

KOÇ HOLDİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2021

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 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 2021**

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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 2021 AND 2020**

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

		2021	2021	<i>Audited</i>	<i>Audited</i>
	Notes	(*) EUR'000	(*) USD'000	2021	2020
				TL'000	TL'000
ASSETS					
Current assets:					
Cash and cash equivalents	5	6.392.004	7.231.694	93.849.314	60.360.801
Balances with the Central Bank of the Republic of Turkey	6	7.031.957	7.955.716	103.245.309	48.972.272
Financial assets	7	986.413	1.115.994	14.482.812	6.126.643
Trade receivables	9	3.199.724	3.620.059	46.979.315	20.478.731
- <i>Related parties</i>	9	209.346	236.847	3.073.686	1.239.528
- <i>Third parties</i>	9	2.990.378	3.383.212	43.905.629	19.239.203
Receivables from finance sector operations	10	15.621.677	17.673.831	229.362.141	157.462.310
Derivative instruments	11	1.142.906	1.293.044	16.780.484	2.317.060
Inventories	12	3.150.627	3.564.511	46.258.445	18.651.844
Other receivables	22	448.514	507.434	6.585.219	2.193.924
Other current assets	23	3.296.230	3.729.242	48.396.237	24.809.568
		41.270.052	46.691.525	605.939.276	341.373.153
Assets held for sale	25	2.406	2.722	35.320	201.321
Total current assets		41.272.458	46.694.247	605.974.596	341.574.474
Non-current assets:					
Financial assets	7	8.047.440	9.104.599	118.154.933	73.171.712
Investments accounted for using the equity method	8	826.525	935.102	12.135.290	8.367.140
Trade receivables	9	52.835	59.775	775.733	521.842
- <i>Third parties</i>	9	52.835	59.775	775.733	521.842
Receivables from finance sector operations	10	12.762.384	14.438.925	187.381.146	137.770.791
Derivative instruments	11	601.237	680.219	8.827.536	3.902.082
Investment properties	13	25.133	28.435	369.009	384.742
Property, plant and equipment	14	3.484.991	3.942.800	51.167.683	38.520.817
Intangible assets		1.256.106	1.421.115	18.442.530	12.932.015
- <i>Goodwill</i>	15	380.152	430.091	5.581.511	3.725.523
- <i>Other intangible assets</i>	16	875.954	991.024	12.861.019	9.206.492
Deferred tax assets	19	889.272	1.006.092	13.056.562	9.812.215
Other non-current assets	23	290.710	328.899	4.268.289	3.142.714
Total non-current assets		28.236.633	31.945.961	414.578.711	288.526.070
Total assets		69.509.091	78.640.208	1.020.553.307	630.100.544

(*) 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 2021, 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 2021 have been approved for issue by the Board of Directors ("BOD") on 17 February 2022. 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 2021 AND 2020**

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

	Notes	2021 (*) EUR'000	2021 (*) USD'000	Audited 2021 TL'000	Audited 2020 TL'000
LIABILITIES					
Current liabilities:					
Short term borrowings	17	4.209.575	4.762.569	61.806.242	23.766.653
Short term portion of long-term borrowings	17	4.202.631	4.754.713	61.704.287	47.957.577
Trade payables	9	4.875.805	5.516.320	71.588.038	29.039.594
- Related parties	9	183.191	207.256	2.689.664	2.638.387
- Third parties	9	4.692.614	5.309.064	68.898.374	26.401.207
Payables of finance sector operations	18	30.330.951	34.315.402	445.328.125	274.101.362
Derivative instruments	11	881.626	997.442	12.944.298	4.688.529
Current income tax liabilities	19	174.712	197.664	2.565.179	1.587.179
Short term provisions	21	251.902	284.993	3.698.499	1.878.630
Other payables	22	325.453	368.206	4.778.397	4.075.701
Other current liabilities	23	3.082.891	3.487.870	45.263.866	27.383.629
		48.335.546	54.685.179	709.676.931	414.478.854
Liabilities related to assets held for sale	25	-	-	-	14.110
Total current liabilities		48.335.546	54.685.179	709.676.931	414.492.964
Non-current liabilities:					
Long term borrowings	17	11.086.758	12.543.179	162.779.111	110.083.014
Payables of finance sector operations	18	398.138	450.440	5.845.587	3.069.577
Derivative instruments	11	623.755	705.696	9.158.164	6.748.047
Other payables	22	-	-	-	207.350
Deferred tax liabilities	19	177.539	200.862	2.606.687	1.258.612
Long term provisions		500.510	566.260	7.348.634	4.986.473
- Long term provisions for employee benefits	20	333.686	377.521	4.899.279	3.434.738
- Other long-term provisions	21	166.824	188.739	2.449.355	1.551.735
Other non-current liabilities	23	138.475	156.666	2.033.131	1.183.455
Total non-current liabilities		12.925.175	14.623.103	189.771.314	127.536.528
Total liabilities		61.260.721	69.308.282	899.448.245	542.029.492
Equity:					
Paid-in share capital	24	172.718	195.407	2.535.898	2.535.898
Adjustment to share capital	24	65.881	74.536	967.288	967.288
Treasury shares	24	(1.299)	(1.469)	(19.066)	-
Share premium		632	716	9.286	9.286
Other comprehensive income/expense not to be reclassified to profit or loss	24	(42.230)	(47.778)	(620.039)	(278.721)
Other comprehensive income/expense to be reclassified to profit or loss	24	383.784	434.200	5.634.832	1.167.240
Restricted reserves	24	36.669	41.487	538.386	523.765
Prior years' income		2.683.626	3.036.163	39.401.808	32.144.813
Profit for the period		1.034.764	1.170.696	15.192.711	9.272.570
Equity holders of the parent		4.334.545	4.903.958	63.641.104	46.342.139
Non-controlling interests		3.913.825	4.427.968	57.463.958	41.728.913
Total equity		8.248.370	9.331.926	121.105.062	88.071.052
Total liabilities and equity		69.509.091	78.640.208	1.020.553.307	630.100.544
Commitments and contingent liabilities	34				

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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 2021 AND 2020**

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

	Notes	2021 (*) EUR'000	2021 (*) USD'000	Audited 2021 TL'000	Audited 2020 TL'000
Revenue	26	26.140.083	30.798.016	273.652.688	142.535.886
Revenue from finance sector operations	26	6.976.608	8.219.778	73.036.014	41.241.390
Total revenue	4	33.116.691	39.017.794	346.688.702	183.777.276
Cost of sales	27	(21.706.265)	(25.574.130)	(227.236.375)	(119.935.381)
Cost of finance sector operations	27	(3.762.498)	(4.432.941)	(39.388.458)	(19.511.001)
Total costs		(25.468.763)	(30.007.071)	(266.624.833)	(139.446.382)
Gross profit (non-finance)		4.433.818	5.223.886	46.416.313	22.600.505
Gross profit (finance)		3.214.110	3.786.837	33.647.556	21.730.389
Gross profit		7.647.928	9.010.723	80.063.869	44.330.894
Marketing expenses	27	(1.488.928)	(1.754.242)	(15.587.139)	(9.747.230)
General administrative expenses	27	(1.618.382)	(1.906.763)	(16.942.352)	(12.799.708)
Research and development expenses	27	(60.274)	(71.014)	(630.986)	(454.419)
Other operating income	28	1.176.295	1.385.900	12.314.280	4.878.475
Other operating expenses	28	(2.906.029)	(3.423.858)	(30.422.344)	(12.342.768)
Share of profit/loss of investments accounted for using the equity method	8	561.642	661.721	5.879.657	2.966.673
Operating profit	4	3.312.252	3.902.467	34.674.985	16.831.917
Gains from investment activities	29	60.856	71.700	637.082	3.763.736
Losses from investment activities	29	(5.155)	(6.073)	(53.965)	(189.569)
Operating profit before financial income/(expense)		3.367.953	3.968.094	35.258.102	20.406.084
Financial income	30	3.810.578	4.489.590	39.891.800	16.364.045
Financial expense	30	(4.396.075)	(5.179.416)	(46.021.186)	(22.930.327)
Profit before tax	4	2.782.456	3.278.268	29.128.716	13.839.802
Tax income/(expense)		(281.214)	(331.323)	(2.943.944)	(1.206.505)
- Current income tax expense	19	(506.473)	(596.722)	(5.302.116)	(3.819.493)
- Deferred tax income	19	225.259	265.399	2.358.172	2.612.988
Profit for the period		2.501.242	2.946.945	26.184.772	12.633.297
Attributable to:					
Non-controlling interests	4	1.049.993	1.237.092	10.992.061	3.360.727
Equity holders of the parent	4	1.451.249	1.709.853	15.192.711	9.272.570
Earnings per share (Kr)	37			5,992	3,657

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KOÇ HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

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

	2021	2021	<i>Audited</i>	<i>Audited</i>
	(*) EUR'000	(*) USD'000	2021	2020
	TL'000	TL'000		
Profit for the period	2.501.242	2.946.945	26.184.772	12.633.297
Other comprehensive income:				
Items not to be reclassified to profit/loss	(77.130)	(90.873)	(807.445)	(232.083)
Gains/(losses) on remeasurements of defined benefit plans	(69.918)	(82.376)	(731.946)	(230.595)
Share of other comprehensive income/(expenses) of investments accounted for using the equity method	(7.212)	(8.497)	(75.499)	(1.488)
Taxes relating to other comprehensive income not to be reclassified to profit/(loss)	14.678	17.293	153.659	46.081
Gains/(losses) on remeasurements of defined benefit plans, tax effect	14.678	17.293	153.659	46.081
Items to be reclassified to profit/loss	999.311	1.177.376	10.461.472	3.518.663
Currency translation differences	986.696	1.162.513	10.329.411	3.110.305
Gains/(losses) on financial assets measured at fair value through other comprehensive income	159.853	188.337	1.673.449	439.667
Gains/(losses) on hedges of net investments in foreign operations	(388.039)	(457.184)	(4.062.261)	(1.536.827)
Gains/(losses) on cash flow hedges	203.482	239.741	2.130.195	1.813.878
Share of other comprehensive income/(expenses) of investments accounted for using the equity method	37.319	43.969	390.678	(308.360)
Taxes relating to other comprehensive income to be reclassified to profit/loss	25.445	29.979	266.375	(259.713)
Gains/(losses) on financial assets measured at fair value through other comprehensive income, tax effect	(30.812)	(36.302)	(322.559)	(44.994)
Gains/(losses) on hedges of net investments in foreign operations, tax effect	94.852	111.753	992.974	272.480
Gains/(losses) on cash flow hedges, tax effect	(38.595)	(45.472)	(404.040)	(487.199)
Other comprehensive income	962.304	1.133.775	10.074.061	3.072.948
Total comprehensive income	3.463.546	4.080.720	36.258.833	15.706.245
Attributable to:				
Non-controlling interest	1.618.142	1.906.481	16.939.848	5.329.690
Equity holders of the parent	1.845.404	2.174.239	19.318.985	10.376.555

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(NOTE 2.6)

KOÇ HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

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

					Items not to be reclassified to profit/loss		Items to be reclassified to profit/loss			Retained earnings				
	Paid-in share capital	Adjustment to share capital	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 2020	2.535.898	967.288	-	9.286	(297.850)	2.529.699	(2.992.323)	57.615	523.765	28.557.523	4.391.159	36.282.060	13.369.975	49.652.035
Transfers	-	-	-	-	-	-	-	-	-	4.391.159	(4.391.159)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(670.701)	-	(670.701)	(327.393)	(998.094)
Acquisition of a subsidiary due to change of control	-	-	-	-	101.032	(886.526)	1.345.234	(68.948)	-	(101.032)	-	389.760	23.186.226	23.575.986
Transactions with non-controlling interests	-	-	-	-	12	-	(3.411)	-	-	(32.136)	-	(35.535)	170.415	134.880
Total comprehensive income/(expense)	-	-	-	-	(81.915)	1.530.296	(744.825)	400.429	-	-	9.272.570	10.376.555	5.329.690	15.706.245
Balances at 31 December 2020	2.535.898	967.288	-	9.286	(278.721)	3.173.469	(2.395.325)	389.096	523.765	32.144.813	9.272.570	46.342.139	41.728.913	88.071.052
Balances at 1 January 2021	2.535.898	967.288	-	9.286	(278.721)	3.173.469	(2.395.325)	389.096	523.765	32.144.813	9.272.570	46.342.139	41.728.913	88.071.052
Transfers	-	-	-	-	-	-	-	-	(4.445)	9.277.015	(9.272.570)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(1.769.874)	-	(1.769.874)	(1.637.101)	(3.406.975)
Increase/(decrease) through treasury share transactions (Note 24)	-	-	(19.066)	-	-	-	-	-	19.066	(19.066)	-	(19.066)	-	(19.066)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	(231.080)	-	(231.080)	(809.175)	(1.040.255)
Acquisition of a subsidiary (Note 3)	-	-	-	-	-	-	-	-	-	-	-	-	1.241.473	1.241.473
Total comprehensive income/(expense)	-	-	-	-	(341.318)	5.289.208	(1.469.326)	647.710	-	-	15.192.711	19.318.985	16.939.848	36.258.833
Balances at 31 December 2021	2.535.898	967.288	(19.066)	9.286	(620.039)	8.462.677	(3.864.651)	1.036.806	538.386	39.401.808	15.192.711	63.641.104	57.463.958	121.105.062

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 2021 AND 2020**

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

	Notes	2021 (*) EUR'000	2021 (*) USD'000	Audited 2021 TL '000	Audited 2020 TL '000
A. Cash Flows From Operating Activities:					
Profit for the period		2.501.242	2.946.945	26.184.772	12.633.297
Adjustments to reconcile profit for the period to cash generated from operating activities:					
Tax expense/(income)	19	281.214	331.323	2.943.944	1.206.505
Undistributed profits of investments account for using the equity method	8	(561.642)	(661.721)	(5.879.657)	(2.966.673)
Depreciation and amortisation	4	504.887	594.854	5.285.513	4.063.559
Adjustments for provisions	38	242.350	285.535	2.537.089	1.079.712
Adjustments for impairment loss/(reversal of impairment loss)	38	411.446	484.762	4.307.305	7.901.688
Adjustments for non-finance sector interest (income)/expenses, net	30	476.853	561.823	4.992.022	3.888.815
Adjustments for finance sector interest (income)/expenses		(1.397.526)	(1.646.553)	(14.630.280)	(2.983.832)
Fair value losses/(gains) on derivative instruments		171.598	202.175	1.796.409	3.308.028
Unrealised foreign exchange losses/(gains)		2.035.027	2.397.650	21.304.083	(7.502.929)
- Exchange (gains)/losses on borrowings, net		7.083.769	8.346.034	74.157.850	18.943.670
- Exchange (gains)/losses on cash and cash equivalents, net		(5.048.742)	(5.948.384)	(52.853.767)	(26.446.599)
Losses/(gains) on disposal of non-current assets	29	(25.325)	(29.837)	(265.118)	(156.962)
Gain from bargain purchase	29	(22.448)	(26.448)	(234.997)	-
Losses/(gains) on disposal of non-current assets held for sale	29	270	319	2.831	-
Adjustments for dividend income	29	(857)	(1.009)	(8.967)	-
Other adjustments related to reconciliation of profit/(loss)		-	-	-	(3.506.614)
- Income arising from change of control	29	-	-	-	(2.995.339)
- Termination fee income	29	-	-	-	(511.275)
		4.617.089	5.439.818	48.334.949	16.964.594
Changes in working capital	38	362.116	426.641	3.790.879	5.054.179
Income taxes refund/(paid)		(388.237)	(457.417)	(4.064.332)	(2.918.074)
Dividend payments received from Joint Ventures, net	8	248.613	292.913	2.602.651	1.109.116
Total cash flows from operating activities		4.839.581	5.701.955	50.664.147	20.209.815
B. Cash Flows From Investing Activities:					
Cash outflows from purchases of property, plant and equipment and intangible assets	4	(1.196.717)	(1.409.961)	(12.528.070)	(8.026.864)
Cash inflows from sale of property, plant and equipment and intangible assets		230.153	271.164	2.409.404	1.480.676
Cash inflows from disposal of non-current assets held for sale		201	237	2.107	-
Cash inflows from sale of Subsidiaries without loss of control		-	-	-	142.316
Cash outflows from acquisition of additional interest in Subsidiaries		-	-	-	(7.412)
Cash outflows from acquisition of interest/capital increase of Joint Ventures	8	(19.140)	(22.551)	(200.371)	(95.776)
Cash outflows from acquisition of interest/capital increase in financial assets		(28.931)	(34.086)	(302.867)	(50.758)
Dividends received	29	857	1.009	8.967	-
Other cash inflows/(outflows)		(4.106.487)	(4.838.227)	(42.989.579)	19.394.621
- Cash inflows/outflows due to business combinations, net	3	(245.496)	(289.241)	(2.570.021)	37.322.072
- Cash outflows from purchase/sale of financial assets measured at fair value through other comprehensive income and measured at amortised cost, net		(3.860.991)	(4.548.986)	(40.419.558)	(18.438.726)
- Cash inflows from termination fee	29	-	-	-	511.275
Total cash flows from investing activities		(5.120.064)	(6.032.415)	(53.600.409)	12.836.803
C. Cash Flows From Financing Activities:					
Dividends paid		(325.444)	(383.435)	(3.406.975)	(998.094)
Cash inflows from borrowings	17	7.911.752	9.321.557	82.825.759	93.336.271
Cash outflows from repayments of borrowings	17	(5.741.130)	(6.764.149)	(60.102.166)	(97.865.167)
Cash inflows/(outflows) from derivative instruments, net		(257.140)	(302.960)	(2.691.918)	(740.961)
Cash outflows from payments of lease liabilities	17	(131.898)	(155.402)	(1.380.805)	(790.372)
Non-finance sectors interest paid		(548.098)	(645.765)	(5.737.877)	(4.695.147)
Non-finance sectors interest received		167.660	197.535	1.755.181	903.917
Transactions with non-controlling interests		(99.368)	(117.075)	(1.040.255)	-
Cash outflows from purchase of treasury shares	24	(1.821)	(2.146)	(19.066)	-
Total cash flows from financing activities		974.513	1.148.160	10.201.878	(10.849.553)
Effect of exchange rate changes on cash and cash equivalents		5.048.742	5.948.384	52.853.767	26.446.599
Net increase/(decrease) in cash and cash equivalents		5.742.772	6.766.084	60.119.383	48.643.664
Cash and cash equivalents at the beginning of the period		8.081.116	9.521.099	84.598.776	35.955.112
Cash and cash equivalents at the end of the period	38	13.823.888	16.287.183	144.718.159	84.598.776

(*) 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 2021, 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 2021**

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Koç Holding A.Ş. ("Koç Holding") was established on 11 December 1963 in Turkey. Koç Holding's business activities include ensuring the establishment of participating in various companies and promoting the achievements of these companies; ensuring a more profitable, efficient management appropriate for current conditions and creating common service areas and therefore lightening the financial burden of these services on the companies.

Total end of period and average number of personnel employed by the Parent Company Koç Holding, its Subsidiaries and Joint Ventures (together referred as the "Group") by their categories are as follows:

	End of period		Average	
	2021	2020	2021	2020
Monthly paid	48.678	45.091	46.784	45.814
Hourly paid	57.230	55.550	56.447	50.288
Total number of personnel	105.908	100.641	103.231	96.102

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 2021, shareholding structure of Koç Holding is as follows:

	%
Companies owned by Koç Family members	45,05
Koç Family members	19,24
Vehbi Koç Vakfı	7,26
Koç Holding Emekli ve Yardım Sandığı Vakfı	1,99
Other (*)	26,46
	100,00

(*) Includes treasury shares of 0,04% as of 31 December 2021 (Note 24).

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 2021**

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

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

The subsidiaries ("Subsidiaries"), the joint ventures ("Joint Ventures") and 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	
Anadoluhisari Tankercilik A.Ş. ("Anadoluhisari 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") ⁽¹⁾	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	
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") ⁽²⁾	Turkey	Cargo Transport/Distribution	
Süloğlu Elektrik Üretimi A.Ş. ("Süloğlu Elektrik") ⁽¹⁾	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 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>	<u>Nature of business</u>
Ayas Enerji Üretim ve Ticaret A.Ş. ("Ayas Enerji")	Oyak Birleşik Enerji A.Ş.	Turkey	Power Generation
Güney Tankercilik A.Ş. ("Güney Tankercilik")	Türk Hava Yolları	Turkey	Petroleum Shipping
Kuzey Tankercilik A.Ş. ("Kuzey Tankercilik")	Türk Hava Yolları	Turkey	Petroleum Shipping
Opet Aygaz Gayrimenkul A.Ş. ("Opet Aygaz Gayrimenkul")	Öztürk Family	Turkey	Real Estate
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. ("Opet Fuchs")	Fuchs Petrolub SE	Turkey	Lubricant Trading
Opet International Limited ("Opet International")	Öztürk Family	The UK	Petroleum Products Trading
Opet Market ve Akaryakıt İstasyon İşletmeciliği A.Ş. ("Opet Market ve Akaryakıt")	Öztürk Family	Turkey	Petroleum Products Trading and Retail
Opet Petrolcülük A.Ş. ("Opet")	Öztürk Family	Turkey	Petroleum Products Trading
Opet Trade B.V. ("Opet Trade BV")	Öztürk Family	Netherlands	Petroleum Products Trading
Tasfiye Halinde Opet Trade (Singapore) Pte. Ltd. ("Opet Singapore") ⁽³⁾	Öztürk Family	Singapore	Petroleum Products Trading
THY Opet Havacılık Yakıtları A.Ş. ("THY Opet")	Türk Hava Yolları	Turkey	Petroleum Products Trading
United LPG Ltd. ("United LPG") ⁽⁴⁾	United Enterprises & Co. Ltd.	Bangladesh	LPG Supply, Filling and Distribution

- Acquired by Entek on 4 August 2021 and included in the scope of consolidation (Note 3). The titles of Steag Turkey Enerji Yatırımları ve Hizmetleri A.Ş. and Steag Rüzgar Süloğlu Enerji Üretim ve Ticaret A.Ş. were changed and registered as Enspire Enerji Yatırımları ve Hizmetleri A.Ş. and Süloğlu Elektrik Üretimi A.Ş. on 30 November 2021, respectively.
- The title of Aygaz Aykargo Dağıtım Hizmetleri A.Ş. was changed and registered as "Sendeo Dağıtım Hizmetleri A.Ş." on 2 September 2021.
- In the process of liquidation.
- 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 2021**

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

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

Automotive Sector

<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 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
Koç Fiat Kredi Finansman A.Ş. ("Fiat Finans")	Stellantis N.V.	Turkey	Consumer Finance
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

Liquidation process of Tasfiye Halinde Otoyol Sanayi A.Ş. ("Otoyol") was completed on 20 January 2021.

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 2021**

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

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

Consumer Durables Sector

<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") ⁽¹⁾	The Netherlands	Holding
Arçelik Hitachi Home Appliances (Shanghai) Co., Ltd. ("Arçelik Hitachi Shanghai") ⁽¹⁾	China	Production/Sales
Arçelik Hitachi Home Appliances (Thailand) Ltd. ("Arçelik Hitachi Thailand") ⁽¹⁾	Thailand	Production/Sales
Arçelik Hitachi Home Appliances Sales (China) Ltd. ("Arçelik Hitachi China") ⁽¹⁾	China	Sales
Arçelik Hitachi Home Appliances Sales (Singapore) Pte. Ltd. ("Arçelik Hitachi Singapore") ⁽¹⁾	Singapore	Sales
Arçelik Hitachi Home Appliances Sales (Thailand) Ltd. ("Arçelik Hitachi Sales Thailand") ⁽¹⁾	Thailand	Sales
Arçelik Hitachi Home Appliances Sales Malaysia Sdn. Bhd. ("Arçelik Hitachi Malaysia") ⁽¹⁾	Malaysia	Sales
Arçelik Hitachi Home Appliances Sales Middle East Fze ("Arçelik Hitachi Dubai") ⁽¹⁾	United Arab Emirates	Sales
Arçelik Hitachi Home Appliances Sales Vietnam Co., Ltd. ("Arçelik Hitachi Vietnam") ⁽¹⁾	Vietnam	Sales
Arçelik Hitachi Home Appliances Sales Hong Kong Limited ("Arçelik Hitachi Hong Kong") ⁽¹⁾	Hong Kong, China	Sales
Arçelik Hitachi Taiwan Home Appliances Sales Ltd. ("Arçelik Hitachi Taiwan") ⁽¹⁾	Taiwan	Sales
Arçelik Pazarlama A.Ş. ("Arçelik Pazarlama")	Turkey	Service/Sales/Marketing
Arçelik Üretim ve Teknoloji A.Ş. ("Arçelik Üretim ve Teknoloji") ⁽²⁾	Turkey	Production/Sales
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 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 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 Deutschland GmbH ("Beko Deutschland")	Germany	Sales
Beko Grundig Deutschland GmbH Croatia Branch Office ("Beko Croatia")	Croatia	Sales
Beko Grundig Schweiz GmbH ("Beko Grundig Schweiz")	Switzerland	Sales
Beko Gulf FZE ("Beko Gulf")	UAE	Sales
Beko Home Appliances Portugal ("Beko Portugal")	Portugal	Sales
Beko Hong Kong Ltd. ("Beko Hong Kong")	Hong Kong, China	Procurement
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
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 East Africa")	Kenya	Sales
Defy (Swaziland) (Proprietary) Limited ("Defy Swaziland")	Swaziland	Sales

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KOÇ HOLDİNG A.Ş.

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

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

Consumer Durables Sector

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Nature of business</u>
DEL Electronics (Pvt.) Ltd. ("DEL")	Pakistan	Sales
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales
Grundig Intermedia Ges.m.b.H ("Grundig Austria") ⁽³⁾	Austria	-
Grundig Multimedia A.G. ("Grundig Switzerland")	Switzerland	Sales
Grundig Multimedia B.V. ("Grundig Multimedia")	The Netherlands	Holding
Grundig Nordic AB ("Grundig Sweden")	Sweden	Sales
Grundig Nordic 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
Grundig Portuguesa Lda ("Grundig Portugal") ⁽³⁾	Portugal	-
Pan Asia Private Equity Ltd. ("Pan Asia")	British Virgin Islands	Holding
PT Arçelik Hitachi Home Appliances Sales Indonesia ("Arçelik Hitachi Indonesia") ⁽¹⁾	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 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) Acquired by Arçelik on 1 July 2021 and included in the scope of consolidation (Note 3).

(2) Acquired by Arçelik on 30 June 2021 and included in the scope of consolidation (Note 3). The title of Whirlpool Beyaz Eşya Sanayi ve Ticaret A.Ş. was changed and registered as Arçelik Üretim ve Teknoloji A.Ş. on 1 October 2021.

(3) Non-operational companies as of the balance sheet date.

International Appliances Limited ("International Appliances") merged with Singer Bangladesh in 2021.

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

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 Bankası Malta Ltd. ("Yapı Kredi Malta") ⁽¹⁾	Malta	Banking
Yapı Kredi Diversified Payment Rights Finance Company ("Yapı Kredi SPC") ⁽²⁾	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 Menkul")	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) In the process of liquidation.

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

Sale of shares constituting 30,45% of Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. ("Yapı Kredi Koray") capital, previously held by Yapı ve Kredi Bankası A.Ş. to Koray Gayrimenkul ve Yatırım A.Ş., was completed on 17 May 2021.

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KOÇ HOLDİNG A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

Other Sectors

<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
Düzy Tüketim Malları Sanayi Pazarlama A.Ş. (“Düzy”)	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.	The Netherlands	Investment
KoçSistem Bilgi ve İletişim Hizmetleri A.Ş. (“KoçSistem”)	Turkey	Technology
KoçSistem Azerbaijan LLC (“KoçSistem Azerbaijan”)	Azerbaijan	Technology
Koç Yapı Malzemeleri Ticaret A.Ş. (“Koç Yapı Malzeme”)	Turkey	Trading
Marmaris Altinyunus 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 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>Country of incorporation</u>	<u>Nature of business</u>
<u>Joint Ventures</u>	<u>Joint Venture Partner</u>	
Ingage Dijital Pazarlama Hizmetleri A.Ş. (“Ingage”)	Russell Square Holding	Digital Marketing
Koçtaş Yapı Marketleri Ticaret A.Ş. (“Koçtaş Yapı Market”)	Kingfisher Plc	Retail
Makmarin Kaş Marina İşl. Turizm ve Tic. A.Ş. (“Kaş Marina”)	Makyol İnşaat	Tourism
Netsel Turizm Yatırımları A.Ş. (“Netsel”)	Torunlar GYO A.Ş.	Tourism

For the purpose of segment presentation in these consolidated financial statements; Koç Holding's stand-alone financial statements have been included in the "Other" segment (Note 4).

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

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with Turkish 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.

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 2021 of TL14,6823 = EUR1 and TL12,9775 = 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 2021 of TL10,4687 = EUR1 and TL8,8854 = 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
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts on tables expressed in thousands 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 2021 are consistent with those applied in the preparation of the consolidated financial statements as of 31 December 2020 except for the new and amended TFRS standards which are valid as of 1 January 2021 and Turkey Financial Reporting Interpretations Committee's ("TFRIC") interpretations summarised below.

Standards, amendments and interpretations effective as of 1 January 2021:

- TFRS 7 and TFRS 16 - "Interest Rate Benchmark Reform Phase 2"
- Deferral of TFRS 9

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

Standards and amendments that are issued but not effective as of 31 December 2021:

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

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 doesn't 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

2.4 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/or by certain Koç Family members and companies owned by them whereby Koç Holding exercises control over the ownership interest of the shares held by them and 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	
	2021	2020	2021	2020	2021	2020	2021	2020
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 ⁽¹⁾	59,71	61,06	100,00	100,00	-	-	100,00	100,00
Arch R&D ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Arctic ⁽²⁾	41,47	39,23	96,72	96,72	-	-	96,72	96,72
Arcwaste ⁽²⁾	41,47	39,23	96,72	96,72	-	-	96,72	96,72
Arçelik ⁽²⁾	42,87	40,56	45,95	40,56	11,42	11,42	57,37	51,98
Arçelik Hitachi ⁽³⁾	25,72	-	60,00	-	-	-	60,00	-
Arçelik Hitachi China ⁽³⁾	25,72	-	100,00	-	-	-	100,00	-
Arçelik Hitachi Dubai ⁽³⁾	25,72	-	100,00	-	-	-	100,00	-
Arçelik Hitachi Hong Kong ⁽³⁾	25,72	-	100,00	-	-	-	100,00	-
Arçelik Hitachi Indonesia ⁽³⁾	17,36	-	67,50	-	-	-	67,50	-
Arçelik Hitachi Malaysia ⁽³⁾	25,72	-	100,00	-	-	-	100,00	-
Arçelik Hitachi Sales Thailand ⁽³⁾	25,72	-	100,00	-	-	-	100,00	-
Arçelik Hitachi Shanghai ⁽³⁾	24,44	-	95,00	-	-	-	95,00	-
Arçelik Hitachi Singapore ⁽³⁾	25,72	-	100,00	-	-	-	100,00	-
Arçelik Hitachi Taiwan ⁽³⁾	25,72	-	100,00	-	-	-	100,00	-
Arçelik Hitachi Thailand ⁽³⁾	21,62	-	84,07	-	-	-	84,07	-
Arçelik Hitachi Vietnam ⁽³⁾	25,72	-	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 2021**

(Amounts on tables expressed in thousands 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	
	2021	2020	2021	2020	2021	2020	2021	2020
Arçelik Pazarlama ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Arçelik Üretim ve Teknoloji ⁽⁴⁾	42,87	-	100,00	-	-	-	100,00	-
Ardutch ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Ardutch Taiwan ⁽²⁾	42,87	40,56	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 ⁽¹⁾	60,17	48,73	95,57	95,57	4,43	4,43	100,00	100,00
Bakırköy Tankercilik	34,95	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 ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Australia ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Balkans ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Central Asia ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Cesko ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko China ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Croatia ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Czech ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Deutschland ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Egypt ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Espana ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko France ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Grundig Schweiz ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Gulf ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Hong Kong ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Indonesia ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Ireland ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Israel ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Italy ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Malaysia ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Morocco ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko New Zealand ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Philippines ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Polska ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Portugal ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Russia ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Shanghai ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Slovakia ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Thailand ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko UK ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko Ukraine ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beko US ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Beykoz Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Bilkom	82,28	82,28	99,94	99,94	0,06	0,06	100,00	100,00
Çengelköy Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
DEL ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
DPL ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Defy ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Defy Botswana ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Defy East Africa ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Defy Namibia ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Defy Swaziland ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Ditaş	34,95	34,95	80,00	80,00	-	-	80,00	80,00
Divan	30,15	30,15	43,73	43,73	56,27	56,27	100,00	100,00
Düzey	31,73	31,73	32,36	32,36	61,33	61,33	93,68	93,68
Elektra Bregenz ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Eltek	69,80	69,80	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 2021**

(Amounts on tables expressed in thousands 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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Enerji Yatırımları	85,68	85,68	98,50	98,50	-	-	98,50	98,50
Enspire Enerji ⁽⁵⁾	69,80	-	100,00	-	-	-	100,00	-
Entegart ⁽²⁾	70,39	70,34	100,00	100,00	-	-	100,00	100,00
Entek	69,80	69,80	99,23	99,23	-	-	99,23	99,23
Göztepe Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Grundig Austria ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Grundig Denmark ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Grundig Finland ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Grundig Multimedia ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Grundig Norway ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Grundig Portugal ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Grundig Sweden ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Grundig Switzerland ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
International Appliances ⁽⁶⁾	-	23,11	-	100,00	-	-	-	100,00
Kadıköy Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Kandilli Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Karaköy Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Karşıyaka Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Kartal Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Koç Bilgi ve Savunma ^(2,7)	60,17	60,00	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 ⁽²⁾	65,84	64,75	94,50	94,50	5,50	5,50	100,00	100,00
Koç Investments B.V. ⁽¹²⁾	55,00	-	55,00	-	45,00	-	100,00	-
KoçDigital ⁽⁷⁾	41,15	41,14	100,00	100,00	-	-	100,00	100,00
KoçSistem ⁽⁷⁾	41,15	41,14	41,18	41,18	53,17	53,17	94,35	94,35
KoçSistem Azerbaycan ⁽⁷⁾	41,15	41,14	100,00	100,00	-	-	100,00	100,00
Koç Yapı Malzeme ⁽⁷⁾	45,93	45,18	45,93	45,18	47,62	47,62	93,55	92,81
Körfez	43,70	43,70	100,00	100,00	-	-	100,00	100,00
Kuleli Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Kuzguncuk Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Maltepe Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Mares	38,64	38,64	41,54	41,54	33,46	33,46	75,00	75,00
Menzelet Kılavuzlu Elektrik	69,80	69,80	100,00	100,00	-	-	100,00	100,00
Olympic	57,30	57,30	100,00	100,00	-	-	100,00	100,00
Otokar ⁽⁸⁾	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	57,30	57,30	59,43	59,43	-	-	59,43	59,43
Otokoç Hungary	96,42	96,42	100,00	100,00	-	-	100,00	100,00
Otokoç Sigorta ⁽⁷⁾	48,23	48,22	50,02	50,02	49,98	49,98	100,00	100,00
Otoyol ⁽⁹⁾	-	53,95	-	53,95	-	10,18	-	64,13
Pan Asia ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Pendik Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
PT Home ⁽²⁾	28,72	27,17	67,00	67,00	-	-	67,00	67,00
Ram Dış Ticaret ⁽²⁾	58,50	57,72	83,45	83,45	14,66	14,66	98,11	98,11
Retail Holdings ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
RMK Marine ⁽¹⁾	56,24	56,59	66,84	66,84	33,16	33,16	100,00	100,00
Salacak Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Sarıyer Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Sendeo ⁽¹⁰⁾	67,38	40,68	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 ⁽²⁾	24,43	23,11	56,99	56,99	-	-	56,99	56,99
Stiching Custody	44,49	44,49	100,00	100,00	-	-	100,00	100,00
Süloğlu Elektrik ⁽⁵⁾	69,80	-	100,00	-	-	-	100,00	-

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<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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
T Damla Denizcilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Tat Gıda ⁽²⁾	43,83	43,82	44,07	44,07	7,12	7,12	51,19	51,19
Tek-Art Marina ⁽¹⁾	59,71	61,06	89,27	88,16	10,73	11,84	100,00	100,00
Token	54,44	54,44	54,44	54,44	45,56	45,56	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	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Tüpraş	43,70	43,70	51,00	51,00	-	-	51,00	51,00
Tüpraş Trading	43,70	43,70	100,00	100,00	-	-	100,00	100,00
United Refrigeration ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Üsküdar Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Vietbeko ⁽²⁾	42,87	40,56	100,00	100,00	-	-	100,00	100,00
Wat Motor ⁽¹¹⁾	55,00	40,56	100,00	100,00	-	-	100,00	100,00
Yalova Marina ⁽¹⁾	59,73	47,50	100,00	100,00	0,00	0,00	100,00	100,00
Yapı Kredi Azerbaycan	44,49	44,49	100,00	100,00	-	-	100,00	100,00
Yapı Kredi Bankası ⁽⁸⁾	44,49	44,49	49,97	49,97	-	-	49,97	49,97
Yapı Kredi Faktoring	44,48	44,48	100,00	100,00	-	-	100,00	100,00
Yapı Kredi Fin.Kiralama	44,49	44,49	99,99	99,99	-	-	99,99	99,99
Yapı Kredi Holding	44,49	44,49	100,00	100,00	-	-	100,00	100,00
Yapı Kredi Malta	44,49	44,49	100,00	100,00	-	-	100,00	100,00
Yapı Kredi Menkul	44,48	44,48	100,00	100,00	-	-	100,00	100,00
Yapı Kredi Nederland	44,49	44,49	100,00	100,00	-	-	100,00	100,00
Yapı Kredi Portföy	44,47	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) Through partial demerger in Setur, shares of Ayvalık Marina and Yalova Marina held by Setur were transferred to Tek-Art Marina and new shares issued through the capital increase in Tek-Art Marina were given to Setur. As a result of these transactions, the effective ownership interest rate of Koç Holding has changed in the related companies.
- 2) Koç Holding's effective ownership interest rate has changed following the Arçelik's purchase of shares constituting 5,39% of Arçelik's share capital within the scope of the share buyback program.
- 3) Acquired by Arçelik on 1 July 2021 and included in the scope of consolidation (Note 3).
- 4) Acquired by Arçelik on 30 June 2021 and included in the scope of consolidation (Note 3). The title of Whirlpool Beyaz Eşya Sanayi ve Ticaret A.Ş. was changed and registered as Arçelik Üretim ve Teknoloji A.Ş. on 1 October 2021.
- 5) Acquired by Entek on 4 August 2021 and included in the scope of consolidation (Note 3). The titles of Steag Turkey Enerji Yatırımları ve Hizmetleri A.Ş. and Steag Rüzgar Suloğlu Enerji Üretim ve Ticaret A.Ş. were changed and registered as Enspire Enerji Yatırımları ve Hizmetleri A.Ş. and Suloğlu Elektrik Üretimi A.Ş. on 30 November 2021, respectively.
- 6) International Appliances Limited merged with Singer Bangladesh in 2021.
- 7) Koç Holding's effective ownership interest rate has changed following the acquisition of 0,75% of Koç Yapı Malzeme shares from non-controlling interests.
- 8) 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.
- 9) Liquidation process of Tasfiye Halinde Otoyol Sanayi A.Ş. was completed on 20 January 2021.
- 10) Koç Holding's effective ownership interest rate has changed following the Koç Holding's purchase of 45% of Aygaz Aykargo Dağıtım Hizmetleri A.Ş. shares on 3 August 2021, whose 100% capital was previously owned by Aygaz A.Ş. The title of Aygaz Aykargo Dağıtım Hizmetleri A.Ş. was changed and registered as "Sendeo Dağıtım Hizmetleri A.Ş." on 2 September 2021.
- 11) Koç Holding's effective ownership interest rate has changed following the sale of Arçelik shares constituting 100% of Wat Motor's share capital to Koç Investments B.V. on 30 November 2021.
- 12) Established in 2021.

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- 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.

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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	
	2021	2020	2021	2020	2021	2020	2021	2020
Al Jasoör	22,00	22,00	49,00	49,00	-	-	49,00	49,00
Arçelik LG Klima ⁽¹⁾	24,29	23,25	50,00	50,00	-	-	50,00	50,00
Ayas Enerji	34,90	34,90	50,00	50,00	-	-	50,00	50,00
Fer-Mas	37,59	37,59	37,86	37,86	-	-	37,86	37,86
Fiat Finans	37,59	37,59	37,86	37,86	-	-	37,86	37,86
Ford Otosan	38,65	38,65	38,65	38,65	0,67	0,67	39,32	39,32
Güney Tankercilik	9,00	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 ⁽²⁾	29,85	30,53	50,00	50,00	-	-	50,00	50,00
Koçtaş Yapı Market ⁽³⁾	42,99	42,90	49,92	49,92	0,08	0,08	50,00	50,00
Kuzey Tankercilik	9,00	9,00	50,00	50,00	-	-	50,00	50,00
Netsel ⁽²⁾	32,84	33,58	55,00	55,00	-	-	55,00	55,00
Opet	18,00	18,00	41,33	41,33	8,67	8,67	50,00	50,00
Opet Aygaz Gayrimenkul	29,34	29,34	50,00	50,00	-	-	50,00	50,00
Opet Fuchs	9,00	9,00	50,00	50,00	-	-	50,00	50,00
Opet International	18,00	18,00	50,00	50,00	-	-	50,00	50,00
Opet Market ve Akaryakıt	18,00	18,00	50,00	50,00	-	-	50,00	50,00
Opet Trade BV	18,00	18,00	50,00	50,00	-	-	50,00	50,00
Opet Trade Singapore	18,00	18,00	50,00	50,00	-	-	50,00	50,00
THY Opet	9,00	9,00	50,00	50,00	-	-	50,00	50,00
Tofaş	37,59	37,59	37,59	37,59	0,27	0,27	37,86	37,86
Türk Traktör	37,50	37,50	37,50	37,50	-	-	37,50	37,50
United LPG ⁽⁴⁾	20,34	-	50,00	-	-	-	50,00	-
VoltBek ⁽¹⁾	22,01	20,87	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Koray ⁽⁵⁾	-	13,55	-	30,45	-	-	-	30,45

- (1) Koç Holding's effective ownership interest rate has changed following the Arçelik's purchase of shares constituting 5,39% of Arçelik's share capital within the scope of the share buyback program.
- (2) Through partial demerger in Setur, shares of Ayvalık Marina and Yalova Marina held by Setur were transferred to Tek-Art Marina and new shares issued through the capital increase in Tek-Art Marina were given to Setur. As a result of these transactions, the effective ownership interest rate of Koç Holding has changed in the related companies.
- (3) Koç Holding's effective ownership interest rate has changed following the acquisition of 0,75% of Koç Yapı Malzeme shares from non-controlling interests.
- (4) Aygaz acquired 50% of United LPG shares in 2021.
- (5) Sale of shares constituting 30,45% of Yapı Kredi Koray capital, previously held by Yapı ve Kredi Bankası A.Ş. to Koray Gayrimenkul ve Yatırım A.Ş., was completed on 17 May 2021.

- 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.

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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	
	2021	2020	2021	2020	2021	2020	2021	2020
Allianz Emeklilik	8,90	8,90	20,00	20,00	-	-	20,00	20,00
Banque de Commerce	13,64	13,64	30,67	30,67	-	-	30,67	30,67

- e) Financial assets in which the Group together with Koç Family members, has ownership interests below 20%, or over 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.

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

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".

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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, cancelled 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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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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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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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 cancelled 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 the 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 the 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 2021 (Note 15 and 16).

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 19).

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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 20.

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 criteria 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, Foreign Trade Balance and Housing Price Index. 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) Arçelik, a Subsidiary of the Group, acquired all the shares of Whirlpool Beyaz Eşya Sanayi ve Ticaret A.Ş. (currently Arçelik Üretim ve Teknoloji A.Ş.) on 30 June 2021.

Arçelik Üretim ve Teknoloji manufactures washing machines and cooling units in two production facilities under the Whirlpool brand. As a result of this acquisition, Arçelik's cooling unit and washing machine production capacity is expected to increase by approximately 20%.

The purchase price of TL811,5 million in the share transfer agreement which was paid at the date of the transaction has been recalculated due to changes in the amount of net assets acquired excluding property, plant and equipment resulting from the audit of the closing balance sheet dated 30 June 2021 and additional TL5,2 million was paid on 22 October 2021. As a result of the assessments made, contingent consideration amount, which is likely to be paid regarding to the collection or offsetting expectation of VAT receivables in the closing balance sheet of Arçelik Üretim ve Teknoloji until 2023, is included in the consideration amount and has been considered in the goodwill calculation. The contingent consideration has been calculated as TL94,7 million according to the best estimates of Arçelik management as of 31 December 2021. The maturity of the related amount is expected to be less than one year and the impact of the net present value calculation is insignificant. In accordance with TFRS 3, the differences that will arise in the contingent payment amount due to the operational results in the following periods, will be accounted for under the consolidated statement of income.

The difference between total consideration amount and net assets acquired has been accounted in accordance with TFRS 3, "Business Combinations".

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

Total consideration amount	911.444
- Cash consideration amount	816.739
- Contingent consideration amount (Note 23)	94.705
Net assets acquired	1.146.441
Gain on bargain purchase (Note 29)	234.997

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

Cash and cash equivalents	450.054
Trade receivables	218.279
Inventories	464.996
Other current assets	312.374
Property, plant and equipment (Note 14)	934.816
Intangible assets (Note 16)	5.154
Deferred tax assets (Note 19)	46.124
Trade and other payables	(1.090.908)
Other liabilities	(88.692)
Deferred tax liabilities (Note 19)	(105.756)
Fair value of total identifiable net assets (100%)	1.146.441

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NOTE 3 - BUSINESS COMBINATIONS (Continued)

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

Total consideration - cash	816.739
Cash and cash equivalents - acquired	(450.054)

Cash outflow due to acquisition (net)	366.685
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Had the financial statements of Arçelik Üretim ve Teknoloji been consolidated from 1 January 2021, Arçelik Üretim ve Teknoloji's additional contribution to consolidated revenue and net profit attributable to equity holders of the parent would have amounted to TL1.408.996 thousand and TL9.545 thousand, respectively.

ii) A share purchase agreement was signed on 16 December 2020 between Arçelik and Hitachi Global Life Solutions Inc. ("Hitachi GLS") in order to establish a partnership that Arçelik will control with the majority interest, to operate in the global home appliances market outside the Japanese market. Following the said agreement, Partnership Agreement, Master Brand Agreement and other related agreements were signed between the parties. In this context, Hitachi GLS has incorporated a new company named Hitachi Home Appliances Nederland B.V. in the Netherlands and transferred all the assets of home appliances business owned by its 11 subsidiaries to the new company. Arçelik acquired 60% of the shares of Hitachi Home Appliances Nederland B.V. ("acquired entity") as of 1 July 2021. Transaction value for 60% of the shares was determined as USD350,2 million on a cash-free and debt-free basis, including all the minority interests.

The difference between total consideration amount and net assets acquired has been accounted in accordance with TFRS 3, "Business Combinations".

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

Total consideration amount	3.074.608
Net assets acquired	(1.862.210)

Goodwill (Note 15)	1.212.398
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The fair values of identifiable assets and liabilities in accordance with TFRS 3 arising from the acquisition are as follows:

Cash and cash equivalents	1.305.289
Trade receivables	1.216.146
Inventories	821.130
Other current assets	255.164
Financial assets (Note 7)	20.627
Property, plant and equipment (Note 14)	799.872
Intangible assets (Note 16)	1.410.678
Right of use of assets (Note 14)	49.986
Deferred tax assets (Note 19)	136.454
Trade and other payables	(2.089.958)
Financial liabilities and lease liabilities (Note 17)	(56.073)
Deferred tax liabilities (Note 19)	(295.724)
Other liabilities	(469.908)

Fair value of total identifiable net assets (100%)	3.103.683
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Net assets acquired (corresponding to 60% of shares purchased)	1.862.210
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NOTE 3 - BUSINESS COMBINATIONS (Continued)

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

Total consideration - cash	3.074.608
Cash and cash equivalents - acquired	(1.305.289)
Cash outflow due to acquisition (net)	1.769.319

The fair value of the non-controlling interests has been measured by the proportionate share of the fair value of the identifiable net assets controlled.

Had the financial statements of Arçelik Hitachi been consolidated from 1 January 2021, Arçelik Hitachi's additional contribution to consolidated revenue and net profit attributable to equity holders of the parent would have amounted to TL4.108.139 thousand and TL130.162 thousand, respectively.

iii) Entek, a Subsidiary of the Group, acquired all the shares of STEAG Rüzgar Süloğlu Enerji Üretim ve Ticaret A.Ş. (currently Süloğlu Elektrik Üretimi A.Ş.) and STEAG Turkey Enerji Yatırımları ve Hizmetleri A.Ş. (currently Enspire Enerji Yatırımları ve Hizmetleri A.Ş.), which own a wind power plant with an electrical installed capacity of 60 MW, on 4 August 2021.

The difference between total consideration amount and net assets acquired has been accounted in accordance with TFRS 3, "Business Combinations".

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

Total consideration amount	490.243
Net assets acquired	(489.645)
Goodwill (Note 15)	598

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

Cash and cash equivalents	56.226
Trade receivables	11.910
Other receivables	4.550
Inventories	160
Other current assets	3.032
Property, plant and equipment (Note 14)	461.935
Intangible assets (Note 16)	310.219
Borrowings (Note 17)	(228.151)
Trade payables	(6.195)
Other payables	(4.604)
Other liabilities	(2.834)
Provisions for employee benefits	(185)
Deferred tax liabilities (Note 19)	(116.418)
Fair value of total identifiable net assets (100%)	489.645

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

Total consideration - cash	490.243
Cash and cash equivalents - acquired	(56.226)
Cash outflow due to acquisition (net)	434.017

Had the financial statements of Süloğlu Elektrik and Enspire Enerji been consolidated from 1 January 2021, Süloğlu Elektrik and Enspire Enerji's additional contribution to consolidated revenue and net profit attributable to equity holders of the parent would have amounted to TL68.811 thousand and TL5.866 thousand, respectively.

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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 2021 and 2020 are presented separately.

1 January - 31 December 2021	Energy	Automotive	Consumer durables	Finance	Other	Total
External revenue	190.188.280	128.214.954	74.843.054	73.063.896	13.348.334	479.658.518
Intra segment revenue	38.647.151	10.039.066	1.694.407	113.205	1.419.442	51.913.271
Inter segment revenue	713.807	760.944	351.671	336.472	10.596.846	12.759.740
Combined revenue	229.549.238	139.014.964	76.889.132	73.513.573	25.364.622	544.331.529
Combined gross profit	21.631.648	25.071.451	21.034.670	30.787.838	4.447.723	102.973.330
Operating expenses	(5.935.488)	(6.653.966)	(15.967.292)	(9.090.030)	(3.577.080)	(41.223.856)
Other operating income/(expenses) (net) ⁽¹⁾	428.863	(203.942)	42.247	(8.210.136)	7.733	(7.935.235)
Exchange gains/(losses) and credit finance income/(charges) from operating activities (net) ⁽²⁾	(12.685.647)	340.438	2.021.498	-	(154.998)	(10.478.709)
Combined operating profit	3.439.376	18.553.981	7.131.123	13.487.672	723.378	43.335.530
Gains/(losses) from investment activities (net) ⁽³⁾	175.429	31.977	251.496	63	178.239	637.204
Financial income/(expenses) (net)	355.428	(2.191.185)	(3.736.122)	-	565.111	(5.006.768)
Combined profit before tax	3.970.233	16.394.773	3.646.497	13.487.735	1.466.728	38.965.966
Tax income/(expense) (net)	920.774	(434.051)	(443.125)	(3.362.785)	(254.611)	(3.573.798)
Combined net profit for the period	4.891.007	15.960.722	3.203.372	10.124.950	1.212.117	35.392.168
Net profit for the period ⁽⁴⁾	1.675.208	7.012.094	1.311.205	4.592.698	601.506	15.192.711

(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) Bargain purchase gain 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 TL234.997 thousand (Note 3 and Note 29), has been accounted for under "gains/losses from investment activities" account of the Consumer Durables sector.

(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 2020	Energy	Automotive	Consumer durables	Finance	Other	Total
External revenue	101.117.683	88.709.024	45.740.814	44.841.289	9.247.159	289.655.969
Intra segment revenue	14.278.203	9.182.720	1.154.497	61.346	1.614.874	26.291.640
Inter segment revenue	444.103	446.654	275.412	280.589	7.503.697	8.950.455
Combined revenue	115.839.989	98.338.398	47.170.723	45.183.224	18.365.730	324.898.064
Combined gross profit	5.265.049	14.483.728	14.248.413	22.651.523	3.154.294	59.803.007
Operating expenses	(4.139.469)	(4.591.957)	(10.236.678)	(7.604.021)	(2.709.788)	(29.281.913)
Other operating income/(expenses) (net) ⁽¹⁾	(141.556)	108.098	339.392	(8.778.098)	101.584	(8.370.580)
Exchange gains/(losses) and credit finance income/(charges) from operating activities (net) ⁽²⁾	(654.163)	178.633	696.037	-	(34.189)	186.318
Combined operating profit	329.861	10.178.502	5.047.164	6.269.404	511.901	22.336.832
Gains/(losses) from investment activities (net) ⁽³⁾	1.749	23.456	(47.687)	23.039	3.602.215	3.602.772
Financial income/(expenses) (net)	(3.780.666)	(1.648.839)	(1.613.372)	-	(160.410)	(7.203.287)
Combined profit/(loss) before tax	(3.449.056)	8.553.119	3.386.105	6.292.443	3.953.706	18.736.317
Tax income/(expense) (net)	1.257.039	(264.833)	(651.064)	(1.635.581)	(193.594)	(1.488.033)
Combined net profit/(loss) for the period	(2.192.017)	8.288.286	2.735.041	4.656.862	3.760.112	17.248.284
Net profit/(loss) for the period ⁽⁴⁾	(955.633)	3.607.036	1.124.277	2.062.676	3.434.214	9.272.570

(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) Income amounting to TL2.995.339 thousand resulting from the change of control of Yapı Kredi Bankası due to the acquisition of additional 9,02% shares and termination fee income amounting to TL511.275 thousand which was paid by UniCredit S.P.A to Koç Holding and other shareholders of KFS (impact on net income attributable to equity holders of the parent: TL385.097 thousand), have been accounted for under the "gains/(losses) from investment activities" account of Other sector (Note 29).

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

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NOTE 4 - SEGMENT REPORTING (Continued)

	2021	2020
a) <u>Revenue</u>		
Energy	229.549.238	115.839.989
Automotive	139.014.964	98.338.398
Consumer durables	76.889.132	47.170.723
Finance	73.513.573	45.183.224
Other	25.364.622	18.365.730
Combined	544.331.529	324.898.064
Less: Joint Ventures (Note 8.d)	(182.738.918)	(130.156.469)
Less: Consolidation eliminations and adjustments	(14.903.909)	(10.964.319)
Consolidated	346.688.702	183.777.276
b) <u>Operating profit</u>		
Energy	3.439.376	329.861
Automotive	18.553.981	10.178.502
Consumer durables	7.131.123	5.047.164
Finance	13.487.672	6.269.404
Other	723.378	511.901
Combined	43.335.530	22.336.832
Less: Joint Ventures (Note 8.d)	(17.371.331)	(9.308.949)
Less: Consolidation eliminations and adjustments	2.831.129	837.361
Add: Net profit shares of Joint Ventures and associates (Note 8.c)	5.879.657	2.966.673
Consolidated	34.674.985	16.831.917
c) <u>Depreciation and amortisation</u> (*)		
Energy	1.583.848	1.310.139
Automotive	3.547.847	2.584.900
Consumer durables	1.869.832	1.244.498
Finance	1.040.548	940.200
Other	426.046	359.777
Combined	8.468.121	6.439.514
Less: Joint Ventures (Note 8.d)	(3.064.197)	(2.275.748)
Less: Consolidation eliminations and adjustments	(118.411)	(100.207)
Consolidated	5.285.513	4.063.559

(*) Includes the depreciation expenses of right-of-use assets. As of 31 December 2021, combined depreciation expense of the right-of-use assets amounted to TL1.457.871 thousand (31 December 2020: TL1.030.478 thousand) and consolidated depreciation expense amounted to TL950.809 thousand (31 December 2020: TL728.569 thousand).

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NOTE 4 - SEGMENT REPORTING (Continued)

	2021	2020
d) <u>Profit before tax</u>		
Energy	3.970.233	(3.449.056)
Automotive	16.394.773	8.553.119
Consumer durables	3.646.497	3.386.105
Finance	13.487.735	6.292.443
Other	1.466.728	3.953.706
Combined	38.965.966	18.736.317
Less: Joint Ventures (Note 8.d)	(15.716.907)	(7.863.188)
Add: Net profit shares of Joint Ventures and associates (Note 8.c)	5.879.657	2.966.673
Consolidated	29.128.716	13.839.802
e) <u>Net profit for the period</u>		
Energy	4.891.007	(2.192.017)
Automotive	15.960.722	8.288.286
Consumer durables	3.203.372	2.735.041
Finance	10.124.950	4.656.862
Other	1.212.117	3.760.112
Combined	35.392.168	17.248.284
Less: Joint Ventures (Note 8.d)	(15.087.053)	(7.581.660)
Add: Net profit shares of Joint Ventures and associates (Note 8.c)	5.879.657	2.966.673
Less: Non-controlling interests	(10.992.061)	(3.360.727)
Consolidated (attributable to the equity holders of the parent)	15.192.711	9.272.570
f) <u>Capital expenditures</u> (*)		
Energy	2.342.060	1.964.485
Automotive	10.817.877	5.982.429
Consumer durables	2.604.797	1.769.433
Finance	801.694	600.252
Other	687.472	354.609
Combined	17.253.900	10.671.208
Less: Joint Ventures	(4.725.830)	(2.644.344)
Consolidated	12.528.070	8.026.864

(*) 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 2021	31 December 2020
g) Total assets		
Energy	119.768.964	73.353.329
Automotive	100.125.326	67.565.730
Consumer durables	90.677.467	48.705.248
Finance	788.430.081	494.544.203
Other	45.484.965	32.607.126
Combined	1.144.486.803	716.775.636
Less: Joint Ventures (Note 8.d)	(94.662.532)	(62.560.872)
Add: Carrying values of Joint Ventures and associates (Note 8.a)	12.135.290	8.367.140
Less: Eliminations	(41.406.254)	(32.481.360)
Consolidated	1.020.553.307	630.100.544

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2021			31 December 2020		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Cash in hand	12.884.224	14.195	12.898.419	6.056.965	5.955	6.062.920
Cheques received	91	126.371	126.462	31	83.672	83.703
Banks						
- Demand deposits	24.221.958	6.312.107	30.534.065	10.848.518	2.170.692	13.019.210
- Time deposits	13.762.735	34.315.120	48.077.855	8.364.924	30.893.850	39.258.774
- Reverse repo receivables	1.805.565	-	1.805.565	1.696.865	-	1.696.865
Other	-	406.948	406.948	-	239.329	239.329
	52.674.573	41.174.741	93.849.314	26.967.303	33.393.498	60.360.801

As of 31 December 2021, total blocked deposits amounted to TL4.325.257 thousand (31 December 2020: TL2.214.489 thousand). As of 31 December 2021, TL2.720.305 thousand (31 December 2020: TL2.214.489 thousand) of the related amount consists of the revenue shares collected by Tüpraş, a Subsidiary of the Group, as indicated in the Petroleum Market License Regulation.

Group companies operating in Non-Finance sectors have cash and cash equivalent balances amounting to TL22.177.830 thousand held at Yapı Kredi Bankası and eliminated during the preparation of consolidated financial statements (31 December 2020: TL15.324.156 thousand).

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

	31 December 2021	31 December 2020
Balances with the Central Bank of the Republic of Turkey	103.245.309	48.972.272
- Required reserves (*)	48.051.207	22.519.808
- Free deposits	55.194.102	26.452.464
	103.245.309	48.972.272

(*) In accordance with the legislation of the CBRT numbered 13/15 "Decree on Reserve Deposits", banks operating in Turkey must place TL, USD, EUR and gold reserves for their liabilities. As of 31 December 2021, the ratios for TL reserves are between 3% and 8% (31 December 2020: 1% and 6%) and the ratios for foreign currency reserves are between 5% and 26% (31 December 2020: 5% and 21%) for deposits and other liabilities depending on their maturity structures.

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NOTE 7 - FINANCIAL ASSETS

	31 December 2021			31 December 2020		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Financial assets measured at fair value through profit or loss	802.354	379.707	1.182.061	676.762	130.378	807.140
Financial assets measured at fair value through other comprehensive income	10.272.138	25.063.928	35.336.066	4.000.489	21.478.197	25.478.686
Financial assets measured at amortised cost	3.408.320	92.711.298	96.119.618	1.449.392	51.563.137	53.012.529
	14.482.812	118.154.933	132.637.745	6.126.643	73.171.712	79.298.355

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

	31 December 2021			31 December 2020		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Debt securities:						
Government bonds	211.114	-	211.114	276.735	-	276.735
	211.114	-	211.114	276.735	-	276.735
Equity securities:						
Listed	362.794	-	362.794	171.581	-	171.581
Unlisted	228.446	379.707	608.153	228.446	130.378	358.824
	591.240	379.707	970.947	400.027	130.378	530.405
	802.354	379.707	1.182.061	676.762	130.378	807.140

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

	31 December 2021			31 December 2020		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Debt securities:						
Government bonds	27.729.797	-	27.729.797	19.883.975	-	19.883.975
Eurobonds	6.022.607	-	6.022.607	3.737.019	-	3.737.019
Private sector bonds	954.108	-	954.108	1.391.365	-	1.391.365
	34.706.512	-	34.706.512	25.012.359	-	25.012.359
Equity securities:						
Listed	-	484.407	484.407	-	374.700	374.700
Unlisted	93.324	51.823	145.147	91.627	-	91.627
	93.324	536.230	629.554	91.627	374.700	466.327
	34.799.836	536.230	35.336.066	25.103.986	374.700	25.478.686

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NOTE 7 - FINANCIAL ASSETS (Continued)

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

	2021	2020
Beginning of the period - 1 January	25.478.686	74.925
Additions	8.787.761	15.375.500
Disposals / redemptions	(7.899.589)	(18.659.124)
Business combinations (Note 3)	20.627	26.422.076
Currency translation differences	4.432.338	1.449.108
Change in interest accruals	4.408.251	516.426
Fair value gains / impairment losses (net)	107.992	299.775
End of the period - 31 December	35.336.066	25.478.686

c) Financial assets measured at amortised cost

	31 December 2021			31 December 2020		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Debt securities:						
Government bonds	47.676.235	-	47.676.235	30.852.439	-	30.852.439
Eurobonds	44.130.084	-	44.130.084	20.079.499	-	20.079.499
Other	4.313.299	-	4.313.299	2.080.591	-	2.080.591
	96.119.618	-	96.119.618	53.012.529	-	53.012.529

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

	2021	2020
Beginning of the period - 1 January	53.012.529	-
Additions	23.581.751	20.555.734
Disposals / redemptions	(2.066.981)	(2.550.719)
Currency translation differences	15.182.646	2.584.719
Change in interest accruals	6.409.673	2.437.721
Business combinations	-	29.985.074
End of the period - 31 December	96.119.618	53.012.529

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 2021		31 December 2020	
	%	Amount	%	Amount
Ford Otosan	38,65	3.954.783	38,65	2.756.689
Tofaş	37,59	2.145.456	37,59	1.666.373
Banque de Commerce	30,67	2.050.744	30,67	1.203.097
Opet	41,33	1.339.615	41,33	725.036
Türk Traktör	37,50	770.523	37,50	540.438
Allianz Emeklilik	20,00	425.657	20,00	359.544
Other		1.448.512		1.115.963
		12.135.290		8.367.140
Joint Ventures		9.658.889		6.804.499
Associates		2.476.401		1.562.641
		12.135.290		8.367.140

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

	31 December 2021	31 December 2020
Ford Otosan	83.551.671	44.214.660
Tofaş	37.850.000	16.960.000
Türk Traktör	11.954.656	9.750.516

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

	2021	2020
Beginning of the period - 1 January	8.367.140	19.955.652
Shares of profit/(loss)	5.879.657	2.966.673
Shares of other comprehensive income/(loss)	315.179	(309.848)
Dividend paid	42.236	7.890
Dividend received	(2.644.887)	(1.117.006)
Contribution to capital increases	200.371	35.947
Disposals from the scope of consolidation (*)	(22.921)	-
Disposals through business combinations	-	(14.482.000)
Additions through business combinations	-	1.249.107
Transactions with non-controlling interests	-	59.829
Profit eliminations	(1.485)	896
End of the period - 31 December	12.135.290	8.367.140

(*) Sale of shares constituting 30,45% of Yapı Kredi Koray capital, previously held by Yapı ve Kredi Bankası A.Ş., to Koray Gayrimenkul ve Yatırım A.Ş., was completed on 17 May 2021.

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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>	2021	2020
Ford Otosan	3.300.924	1.616.556
Tofaş	1.233.418	670.536
Opet	552.812	(63.323)
Türk Traktör	495.821	291.166
Koç Finansal Hizmetler	-	200.579
Other	296.682	251.159
	5.879.657	2.966.673

Joint Ventures	5.741.028	2.883.882
Associates	138.629	82.791
	5.879.657	2.966.673

<i>Shares of other comprehensive income/(loss) of Joint Ventures and associates:</i>	2021	2020
Ford Otosan	(721.653)	(284.890)
Tofaş	(190.519)	(167.169)
Banque de Commerce	847.647	312.970
Opet	103.097	33.823
Türk Traktör	53.015	266
Koç Finansal Hizmetler	-	(259.619)
Other	223.592	54.771
	315.179	(309.848)

Joint Ventures	(510.813)	(623.286)
Associates	825.992	313.438
	315.179	(309.848)

<i>Dividend income/(capital increases) from Joint Ventures and associates:</i>	2021	2020
Ford Otosan	1.382.083	421.054
Tofaş	563.814	451.051
Banque de Commerce	-	19.433
Opet	82.660	123.990
Allianz Emeklilik	50.814	40.850
Türk Traktör	318.750	37.500
Other	46.395	(12.819)
	2.444.516	1.081.059

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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 2021	Ford Otosan	Tofaş	Opet	Türk Traktör	Other	Total
Cash and cash equivalents	14.173.931	4.214.726	1.319.812	1.566.587	1.056.963	22.332.019
Other current assets	18.639.921	9.796.622	8.760.702	3.373.336	5.864.098	46.434.679
Receivables from finance sector operations	-	4.382.529	-	-	-	4.382.529
Other non-current assets	9.929.088	5.032.397	2.509.769	1.170.724	2.871.327	21.513.305
Total assets	42.742.940	23.426.274	12.590.283	6.110.647	9.792.388	94.662.532
Short-term borrowings	8.256.919	4.138.262	2.429.894	569.078	1.289.367	16.683.520
Other current liabilities	12.525.225	9.607.973	3.375.617	2.797.680	4.469.759	32.776.254
Long-term borrowings	10.799.308	3.620.796	3.844.158	533.498	471.244	19.269.004
Other non-current liabilities	1.060.560	351.365	35.627	155.662	238.856	1.842.070
Total liabilities	32.642.012	17.718.396	9.685.296	4.055.918	6.469.226	70.570.848
Net assets:	10.100.928	5.707.878	2.904.987	2.054.729	3.323.162	24.091.684
Allocation of net assets:						
Non-controlling interests	-	-	-	-	-	-
Equity holders of the parent	10.100.928	5.707.878	2.904.987	2.054.729	3.323.162	24.091.684
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	3.904.141	2.145.456	1.200.631	770.523	1.436.291	9.457.042
Goodwill carried at Group level	-	-	138.984	-	-	138.984
Impact of additional share purchase	50.642	-	-	-	12.221	62.863
Carrying value	3.954.783	2.145.456	1.339.615	770.523	1.448.512	9.658.889

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

31 December 2020	Ford Otosan	Tofaş	Opet	Türk Traktör	Other	Total
Cash and cash equivalents	8.124.073	4.249.809	335.720	1.890.431	1.802.918	16.402.951
Other current assets	9.480.449	7.191.189	4.726.782	1.756.649	2.986.767	26.141.836
Receivables from finance sector operations	-	2.859.868	-	-	-	2.859.868
Other non-current assets	6.699.889	5.139.445	2.227.600	923.256	2.166.027	17.156.217
Total assets	24.304.411	19.440.311	7.290.102	4.570.336	6.955.712	62.560.872
Short-term borrowings	3.932.881	2.827.079	1.019.217	252.478	1.225.177	9.256.832
Other current liabilities	8.547.900	8.053.655	1.717.098	1.750.872	2.685.732	22.755.257
Long-term borrowings	4.147.993	3.862.706	3.054.357	1.041.813	366.731	12.473.600
Other non-current liabilities	674.459	263.570	81.447	84.006	169.709	1.273.191
Total liabilities	17.303.233	15.007.010	5.872.119	3.129.169	4.447.349	45.758.880
Net assets:	7.001.178	4.433.301	1.417.983	1.441.167	2.508.363	16.801.992
Allocation of net assets:						
Non-controlling interests	-	-	-	-	-	-
Equity holders of the parent	7.001.178	4.433.301	1.417.983	1.441.167	2.508.363	16.801.992
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	2.706.047	1.666.373	586.052	540.438	1.103.742	6.602.652
Goodwill carried at Group level	-	-	138.984	-	-	138.984
Impact of additional share purchase	50.642	-	-	-	12.221	62.863
Carrying value	2.756.689	1.666.373	725.036	540.438	1.115.963	6.804.499

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

Condensed income statement information:

1 January - 31 December 2021	Ford Otosan ⁽¹⁾	Tofaş	Opet ⁽²⁾	Türk Traktör	Other	Total
Revenue	71.101.257	30.513.009	56.007.463	11.644.197	13.472.992	182.738.918
Depreciation and amortisation	1.054.264	1.199.120	432.611	160.556	217.646	3.064.197
Operating profit	9.114.745	4.095.719	1.775.150	1.413.318	972.399	17.371.331
Net financial income/(expenses)	(715.885)	(621.958)	(275.589)	94.780	(189.426)	(1.708.078)
Profit before tax	8.361.418	3.512.216	1.533.212	1.510.233	799.828	15.716.907
Net profit for the period	8.540.265	3.281.316	1.337.556	1.322.188	605.728	15.087.053
Non-controlling interests	-	-	-	-	-	-
Equity holders of the parents	8.540.265	3.281.316	1.337.556	1.322.188	605.728	15.087.053
<i>Ownership of the Group</i>	38,65%	37,59%	41,33%	37,50%		
Net profit share of the Group	3.300.924	1.233.418	552.812	495.821	158.053	5.741.028

1 January - 31 December 2020	KFS	Ford Otosan	Tofaş	Opet	Türk Traktör	Other	Total
Revenue	3.688.956	49.451.407	23.982.332	38.623.155	6.243.308	8.167.311	130.156.469
Depreciation and amortisation	58.618	916.575	758.755	228.090	129.088	184.622	2.275.748
Operating profit	681.616	4.805.661	2.066.163	311.988	934.895	508.626	9.308.949
Net financial income/(expenses)	-	(698.521)	(245.945)	(410.150)	(62.730)	(57.560)	(1.474.906)
Profit before tax	687.495	4.107.156	1.830.776	(101.448)	873.711	465.498	7.863.188
Net profit for the period	548.683	4.193.739	1.783.928	(153.214)	776.443	432.081	7.581.660
Non-controlling interests	99.294	-	-	-	-	-	99.294
Equity holders of the parents	449.389	4.193.739	1.783.928	(153.214)	776.443	432.081	7.482.366
<i>Ownership of the Group</i>	44,85%	38,65%	37,59%	41,33%	37,50%		
Net profit share of the Group	200.579	1.616.556	670.536	(63.323)	291.166	168.368	2.883.882

(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 2021	31 December 2020
Trade receivables	44.264.457	18.730.557
Notes and cheques receivable	2.178.645	2.212.791
Less: Provision for expected credit loss	(1.301.907)	(876.978)
Less: Unearned finance income	(459.833)	(305.325)
	44.681.362	19.761.045
Due from related parties (Note 31)	3.073.686	1.239.528
	47.755.048	21.000.573
Short-term trade receivables	46.979.315	20.478.731
Long-term trade receivables	775.733	521.842
	47.755.048	21.000.573

Tüpraş and Arçelik, the Subsidiaries of the Group, offset TL642.051 thousand (31 December 2020: TL2.976.335 thousand) and TL2.366.439 thousand (31 December 2020: TL1.238.538 thousand) respectively, from their trade receivables that were collected from factoring companies as a part of irrevocable factoring agreements as of 31 December 2021.

Tüpraş, a Subsidiary of the Group, offset the supplier financing transaction amounting to TL353.725 thousand from its trade receivables as of 31 December 2021 (31 December 2020: TL1.127.270 thousand).

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

	2021	2020
Beginning of the period - 1 January	876.978	670.932
Increases during the period	143.180	112.539
Collections	(36.442)	(18.070)
Write-offs (*)	(66.448)	(26.555)
Business combinations	30.495	-
Currency translation differences	354.144	138.132
End of the period - 31 December	1.301.907	876.978

(*) 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 2021	31 December 2020
Trade payables	69.129.983	26.594.467
Less: Unearned finance expense	(231.609)	(193.260)
	68.898.374	26.401.207
Due to related parties (Note 31)	2.689.664	2.638.387
	71.588.038	29.039.594

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NOTE 10 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	31 December 2021	31 December 2020
Short-term receivables from finance sector operations	229.362.141	157.462.310
Long-term receivables from finance sector operations	187.381.146	137.770.791
	416.743.287	295.233.101

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

31 December 2021	Corporate and commercial loans	Consumer loans	Credit card receivables	Leasing receivables	Factoring receivables	Total
Stage 1	222.019.863	70.305.173	47.532.095	14.112.911	5.188.483	359.158.525
Stage 2	56.923.062	5.831.282	3.460.004	887.476	785.568	67.887.392
Stage 3	15.103.337	3.090.068	1.443.364	437.941	137.799	20.212.509
Gross	294.046.262	79.226.523	52.435.463	15.438.328	6.111.850	447.258.426
Stage 1 and 2	(13.471.470)	(1.700.955)	(454.125)	(354.938)	(84.475)	(16.065.963)
Stage 3	(10.043.206)	(2.676.530)	(1.272.640)	(343.226)	(113.574)	(14.449.176)
Expected credit losses (-)	(23.514.676)	(4.377.485)	(1.726.765)	(698.164)	(198.049)	(30.515.139)
Net	270.531.586	74.849.038	50.708.698	14.740.164	5.913.801	416.743.287

31 December 2020	Corporate and commercial loans	Consumer loans	Credit card receivables	Leasing receivables	Factoring receivables	Total
Stage 1	155.936.992	50.365.217	31.670.721	9.641.699	4.660.312	252.274.941
Stage 2	41.458.785	3.000.365	2.243.270	900.722	517.400	48.120.542
Stage 3	16.194.198	1.700.746	1.167.237	429.437	126.396	19.618.014
Gross	213.589.975	55.066.328	35.081.228	10.971.858	5.304.108	320.013.497
Stage 1 and 2	(8.877.299)	(1.471.479)	(504.166)	(237.430)	(49.361)	(11.139.735)
Stage 3	(10.599.371)	(1.481.194)	(1.124.999)	(330.542)	(104.555)	(13.640.661)
Expected credit losses (-)	(19.476.670)	(2.952.673)	(1.629.165)	(567.972)	(153.916)	(24.780.396)
Net	194.113.305	52.113.655	33.452.063	10.403.886	5.150.192	295.233.101

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NOTE 10 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

Movement of the expected credit losses is as follows:

2021	Corporate and commercial loans	Consumer loans	Credit card receivables	Leasing receivables	Factoring receivables	Total
Beginning of the period - 1 January	19.476.670	2.952.673	1.629.165	567.972	153.916	24.780.396
Increases during the period	1.794.910	1.765.604	336.798	205.464	77.713	4.180.489
Collections	(1.746.932)	(342.685)	(255.004)	(73.679)	(33.451)	(2.451.751)
Write-offs	(1.035.367)	(32.348)	(1.511)	(68.627)	(129)	(1.137.982)
Currency translation differences	5.025.395	34.241	17.317	67.034	-	5.143.987
End of the period - 31 December	23.514.676	4.377.485	1.726.765	698.164	198.049	30.515.139

2020	Corporate and commercial loans	Customer loans	Credit card receivables	Leasing receivables	Factoring receivables	Total
Beginning of the period - 1 January	-	136.772	-	-	-	136.772
Business combinations	14.974.996	1.613.578	1.315.886	537.478	115.273	18.557.211
Increases during the period	5.103.691	1.699.859	588.633	153.843	49.776	7.595.802
Collections	(978.539)	(444.054)	(247.448)	(18.103)	(11.109)	(1.699.253)
Write-offs	(81.805)	(168.452)	(114.082)	(105.246)	(24)	(469.609)
Disposals due to sale of portfolio	(529.322)	-	-	-	-	(529.322)
Currency translation differences	987.649	114.970	86.176	-	-	1.188.795
End of the period - 31 December	19.476.670	2.952.673	1.629.165	567.972	153.916	24.780.396

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

2021	Stage 1	Stage 2	Stage 3	Total
Beginning of the period - 1 January	2.796.165	8.343.570	13.640.661	24.780.396
Increases during the period	629.909	898.524	2.652.056	4.180.489
Collections	(542.363)	(793.172)	(1.116.216)	(2.451.751)
Write-offs	-	-	(1.137.982)	(1.137.982)
Transfers to Stage 1	604.668	(568.762)	(35.906)	-
Transfers to Stage 2	(739.074)	927.246	(188.172)	-
Transfers to Stage 3	(68.894)	(450.925)	519.819	-
Currency translation differences	658.701	4.370.370	114.916	5.143.987
End of the period - 31 December	3.339.112	12.726.851	14.449.176	30.515.139

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NOTE 10 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

2020	Stage 1	Stage 2	Stage 3	Total
Beginning of the period - 1 January	56.269	1.121	79.382	136.772
Business combinations	1.221.437	5.123.422	12.212.352	18.557.211
Increases during the period	1.454.880	3.096.038	3.044.884	7.595.802
Collections	(110.018)	(622.083)	(967.152)	(1.699.253)
Write-offs	-	-	(469.609)	(469.609)
Disposals due to sale of portfolio	-	-	(529.322)	(529.322)
Transfers to Stage 1	51.865	(51.229)	(636)	-
Transfers to Stage 2	(55.391)	62.855	(7.464)	-
Transfers to Stage 3	(368)	(260.024)	260.392	-
Currency translation differences	177.491	993.470	17.834	1.188.795
End of the period - 31 December	2.796.165	8.343.570	13.640.661	24.780.396

NOTE 11 - DERIVATIVE INSTRUMENTS

The breakdown of derivative instruments as of 31 December 2021 and 2020 is as follows:

	31 December 2021		31 December 2020	
	Asset	Liability	Asset	Liability
Derivatives held for trading	19.198.819	17.201.015	5.157.922	8.003.188
Derivatives held for hedging	6.409.201	4.901.447	1.061.220	3.433.388
	25.608.020	22.102.462	6.219.142	11.436.576

Finance:

	31 December 2021			31 December 2020		
	Contract amount (*)	Fair Values		Contract amount (*)	Fair Values	
		Asset	Liability		Asset	Liability
Derivatives held for trading:						
Interest rate swaps	231.543.920	1.540.894	1.474.362	142.948.898	1.561.092	1.558.805
Currency swaps	173.875.130	10.287.490	7.825.040	120.257.352	1.148.739	3.525.425
Currency forwards	26.393.227	1.177.561	1.610.967	16.119.910	553.243	155.258
Cross-currency fixed interest rate swaps	23.003.533	4.126.148	5.681.416	18.047.429	1.690.236	2.050.505
Option agreements	13.594.205	163.162	60.645	14.215.807	96.988	47.523
Other derivative instruments	88.037.890	846.116	5.373	39.918.012	42.368	5.891
	556.447.905	18.141.371	16.657.803	351.507.408	5.092.666	7.343.407
Derivatives held for hedging:						
Interest rate swaps	113.087.858	3.560.098	683.193	90.213.314	581.692	2.625.136
Cross-currency fixed interest rate swaps	1.496.113	-	988.874	6.010.024	-	620.018
	114.583.971	3.560.098	1.672.067	96.223.338	581.692	3.245.154

(*) 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)

Derivatives held for trading:

Derivative transactions, even though providing effective economic hedges in terms of risk management for finance sector companies, do not qualify for hedge accounting under the specific rules and are therefore accounted for as derivatives held for trading in the consolidated financial statements.

Derivatives held for hedging:

a. Fair value hedges:

Yapı Kredi Bankası, a Subsidiary of the Group, started to hedge the possible fair value effects of changes in market interest rates on some of its fixed interest TL mortgage and car loan portfolios as well as the fair value effects of changes in foreign exchange rates on some of its foreign currency denominated funds by using cross-currency interest rate swaps effective from 1 March 2009 and started to hedge the possible fair value effects of changes in market interest rates and foreign exchange rates on marketable securities by using interest rates swaps and cross-currency interest rate swaps effective from 28 July 2015.

b. Cash flow hedges:

In order to hedge its cash flow risk arising from floating rate liabilities, Yapı Kredi Bankası started to apply cash flow hedge accounting effective from 1 January 2010. The hedging instruments are USD, EUR and TL interest rate swaps and cross currency swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL customer deposits, repos and borrowings. Net interest income after tax accounted for under "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2021 regarding cash flow hedging transactions amounted to TL3.309.704 thousand (2020: TL1.415.351 thousand net interest income after tax).

Koç Finansman, a Subsidiary of the Group, has entered into interest rate swap transactions, in order to hedge the cash flow risk of instalment payments of its long-term bond issues with floating interest rate. Within the scope of aforementioned transactions, TL8.054 thousand net interest income after tax has been accounted for under "gains/(losses) on cash flow hedges" in the statement of other comprehensive income of 2021 (2020: TL11.504 thousand net interest income after tax).

c. Net investment hedges in a foreign operation:

Yapı Kredi Bankası, hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. Yapı Kredi Bankası's EUR denominated borrowing is designated as a hedge of the net investment in certain of its EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at 31 December 2021 amounted to EUR495 million (31 December 2020: EUR471 million). Foreign exchange loss after tax amounting to TL2.079.413 thousand has been accounted for under "gains/(losses) on hedges of net investments in foreign operations" in the statement of comprehensive income of 2021 (2020: TL923.010 thousand foreign exchange loss after tax).

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NOTE 11 - DERIVATIVE INSTRUMENTS (Continued)

Non-finance:

	31 December 2021			31 December 2020		
	Contract amount (*)	Fair values		Contract amount (*)	Fair values	
		Asset	Liability		Asset	Liability
Derivatives held for trading:						
Currency forwards	52.142.226	1.055.457	416.104	33.550.381	51.960	629.390
Currency swaps	6.560.162	1.991	27.105	8.764.898	12.279	4.774
Commodity futures	20.447.816	-	100.003	784.752	-	18.738
Interest rate swaps	-	-	-	1.500.000	1.017	6.879
	79.150.204	1.057.448	543.212	44.600.031	65.256	659.781
Derivatives held for hedging:						
Interest rate swaps	9.141.026	93.073	111.806	5.367.408	-	128.574
Cross-currency fixed interest rate swaps	368.663	274.125	-	3.083.347	405.690	18.222
Currency swaps	558.259	-	177.499	55.325	20.590	-
Currency forwards	151.282	9.115	-	691.263	16.354	-
Commodity futures	34.674.460	2.472.790	2.940.075	817.920	20.939	41.438
Receivables from operating leases	-	-	-	101.525	15.955	-
	44.893.690	2.849.103	3.229.380	10.116.788	479.528	188.234

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

Derivatives held for trading:

Certain derivative transactions, even though providing effective economic hedges for non-finance companies under the Group risk management position, do not qualify for hedge accounting under the specific rules, and are therefore accounted for as derivatives held for trading in the consolidated financial statements.

"Commodity derivatives" classified under derivative instruments held for trading, include derivative transactions of Tüpraş and Aygaz, the Subsidiaries of the Group, for the purpose of hedging against price risk of inventories.

Derivatives held for hedging:

a. Cash flow hedges:

Tüpraş, a Subsidiary of the Group, has entered into interest rate swap transactions, in order to hedge the cash flow risk of installment payments of its USD152,9 million (31 December 2020: USD229 million) long-term loan issue with floating interest rate. Within the scope of aforementioned transactions, TL15.066 thousand net interest income after tax has been accounted for under "gains/(losses) on cash flow hedges" in the statement of other comprehensive income of 2021 (2020: TL29.963 thousand net interest expense after tax).

Tüpraş has entered into interest rate swap transactions, in order to hedge the cash flow risk of installment payments of its TL1.740 million long-term borrowings with floating interest rate. Within the scope of aforementioned transactions, TL29.705 thousand net interest income after tax has been accounted for under "gains/(losses) on cash flow hedges" in the statement of other comprehensive income of 2021 (2020: TL32.179 thousand net interest income after tax).

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NOTE 11 - DERIVATIVE INSTRUMENTS (Continued)

Tüpraş has entered into currency swap transactions in order to mitigate the foreign exchange risk arising from principal and interest payments of its USD23,6 million (2020: USD66,8 million) borrowings. Total net financial income after tax recognised under the "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2021 within the scope of aforementioned currency swap transactions amounted to TL177 thousand (2020: TL44.105 thousand net financial income after tax).

Tüpraş' Residuum Upgrade Project (RUP) financing loans are designated as hedging instruments against the spot foreign exchange rate risk (USD/TL) associated with highly probable export revenues. In this context, Tüpraş started to apply cash flow hedge accounting effective from 1 March 2015. The amount of loans associated within this scope amounted to USD385 million as of 31 December 2021 (2020: USD576 million). The after tax foreign exchange loss recognised under "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2021 in the scope of cash flow hedge amounted to TL823.583 thousand (2020: TL123.115 thousand foreign exchange loss after tax).

Arçelik, a Subsidiary of the Group, has entered into interest rate swap transactions, in order to hedge the cash flow risk of installment payments of its TL300 million long-term bond issue with floating interest rate. Within the scope of aforementioned transactions, TL14.367 thousand net interest income after tax has been accounted for under "gains/(losses) on cash flow hedges" in the statement of other comprehensive income of 2021 (2020: Related to Arçelik's long-term bond issue amounting to TL1.000 million and net interest income after tax amounting to TL51.622 thousand has been recognised under the "gains/(losses) on cash flow hedges" in the statement of comprehensive income).

Entek's USD denominated loans 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"). In this context, Entek started to apply cash flow hedge accounting. The amount of loans associated within this scope amounted to USD23,3 million as of 31 December 2021. The foreign exchange loss after tax recognised under the "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2021 within the scope of aforementioned cash flow hedge amounted to TL91.281 thousand.

Entek has entered into currency swap transactions, in order to mitigate the foreign exchange risk arising from TL220,8 million of borrowings, involving the exchange of USD principal and interest payments in TL. The total net foreign exchange loss after tax recognised under the "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2021 within the scope of aforementioned currency swap transactions amounted to TL131.452 thousand.

Ditaş, a Subsidiary of the Group, has designated its loans borrowed for financing of ship investments as hedging instruments against the spot foreign exchange risk (USD/TL) associated with highly probable export revenues. In this context, Ditaş started to apply cash flow hedge accounting effective from 1 July 2016. The amount of loans associated within this scope amounted to USD57,4 million as of 31 December 2021 (2020: USD82,3 million). The after tax foreign exchange loss recognised under "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2021 in the scope of cash flow hedge amounted to TL268.746 thousand (2020: TL75.160 thousand foreign exchange loss after tax).

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NOTE 11 - DERIVATIVE INSTRUMENTS (Continued)

Setur, a Subsidiary of the Group, has designated its loans borrowed for financing of Duty-Free investments as hedging instruments against the spot foreign exchange risk (EUR/TL) associated with highly probable export revenues. In this context, Setur started to apply cash flow hedge accounting effective from 1 January 2017. The amount of loans associated within this scope amounted to EUR3 million as of 31 December 2021 (31 December 2020: EUR3,3 million). The after tax foreign exchange loss recognised under "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2021 in the scope of cash flow hedge amounted to TL3.659 thousand (2020: TL861 thousand foreign exchange gain after tax).

Entek, Ditaş and Tat Gıda, the Subsidiaries of the Group, have entered into interest rate swap transactions, in order to hedge the cash flow risk of installment payments of long-term borrowings with floating rate. The after tax net interest income of the aforementioned swap transactions recognised under "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2021 amounted to TL29.908 thousand (2020: TL23.577 thousand net interest expense after tax).

"Commodity derivatives" classified under derivative instruments held for hedging include derivative transactions of Aygaz, for the purpose of hedging against price risk of inventories, as well as product margin (crack margin) fixing transactions and swap transactions of Tüpraş, for the purpose of hedging against price risk of crude oil prices in highly probable future sales. The after tax net foreign exchange loss recognised under "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2021 within the scope of related derivative transactions amounted to TL362.105 thousand (2020: Included derivative transactions of Tüpraş and Aygaz realised for the purpose of hedging against price risk of inventories and TL8.898 thousand foreign exchange loss after tax has been recognised under "gains/(losses) on cash flow hedges" in the statement of comprehensive income).

b. Net investment hedges in a foreign operation:

Arçelik, a Subsidiary of the Group, designated some portion of its EUR denominated bank loans as hedging instrument in order to hedge the foreign currency risk arising from the translation of net assets of some of its subsidiaries operating in Europe from EUR to Turkish Lira. As of 31 December 2021, EUR200 million of debt securities in issue was designated as net investment hedging instrument (31 December 2020: EUR154 million). Net foreign exchange loss after tax accounted for under "gains/(losses) on hedges of net investments in foreign operations" in the statement of other comprehensive income of 2021 amounted to TL869.717 thousand (2020: TL290.126 thousand net foreign exchange loss after tax).

Otokoç, a Subsidiary of the Group, designated EUR22 million (31 December 2020: EUR25,7 million) of its loans as hedging instrument in order to hedge the foreign currency risk arising from the translation of net assets of some of its subsidiaries operating in Europe from EUR to Turkish Lira. Net foreign exchange loss after tax accounted for under "gains/(losses) on hedges of net investments in foreign operations" in the statement of other comprehensive income of 2021 amounted to TL120.157 thousand (2020: TL51.211 thousand net foreign exchange loss after tax).

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NOTE 12 - INVENTORIES

	31 December 2021	31 December 2020
Raw materials and supplies	11.109.998	4.651.008
Work in progress	5.017.991	2.023.063
Finished goods	13.976.611	6.393.546
Merchandise	4.948.402	2.842.834
Goods in transit	11.412.960	2.847.526
Other inventories	105.023	81.775
Less: Provision for impairment	(312.540)	(187.908)
	46.258.445	18.651.844

Movement of provision for impairment on inventories is as follows:

	2021	2020
The beginning of the period - 1 January	187.908	118.478
Increase during the period	83.279	117.746
Reversal of provisions	(105.125)	(66.813)
Currency translation differences	109.984	18.497
Business combinations	36.494	-
End of the period - 31 December	312.540	187.908

NOTE 13 - INVESTMENT PROPERTIES

	2021	2020
As of 1 January		
Cost	512.830	512.854
Accumulated depreciation	(128.088)	(118.071)
Net book value	384.742	394.783
Net book value at the beginning of the period	384.742	394.783
Additions	-	14
Disposals	(6.784)	-
Current period depreciation	(8.949)	(10.055)
Net book value at the end of the period	369.009	384.742
As of 31 December		
Cost	504.913	512.830
Accumulated depreciation	(135.904)	(128.088)
Net book value	369.009	384.742

The fair value of the investment property, with TL369.009 thousand net book value (2020: TL384.742 thousand), is TL765.707 thousand (2020: TL TL617.642 thousand) as of 31 December 2021.

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NOTE 14 - 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 2021								
Cost	6.153.338	10.797.815	23.048.572	11.730.555	3.984.996	2.294.836	934.905	58.945.017
Accumulated depreciation	(1.443.137)	(3.564.630)	(10.061.974)	(2.290.653)	(2.499.182)	-	(564.624)	(20.424.200)
Net book value	4.710.201	7.233.185	12.986.598	9.439.902	1.485.814	2.294.836	370.281	38.520.817
Net book value at the beginning of the period	4.710.201	7.233.185	12.986.598	9.439.902	1.485.814	2.294.836	370.281	38.520.817
Additions	197.877	1.436.588	1.590.582	4.972.626	970.934	1.242.752	203.780	10.615.139
Business combinations (Note 3)	411.938	373.453	1.251.945	11.311	164.569	33.391	2	2.246.609
Disposals	(1.371)	(438.415)	(8.673)	(309.641)	(17.542)	(32.507)	(7.429)	(815.578)
Transfers (*)	13.176	32.979	904.380	(599.099)	76.770	(1.212.502)	20.930	(763.366)
Currency translation differences	189.982	1.275.703	1.260.900	2.156.841	303.357	224.013	66.324	5.477.120
Current period depreciation	(183.903)	(858.952)	(1.401.856)	(1.027.535)	(527.477)	-	(113.335)	(4.113.058)
Net book value at the end of the period	5.337.900	9.054.541	16.583.876	14.644.405	2.456.425	2.549.983	540.553	51.167.683
31 December 2021								
Cost	6.971.842	13.774.434	29.994.850	18.589.310	5.758.804	2.549.983	1.287.299	78.926.522
Accumulated depreciation	(1.633.942)	(4.719.893)	(13.410.974)	(3.944.905)	(3.302.379)	-	(746.746)	(27.758.839)
Net book value	5.337.900	9.054.541	16.583.876	14.644.405	2.456.425	2.549.983	540.553	51.167.683

(*) Include transfers amounting to TL748.954 thousand from other non-current assets used in operational lease classified under property, plant and equipment to inventories and transfers amounting to TL14.412 thousand from property, plant and equipment to other intangible assets (Note 16).

Net book value of the right-of-use assets classified under property, plant and equipment is TL3.296.822 thousand as of 31 December 2021 (31 December 2020: TL2.536.934 thousand). For the year ended 31 December 2021, additions to the right-of-use assets amounted to TL1.523.881 thousand (31 December 2020: TL887.331 thousand) and depreciation expenses amounted to TL950.809 thousand (31 December 2020: TL728.569 thousand).

As of 31 December 2021, the Group has property, plant and equipment purchase commitments amounting to TL500.761 thousand.

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NOTE 14 - 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 2020								
Cost	5.847.424	4.281.569	21.849.879	8.692.732	1.703.116	1.725.287	675.521	44.775.528
Accumulated depreciation	(1.281.900)	(1.168.684)	(9.097.300)	(1.629.611)	(1.074.668)	-	(369.460)	(14.621.623)
Net book value	4.565.524	3.112.885	12.752.579	7.063.121	628.448	1.725.287	306.061	30.153.905
Net book value at the beginning of the period	4.565.524	3.112.885	12.752.579	7.063.121	628.448	1.725.287	306.061	30.153.905
Additions	148.095	824.070	722.086	2.938.140	609.753	1.444.842	64.189	6.751.175
Business combinations	111.098	3.436.133	-	189	688.623	-	127.096	4.363.139
Disposals	(3.033)	(142.489)	(126.383)	(114.578)	(18.789)	(8.856)	(27.573)	(441.701)
Transfers ⁽¹⁾	(9.033)	427.320	220.734	(515.846)	(52.572)	(904.335)	(27.893)	(861.625)
Provision for impairment ⁽²⁾	-	-	(22.065)	-	-	-	-	(22.065)
Currency translation differences	80.218	291.176	558.501	769.555	(20.501)	37.898	15.771	1.732.618
Current period depreciation	(182.668)	(715.910)	(1.118.854)	(700.679)	(349.148)	-	(87.370)	(3.154.629)
Net book value at the end of the period	4.710.201	7.233.185	12.986.598	9.439.902	1.485.814	2.294.836	370.281	38.520.817
31 December 2020								
Cost	6.153.338	10.797.815	23.048.572	11.730.555	3.984.996	2.294.836	934.905	58.945.017
Accumulated depreciation	(1.443.137)	(3.564.630)	(10.061.974)	(2.290.653)	(2.499.182)	-	(564.624)	(20.424.200)
Net book value	4.710.201	7.233.185	12.986.598	9.439.902	1.485.814	2.294.836	370.281	38.520.817

(1) Include transfers amounting to TL563.678 thousand from other non-current assets used in operational lease classified under property, plant and equipment to inventories, transfers amounting to TL40.724 thousand from property, plant and equipment to other intangible assets (Note 16) and transfers amounting to TL257.223 thousand to assets held for sale. Transfers to assets held for sale are related to the production facility of Arçelik, located in Changzhou, China, which is decided to be sold and of which sales related transactions have been completed as of 31 December 2020 and the assets of the SEK business, operating in milk and dairy products business line of Tat Gıda, a Subsidiary of the Group (Note 25).

(2) Related to the property, plant and equipment of Arçelik, a Subsidiary of the Group, which would not provide economic benefits in the future.

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NOTE 15 - GOODWILL

	2021	2020
Net book value at the beginning of the period - 1 January	3.725.523	3.545.249
Currency translation differences	642.992	180.274
Business combinations (Note 3)	1.212.996	-
Net book value at the end of the period - 31 December	5.581.511	3.725.523

The allocation of the goodwill is as follows:

	31 December 2021	31 December 2020
Tüpraş	2.736.463	2.736.463
Hitachi (Note 3)	1.212.398	-
Defy Group	661.997	408.708
Singer Bangladesh	574.437	330.498
Dawlance Group	375.925	236.468
Süloğlu (Note 3)	598	
Other	19.693	13.386
	5.581.511	3.725.523

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 2021 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 nine years are extrapolated using the long term growth rate of 1%. The discount rate (cost of equity) used to discount the related cash flows is 9.7%.

b) Defy Group

The recoverable amount of the goodwill has been determined based on value in use calculations. Value in use is determined by discounting the expected future cash flows to be generated by the cash generating unit. Goodwill impairment test is based on the projections denominated in South African Rand, approved by Arçelik management covering five years period between 1 January 2022 and 31 December 2026. Cash flows for further periods were extrapolated using a constant growth rate of 5% which does not exceed the estimated average growth rate of economy of the country. Weighted average cost of capital rate of 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.

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NOTE 15 - GOODWILL (Continued)

c) 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 2021.

d) 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 2022 and 31 December 2026. Cash flows for further periods were extrapolated using a constant growth rate of 4% which does not exceed the estimated average growth rate of economy of the country. Weighted average cost of capital rate of 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. Deviations on recoverable amounts with respect to the carrying amounts including goodwill as a result of the sensitivity analysis performed as of 31 December 2021 are summarised in the following table:

	Tüpraş	Defy Group	Dawlance Group	Singer Bangladesh
Base scenario	591%	34%	215%	61%
Sensitivity analysis:				
Long-term growth rate: 1% decrease	536%	24%	191%	-
Discount rate: 1% increase	498%	15%	176%	-
20% decrease in market value	-	-	-	29%

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NOTE 16 - OTHER INTANGIBLE ASSETS

	Rights	Brand	Deposit Base	Development Costs	Customer Relations	Other	Total
1 January 2021							
Cost	1.796.367	3.678.278	1.615.055	3.641.305	640.871	1.659.501	13.031.377
Accumulated amortisation	(1.031.623)	-	(353.223)	(1.626.403)	(109.858)	(703.778)	(3.824.885)
Net book value	764.744	3.678.278	1.261.832	2.014.902	531.013	955.723	9.206.492
Additions	235.881	-	-	1.027.343	-	229.160	1.492.384
Business combinations (Note 3)	35.164	-	-	-	1.362.470	328.417	1.726.051
Disposals	(4.772)	-	-	(2.629)	-	-	(7.401)
Transfers (*)	11.882	-	-	(56.810)	-	59.340	14.412
Currency translation differences	266.615	871.124	-	504	318.860	57.339	1.514.442
Current period amortisation	(180.458)	-	(207.424)	(305.548)	(151.284)	(240.647)	(1.085.361)
Net book value at the end of the period	1.129.056	4.549.402	1.054.408	2.677.762	2.061.059	1.389.332	12.861.019
31 December 2021							
Cost	2.465.342	4.549.402	1.615.055	4.608.816	2.322.201	2.364.488	17.925.304
Accumulated amortisation	(1.336.286)	-	(560.647)	(1.931.054)	(261.142)	(975.156)	(5.064.285)
Net book value	1.129.056	4.549.402	1.054.408	2.677.762	2.061.059	1.389.332	12.861.019

	Rights	Brand	Deposit Base	Development Costs	Customer Relations	Other	Total
1 January 2020							
Cost	1.485.975	1.316.953	-	2.594.839	547.676	477.354	6.422.797
Accumulated amortisation	(804.334)	-	-	(1.290.663)	(80.287)	(134.091)	(2.309.375)
Net book value	681.641	1.316.953	-	1.304.176	467.389	343.263	4.113.422
Additions	178.028	-	-	767.178	-	156.849	1.102.055
Business combinations	11.243	2.013.259	1.451.971	215.965	-	697.228	4.389.666
Disposals	(13.687)	-	-	(418)	-	(43)	(14.148)
Provision for impairment	-	-	-	-	-	(75.214)	(75.214)
Transfers (*)	21.221	-	-	15.481	-	4.022	40.724
Currency translation differences	46.455	348.066	-	-	93.195	19.473	507.189
Current period amortisation	(160.157)	-	(190.139)	(287.480)	(29.571)	(189.855)	(857.202)
Net book value at the end of the period	764.744	3.678.278	1.261.832	2.014.902	531.013	955.723	9.206.492
31 December 2020							
Cost	1.796.367	3.678.278	1.615.055	3.641.305	640.871	1.659.501	13.031.377
Accumulated amortisation	(1.031.623)	-	(353.223)	(1.626.403)	(109.858)	(703.778)	(3.824.885)
Net book value	764.744	3.678.278	1.261.832	2.014.902	531.013	955.723	9.206.492

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

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NOTE 16 - OTHER INTANGIBLE ASSETS (Continued)

Total research and development expenditures incurred in 2021 excluding amortisation amounts to TL1.345.329 thousand (2020: TL941.830 thousand).

As of 31 December 2021, net book value of intangible assets with indefinite useful lives amounted to TL4.549.402 thousand (2020: TL3.678.278 thousand) and consists of brands. The useful lives of the related brands are assessed as indefinite, since there is no foreseeable limit to the period over which they are expected to generate net cash inflows for the Group.

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

	31 December 2021	31 December 2020
Yapı Kredi Bankası	2.013.259	2.013.259
Arçelik		
<i>Grundig</i>	1.182.668	775.239
<i>Defy</i>	799.251	524.105
<i>Dawlance</i>	485.766	323.933
<i>Other</i>	68.458	41.742
	4.549.402	3.678.278

Brand impairment test

Yapı Kredi Bankası brand

As of 31 December 2021, 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 16,4% 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 24% discount rate after tax. Value in use of the brand was calculated 72% 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 brand is calculated 53% higher than its carrying amount.

Arçelik brands

As of 31 December 2021, 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 5% 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 6,7% to 14,3% discount rates after tax. Value in use of the brands has been calculated as 13,3 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 10,6 times of their carrying amounts.

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NOTE 17 - BORROWINGS

	31 December 2021			31 December 2020		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Short-term borrowings (*):						
Bank borrowings	55.129.142	27.860.628	82.989.770	37.881.282	16.818.409	54.699.691
Debt securities in issue	37.718.370	1.771.624	39.489.994	10.398.036	5.926.812	16.324.848
Factoring payables	-	251.013	251.013	-	120.716	120.716
Lease liabilities	307.355	472.397	779.752	232.704	346.271	578.975
	93.154.867	30.355.662	123.510.529	48.512.022	23.212.208	71.724.230
Long-term borrowings:						
Bank borrowings	33.877.756	24.656.363	58.534.119	19.424.990	23.553.516	42.978.506
Debt securities in issue	56.992.642	44.603.001	101.595.643	43.602.359	21.429.708	65.032.067
Lease liabilities	1.043.152	1.606.197	2.649.349	861.826	1.210.615	2.072.441
	91.913.550	70.865.561	162.779.111	63.889.175	46.193.839	110.083.014
Total borrowings	185.068.417	101.221.223	286.289.640	112.401.197	69.406.047	181.807.244

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

Group companies operating in Non-Finance sectors have borrowings amounting to TL1.801.526 thousand obtained from Yapı Kredi Bank and eliminated during the preparation of consolidated financial statements as of 31 December 2021 (31 December 2020: TL1.194.394 thousand).

Major long-term borrowings in 2021:

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.

Non-finance:

Arçelik, a Subsidiary of the Group, obtained a green loan amounting to EUR150 million from European Bank for Reconstruction and Development with a 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, a Subsidiary of the Group, 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, a Subsidiary of the Group, 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, a Subsidiary of the Group, 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 17 - BORROWINGS (Continued)

Major long-term borrowings before 2021:

Finance:

Yapı Kredi Bankası issued a Basel II 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 +7,71% 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.

On 29 November 2012, Yapı Kredi Bankası issued a Basel II compliant 10 year bullet subordinated note with an amount of USD1 billion. The note has a 5,5% coupon rate and was not counted towards capital since remaining maturity of the note is less than one year as of 31 December 2021.

Yapı Kredi Bankası 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. Yapı Kredi Bankası has been incurred an early payment fee amounting to TL57 million with respect to early closing of this subordinated loan. 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:

Tüpraş, a Subsidiary of the Group, completed the bond issue with a nominal value of TL500 million, maturity of 728 days, coupon payments in every 3 months, principal and coupon payments at the end of maturity and 140 bps additional return over TLREF reference ratio on 30 November 2020.

Olympic, a Subsidiary of the Group, 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, a Subsidiary of the Group, 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.

Arçelik, a Subsidiary of the Group, completed the bond issue, quoted on the Irish Stock Exchange, with a nominal value of USD500 million, maturity of 10 years, coupon 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.

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NOTE 17 - BORROWINGS (Continued)

Tüpraş, a Subsidiary of the Group, signed three different loan agreements to finance the Fuel Oil Conversion Project in 2011. Within the scope of these loan agreements, USD1.988 million of loans are utilised for the insurance payments and capital expenditures between 2011 - 2015. The loans insured by the Spanish Export Credit Agency (CESCE) and the Italian Export Credit Agency (SACE) within the scope of financing package are non-recourse loans for 4 years and with a maximum 12 years maturity date. The third tranche is also a non-recourse loan for 4 years with a maximum 7 years maturity date. The repayment of these loans started in 2015 and the remaining balance of the mentioned loans is USD385 million as of 31 December 2021 (31 December 2020: USD576 million).

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

	31 December 2021	31 December 2020
1-2 years	67.093.825	29.627.469
2-3 years	29.903.369	26.718.488
3-4 years	31.350.875	19.492.295
4-5 years	11.179.314	14.837.939
5 years and over	23.251.728	19.406.823
	162.779.111	110.083.014

Movement of the financial liabilities as of 31 December 2021 and 2020 is as follows:

	2021	2020
Beginning of the period - 1 January	181.807.244	60.296.091
Additions	82.825.759	93.336.271
Repayments of borrowings	(60.102.166)	(97.865.167)
Business combinations (Note 3)	284.224	104.433.891
New lease contracts / impact of lease modifications	1.161.997	622.560
Cash outflows from payments of lease liabilities	(1.380.805)	(790.372)
Change in exchange rates	79.822.239	18.395.718
Change in interest accruals	1.283.334	5.731.309
Currency translation differences	2.566.840	857.186
Consolidation eliminations and adjustments	(1.979.026)	(3.210.243)
End of the period - 31 December	286.289.640	181.807.244

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NOTE 18 - PAYABLES OF FINANCE SECTOR OPERATIONS

	31 December 2021	31 December 2020
Short-term payables to finance sector operations	445.328.125	274.101.362
Long-term payables to finance sector operations	5.845.587	3.069.577
	451.173.712	277.170.939

Breakdown of payables to finance sector operations is as follows:

	31 December 2021			31 December 2020		
	Demand	Time	Total	Demand	Time	Total
TL deposits						
Saving deposits	22.116.407	53.764.236	75.880.643	14.237.372	45.300.790	59.538.162
Commercial deposits	14.196.402	38.170.485	52.366.887	11.075.227	21.263.847	32.339.074
Interbank deposits	218.333	5.354.260	5.572.593	279.641	4.413.447	4.693.088
Funds deposited under repurchase agreements	-	48.577.736	48.577.736	-	25.215.811	25.215.811
Public sector deposits	1.832.847	69.680	1.902.527	1.235.151	22.227	1.257.378
	38.363.989	145.936.397	184.300.386	26.827.391	96.216.122	123.043.513
Foreign currency deposits						
Saving deposits	78.639.916	77.262.597	155.902.513	37.024.581	54.666.486	91.691.067
Commercial deposits	60.090.137	44.530.667	104.620.804	30.749.719	28.482.008	59.231.727
Interbank deposits	1.564.719	25	1.564.744	340.710	49.464	390.174
Funds deposited under repurchase agreements	-	4.785.265	4.785.265	-	2.814.458	2.814.458
	140.294.772	126.578.554	266.873.326	68.115.010	86.012.416	154.127.426
	178.658.761	272.514.951	451.173.712	94.942.401	182.228.538	277.170.939

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NOTE 19 - TAX ASSETS AND LIABILITIES

	31 December 2021	31 December 2020
Current income tax liabilities	5.228.893	3.762.667
Less: Prepaid income tax	(2.663.714)	(2.175.488)
Current income tax liabilities (net)	2.565.179	1.587.179
Deferred tax assets	13.056.562	9.812.215
Deferred tax liabilities	(2.606.687)	(1.258.612)
Deferred tax assets (net)	10.449.875	8.553.603

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 25% in Turkey in 2021 (2020: 22%). Corporation tax is payable on the total income of the company after adjusting for certain disallowable expenses, income not subject to tax and allowances.

The law on amending the Tax Procedure Law and the Corporate Tax Law has been enacted on 20 January 2022 with the code numbered 7532 and it has been decided that the financial statements will not be subject to inflation adjustment in 2021 and 2022, including the temporary accounting periods, and in the provisional tax periods in 2023, regardless of whether the conditions for the inflation adjustment within the scope of the repeated Article 298 are met. POA made a declaration on the Implementation of Financial Reporting in High Inflation Economies in the scope of TFRS on 20 January 2022, and it has been stated that there is no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statements for 2021.

Income tax expenses in the consolidated income statements are summarised as follows:

	2021	2020
Current period tax expense	(5.302.116)	(3.819.493)
Deferred tax income (net)	2.358.172	2.612.988
	(2.943.944)	(1.206.505)
Profit before tax	29.128.716	13.839.802
Less: Share of profit/loss of Joint Ventures	(5.879.657)	(2.966.673)
Profit before tax (excluding share of profit/(loss) of Joint Ventures)	23.249.059	10.873.129
Domestic tax rate	25%	22%
Tax calculated at domestic tax rate	(5.812.265)	(2.392.088)
Investment tax credits	2.447.345	847.222
Tax allowances/exemptions	884.603	780.122
Additions	(559.302)	(75.614)
Tax rate differences /changes	62.678	(284.042)
Tax losses and other tax advantages (net effect)	(45.780)	(104.953)
Other	78.777	22.848
Tax income/(expense)	(2.943.944)	(1.206.505)

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NOTE 19 - 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 2021	31 December 2020	31 December 2021	31 December 2020
Property, plant and equipment and intangible assets	15.123.519	13.065.961	(3.463.133)	(2.600.563)
Investment incentives (*)	-	-	6.736.820	4.988.546
Expected credit losses for loans and receivables	(18.575.650)	(12.520.303)	3.907.826	2.528.641
Deductible tax losses and other tax advantages	(4.512.721)	(4.874.269)	1.042.163	1.157.950
Provision for employment termination benefits	(2.534.306)	(1.539.193)	528.183	314.667
Provision for the pension fund obligations	(1.813.098)	(1.461.542)	362.620	292.308
Warranty and assembly provisions	(1.529.460)	(1.193.179)	351.848	251.663
Inventories	(1.177.075)	(852.948)	336.503	228.559
Unearned finance income (net)	(1.440.195)	(79.033)	329.897	16.312
Provisions for unused vacations	(300.815)	(276.496)	61.538	56.913
Deferred income	(196.785)	(135.590)	60.202	31.253
Expense accruals (net)	(120.696)	(90.999)	29.776	19.825
Provisions for lawsuits	(115.969)	(41.165)	26.920	9.004
Derivative instruments	3.865.456	(4.614.842)	(881.553)	928.242
Other (net)	(4.563.378)	(1.508.121)	1.020.265	330.283
Deferred tax assets (net)			10.449.875	8.553.603

(*) 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 TL6.264.160 thousand as of 31 December 2021 (31 December 2020: TL4.546.105 thousand) 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 TL386.422 thousand as of 31 December 2021 (31 December 2020: TL409.654 thousand) 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 TL86.238 thousand as of 31 December 2021 (31 December 2020: TL32.787 thousand) that Otokar will benefit in the foreseeable future have been recognised as deferred tax asset in the consolidated financial statements.

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NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

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.

The redemption schedule of carry forward tax losses which are not considered in deferred tax calculation is as follows:

	31 December 2021	31 December 2020
Up to 1 year	368.984	211.148
Up to 2 years	177.758	67.569
Up to 3 years	141.926	101.960
Up to 4 years	398.853	201.016
5 years and above	801.876	790.087
	1.889.397	1.371.780

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

	2021	2020
Beginning of the period - 1 January	8.553.603	4.460.023
Charge to the income statement	2.358.172	2.612.988
Charge to equity:		
- Gains/(losses) on financial assets measured at fair value through other comprehensive income	(322.559)	(44.994)
- Gains/(losses) on cash flow hedges	(404.040)	(487.199)
- Gains/(losses) on hedges of net investments in foreign operation	733.190	199.948
- Gains/(losses) on remeasurements of defined benefit plans	153.659	46.081
Business combinations (Note 3)	(335.320)	1.825.190
Currency translation differences	(286.830)	(58.434)
End of the period - 31 December	10.449.875	8.553.603

NOTE 20 - PROVISIONS FOR EMPLOYEE BENEFITS

	31 December 2021	31 December 2020
Provision for employment termination benefits	2.662.219	1.639.770
Provision for the pension fund	1.813.098	1.461.542
Provision for unused vacations	423.962	333.426
	4.899.279	3.434.738

Provision for employment termination benefits:

- Domestic	2.244.814	1.603.804
- Foreign	417.405	35.966
	2.662.219	1.639.770

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NOTE 20 - 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 2021, the amount payable consists of one month's salary limited to a maximum of TL8.284,51 (31 December 2020: TL7.117,17) 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 the 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 TL10.848,59 effective from 1 January 2022 (1 January 2021: TL7.638,96) has been taken into consideration in calculating the consolidated reserve for employment.

TFRS require actuarial valuation methods to be developed to estimate the 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 2021	31 December 2020
Net discount rate (%)	4,45	4,63
Turnover rate to estimate the probability of retirement (%)	95,09	94,74

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

	2021	2020
Beginning of the period - 1 January	1.639.770	776.735
Increases during the period	397.113	205.648
Losses on remeasurement of defined benefit plans	421.399	230.595
Payments during the period	(234.209)	(169.348)
Business combinations	223.995	528.279
Interest expense	82.346	60.125
Currency translation differences	131.805	7.736
End of the period - 31 December	2.662.219	1.639.770

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NOTE 20 - PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

Provision for the pension fund:

Yapı Kredi Bankası, a Subsidiary of the Group, accounted for a provision amounting to TL1.813.098 thousand (31 December 2020: TL1.461.542 thousand) as of 31 December 2021 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 2021	31 December 2020
Present value of funded obligations	5.227.518	4.255.790
- Pension benefits transferable to SSI	5.554.489	4.564.310
- Post-employment medical benefits transferable to SSI	(326.971)	(308.520)
Fair value of plan assets	(3.414.420)	(2.794.248)
	1.813.098	1.461.542

The fair value of plan assets are comprised as follows:

	31 December 2021	%	31 December 2020	%
Bank placements	1.721.091	51,00	1.620.269	58,00
Government bonds and treasury bills	1.177.492	34,00	754.788	27,00
Property, plant and equipment	385.718	11,00	290.223	10,00
Other	130.119	4,00	128.968	5,00
	3.414.420	100,00	2.794.248	100,00

The principal actuarial assumptions used are as follows:

	31 December 2021	31 December 2020
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%	(12,1)
Discount rate -1%	15,2
Price inflation +1%	15,6
Price inflation -1%	(12,6)

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NOTE 21 - PROVISIONS

a) Short-term provisions	31 December 2021	31 December 2020
Provisions for warranty and assembly	1.614.957	854.016
Provision for price revision (*)	440.573	249.205
Expense accruals of construction contracts	323.467	189.553
Provisions for transportation	262.903	96.963
Provisions for lawsuits and penalties	210.887	90.362
Provision for Energy Market Regulation Authority participation share	88.760	46.692
Other	756.952	351.839
	3.698.499	1.878.630

(*) As communicated to Aygaz Doğal Gaz Toptan 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, effective from 1 January 2017, the import price would be adjusted in favor of Gazprom, and in this context, it was decided to abolish the discount applied to Akfel and to reflect the change in import price to natural gas price applied to Aygaz Doğal Gaz Toptan Satış A.Ş. in accordance with the contract signed between Akfel and Aygaz Doğal Gaz Toptan Satış A.Ş. It was also notified that, the price determination mechanism in the contract will be revised according to the arbitration decision and the related amount of the debt and related invoices will be sent separately to Aygaz Doğal Gaz Toptan Satış A.Ş. as the contract price is updated retrospectively as of 1 January 2017. The amount of total debt was conveyed to Aygaz Doğal Gaz Toptan Satış A.Ş. by Akfel, however related invoices were not delivered yet as of the date of this report. As of 31 December 2021, total provision of USD33.949 thousand (TL440.573 thousand (31 December 2020: TL249.205 thousand)), USD15.368 thousand for 2017, USD18.582 thousand for 2018, has been recognised in the consolidated financial statements.

b) Other long-term provisions	31 December 2021	31 December 2020
Provisions for non-cash loans	1.720.325	1.062.888
Provisions for warranty	391.523	289.640
Provisions for lawsuits and penalties	199.849	134.514
Provisions for credit card points	65.863	64.693
Other	71.795	-
	2.449.355	1.551.735

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 2021 and 2020 are as follows:

	Provision for non-cash loans	Provisions for warranty and assembly	Expense accruals of construction contracts	Provision for lawsuits and penalties
As of 1 January 2021	1.062.888	1.143.656	189.553	224.876
Additions	667.106	2.555.231	133.914	198.760
Disposals/(payments)	(11.489)	(2.056.944)	-	(12.370)
Business combinations	-	70.722	-	-
Currency translation differences	1.820	293.815	-	(530)
As of 31 December 2021	1.720.325	2.006.480	323.467	410.736
	Provision for non-cash loans	Provisions for warranty and assembly	Expense accruals of construction contracts	Provision for lawsuits and penalties
As of 1 January 2020	-	759.284	162.996	71.376
Business combinations	925.841	-	-	130.765
Additions	178.584	448.150	26.557	50.861
Disposals/(payments)	(41.301)	(66.029)	-	(28.261)
Currency translation differences	(236)	2.251	-	135
As of 31 December 2020	1.062.888	1.143.656	189.553	224.876

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NOTE 22 - OTHER RECEIVABLES AND PAYABLES

a) Other receivables	31 December 2021	31 December 2020
VAT and SCT receivables	5.058.094	1.336.388
Taxes and funds deductible	1.527.125	857.536
	6.585.219	2.193.924

b) Other short-term payables

Taxes and duties payable	4.219.383	3.567.023
Social security premiums payable	284.851	231.370
Payables to the Privatisation Administration (*)	226.097	244.656
Dividend payables to shareholders	48.066	32.652
	4.778.397	4.075.701

c) Other long-term payables

Payables to the Privatisation Administration (*)	-	207.350
	-	207.350

(*) Operating right for a period of 49 years of Menzelet and Kılavuzlu Hydroelectric Power Plants, that was acquired through the privatisation tender on 19 September 2017 with a total consideration of TL1.276.000 thousand, was taken over by Menzelet Kılavuzlu Elektrik Üretim A.Ş., of which 100% of shares are owned by Entek, following the payment of TL446.600 thousand to Privatisation Administration ("PA") that corresponds to 35% of the total tender price on 9 March 2018. The remaining amount will be paid to PA until 2022 in 4 equal installments with an annual interest rate of 11%.

NOTE 23 - OTHER ASSETS AND LIABILITIES

a) Other current assets	31 December 2021	31 December 2020
Pledged assets (*)	28.032.131	13.446.737
Advances given	4.335.485	1.162.363
Interbank cheque clearing accounts	3.902.414	2.668.690
Short-term assets used in operational lease	3.090.489	1.649.508
Prepaid expenses	2.923.529	2.945.613
Income accruals	2.491.858	1.082.312
Gold reserves	1.406.821	633.044
Assets received for commitments of loans and receivables	1.354.937	724.207
Deposits and guarantees given	214.878	178.792
Other	643.695	318.302
	48.396.237	24.809.568

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

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NOTE 23 - OTHER ASSETS AND LIABILITIES (Continued)

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

	2021	2020
Beginning of the period - 1 January	1.649.508	1.175.462
Additions	1.944.428	1.060.931
Transfers (*)	(492.346)	(551.816)
Currency translation differences	162.489	63.665
Current period depreciation	(173.590)	(98.734)
End of the period - 31 December	3.090.489	1.649.508

(*) Includes transfers to inventories.

b) Other non-current assets	31 December 2021	31 December 2020
Advances given	2.173.938	1.181.465
Spare parts and other materials	1.898.484	1.780.871
Prepaid expenses	42.373	91.183
Other	153.494	89.195
	4.268.289	3.142.714

c) Other current liabilities

Credit card payables	19.072.096	12.785.096
Deposits and guarantees received	4.854.404	590.783
Interbank clearing accounts	4.595.599	2.826.822
Accruals for sales and incentive bonus	3.618.319	1.632.061
Revenue share (*)	2.730.078	2.210.451
Deferred income	1.289.726	1.093.320
Miscellaneous payables to bank customers	1.256.034	808.603
Payables to personnel and premium accruals	1.251.782	881.103
Advances received	1.107.218	1.067.752
Import deposits and transfer orders	745.879	457.953
Expense accrual on commodity hedge	528.339	247.432
Accruals for rent and advertising expenses	384.055	157.263
License fee expense accruals	246.436	105.931
Saving deposit insurance fund payable	155.704	121.348
Liabilities related to business combinations (Note 3)	94.705	-
Blocked accounts	64.719	93.766
Other	3.268.773	2.303.945
	45.263.866	27.383.629

(*) 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).

d) Other non-current liabilities	31 December 2021	31 December 2020
Deferred income	1.281.387	778.194
Deposits and guarantees received	370.611	236.905
Other	381.133	168.356
	2.033.131	1.183.455

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NOTE 24 - EQUITY

Share Capital

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

31 December 2021

Limit on registered share capital (historical)	5.000.000
Issued share capital in nominal value	2.535.898

Companies in Turkey may exceed the limit on registered share capital in the event of the issuance of free capital shares to existing shareholders.

The shareholding structure of Koç Holding is as follows:

	31 December 2021		31 December 2020	
	Share %	Amount	Share %	Amount
Temel Ticaret ve Yatırım A.Ş.	43,65	1.106.970	43,65	1.106.970
Koç Family Members	19,24	487.895	19,24	487.895
Rahmi M. Koç ve Mahdumları Maden, İnşaat, Turizm, Ulaştırma, Yatırım ve Ticaret A.Ş.	1,40	35.386	1,40	35.386
Total Koç Family members and companies owned by Koç Family members	64,29	1.630.251	64,29	1.630.251
Vehbi Koç Vakfı	7,26	184.172	7,26	184.172
Koç Holding Emekli ve Yardım Sandığı Vakfı	1,99	50.452	1,99	50.452
Treasury shares ⁽¹⁾	0,04	890	-	-
Other	26,42	670.133	26,46	671.023
Paid-in share capital	100,00	2.535.898	100,00	2.535.898
Adjustment to share capital ⁽²⁾		967.288		967.288
Total share capital		3.503.186		3.503.186

(1) Refers to shares that have been repurchased and publicly traded as of 31 December 2021.

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

The analysis of shares by group is as follows:

Group	Unit of shares	TL'000	Nature of shares
A	67.877.342.230	678.773	Registered
B	185.712.462.770	1.857.125	Registered
		2.535.898	

In the Articles of Association ("the Articles") Koç Holding sets out the following privileges for A-group shares:

1. In accordance with Article 6, pre-emptive rights are used in purchase of new shares issued for their own groups; however, pre-emptive rights not used by B-group shareholders, can be used by A-group shareholders within the terms of CMB Legislation.
2. In accordance with Article 15 paragraph "c", A-group shareholders have two voting rights for each share owned at the General Assembly meetings (except for resolutions to change the Articles and decisions given for filing release and liability suits).

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NOTE 24 - 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 as of 1 July 2021. Within the scope of the related decision, considering the transactions that were cleared as of 31 December 2021, shares with a nominal value of TL890 thousand corresponding to 0,04% of Koç Holding's share capital were repurchased with a total cost of TL19.066 thousand including the transaction costs. No treasury shares have been sold as of the issue date of this report.

Other Comprehensive Income/Expense

	31 December 2021	31 December 2020
Items not to be reclassified to profit/loss:		
Gains/(losses) on remeasurement of defined benefit plans	(620.039)	(278.721)
	(620.039)	(278.721)
Items to be reclassified to profit/loss:		
Currency translation differences	8.462.677	3.173.469
Gains/(losses) on hedge	(3.864.651)	(2.395.325)
- <i>Cash flow hedge</i>	(1.525.880)	(1.492.778)
- <i>Net investment hedge</i>	(2.338.771)	(902.547)
Gains/(losses) on financial assets measured at fair value through other comprehensive income	1.036.806	389.096
	5.634.832	1.167.240

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 2021	31 December 2020
Legal reserves	507.179	507.179
Reserves for treasury shares (*)	19.066	-
Special reserves	12.141	16.586
	538.386	523.765

(*) In accordance with the TCC and CMB regulations, reserves are provided for the treasury shares in an amount corresponding to their purchase price. In this context, reserves for treasury shares, amounting to TL19.066 thousand including the transaction costs (31 December 2020: None), were provided within the restricted reserves in the consolidated financial statements as of 31 December 2021.

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 24 - 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 2021, total amount of reserves that can be subject to dividend distribution without creating additional corporate tax burden is TL12.746.762 thousand.

At the Ordinary General Assembly Meeting of Koç Holding held on 9 April 2021, it was decided to distribute TL1.483.500.359,25 dividend to shareholders, TL274.373.252,93 dividend to usufruct shareholders and TL12.000.000 dividend to Koç Holding Emekli ve Yardım Sandığı Vakfı from taxable earnings of 2020. Cash dividend payments were completed as of 14-16 April 2021.

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NOTE 25 - ASSETS HELD FOR SALE

4 trading areas and 24 office areas delivered to Koç Holding amounting to TL35.320 thousand within the scope of the project realised jointly with KİPTAŞ, have been classified as assets held for sale since they are intended to be sold in the short term.

A summary of information regarding assets held for sale and liabilities related to assets held for sale is as follows:

Assets held for sale	31 December 2021	31 December 2020
Cash and cash equivalents	-	3.976
Inventories	-	57.867
Property, plant and equipment	-	101.213
Intangible assets	-	1.232
Investment properties	35.320	35.320
Other assets	-	1.713
	35.320	201.321
Liabilities related to assets held for sale		
Provision for employment termination benefits	-	7.745
Other liabilities	-	6.365
	-	14.110

NOTE 26 - REVENUE

Non-finance revenue

	2021	2020
Domestic revenue	182.324.611	95.152.987
Foreign revenue	91.328.077	47.382.899
Revenue	273.652.688	142.535.886
Sales of goods	264.549.825	137.900.950
Sales of services	9.102.863	4.634.936
Revenue	273.652.688	142.535.886

The Group has accounted for non-finance revenue amounting to TL272.517.724 thousand (2020: TL141.829.624 thousand) related to performance obligation at a point in time and TL1.134.964 thousand (2020: TL706.262 thousand) non-finance revenue related to performance obligation over time.

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NOTE 26 - REVENUE (Continued)

Revenue from finance sector operations

	2021	2020
Interest income	55.190.836	32.367.348
Fee and commission income	10.916.541	6.452.744
Other operating income	6.928.637	2.421.298
Revenue from finance sector operations	73.036.014	41.241.390

NOTE 27 - EXPENSES BY NATURE

Expenses by nature include cost of goods sold, marketing expenses, general administrative expenses and research and development expenses.

	2021	2020
Raw materials and supplies	158.633.077	87.253.297
Changes in work in progress and finished goods	(10.577.993)	(1.036.816)
Cost of merchandise sold	63.153.094	22.350.581
Personnel expenses	17.379.680	12.108.854
Transportation, distribution and storage expenses	5.863.661	3.523.619
Depreciation and amortisation charges	5.285.513	4.063.559
Energy and utility expenses	4.044.195	2.645.132
Warranty and assembly costs	2.545.172	1.831.815
Advertisement and promotion expenses	2.319.062	1.398.157
Maintenance and repair expenses	1.761.243	1.208.751
Outsourcing expenses	1.366.402	922.544
Information systems and communication expenses	1.204.258	838.031
Litigation and consultancy expenses	872.464	607.877
Insurance expenses	807.545	573.668
Taxes, duties and charges	721.958	538.884
Rent expenses (*)	699.796	674.959
Saving Deposit Insurance Fund expenses	519.339	476.990
Sales, incentives and premium expenses	438.191	320.877
Royalty and license expenses	393.578	184.878
Travel expenses	334.009	231.431
Grants and donations	172.831	137.375
Other	2.459.777	2.082.275
	260.396.852	142.936.738

(*) In 2021, TL538.316 thousand (2020: TL568.134 thousand) of the rent expenses is related to variable leases, TL92.604 thousand (2020: TL76.553 thousand) is related to short-term leases and TL68.876 thousand (2020: TL30.272 thousand) is related to low-value leases.

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NOTE 27 - EXPENSES BY NATURE (Continued)

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

	2021	2020
Depreciation and amortisation charges		
Cost of sales	2.610.028	1.905.453
Marketing expenses	802.139	546.631
General administrative expenses	1.557.131	1.329.137
Research and development expenses	316.215	282.338
	5.285.513	4.063.559

Total depreciation charges capitalised in 2021 amounted to TL86.496 thousand (2020: TL57.061 thousand).

	2021	2020
Personnel expenses		
Cost of sales	5.281.315	3.569.347
Marketing expenses	2.782.661	1.882.332
General administrative expenses	9.160.909	6.546.361
Research and development expenses	154.795	110.814
	17.379.680	12.108.854

Cost of finance sector operations

	2021	2020
Interest expense	35.945.311	17.364.626
Fee, commissions and other expenses	3.443.147	2.146.375
Cost of finance sector operations	39.388.458	19.511.001

Fees for Services Received from Independent Auditor/ Independent Audit Firms

Information regarding the fees for the services received from the independent audit firms, in accordance with the letter of POA dated 19 August 2021 that was prepared considering the Board Decision published in the Official Gazette on 30 March 2021, is as follows:

	2021^(*)	2020^(*)
Independent audit fee	31.192	22.454
Tax consulting fee	6.473	4.240
Other assurance services fee	2.536	2.257
Other service fee apart from independent audit	483	168
	40.684	29.119

(*) 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.

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NOTE 28 - OTHER OPERATING INCOME/(EXPENSES)

	2021	2020
Other operating income		
Foreign exchange gains arising from trading activities	10.341.540	3.369.022
Credit finance income arising from trading activities	1.285.754	617.502
Income from claims and grants	98.170	409.201
Reversals of provisions	95.282	65.548
Other	493.534	417.202
	12.314.280	4.878.475
Other operating expenses		
Foreign exchange losses arising from trading activities	(20.907.965)	(3.071.439)
Expected credit losses for loans and receivables	(8.443.577)	(8.128.253)
Credit finance charges arising from trading activities	(585.063)	(667.990)
Provisions for lawsuits and penalties	(336.601)	(380.789)
Other	(149.138)	(94.297)
	(30.422.344)	(12.342.768)

NOTE 29 - GAINS/(LOSSES) FROM INVESTMENT ACTIVITIES

	2021	2020
Gains from investment activities		
Gain on sale of property, plant and equipment and scraps ⁽¹⁾	310.770	199.858
Gain on bargain purchase (Note 3)	234.997	-
Rent income	82.348	57.264
Dividend income	8.967	-
Income arising from the change of control ⁽²⁾	-	2.995.339
Termination fee income ⁽³⁾	-	511.275
	637.082	3.763.736

(1) Includes TL89 million of asset sales gain of Tat Gıda, a Subsidiary of the Group, regarding to its milk and dairy products business as of 31 December 2021.

(2) Represents the income resulting from the change of control of Yapı Kredi Bankası due to the acquisition of additional 9,02% shares.

(3) Represents the termination fee paid by UniCredit S.P.A to Koç Holding and its Subsidiaries included in the scope of consolidation and having ownership interests in KFS, upon the termination of the shareholders agreement in line with the strategic goals of UniCredit S.P.A., which was executed among Koç Holding, UniCredit S.P.A and other parties in 2002.

	2021	2020
Losses from investment activities		
Loss on sale of property, plant and equipment	(45.652)	(42.896)
Provision for impairment on property, plant and equipment	(5.482)	(97.279)
Loss on liquidation of a subsidiary	(2.831)	-
Provision for impairment on assets held for sale	-	(26.638)
Provision for impairment on subsidiaries	-	(22.756)
	(53.965)	(189.569)

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NOTE 30 - FINANCIAL INCOME/(EXPENSES)

	2021	2020
Financial income		
Foreign exchange gains ⁽¹⁾	29.524.684	13.024.563
Gains on derivative instruments	8.674.820	2.356.581
Interest income	1.629.049	962.548
Other financial income	63.247	20.353
	39.891.800	16.364.045
Financial expenses		
Foreign exchange losses ⁽¹⁾	(29.095.004)	(14.113.583)
Losses on derivative instruments	(10.216.980)	(3.866.350)
Interest expenses ⁽²⁾	(6.621.071)	(4.851.363)
Other financial expenses	(88.131)	(99.031)
	(46.021.186)	(22.930.327)

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

(2) In 2021, TL158.768 thousand of interest expense is related to lease liabilities (2020: TL158.809 thousand).

NOTE 31 - RELATED PARTY DISCLOSURES

a) Related party balances

	31 December 2021			31 December 2020		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Trade receivables	2.511.173	562.513	3.073.686	1.082.960	156.568	1.239.528
Trade payables	2.502.841	186.823	2.689.664	2.482.663	155.724	2.638.387
Loans and advances given	1.251.007	887.363	2.138.370	1.852.765	602.977	2.455.742
Deposits	5.567.595	13.305.759	18.873.354	4.387.722	9.568.162	13.955.884
Borrowings	-	111.844	111.844	-	127.688	127.688

b) Related party transactions

	2021			2020		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Sales of goods and services	41.455.492	335.076	41.790.568	15.761.882	288.031	16.049.913
Purchases of goods and services	12.497.524	1.345.685	13.843.209	10.937.876	656.539	11.594.415
Interest expense (-)	-	(26.294)	(26.294)	-	(31.078)	(31.078)

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.

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NOTE 31 - RELATED PARTY DISCLOSURES (Continued)

As of 31 December 2021, TL1.454.306 thousand (31 December 2020: TL273.932 thousand) of trade receivables is composed of Tüpraş balances against Opet and THY Opet, TL388.357 thousand (31 December 2020: TL259.790 thousand) of trade receivables is composed of balances of Zer Ticaret and TL289.721 thousand (31 December 2020: TL148.675 thousand) 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. TL2.148.081 thousand (31 December 2020: TL2.201.432 thousand) of trade payables is composed of balances due to vehicle purchases of Otokoç from Ford Otosan and Tofaş, and TL218.194 thousand (31 December 2020: TL198.207 thousand) 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.

TL35.760.248 thousand (31 December 2020: TL12.233.684 thousand) of sales of goods and services is composed of balances arising from the sales of Tüpraş' petroleum products to Opet and THY Opet for the year ended 31 December 2021. TL9.757.864 thousand (31 December 2020: TL9.280.322 thousand) of purchases of goods and services is composed of balances due to Otokoç's vehicle purchases from Ford Otosan and Tofaş, and TL1.192.283 thousand (31 December 2020: TL714.128 thousand) 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 2021 amounted to TL485.969 thousand (31 December 2020: TL313.334 thousand). TL25.816 thousand 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 2020: The total amount is comprised of short-term employee benefits).

After charging the costs to Koç Group companies to whom services are provided, the cost incurred by Koç Holding A.Ş. amounted to TL184.455 thousand (31 December 2020: TL132.359 thousand). TL4.096 thousand of this amount is related to the payments made for employee leaves (31 December 2020: None).

NOTE 32 - DISCLOSURES ON INTERESTS IN OTHER ENTITIES

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

Subsidiary	31 December 2021			
	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%	5.607.494	35.729.703	250.134
Tüpraş	56,30%	1.665.582	3.879.057	20.020
Arçelik	57,13%	1.877.865	12.496.555	904.835
Aygaz	59,32%	108.662	927.737	88.973

Subsidiary	31 December 2020			
	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%	2.293.643	27.087.917	-
Tüpraş	56,30%	(1.311.779)	2.864.818	5.606
Arçelik	59,44%	1.649.960	8.221.973	27.086
Aygaz	59,32%	100.655	834.138	88.973

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NOTE 32 - DISCLOSURES ON INTERESTS IN OTHER ENTITIES (Continued)

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

Condensed balance sheet information:

	31 December 2021			
	Yapı Kredi Bankası	Tüpraş	Arçelik	Aygaz
Cash and cash equivalents	155.621.360	20.400.237	16.014.589	1.693.433
Receivables from finance sector operations	414.686.390	-	-	-
Other current assets	69.995.277	45.028.579	43.580.219	2.944.921
Deferred tax assets	3.316.248	7.441.923	1.823.680	57.407
Other non-current assets	138.983.463	18.550.725	23.208.066	2.456.621
Total assets	782.602.738	91.421.464	84.626.554	7.152.382
Short-term borrowings	90.523.299	11.398.966	13.044.099	1.066.607
Payables to finance sector operations	473.291.059	-	-	-
Other current liabilities	46.508.994	52.589.258	27.457.523	2.794.725
Long-term borrowings	93.777.249	20.218.575	19.535.400	1.485.852
Other non-current liabilities	14.133.054	500.754	3.969.913	255.855
Total liabilities	718.233.655	84.707.553	64.006.935	5.603.039
Total equity	64.369.083	6.713.911	20.619.619	1.549.343

	31 December 2020			
	Yapı Kredi Bankası	Tüpraş	Arçelik	Aygaz
Cash and cash equivalents	75.695.905	19.825.292	12.002.246	960.648
Receivables from finance sector operations	294.009.992	-	-	-
Other current assets	29.104.585	10.886.150	21.058.602	1.232.998
Deferred tax assets	3.112.258	5.664.300	833.284	912
Other non-current assets	87.587.561	18.071.770	12.307.687	2.276.775
Total assets	489.510.301	54.447.512	46.201.819	4.471.333
Short-term borrowings	46.876.820	8.541.740	10.230.876	567.173
Payables to finance sector operations	292.440.537	-	-	-
Other current liabilities	26.207.096	19.826.225	13.595.977	1.285.312
Long-term borrowings	64.872.529	20.743.323	6.844.348	997.017
Other non-current liabilities	10.312.796	423.651	1.837.487	215.558
Total liabilities	440.709.778	49.534.939	32.508.688	3.065.060
Total equity	48.800.523	4.912.573	13.693.131	1.406.273

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NOTE 32 - DISCLOSURES ON INTERESTS IN OTHER ENTITIES (Continued)

Condensed income statement information:

	2021			
	Yapı Kredi Bankası	Tüpraş	Arçelik	Aygaz
Revenue	72.710.996	150.962.226	68.184.437	15.893.254
Depreciation and amortisation	1.033.810	856.239	1.845.681	180.427
Operating profit	13.315.776	382.328	7.020.076	590.246
Net financial expense	-	995.653	(3.660.279)	(354.488)
Profit before tax	13.454.405	1.572.237	3.518.812	275.190
Net profit for the period	10.136.677	2.903.374	3.147.207	212.645

	2020			
	Yapı Kredi Bankası (*)	Tüpraş	Arçelik	Aygaz
Revenue	41.040.244	63.243.815	40.872.483	10.144.743
Depreciation and amortisation	876.033	813.594	1.221.648	153.751
Operating profit	5.502.257	(687.109)	4.821.431	278.410
Net financial expense	-	(3.148.557)	(1.571.478)	(148.368)
Profit before tax	5.602.669	(3.760.104)	3.365.001	225.133
Net profit for the period	4.132.145	(2.384.558)	2.752.327	169.695

(*) Yapı Kredi Bankası has been accounted for using the equity method in the consolidated financial statements until the change of control/closing date, and therefore related amounts include Company's profit/(loss) balances regarding the period which the Company is subject to full consolidation.

NOTE 33 - GOVERNMENT GRANTS

The Group is entitled to the following incentives and rights:

- 100% exemption from customs duty on machinery and equipment imported,
- Exemption from VAT on investment goods supplied from home and abroad,
- Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
- Inward processing permission certificates,
- Cash refund from Tübitak-Teydeb for research and development expenditures,
- Exemption from taxes, duties and charges,
- Discounted corporate tax incentive,
- Insurance premium employer share incentive,
- Corporate tax incentive within the scope of investment incentive exemption (Note 19),
- Brand supporting government grants given by the Ministry of Economy of Turkey (Turquility),
- Patent incentives.

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NOTE 34 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Guarantees given:

Finance:

Non-cash loans:

	31 December 2021	31 December 2020
Letters of guarantee	118.969.622	81.314.767
- TL	40.320.133	31.993.113
- Foreign currency	78.649.489	49.321.654
Letters of credit	26.319.956	9.340.321
Acceptance credits	545.822	238.025
Other	15.081.707	9.982.292
	160.917.107	100.875.405
Less: Provisions (Note 21.b)	(1.720.325)	(1.062.888)
	159.196.782	99.812.517

Non-Finance:

	31 December 2021	31 December 2020
Letters of guarantee	11.921.235	8.566.966
Letters of credit	15.973.753	3.953.337
Guarantees given to banks	2.548.868	1.113.948
Guarantorships given to banks	1.386.216	-
Other	550	50
	31.830.622	13.634.301

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NOTE 34 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Collaterals/pledges/mortgages/bill of guarantees ("CPMB") of Subsidiaries of the Group as of 31 December 2021 and 2020 are as follows (foreign currency CPMBs are presented by their TL equivalents):

	31 December 2021	31 December 2020
A. Total amount of CPMB's given in the name of its own legal personality	23.912.289	10.383.712
-TL	5.432.100	3.968.860
-USD	16.759.681	5.417.499
-EUR	1.476.193	839.855
-Other	244.315	157.498
B. Total amount of CPMB's given on behalf of the fully consolidated companies ⁽¹⁾	7.912.894	3.250.589
-TL	51.989	134.422
-USD	3.817.810	987.448
-EUR	1.698.608	1.207.093
-Other	2.344.487	921.626
C. Total amount of CPMB's given on behalf of third parties for ordinary course of business ⁽²⁾	160.922.546	100.875.405
-TL	41.183.283	32.512.148
-USD	58.461.909	27.889.758
-EUR	54.659.461	35.840.641
-Other	6.617.893	4.632.858
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	-	-
	192.747.729	114.509.706

(1) As of 31 December 2021, 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 TL20.843 thousand (31 December 2020: TL9.558 thousand).

(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 2021, 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 TL51.911.695 thousand (31 December 2020: TL29.672.528 thousand) 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 2021, financial assets amounting to TL41.064.635 thousand (31 December 2020: TL21.435.802 thousand) 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 34 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Guarantees received:

Non-finance:

	31 December 2021	31 December 2020
Letters of guarantee	8.340.733	5.365.051
Mortgages	3.001.454	2.780.688
Direct crediting limit	1.639.985	1.174.041
Bill of guarantees	315.814	281.616
Guarantee notes	108.357	65.321
Other	1.499.964	1.311.980
	14.906.307	10.978.697

NOTE 35 - 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, industrial 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, collaterals are taken considering the financial status of the customer and the type of loan requested. Liquid collaterals are preferred to the greatest extent possible. While granting of long term project finance loans, long term projections of the companies are analysed both by financial analysis specialists and head office. In addition, the pricing of these commitments are decided by coordination with the treasury management.

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NOTE 35 - 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 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)	47.755.048	416.743.287	80.950.895	131.037.244	25.608.020
A. Book value of neither past due nor impaired financial assets ⁽¹⁾	44.834.718	422.785.855	80.950.895	131.037.244	25.608.020
B. Book value of past due but not impaired financial assets	2.889.748	4.260.062	-	-	-
C. Net book value of impaired assets	59.704	5.763.333	-	-	-
- Past due	59.704	5.763.333	-	-	-
- Gross amount	1.332.489	20.212.509	-	-	-
- Impairment	(1.272.785)	(14.449.176)	-	-	-
- Secured with guarantees	71.563	5.407.025	-	-	-
- Not past due	-	-	-	-	-
- Gross amount	-	-	-	-	-
- Impairment	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-
D. Expected credit losses (-) ⁽²⁾	(29.122)	(16.065.963)	-	-	-

(1) Trade receivables and receivables from finance sector operations include related party balances amounting to TL3.073.686 thousand and TL2.138.370 thousand, 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 TL160.917.107 thousand (Note 34). By taking the related risk into consideration, the maximum credit risk amount, to which the Group is exposed, is TL863.011.601 thousand.

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NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2020	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)	21.000.573	295.233.101	54.297.881	78.301.623	6.219.142
A. Book value of neither past due nor impaired financial assets ⁽¹⁾	19.098.364	297.534.818	54.297.881	78.301.623	6.219.142
B. Book value of past due but not impaired financial assets	1.838.173	2.860.665	-	-	-
C. Net book value of impaired assets	87.210	5.977.353	-	-	-
- Past due	87.210	5.977.353	-	-	-
- Gross amount	941.014	19.618.014	-	-	-
- Impairment	(853.804)	(13.640.661)	-	-	-
- Secured with guarantees	83.651	5.886.135	-	-	-
- Not past due	-	-	-	-	-
- Gross amount	-	-	-	-	-
- Impairment	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-
D. Expected credit losses (-) ⁽²⁾	(23.174)	(11.139.735)	-	-	-

(1) Trade receivables and receivables from finance sector operations include related party balances amounting to TL1.239.528 thousand and TL2.455.742 thousand, 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 2020, the Finance Segment is exposed to credit risk arising from non-cash loans in the amount of TL100.875.405 thousand (Note 34). By taking the related risk into consideration, the maximum credit risk amount, to which the Group is exposed, is TL555.927.725 thousand.

Trade receivables

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

	2021	2020
Customers with no payment defaults	38.140.577	15.997.890
Public institutions and corporations	4.047.024	1.277.934
Customers with prior collection delays	2.166.609	1.422.708
New customers (less than 3 months)	480.508	399.832
	44.834.718	19.098.364

As of 31 December 2021, trade receivables that are not due and not impaired amounting to TL18.989.901 thousand are secured by guarantees (2020: TL10.191.758 thousand).

b) Analysis of past due trade receivables:

Not impaired	2021	2020
Past due up to 1 month	1.215.668	1.005.348
Past due 1-3 months	177.590	209.546
Past due 3-12 months	291.110	176.145
Past due more than 1 year	1.205.380	447.134
	2.889.748	1.838.173

As of 31 December 2021, past due but not impaired trade receivables amounting to TL1.048.390 thousand are secured by guarantees (2020: TL949.162 thousand).

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NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

<i>Impaired</i>	2021	2020
Past due up to 3 months	183.120	114.964
Past due 3-6 months	25.769	13.789
Past due 6-12 months	328.022	210.701
Past due more than 1 year	795.578	601.560
Less: Provision for impairment	(1.272.785)	(853.804)
	59.704	87.210

As of 31 December 2021, impaired receivables amounting to TL71.563 thousand are secured by guarantees (2020: TL83.651 thousand).

c) Expected credit losses:

31 December 2021	Not past due	0 - 1 month past due	1 - 3 months past due	More than 3 months past due	Total
Expected loss rate (%)	0,004	0,06	0,30	0,98	
Period end balance (*)	41.761.032	1.278.279	298.099	2.645.859	45.983.269
Expected credit losses	1.567	800	894	25.861	29.122
31 December 2020					
Expected loss rate (%)	0,02	0,02	2,97	0,73	
Period end balance (*)	17.858.836	1.048.487	281.371	1.449.329	20.638.023
Expected credit losses	3.986	206	8.365	10.617	23.174

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

Receivables from finance sector operations

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

	Rating class	Concentration level (%)	
		31 December 2021	31 December 2020
Above average	1 - 4	36,6%	59,2%
Average	5+ - 6	45,9%	34,8%
Below average	7+ - 9	17,5%	6,0%

b) Considering the scoring models, Yapı Kredi Bankası classifies its loan portfolio into the following groups as of 31 December 2021 and 2020:

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%

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NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2020	% of loans and advances	Provision coverage (%)
Stage 1	78,67%	1,10%
Stage 2	15,17%	17,36%
Stage 3	6,16%	69,54%

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

31 December 2021	Corporate and commercial loans	Consumer loans	Credit card receivables	Financial leasing receivables	Factoring receivables	Total
Past due up to 1 month	492.112	1.096.954	231.769	10.401	4.791	1.836.027
Past due 1-3 months	710.539	1.311.393	232.328	55.046	48.169	2.357.475
Past due 3-6 months	53.473	11.750	1.337	-	-	66.560
	1.256.124	2.420.097	465.434	65.447	52.960	4.260.062

31 December 2020	Corporate and commercial loans	Consumer loans	Credit card receivables	Financial leasing receivables	Factoring receivables	Total
Past due up to 1 month	413.940	450.101	257.846	252.666	885	1.375.438
Past due 1-3 months	547.624	390.419	101.786	43.061	9.323	1.092.213
Past due 3-6 months	235.419	126.215	24.440	6.940	-	393.014
	1.196.983	966.735	384.072	302.667	10.208	2.860.665

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

	31 December 2021	%	31 December 2020	%
Public sector	133.430.812	32	79.171.148	27
Production	107.978.952	26	77.674.255	26
Financial institutions	109.699.010	26	52.277.229	18
Food and retail	24.253.319	6	15.820.743	5
Real estate	11.879.549	3	8.208.649	3
Consumer loans	4.420.169	1	2.871.890	1
Other sectors	25.081.476	6	59.209.187	20
	416.743.287	100	295.233.101	100

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NOTE 35 - 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 2021	31 December 2020
Assets	468.831.334	256.050.015
Liabilities	(577.214.828)	(318.456.873)
Net balance sheet position	(108.383.494)	(62.406.858)
Derivative instruments net position	76.511.505	49.952.359
Net foreign currency position	(31.871.989)	(12.454.499)
Loans designated as hedging instruments ⁽¹⁾	9.069.174	5.977.809
Net foreign currency position after hedging instruments	(22.802.815)	(6.476.690)
Inventories under the natural hedge ⁽²⁾	25.343.006	7.532.609
Net foreign currency position after hedging instruments and natural hedge	2.540.191	1.055.919

(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 USD388 million (TL5.170 million) as of 31 December 2021 (31 December 2020: USD594 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 USD49,2 million (TL639 million) as of 31 December 2021.

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 and Otokoç Hollanda, the Subsidiaries of the Group, designated EUR200 million (TL2.936 million) and EUR22 million (TL324 million) of bank loans, respectively, as hedging instruments in order to hedge the foreign currency risk arising from the translation of net assets of the subsidiaries operating in Europe from EUR to Turkish Lira (31 December 2020: Arçelik: EUR154 million - Otokoç: EUR25,7 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 2021, Tüpraş and Aygaz have raw materials and petroleum products amounting to TL24.197.942 thousand (31 December 2020: TL7.220.776 thousand) and TL1.145.064 thousand (31 December 2020: TL311.833 thousand), respectively.

Excluding the loans designated as hedging instruments and the inventories under the natural hedge, the Group has TL2.540.191 thousand (USD196 million) foreign exchange net long position as of 31 December 2021.

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NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2021, if EUR and USD had appreciated by 10% against TL with all other variables held constant, profit before tax would have been TL2.237.937 thousand lower, mainly as a result of foreign exchange losses on the translation of the foreign exchange position as presented in detail in the table below. The net effect of the related foreign exchange losses on the net profit (attributable to equity holders) is approximately TL682 million.

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

	USD	EUR	Other	Total
31 December 2021				
Foreign currency net position (*)	(2.729.016)	217.636	273.443	(2.237.937)

(*) 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 2021				
Hedged items (*)	(580.904)	(981.406)	-	(1.562.310)

(*) 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 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2021			
	USD ⁽¹⁾	EUR ⁽¹⁾	Other (TL Equivalent)	Total (TL Equivalent)
Assets:				
Trade receivables ⁽²⁾	615.477	716.254	4.397.686	22.901.290
Receivables from finance sector operations	2.343.329	2.673.338	4.166.637	73.827.938
Monetary financial assets	8.590.815	2.981.474	11.305.691	166.567.886
Non-monetary assets	6.401	352	114.137	202.374
Other assets	1.935.732	529.113	1.473.517	34.363.085
Current assets	13.491.754	6.900.531	21.457.668	297.862.573
Receivables from finance sector operations	4.187.312	3.687.420	620.897	109.101.546
Monetary financial assets	3.669.978	556.761	2.052.568	57.854.240
Other assets	176.585	110.421	100.084	4.012.975
Non-current assets	8.033.875	4.354.602	2.773.549	170.968.761
Total assets	21.525.629	11.255.133	24.231.217	468.831.334
Liabilities:				
Trade payables ⁽²⁾	3.859.821	492.639	1.015.945	58.339.847
Borrowings	4.447.788	1.499.640	90.858	79.830.198
Payables of finance sector operations	11.979.689	6.118.360	27.914.923	273.212.932
Other liabilities	537.285	438.578	115.582	13.527.535
Short-term liabilities	20.824.583	8.549.217	29.137.308	424.910.512
Borrowings	9.284.143	1.403.702	213.513	141.308.054
Payables of finance sector operations	16.232	381.260	1.939	5.810.358
Other liabilities	317.535	71.105	21.103	5.185.904
Long-term liabilities	9.617.910	1.856.067	236.555	152.304.316
Total liabilities	30.442.493	10.405.284	29.373.863	577.214.828
Net balance sheet position	(8.916.864)	849.849	(5.142.646)	(108.383.494)
Derivative assets	8.925.295	1.260.491	17.414.288	151.749.223
Derivative liabilities	(2.530.374)	(2.238.503)	(9.533.419)	(75.237.718)
Derivative instruments net position	6.394.921	(978.012)	7.880.869	76.511.505
Net foreign currency position	(2.521.943)	(128.163)	2.738.223	(31.871.989)
Loans designated as hedging instruments ⁽³⁾	437.118	222.045	-	9.069.174
Net foreign currency position after hedging instruments	(2.084.825)	93.882	2.738.223	(22.802.815)
Net foreign currency position of monetary items	(2.528.344)	(128.515)	2.624.086	(32.074.363)
Fair value of derivative instruments held for hedging	(62.856)	(5.825)	-	(901.236)

(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 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2020			
	USD ⁽¹⁾	EUR ⁽¹⁾	Other (TL Equivalent)	Total (TL Equivalent)
Assets:				
Trade receivables ⁽²⁾	514.086	605.976	2.447.114	11.679.328
Receivables from finance sector operations	2.222.544	3.016.483	2.276.572	45.763.328
Monetary financial assets	6.823.427	2.620.670	6.829.203	80.523.307
Non-monetary assets	4.128	275	42.257	75.035
Other assets	1.183.676	698.862	621.873	15.605.938
Current assets	10.747.861	6.942.266	12.217.019	153.646.936
Receivables from finance sector operations	5.131.102	3.741.644	350.904	71.720.109
Monetary financial assets	3.360.647	277.049	1.203.097	28.367.561
Other assets	129.048	146.924	44.658	2.315.409
Non-current assets	8.620.797	4.165.617	1.598.659	102.403.079
Total assets	19.368.658	11.107.883	13.815.678	256.050.015
Liabilities:				
Trade payables ⁽²⁾	2.374.129	383.228	416.748	21.296.124
Borrowings	2.914.644	1.903.242	69.619	38.608.777
Payables of finance sector operations	11.577.210	5.931.598	17.573.733	155.987.484
Other liabilities	232.664	202.809	57.429	3.592.188
Short-term liabilities	17.098.647	8.420.877	18.117.529	219.484.573
Borrowings	11.223.844	1.099.563	91.396	92.384.780
Payables of finance sector operations	60.721	290.267	2.888	3.063.302
Other liabilities	340.054	138.495	11.432	3.524.218
Long-term liabilities	11.624.619	1.528.325	105.716	98.972.300
Total liabilities	28.723.266	9.949.202	18.223.245	318.456.873
Net balance sheet position	(9.354.608)	1.158.681	(4.407.567)	(62.406.858)
Derivative assets	10.699.723	1.201.646	9.229.030	98.594.654
Derivative liabilities	(3.096.008)	(2.510.567)	(3.301.113)	(48.642.295)
Derivative instruments net position	7.603.715	(1.308.921)	5.927.917	49.952.359
Net foreign currency position	(1.750.893)	(150.240)	1.520.350	(12.454.499)
Loans designated as hedging instruments ⁽³⁾	593.982	179.585	-	5.977.809
Net foreign currency position after hedging instruments	(1.156.911)	29.345	1.520.350	(6.476.690)
Net foreign currency position of monetary items	(1.755.021)	(150.515)	1.478.093	(12.529.534)
Fair value of derivative instruments held for hedging	(80.800)	(10.521)	-	(687.882)

(1) Presented in original currencies.

(2) Represents balances before consolidation eliminations.

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

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NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Export and import details (TL Equivalent)

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

Export	2021	2020
USD	37.561.540	19.825.669
EUR	14.357.609	9.751.440
Other	6.745.466	4.354.691
	58.664.615	33.931.800
Import		
USD	139.341.986	59.233.120
EUR	5.574.141	3.637.497
Other	34.840	37.278
	144.950.967	62.907.895

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 and 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 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 2021 and 2020 are as follows:

	31 December 2021			31 December 2020		
	USD	EUR	TL	USD	EUR	TL
Assets						
Cash and cash equivalents	0,83	0,60	19,94	1,81	0,54	17,44
Financial assets						
- Measured at fair value through profit or loss	3,43	3,87	15,57	6,17	3,54	15,59
- Measured at fair value through other comprehensive income	6,27	3,32	28,75	5,64	3,26	15,72
- Measured at amortised cost	6,25	2,71	30,36	6,42	1,74	15,92
Receivables from finance sector operations	5,64	4,48	19,38	6,09	4,45	15,11
Liabilities						
Borrowings	3,70	1,79	15,98	3,54	2,43	11,89
Payables of finance sector operations	0,40	0,16	11,90	1,50	0,87	15,95

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NOTE 35 - 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 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	44.003.357	5.960.997	-	-	43.884.960	93.849.314
Balances with the CBRT	68.178.110	-	-	-	35.067.199	103.245.309
Financial assets						
- Measured at fair value through profit or loss	3.196	5.683	58.396	139.374	975.412	1.182.061
- Measured at fair value through other comprehensive income	13.525.792	13.360.359	3.718.284	4.136.764	594.867	35.336.066
- Measured at amortised cost	31.440.321	13.387.197	11.651.909	39.640.191	-	96.119.618
Receivables from finance sector operations	116.314.213	155.685.884	119.419.646	25.323.544	-	416.743.287
	273.464.989	188.400.120	134.848.235	69.239.873	80.522.438	746.475.655
Liabilities						
Borrowings	112.164.201	62.995.692	103.763.742	6.148.781	1.217.224	286.289.640
Payables to finance sector operations	266.916.985	10.689.472	2.897.837	276.996	170.392.422	451.173.712
	379.081.186	73.685.164	106.661.579	6.425.777	171.609.646	737.463.352
31 December 2020	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	39.221.831	1.637.032	-	-	19.501.938	60.360.801
Balances with the CBRT	28.859.367	-	-	-	20.112.905	48.972.272
Financial assets						
- Measured at fair value through profit or loss	1.214	737	60.955	212.848	531.386	807.140
- Measured at fair value through other comprehensive income	9.235.370	8.600.443	5.169.968	2.015.706	457.199	25.478.686
- Measured at amortised cost	20.254.650	8.203.299	6.837.645	17.716.935	-	53.012.529
Receivables from finance sector operations	80.004.059	101.901.836	96.883.477	16.405.302	38.427	295.233.101
	177.576.491	120.343.347	108.952.045	36.350.791	40.641.855	483.864.529
Liabilities						
Borrowings	93.346.051	40.715.479	41.913.848	3.683.952	2.147.914	181.807.244
Payables to finance sector operations	174.459.436	9.630.715	2.839.072	230.816	90.010.900	277.170.939
	267.805.487	50.346.194	44.752.920	3.914.768	92.158.814	458.978.183

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NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Sensitivity to interest rate risk

The sensitivity analysis of Yapı Kredi Bankası, a Subsidiary of the Group operating in the finance sector, regarding the fluctuations in interest rates was carried out for all interest-bearing assets and liabilities. 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 TL600 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 TL770 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 TL180 million for the subsidiaries of the Group operating in non-finance sectors. 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 one year period.

The interest rate position is as follows:

	31 December 2021	31 December 2020
Fixed interest rate financial instruments		
<i>Assets</i>		
Cash and cash equivalents	46.463.821	37.885.630
Balances with the CBRT	68.178.110	28.337.458
Financial assets		
- Measured at fair value through profit or loss	206.649	275.754
- Measured at fair value through other comprehensive income	12.476.852	9.839.156
- Measured at amortised cost	48.746.043	23.206.047
Receivables from finance sector operations	302.107.168	223.343.061
	478.178.643	322.887.106
<i>Liabilities</i>		
Borrowings	193.422.070	113.208.221
Payables to finance sector operations	280.771.859	187.142.190
	474.193.929	300.350.411
Floating interest rate financial instruments		
<i>Assets</i>		
Cash and cash equivalents	3.500.533	2.973.233
Balances with the CBRT	-	521.909
Financial assets		
- Measured at fair value through other comprehensive income	22.264.347	15.182.331
- Measured at amortised cost	47.373.575	29.806.482
Receivables from finance sector operations	114.636.119	71.851.613
	187.774.574	120.335.568
<i>Liabilities</i>		
Borrowings	91.650.346	66.451.109
Payables to finance sector operations	9.431	17.849
	91.659.777	66.468.958

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NOTE 35 - 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 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Undiscounted contractual cash flows of the consolidated financial liabilities as of 31 December 2021 and 2020 are as follows:

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	286.289.640	324.033.028	45.133.597	90.492.932	156.875.964	31.530.535
<i>Borrowings, debt instruments and factoring liabilities</i>	<i>282.860.539</i>	<i>319.194.151</i>	<i>44.676.758</i>	<i>89.591.551</i>	<i>154.635.509</i>	<i>30.290.333</i>
<i>Lease liabilities</i>	<i>3.429.101</i>	<i>4.838.877</i>	<i>456.839</i>	<i>901.381</i>	<i>2.240.455</i>	<i>1.240.202</i>
Trade payables	71.588.038	71.754.652	67.889.634	3.865.018	-	-
Payables to finance sector operations	451.173.712	454.873.262	437.075.682	12.105.168	5.316.793	375.619
Derivative instruments (*)						
Cash inflows	25.608.020	197.155.398	150.960.404	18.890.911	22.251.904	5.052.179
Cash outflows	(22.102.462)	(201.128.956)	(152.572.785)	(19.029.668)	(24.281.016)	(5.245.487)
31 December 2020	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	181.807.244	198.353.535	21.285.347	51.806.931	107.527.376	17.733.881
<i>Borrowings, debt instruments and factoring liabilities</i>	<i>179.155.828</i>	<i>194.631.290</i>	<i>21.065.640</i>	<i>51.170.817</i>	<i>105.680.485</i>	<i>16.714.348</i>
<i>Lease liabilities</i>	<i>2.651.416</i>	<i>3.722.245</i>	<i>219.707</i>	<i>636.114</i>	<i>1.846.891</i>	<i>1.019.533</i>
Trade payables	29.039.594	30.726.439	29.618.906	1.107.533	-	-
Payables to finance sector operations	277.170.939	293.307.696	280.951.174	10.216.408	1.908.308	231.806
Derivative instruments (*)						
Cash inflows	6.219.142	140.257.073	96.212.233	14.441.774	26.156.644	3.446.422
Cash outflows	(11.436.576)	(135.569.302)	(94.150.959)	(14.656.728)	(23.408.482)	(3.353.133)

(*) 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 34) of Yapı Kredi Bankası, a Subsidiary of the Group, by original maturity is as follows:

31 December 2021	Indefinite	Up to 1 year	1-5 years	5 years and over	Total
Letters of guarantee	34.626.114	27.932.165	44.237.482	12.173.861	118.969.622
Letter of credits	-	18.839.646	7.254.596	225.714	26.319.956
Acceptance credits	-	515.441	30.381	-	545.822
Other	1.864.494	1.887.932	1.443.730	9.885.551	15.081.707
	36.490.608	49.175.184	52.966.189	22.285.126	160.917.107

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NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2020	Indefinite	Up to 1 year	1-5 years	5 years and over	Total
Letters of guarantee	26.614.701	14.479.227	31.990.476	8.230.363	81.314.767
Letter of credits	-	6.278.175	2.854.544	207.602	9.340.321
Acceptance credits	-	211.013	21.251	5.761	238.025
Other	943.148	1.510.816	1.096.233	6.432.095	9.982.292
	27.557.849	22.479.231	35.962.504	14.875.821	100.875.405

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 2021 and 2020 is as follows:

	31 December 2021	31 December 2020
Total borrowings	286.289.640	181.807.244
Less: Cash and cash equivalents	(89.524.057)	(58.146.312)
Net financial debt	196.765.583	123.660.932
Equity	121.105.062	88.071.052
Invested capital	317.870.645	211.731.984
Net financial debt/invested capital ratio	0,62	0,58

NOTE 36 - 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 36 - 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 2021 and 2020 are presented in the table below:

	31 December 2021		31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Cash and cash equivalents	93.849.314	93.825.618	60.360.801	58.594.910
Receivables from finance sector operations	416.743.287	408.309.931	295.233.101	296.632.401
Financial assets measured at amortised cost	96.119.618	100.868.920	53.012.529	54.582.472
Liabilities				
Borrowings	286.289.640	286.210.242	181.807.244	182.684.452
Payables to finance sector operations	451.173.712	451.237.915	277.170.939	277.342.697

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.*

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

KOÇ HOLDİNG A.Ş.

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

NOTE 36 - FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS (Continued)

31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit/(loss)				
- Equity securities	77.578	285.216	608.153	970.947
- Debt instruments	211.114	-	-	211.114
Financial assets measured at fair value through other comprehensive income				
- Equity securities	486.449	143.105	-	629.554
- Debt instruments	33.737.177	969.335	-	34.706.512
Derivative instruments	-	25.608.020	-	25.608.020
Total assets	34.512.318	27.005.676	608.153	62.126.147
Derivative instruments	-	22.102.462	-	22.102.462
Total liabilities	-	22.102.462	-	22.102.462

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit/(loss)				
- Equity securities	10.254	161.327	358.824	530.405
- Debt instruments	276.735	-	-	276.735
Financial assets measured at fair value through other comprehensive income				
- Equity securities	374.700	91.627	-	466.327
- Debt instruments	22.848.275	2.164.084	-	25.012.359
Derivative instruments	-	6.219.142	-	6.219.142
Total assets	23.509.964	8.636.180	358.824	32.504.968
Derivative instruments	-	11.436.576	-	11.436.576
Total liabilities	-	11.436.576	-	11.436.576

NOTE 37 - EARNINGS PER SHARE

	2021	2020
Profit for the period	26.184.772	12.633.297
Less: Profit attributable to non-controlling interests	10.992.061	3.360.727
Profit attributable to equity holders of the parent	15.192.711	9.272.570
Weighted average number of shares with nominal value of Kr 1 each (*)	253.562.415.596	253.589.805.000
Earnings per share (Kr)	5,992	3,657

(*) Calculated by adjusting the treasury shares (Note 24).

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NOTE 38 - SUPPLEMENTARY CASH FLOW INFORMATION

Supplementary information for the details included in the consolidated cash flow statements as of 31 December 2021 and 2020 is as follows:

	31 December 2021	31 December 2020
Changes in provisions:		
Provisions for non-cash loans	655.617	137.043
Provisions for warranty and assembly	498.287	384.372
Provisions for employee benefits	376.795	321.380
Provisions for lawsuits	186.390	24.026
Cost accruals for construction contracts	133.914	26.557
Other provisions	686.086	186.334
	2.537.089	1.079.712
Adjustments for impairment loss/ (reversal of impairment loss):		
Expected credit loss provisions on receivables from finance sector operations	4.180.489	7.595.802
Expected credit loss provisions on trade receivables	143.180	112.539
Provisions for impairment on property, plant and equipment	5.482	97.279
Provisions for impairment on inventories	(21.846)	69.430
Provisions for impairment on assets held for sale	-	26.638
	4.307.305	7.901.688
Net changes in the operating assets and liabilities:		
Finance:		
Receivables from finance sector operations	(123.636.213)	(51.354.785)
Balances with Central Bank of the Republic of Turkey - required reserves	(25.531.399)	(6.497.185)
Payables of finance sector operations	174.002.773	63.768.722
Other assets and liabilities, net	(12.480.718)	(4.032.403)
	12.354.443	1.884.349
Non-Finance:		
Inventories	(26.831.232)	(1.233.370)
Trade receivables	(25.451.320)	(1.450.600)
Trade payables	39.361.383	2.312.162
Other assets and liabilities, net	5.963.275	928.131
Other payables and receivables, net	(7.577.635)	1.239.455
	(14.535.529)	1.795.778
Currency translation differences	5.971.965	1.374.052
	3.790.879	5.054.179
Cash and cash equivalents:		
Cash and cash equivalents (Note 5)	93.849.314	60.360.801
Add: Balances with the Central Bank of the Republic of Turkey - free deposits (Note 6)	55.194.102	26.452.464
Less: Blocked deposits (Note 5)	(4.325.257)	(2.214.489)
	144.718.159	84.598.776

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

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NOTE 39 - EVENTS AFTER THE BALANCE SHEET DATE

On 7 October 2021 and 12 November 2021, it was announced that the bid submitted by Tek-Art Kalamış and Fenerbahçe Marmara Turizm Tesisleri A.Ş., a Subsidiary of the Group, in the tender for the privatisation of Fenerbahçe-Kalamış Marina owned by Turkish Maritime Lines, has been the highest bid and that the Presidency Approval has been granted for the tender result. However, on 21 January 2022, it has been declared to Tek-Art Kalamış ve Fenerbahçe Marmara Turizm Tesisleri A.Ş. that the tender has been cancelled by the Presidency Decree dated 19 January 2022.

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