpraş management and sales prices are updated when prices calculated according to the aforementioned factors differ significantly from the current sales prices.

Since instability in crude oil prices may cause fluctuations in net profit and cash flows, Tüpraş management has constituted a hedging policy in order to eliminate the aforementioned risk. In accordance with the policy, short and long term hedging transactions are realised by utilising various derivative instruments.

d) Product Profit Margin (Crack Margin) Risk

Besides the fluctuations in crude oil prices, Tüpraş is also exposed to the risk of fluctuations in crack margins arising from the changes in product prices. In order to eliminate the aforementioned risk in crack margins, a hedging policy has been constituted by considering historical product price levels, market expectations and forecasted sales volumes. In accordance with the policy, crack margins are hedged by utilising various derivative instruments.

C) Liquidity Risk

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed in illiquid markets. In the framework of liquidity risk management, funding sources are being diversified and sufficient cash and cash equivalents are held. In order to meet instant cash necessities it is ensured that the level of cash and cash equivalent assets does not fall below a predetermined portion of the short term liabilities.

Liquidity management of Yapı Kredi Bankası, a Subsidiary of the Group, is daily monitored by Treasury Management, Risk Management and Capital Management. Liquidity risk is evaluated with liquidity gap analyses, liquidity stress tests and supplementary precautions/measurements. Liquidity gap analyses are performed for two different periods as short-term and long-term. Both short-term liquidity and long-term (structural) liquidity measurement and reporting for all types of currencies are periodically made in the Bank and its subsidiaries. There are limits, which are predetermined and approved by the Board of Directors in terms of all currencies for each period. Yapı Kredi Bankası mainly uses derivative transactions for managing liquidity risk and monitors cash inflows and outflows in the framework of funding plan in order to balance the liquidity distribution among currencies.

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NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Undiscounted contractual cash flows of the consolidated financial liabilities as of 31 December 2022 and 2021 are as follows:

31 December 2022	Carrying 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	378.550	424.063	119.282	120.910	147.526	36.345
<i>Borrowings, debt instruments and factoring liabilities</i>	<i>373.516</i>	<i>417.061</i>	<i>118.614</i>	<i>119.798</i>	<i>144.511</i>	<i>34.138</i>
<i>Lease liabilities</i>	<i>5.034</i>	<i>7.002</i>	<i>668</i>	<i>1.112</i>	<i>3.015</i>	<i>2.207</i>
Trade payables	102.839	106.584	104.415	2.169	-	-
Payables to finance sector operations	712.440	721.997	686.456	30.457	4.757	327
Derivative instruments (*)						
Cash inflows	22.741	242.195	172.778	38.473	21.655	9.289
Cash outflows	15.450	(263.768)	(190.923)	(34.733)	(26.359)	(11.753)
31 December 2021	Carrying 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	286.289	324.033	45.134	90.493	156.876	31.530
<i>Borrowings, debt instruments and factoring liabilities</i>	<i>282.860</i>	<i>319.194</i>	<i>44.677</i>	<i>89.592</i>	<i>154.636</i>	<i>30.289</i>
<i>Lease liabilities</i>	<i>3.429</i>	<i>4.839</i>	<i>457</i>	<i>901</i>	<i>2.240</i>	<i>1.241</i>
Trade payables	71.588	71.755	67.890	3.865	-	-
Payables to finance sector operations	451.174	454.873	437.076	12.105	5.317	375
Derivative instruments (*)						
Cash inflows	25.608	197.155	150.960	18.891	22.252	5.052
Cash outflows	22.102	(201.129)	(152.573)	(19.030)	(24.281)	(5.245)

(*) Derivative instruments do not include the carrying value (Note 11) 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.

The distribution of non-cash loans (Note 32) of Yapı Kredi Bankası, a Subsidiary of the Group, by original maturity is as follows:

31 December 2022	Indefinite	Up to 1 year	1-5 years	5 years and over	Total
Letters of guarantee	53.545	40.031	74.028	13.769	181.373
Letter of credits	-	23.237	9.810	153	33.200
Acceptance credits	-	861	4	-	865
Other	1.438	10.932	3.300	12.684	28.354
	54.983	75.061	87.142	26.606	243.792

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(Amounts on tables expressed in millions of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2021	Indefinite	Up to 1 year	1-5 years	5 years and over	Total
Letters of guarantee	34.627	27.932	44.237	12.174	118.970
Letter of credits	-	18.840	7.255	225	26.320
Acceptance credits	-	515	31	-	546
Other	1.864	1.888	1.444	9.885	15.081
	36.491	49.175	52.967	22.284	160.917

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/invested capital ratio. Net financial debt is calculated as total financial liabilities less cash and cash equivalents (excluding blocked deposits) and invested capital is calculated as net financial debt plus total equity. Consolidated net financial debt/invested capital ratio as of 31 December 2022 and 2021 is as follows:

	31 December 2022	31 December 2021
Total borrowings	378.550	286.289
Less: Cash and cash equivalents	(145.008)	(89.524)
Net financial debt	233.542	196.765
Equity	247.198	121.105
Invested capital	480.740	317.870
Net financial debt/invested capital ratio	0,49	0,62

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 cash and cash equivalents and trade receivables are assumed to reflect their fair values due to their short-term nature. The estimated fair value of interest bearing placements of cash and cash equivalents of finance sector is calculated based on discounted cash flows using prevailing money market interest rates at the statement of financial position date with similar credit risk and remaining maturity.

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NOTE 34 - FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS (Continued)

The estimated fair value of receivables from finance sector operations represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates with similar currency and remaining maturity in order to determine their fair value.

The fair value of financial assets measured at amortised cost is determined based on market prices; or when market price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

Financial liabilities

Fair values of short-term trade payables and borrowings with floating interest rate are assumed to approximate their carrying values. The estimated fair value of issued debt securities and other long-term borrowings without quoted market price is based on discounted cash flows using market interest rates prevailing at the balance sheet date with similar credit risk and remaining maturity.

The estimated fair value of demand deposits with no stated maturity classified under payables to finance sector operations, represents the amount repayable on demand. The fair value of overnight deposits is considered to approximate their carrying values. The estimated fair value of fixed-interest deposits is calculated based on discounted cash flows using market interest rates applied to similar loans and other debts. In case the maturities are short-term, the carried value is assumed to reflect the fair value.

Within the framework of the methods and assumptions explained above, the carrying values and estimated fair values of financial assets and liabilities as of 31 December 2022 and 2021 are presented in the table below:

	31 December 2022		31 December 2021	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Cash and cash equivalents	151.618	151.394	93.849	93.826
Receivables from finance sector operations	627.690	632.459	416.743	408.310
Financial assets measured at amortised cost	168.443	196.204	96.120	100.869
Liabilities				
Borrowings	378.550	385.016	286.289	286.210
Payables to finance sector operations	712.440	713.131	451.174	451.238

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:* The fair value of financial assets and financial liabilities are determined with reference to quoted market prices.

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):* The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other variables used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

Level 3: *Inputs for the asset or liability that are not based on observable market data.*

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NOTE 34 - FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS (Continued)

31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit/(loss)				
- Equity securities	1.493	190	431	2.114
- Debt instruments	-	2.473	-	2.473
Financial assets measured at fair value through other comprehensive income				
- Equity securities	921	533	-	1.454
- Debt instruments	76.398	1.899	-	78.297
Derivative instruments	-	22.741	-	22.741
Total assets	78.812	27.836	431	107.079
Derivative instruments	-	15.450	-	15.450
Liabilities related to business combinations (Note 22)	-	-	2.737	2.737
Total liabilities	-	15.450	2.737	18.187

31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit/(loss)				
- Equity securities	78	285	608	971
- Debt instruments	211	-	-	211
Financial assets measured at fair value through other comprehensive income				
- Equity securities	486	143	-	629
- Debt instruments	33.737	970	-	34.707
Derivative instruments	-	25.608	-	25.608
Total assets	34.512	27.006	608	62.126
Derivative instruments	-	22.102	-	22.102
Total liabilities	-	22.102	-	22.102

NOTE 35 - EARNINGS PER SHARE

	2022	2021
Earnings per share:		
Profit for the period	118.220	26.185
Less: Profit attributable to non-controlling interests	48.414	10.992
Profit attributable to equity holders of the parent	69.806	15.193
Weighted average number of shares with nominal value of Kr 1 each (*)	253.500.757.500	253.562.415.596
Earnings per share (Kr)	27,537	5,992

(*) Calculated by adjusting the treasury shares (Note 23).

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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 2022 and 2021 is as follows:

	31 December 2022	31 December 2021
Changes in provisions:		
Provisions for employee benefits	1.453	377
Provisions for warranty and assembly	866	498
Provisions for non-cash loans	494	656
Provisions for lawsuits	292	186
Cost accruals for construction contracts	176	133
Other provisions	1.411	687
	4.692	2.537
Adjustments for impairment loss/ (reversal of impairment loss):		
Expected credit loss provisions on receivables from finance sector operations	17.279	4.180
Expected credit loss provisions on trade receivables	203	144
Provisions for impairment on inventories	590	(22)
Provisions for impairment on property, plant and equipment	-	5
	18.072	4.307
Net changes in the operating assets and liabilities:		
Finance:		
Receivables from finance sector operations	(227.231)	(123.636)
Balances with Central Bank of the Republic of Turkey - required reserves	(11.118)	(25.531)
Payables of finance sector operations	261.265	174.003
Other assets and liabilities, net	(6.009)	(12.481)
	16.907	12.355
Non-Finance:		
Inventories	(31.337)	(26.831)
Trade receivables	(27.705)	(25.451)
Trade payables	30.791	39.361
Other assets and liabilities, net	11.032	5.963
Other payables and receivables, net	(10.707)	(7.578)
	(27.926)	(14.536)
Currency translation differences	3.406	5.972
	(7.613)	3.791
Cash and cash equivalents:		
Cash and cash equivalents (Note 5)	151.618	93.849
Add: Balances with		
Central Bank of the Republic of Turkey - free deposits (Note 6)	71.790	55.194
Less: Blocked deposits (Note 5)	(6.610)	(4.325)
	216.798	144.718

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NOTE 37 - EVENTS AFTER THE BALANCE SHEET DATE

In line with the growth strategy of Arçelik A.Ş. ("Arçelik"), a Subsidiary of the Group, Arçelik and Whirlpool Corporation ("Whirlpool") signed a Participation Agreement on 16 January 2023 in order to merge all of Arçelik and Whirlpool's manufacturing, sales and marketing subsidiaries operating in Europe under a structure that Arçelik will control with majority share.

For this purpose, the entire shares of Arçelik's subsidiaries operating in Europe, including all shares of %100 owned Beko Balkans and %51 owned Beko PLC will be transferred into Ardutch B.V. ("Ardutch"). Hereupon Ardutch will transfer the aforementioned shares of the subsidiaries to Beko Europe B.V. ("Beko Europe") which has been incorporated in Netherlands for the purpose of this transaction by contribution of capital in kind. Likewise, the entire shares of all subsidiaries of Whirlpool EMEA Holdings LLC operating in Europe will be merged under one company and the shares of this company will be transferred to Beko Europe by contribution of capital in kind. According to the foreseen shareholding structure after the aforementioned transfers, Ardutch will have majority share with 75% and Whirlpool EMEA will own 25% share in Beko Europe. The final ownership ratio will be determined by taking into account the EBITDA and net fixed asset value in the 2022 year-end financials for the companies subject to the transaction and will be adjusted based on net debt and net working capital after the closing financial statements are prepared. If there is a need for an adjustment, share proportions may change according to the principles determined in the agreement.

After the completion of the transaction, it is anticipated that Whirlpool's 38 European subsidiaries including 14 production facilities located in 9 locations (in Italy, Poland, Slovakia and the UK), and Arçelik's 25 European subsidiaries including 2 production facilities located in Romania will be merged under Beko Europe. The total production capacity of all the mentioned production facilities will be approximately 24 million units per year after the transaction.

It is also agreed that a share purchase agreement will be signed within six weeks between the parties regarding the acquisition of the entire shares of two subsidiaries of Whirlpool domiciled in the United Arab Emirates and Morocco and operating in the Middle East and North Africa markets ("MENA"), by Ardutch at the amount of EUR20 million in cash which is subject to net debt and net working capital adjustments based on the closing financials.

As a result of the transactions, Beko Europe and companies acquired in the MENA region will be fully consolidated as a subsidiary, since Arçelik has a majority share and control right.

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