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Our Founder



I live and prosper with my country.

As long as democracy exists and thrives, so do we.

We shall do our utmost to strengthen our economy.

As our economy prospers, so will democracy and our standing in the world.

Vehbi Koç

Koç Holding and the Koç Group at a Glance

Turkey's Leader, Global Player

~8%

Revenues / GDP¹

~10%

Total Exports / Turkey's Exports

~16%

Total Market Capitalization on
Borsa Istanbul²

Turkey's Largest Industrial Group

4 of Turkey's 10 Largest Industrial Enterprises³

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

Turkey's Largest Network

Biggest Employer

> 92,500 employees

Largest Distribution Network

860 bank branches
~11,000 dealers and after-sales
service points

Largest Customer Database

12.5 million customers

Turkey's Highest R&D Investments

~11% of Turkey's Private Sector R&D Expenditure⁴

Turkey's Largest Intellectual Property Rights Portfolio

- > 8,200 trademarks
- > 3,600 patent families
- > 6,600 patents
- > 900 industrial designs
- > 5,800 internet domain names

Turkey's Largest Exporters

4 of Turkey's 10 Largest Exporters⁵

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

~31%

International revenues / Total revenues

>145

Number of exporting countries

>60

Production facilities and marketing /
sale companies abroad

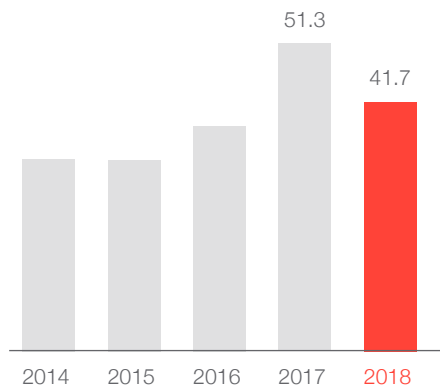
The Koç Group, whose foremost objective is to consistently create value for its stakeholders, continues its over 90-year journey in line with the aim of creating long-term value and its global vision.

(1) GDP based on the projection of the Turkish government's New Economic Program (2) As of 2018 year end (3) Istanbul Chamber of Industry 2018 report (4) Based on Turkish Statistical Institute's 2017 R&D data (5) Turkish Exporters' Assembly 2018 report
All numbers refer to combined figures.

Sustainable and Strong Performance

Net Asset Value¹ (TL billion)

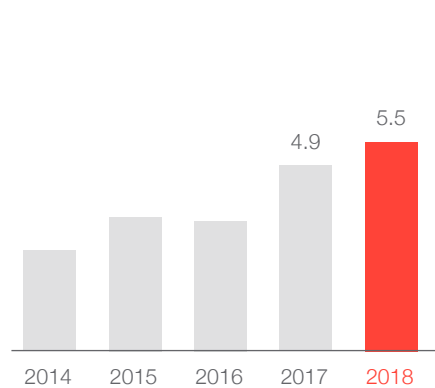
TL 41.7 billion



Net Profit² (Consolidated-TL billion)

13%

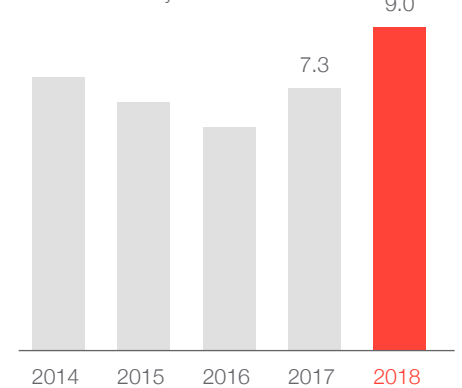
2018 annual increase



Investments (Combined-TL billion)

TL 37 billion

Total of last five years



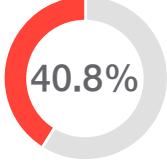
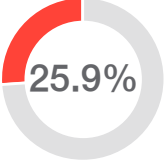
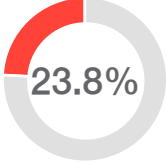
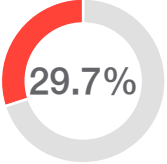
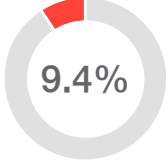
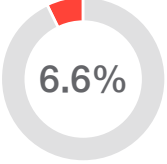
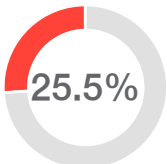
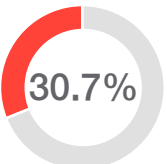
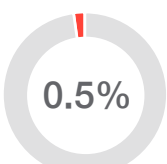
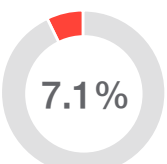
Summary Financial Information

Koç Holding Consolidated Financial Statements (TL million)	2017	2018	Change
Revenues	98,867	143,248	45%
Operating profit	10,427	12,963	24%
Profit before tax	8,659	8,691	0%
Net profit ²	4,909	5,537	13%
Earnings per share (kr)	1,936	2,183	13%
Total assets	104,064	125,276	20%
Total equity	42,931	46,958	9%
Equity attributed to equity holders of the parent	29,973	33,284	11%
Operating profit / Revenues	10.5%	9.0%	-1.5 points
Return on equity	19.6%	20.0%	0.4 points
Operating profit / Total assets	10.0%	10.3%	0.3 points
Current ratio	1.5	1.6	0.1
Total liabilities / Total equity	1.4	1.7	0.3

(1) Indicates the sum of shares that belong to Koç Holding from the market capitalization of listed companies and the intrinsic value of unlisted companies. Listed companies have approximately 85% share within net asset value.

(2) Net profit attributable to the equity holders of the parent

Koç Holding and the Koç Group at a Glance

Sectors	Share in Combined Operating Profit ¹	Share in Consolidated Net Profit ²
Energy		
Automotive		
Consumer Durables		
Finance		
Other Lines of Business		

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

(2) Net profit attributable to the equity holders of the parent

Companies ³ / Sectors	International Partners	Domestic Market Positions
Tüpraş / Refinery		Leader, 60%
Aygaz / LPG Distribution		Leader, 27%
Opet / Fuel Distribution		2 nd , 18%
Entek / Power Generation		
Ford Otosan / Automotive Production	Ford Motor Company	3 rd , 11%
Tofaş / Automotive Production	Fiat Chrysler Automobiles	2 nd , 12%
Otokoç Otomotiv / Automotive Retailing and Car Rental		Leader, 8%
TürkTraktör / Tractor Production	CNH Industrial	Leader, 43%
Otokar / Commercial Vehicles and Defense Industry		Leader, 28% ⁴
Arçelik / White Goods and Consumer Electronics		Leader, ~50%
Arçelik LG Klima / Air Conditioners	LG Electronics	Leader, ~51%
Bilkom / Information and Communication Product Distribution		
Yapı Kredi Bank / Banking	UniCredit	3 rd , 16% ⁵
Koçfinans / Consumer Finance		3 rd , ~10% ⁶
Tat Gıda / Food	Kagome, Sumitomo	Leader, ~30% ⁷
Koçtaş / Do It Yourself Retailing	Kingfisher	Leader
Setur / Tourism		
Setur Marinas / Marina Operations		Leader, 22%
Divan / Tourism		
Zer / Centralized Purchasing Services		
KoçSistem / Information Technologies		

(3) Tüpraş, Aygaz, Ford Otosan, Tofaş, TürkTraktör, Otokar, Arçelik, Yapı Kredi Bank and Tat Gıda are listed companies.

(4) Bus segment

(5) Market share in total assets among private banks

(6) Market share as of 2018 year end, ranking as of 2017 year end

(7) Average revenue share in tomato products, paste, ketchup and pasteurized milk categories

Ordinary General Assembly Meeting Agenda

1. Opening and election of the Chairman of the Meeting
2. Presentation for discussion and approval of the Annual Report of the Company prepared by the Board of Directors for the year 2018
3. Presentation of the summary of the Independent Audit Report for the year 2018
4. Presentation for discussion and approval of the Financial Statements of the Company for the year 2018
5. Release of each member of the Board of Directors from liability for the Company's activities for the year 2018
6. Approval, amendment and approval, or rejection of the Board of Directors' proposal on the distribution of profits for the year 2018 and the distribution date
7. Resolution of the number of the members of the Board of Directors and their terms of office and election of the members of the Board of Directors in accordance with the newly resolved number and election of the Independent Board Members
8. In accordance with the Corporate Governance Principles, presentation to the shareholders and approval by the General Assembly of the "Remuneration Policy" for the members of the Board of Directors and the Senior Executives and the payments made on that basis
9. Resolution of the annual gross salaries to be paid to the members of the Board of Directors
10. Approval of the appointment of the Independent Audit Firm as selected by the Board of Directors in accordance with the provisions of the Turkish Commercial Code and the Capital Markets Board regulations
11. Presentation to the shareholders of the donations made by the Company in 2018, and resolution of an upper limit for donations for the year 2019
12. In accordance with the Capital Markets Board regulations, presentation to the shareholders of the collaterals, pledges, mortgages and sureties granted in favor of the third parties in the year 2018 and of any benefits or income thereof
13. Authorization of the shareholders that have management control, the members of the Board of Directors, the senior executives and their spouses and relatives related by blood or affinity up to the second degree as per the provisions of articles 395 and 396 of the Turkish Commercial Code and presentation to the shareholders of the transactions carried out thereof in the year 2018 pursuant to the Corporate Governance Communiqué of the Capital Markets Board
14. Wishes and opinions

Independent Auditor's Report on the Annual Report

(Convenience translation of the report originally issued in Turkish)

To the General Assembly of Koç Holding A.Ş.

1. Opinion

We have audited the annual report of Koç Holding A.Ş. (the "Company"), its subsidiaries and its joint ventures (collectively referred to as the "Group") for the 1 January - 31 December 2018 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

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

3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 15 February 2019 on the full set consolidated financial statements for the 1 January - 31 December 2018 period.

4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- c) to include the matters below in the annual report:
 - events of particular importance that occurred in the Company after the operating year,
 - the Group's research and development activities,
 - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.

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

Halûk Yalçın, SMMM
Partner



İstanbul, 27 February 2019

Honorary Chairman's Message



With the goal of profitable and sustainable growth, we carefully evaluate new opportunities beyond our current businesses and aim to further expand the value we create.

Dear Shareholders,

We are delighted to welcome you here and I hope that all of us here together have a fruitful meeting.

After exhibiting a strong performance in the first half of 2018, the world economy showed some loss of momentum in the second half of the year. At the beginning of the year, growth was expected to be around 4% but the IMF's latest projection points to a 3.7% growth rate. While these developments were perhaps not as strong as desired, the global economy appears to have ended 2018 with a similar performance to the previous year.

The US, which strongly impacts the global economy, posted healthy growth of 3% during 2018. In addition, unemployment fell to below 4%, its lowest level in 50 years. Considering the increase in inflation and asset prices, the Federal Reserve (Fed) pressed on with its interest rate hikes in order to prevent more than necessary overheating of the economy. This indirectly affected the world's financial investment and money movements.

In Europe, with which we have tight economic ties, the growth performance was not as strong as in the US in 2018. The rate of growth, which stood at 2.4% in the previous year, edged down to 1.8% in 2018. Slowdown in economic activity in key countries such as Germany, France, Italy and Spain played a key role in this deceleration. In addition, problems such as the Brexit process in the UK and the budget crisis caused by the new government in Italy highlighted the disagreements in the European Union's common policies while weakening confidence in the future of the economy.

Asia's influence on the global economy has been steadily increasing in recent years. In China, the key developments in 2018 were the steady rise in its economic power, technological developments and the initiation of new projects such as the New Silk Road.

However, due to the negative effects of trade wars on one hand and the pains of the transition from an export-based growth to a model based on domestic consumption on the other, China's growth rate declined to 6.6% from what had traditionally been double-digit rates.

In terms of foreign capital movements, an issue which concerns Turkey closely, inflows into developing countries continued in the first half of 2018, as in the previous year. This helped bring the rate of economic

growth in many developing countries, including Turkey, to satisfactory levels. In the second half of 2018, however, with the decline in global financial investment risk appetite, monetary inflows into developing countries started to dry up and in some countries, such as Turkey, there were net capital outflows. This precipitated an economic slowdown in our and peer group countries in the second half of the year.

In 2018, due to both local and global factors, Turkey's economy experienced two diametrically opposite periods. In the first half of the year, economic growth reached 6.2% with the support of strong domestic demand and exports as well as public consumption and investment expenditures. However, it then slowed down sharply in the second half of the year. Turbulence in financial markets in August and the ensuing liquidity shortage that emerged exacted a toll on corporate balance sheets. In particular, the fact that some companies had taken on a debt burden which went beyond their means, with a significant proportion of these being denominated in foreign currency, aggravated the effect on balance sheets caused by the weakness in the local currency. Although measures taken by the government did alleviate some of the problems facing the economy, it was seen that growth in 2018 declined to one of its lowest levels since 2009.

In 2018, despite significant turbulence, we closed the year with a successful performance thanks to our experience going back more than 90 years as well as our solid infrastructure. Backed by our diversified portfolio structure, foreign currency generating activities, meticulously maintained risk policies and our effective management approach, we maintained our robust financial structure. We have always believed that our country will be one of the leading economies in the world and therefore continued to invest in this period with our long-term perspective. In addition

to the combined investment reaching TL 37 billion that we realized in the last five years, we also participated in our Bank's TL 4.1 billion capital increase, one of the largest in Turkey over the last 10 years.

As the Koç Group, while we strive to continuously expand our scale and increase our efficiency in every area we operate, we also focus on bringing our technology and quality standards to the most competitive levels. With the goal of profitable and sustainable growth, we carefully evaluate new opportunities beyond our current businesses and aim to further increase the value we create. In all of these activities, we always acknowledge the value of our employees and know that they are our greatest assets.

The social responsibility activities that we have carried out for many years to benefit our society are well known and appreciated by the public. In 2019, we are celebrating the 50th anniversary of our Vehbi Koç Foundation, established for this purpose. We proudly present the investments and work which our Foundation carries out in the fields of health, education and culture.

Dear Shareholders,

We have always appreciated your trust and your contributions to the results that we have achieved. I would like to extend my heartfelt thanks to all of our shareholders, customers, dealers, suppliers, business partners, union members, managers and employees who maintain their faith and support in us and the added value that we create for our Group and our country.



Rahmi M. Koç
Honorary Chairman

Chairman's Statement



With the trust and faith that we have placed in Turkey's future, we focus on developing the added value that we create. For the social development of our country, we continue to shoulder responsibility and create exemplary institutions.

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

The world is currently in the midst of a major transformation process. We are witnessing the beginning of a weakening in the order that was established after World War II and the ensuing 70 years of economic development and peace. As the unipolar world order disintegrates, a new order is being established in which countries of different political, economic and social models are beginning to have a voice. Today, developed countries which create economic policy based on liberalization, globalization and multinational cooperation have tended to become withdrawn instead of sharing welfare with other countries.

In addition to economic and political power, technological superiority stands out as an important element in geopolitical competition. Digital technologies have brought changes to production, distribution, communication, transportation, health and education and offer significant opportunity for a more inclusive and egalitarian economic growth.

On the other hand, due to the destructive change brought about by technology, we are confronted with extremely complex global problems. Technology and creativity have quickly transformed many sectors and professions. It seems that only companies and countries that use technology and manpower effectively will have a voice in the world in coming years.

In this era, our country's transition to a high value added production structure and the creation of an environment that will make us competitive in the new digital age is becoming critical.

The Koç Group has played a leading role in our country for more than 90 years in many fields such as industry, technology, innovation and globalization. Likewise, I believe we will also lead our country's digital transformation and reinforce our competitiveness and leadership.

We always seek to focus on long-term goals rather than short-term fluctuations. We continue to grow by following changing conditions closely and interpreting them correctly, constantly renewing ourselves and always raising the bar.

We are investing and preparing our companies for the future while maintaining our prudence. Combined with effective risk management and financial strength, we consider brand value, technological power and social investments as well as the lasting satisfaction of our customers, employees and stakeholders as a whole.

With the trust and faith that we have placed in Turkey's future, we focus on developing the added value that we create. For the social development of our country, we continue to shoulder responsibility and create exemplary institutions.

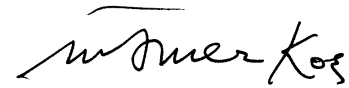
This year has been rather special for us, as we celebrated the 50th anniversary of the Vehbi Koç Foundation with the slogan of "The On Us is On Us". For half a century, our foundation has touched the lives of millions of our citizens, adding meaning and making a difference, especially in the fields of education, culture and health. The institutions and projects that were created by our foundation have inspired other individuals and institutions beyond their sphere of influence.

Our corporate social responsibility activities are part of and a testament to the sense of duty we feel. While we strengthen our reputation with these activities, we are also proud of the value that we are able to add to our country.

We are honored to see that Koç Holding's reputation has gone from strength to strength every year and that it has maintained and even extended its leadership position over its competitors.

I would like to extend my sincere thanks to all of our shareholders, customers, dealers, business partners, union members, managers and employees, who have given us strength on our journey, who have made our success sustainable and who have been continuously propelling us forward.

Respectfully,



Ömer M. Koç
Chairman of the Board of Directors

Board of Directors Report

Dear shareholders,

Welcome to Koç Holding's 55th General Assembly Meeting.

We hereby present for your evaluation Koç Holding's 2018 Annual Report. The first section of the report provides general information about Koç Holding, its strategies and operations in 2018, while the subsequent pages detail developments in its core business segments. The second part of the report contains externally audited consolidated financial statements and accompanying notes, as of 31 December 2018 and other disclosures required by the Capital Markets Board (CMB).

The financial results presented in this report have been prepared on a consolidated basis according to the communique numbered II-14.1 "Communiqué on the Principles of Financial Reporting in Capital Markets" in compliance with CMB's Turkish Financial Reporting Standards ("TFRS") and the formats specified by CMB¹.

Dear shareholders,

On behalf of Koç Holding's Board of Directors, I would now like to share our main assessments for 2018.

Economic Developments

In 2018, while the global economy posted a slightly slower rate of growth than originally projected, it still managed to maintain the 3.7% level recorded in the previous year. Growth is expected to be 2.3% in developed countries and 4.6% in developing countries.

In Turkey, economic growth stood at 6.2% in the first half of 2018. However, turbulence in domestic financial markets in August weakened confidence in the economy and negatively affected consumption and investments. As a result of this, the growth rate in the third quarter of 2018 stood at 1.6%, with growth for the first nine months of the year declining to 4.5%.

In 2018, growth in Europe - Turkey's most significant export market - and the depreciation of the TL had a positive impact on exports. On the other hand, the slowdown in domestic demand and the

rise in currency led to a decline in imports. As a result, there was a contraction of 28.4% in the foreign trade deficit and 41.6% in the current account deficit.

On the inflation front, the 37% depreciation of TL against the foreign exchange basket, rising oil prices and high food prices led to a significant impact. The annual rate of consumer price inflation, which had reached levels as high as 25.2% in October, closed the year at 20.3% supported by measures taken by the Government.

The Koç Group and Koç Holding

The Koç Group is Turkey's largest industrial and services group in terms of revenues, exports, employees and market capitalization. Our combined revenues correspond to 8% of Turkey's estimated GDP and our exports account for 10% of Turkey's total exports. Our publicly traded companies, which make up approximately 85% of our net asset value, constitute 16% of the total market capitalization of the companies listed on Borsa Istanbul.

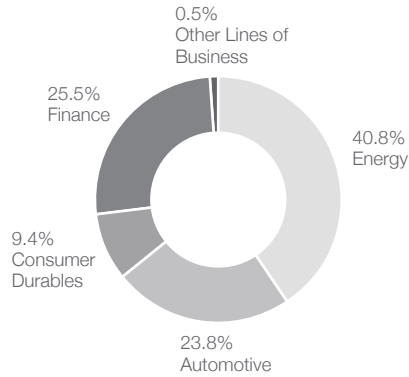
(1) Apart from figures in foreign currency, e.g. export revenues, all values in foreign currency have been converted using the average exchange rate for the full year for income statement items in TL amounts (including net profit for the period), and using year end exchange rates of the relevant year for balance sheet items.

Combined Operating Profit¹

2018: TL 23,602 million

46%

annual increase



Koç Holding is the only Turkish company to be listed among the “World’s Largest 500 Companies” by Fortune. In addition, as the largest employer in Turkey, Koç Holding was the only Turkish company to enter the top 100 in the “World’s Best Employers” list published by Forbes in 2018.

Koç Holding adds value to its Group companies with the confidence and high prestige borne out of more than 90 years of experience and works to ensure that suitable policies and best practices become widespread throughout the Group.

Koç Holding maintained its strong financial position in 2018 thanks to its balanced portfolio structure, strong export performance, effective management approach, ongoing investments and focus on efficiency.

In 2018, Koç Holding recorded an annual growth of 41% in combined revenues up to TL 306,275 million³. In the same period, combined operating profit increased by 46% to TL 23,602 million and net consolidated profit reached TL 5,537 million indicating an increase of 13%.

Increasing our global competitiveness, creating strong brands, generating ever more value for our customers and improving our human resources continued to shape our investment principles. In terms of combined investments, the Koç Group reached TL 37 billion over the last 5 years including the TL 9 billion made in 2018. Investments were made primarily in automotive followed by the consumer durables sector.

R&D, innovation, technology and digital transformation continued to be among our main focus areas. Investing TL 1.8 billion in R&D in 2018, the Koç Group accounted for approximately 11% of the total private sector R&D investments in Turkey⁴.

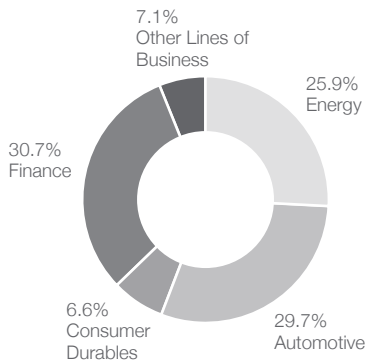
The Koç Group’s exports performance further strengthened in 2018. International revenues increased by 11% annually in USD terms especially supported by our automotive and consumer durables companies and contributed 31% to the Group’s total combined revenues. Foreign currency and foreign currency linked revenues including Tüpraş made up around 55% of our total combined revenues.

Net Consolidated Profit²

2018: TL 5,537 million

13%

annual increase



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

(2) Net profit attributable to the equity holders of the parent

(3) Koç Holding’s total consolidated revenues amounted to TL 143,248 million as a result of the deduction of TL 6,733 million, due to the elimination and other adjustments made for consolidation purposes pursuant to international accounting standards, and of TL 156,294 million, due to valuation of joint ventures at equity basis, made from Koç Holding’s combined revenues for 2018.

(4) Based on Turkish Statistical Institute’s 2017 R&D data

Board of Directors Report

Energy

Koç Group companies operating in the energy sector meet approximately 60% of Turkey's demand for petroleum fuel products and account for more than half of the country's storage capacity.

Our energy companies' combined operating profit increased by 52% annually and reached TL 9,620 million while their consolidated net profit was recorded as TL 1,433 million indicating a decline of 16%.

Tüpraş, after successfully completing the planned maintenance and modernization work at its four refineries in 2018, achieved 25.7 million tons of production with 96% capacity utilization rate. At the same time, Tüpraş's domestic sales were in line with the previous year at 25.6 million tons, meeting most of the country's demand. White product yield of 77% was higher than the previous year.

Aygaz sold 2 million tons of LPG in 2018. Maintaining its strong leadership in cylinder gas with a market share of 42%, Aygaz is also leader in autogas with over 1,700 licensed autogas stations and 22% market share.

Opet maintained its position as the number two player in white products with a market share of 17.8% while increasing one place to 1st position in black products with 36.2% market share. In 2018, Opet also started the transformation of

its station stores into Ultramarkets by incorporating leading brands.

In 2018, **Entek** took over the operation of Menzelet and Kılavuzlu hydroelectric power plants from the Privatization Administration. This led to a near doubling in Entek's installed capacity to 422 MW.

Automotive

The Koç Group, via its automotive companies, accounted for 44% of Turkey's total automotive production and 43% of automotive exports. Our companies realized 22% of total domestic automotive sales and accounted for more than half of Turkey's commercial vehicle sales. **TürkTraktör**, the leading player in the tractor market, met 43% of total domestic tractor demand.

The combined operating profit of our automotive companies surged by 41% annually to reach TL 5,614 million and consolidated net profit reached TL 1,644 million indicating an increase of 23%.

Despite challenging conditions in 2018, **Ford Otosan** reinforced its leadership position in domestic commercial vehicles by increasing its market share to 30.8% and Ford Transit was Turkey's best-selling light commercial vehicle. Ford Otosan once again became Turkey's export champion. Ford remained the number one brand in commercial vehicle sales in Europe and Ford Otosan, a major contributing force to this success, raised

its total exports by 11% annually to a record 329 thousand vehicles.

Ford Otosan successfully completed the capacity expansion investment that it had initiated in 2017. Its total production capacity increased by 15 thousand units up to 455 thousand.

The sedan model of **Tofaş's** Fiat Egea passenger car family was again Turkey's best-selling car in 2018. The Company, which rose to 2nd place in the domestic automotive market in 2017 thanks to the success of Fiat Egea, maintained this position in 2018. With a total of 302 thousand units, Tofaş accounted for approximately 19% of Turkey's total automotive production.

TürkTraktör maintained its unbroken record of leadership in the tractor market for the 12th year running in 2018. TürkTraktör realized 91% of the tractor exports in Turkey with 21% increase in its export volume partly offsetting impact of contraction in the domestic market. In the same period, TürkTraktör started exporting tractors with the first domestically produced Tier-4 engines to Europe and America. The Company also opened an R&D, design and innovation office in Istanbul, in addition to its R&D center in Ankara.

As part of Turkey's largest single defence industry export contract that it signed in 2017 with the United Arab Emirates, **Otokar** started serial production of the armored vehicles in 2018. In addition, the Company strengthened its position in the European bus market. It signed a bus export contract with the Bucharest Municipality, the largest single bus contract by a Turkish bus brand.

Otokoç captured 8% market share in new vehicle sales while also remaining leader among corporate brands for second hand vehicles. Celebrating its 90th anniversary in 2018, Otokoç significantly increased its revenues in car rental. It realized its largest foreign investment by acquiring a car rental company in Greece together with the Avis Budget Group (ABG). Thus, the number of foreign countries where it has operations increased to 8 and Otokoç became ABG's largest investment partner.

Consumer Durables

Arçelik, the Koç Group's leading company in the consumer durables segment, maintained its domestic leadership with a market share of around 50%. The Company maintained its number two position in Europe with its global brand Beko and sustained its leadership position with the Arctic brand in Romania, Defy in South Africa and Dawlance in Pakistan. Arçelik-LG maintained its number one position in Turkey's air conditioning sector with around 51% market share.

The combined operating profit of our consumer durables companies increased by 50% to TL 2,211 million while consolidated net profit rose by 7% to TL 366 million.

Despite the contraction in the domestic market in 2018, **Arçelik** increased its revenues via its strong international performance, which was reinforced by market share gains. In line with its international growth strategy, Voltas Beko branded products were introduced to consumers in India for the first time under the partnership agreement signed with Voltas, a member of the Tata Group, and the foundation of the refrigerator factory, which is planned to be operational by 2019 year end, was laid. In addition, the construction of a washing machine plant, which will be the first model production plant with Industry 4.0 standards, was substantially completed with serial production targeted to begin in early 2019. With the establishment of a sales company in the United Arab Emirates, its number of sales and marketing offices around the world reached 34.

While **Arçelik-LG** maintained its leading position in the domestic market, it exported approximately 30% of its air conditioner production. In 2018, Arçelik-LG made the first domestic production of high value added VRF outdoor units that were previously all imported. Arçelik-LG also realized production of air-conditioners with more environmentally friendly gas for the first time in Turkey and introduced them to the market.

Bilkom added DJI, the world's largest drone manufacturer, to its portfolio which includes Apple, Huawei, Asus, Warner Bros and Alcatel.

Finance

Yapı Kredi, the Koç Group's flagship company in finance, is the 3rd largest private bank with TL 373 billion of total assets. The loans disbursed by the Bank under the Credit Guarantee Fund in 2018 increased by 62% compared to 2017 and totaled TL 21 billion as of year end. The Bank maintained its 30-year leadership in credit cards and its leading position in mobile banking. The number of Yapı Kredi customers actively using mobile banking services increased by 31% to 4.8 million and number of digital banking customers increased by 26% to 5.4 million.

The combined operating profit of our finance companies increased by 43% annually to TL 6,039 million while consolidated net profit increased by 35% to TL 1,702 million.

Yapı Kredi continued to strengthen its gross operating profit through solid revenue generation and controlled cost growth. In June, by increasing its paid-in capital by TL 4.1 billion within the scope of its capital strengthening plan, the Bank successfully completed one of the largest capital increases in Turkey over the last ten years. In January 2019, the Bank issued USD 650 million of additional Tier-1 capital with the support of its main shareholders and strong investor interest.

In 2018, **Koçfinans** reached a loan portfolio of TL 3.1 billion with 121 thousand customers. Thanks to its focus on digital transformation, the Company received 18% of its loan applications through online channels.

Board of Directors Report

Other Lines of Business

The Koç Group continues its operations in other sectors such as food, retail, tourism and IT with its leading companies.

The total combined operating profit of our other sectors declined by 35% annually to TL 119 million, while consolidated net profit reached TL 392 million indicating an increase of 52%.

Tat Gıda, our company operating in the food sector, opened an R&D Center in Bursa in 2018. In this context, it focused on areas such as digitalization, efficiency and farmer communication.

Koçtaş maintained its leadership position in the DIY sector with its 59 stores and digital channels. Of the Company's total revenues, 80% were generated from customers with Koçtaş Loyalty Cards.

Setur, which operates in the tourism sector, increased its number of domestic contracted hotels and cultural tours in 2018. It implemented new digital products and services and expanded its corporate customer portfolio. In addition, its 46 Setur Duty Free stores continued to provide significant contribution to revenues. **Setur Marina** maintained its leadership in marina operations in Turkey with a total of 10 marinas and 22% market share.

Meanwhile, the **Divan Group** opened a total of 19 café-bakeries, 16 of which are located in Opet Ultramarkets.

Zer, our central purchasing company, continued to grow via technological investments and expanded its service and customer portfolio in 2018.

KoçSistem, our IT company that supports companies in their digital transformation journey, aims to be a leading force in Turkey and the nearby region with its advanced analytics and Internet of Things solutions. To this end, the Company established **KoçDigital**, a new technology company under its own umbrella, in cooperation with the Boston Consulting Group.

Employment and relations with trade unions

The total number of employees working in Koç Holding, its subsidiaries and business partnerships stood at 92,631 as of the end of 2018. The consumer durables sector accounted for the highest level of employment, with 32% share in total. It was followed by the automotive and finance sectors with 27% and 20% shares, respectively.

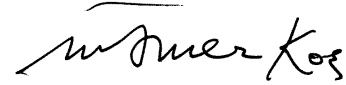
Collective bargaining agreements were signed in nine of our companies during 2018 and good workplace relations were maintained in terms of employment and union relations.

Dear shareholders,

On behalf of the Board of Directors, we would like to express our gratitude to our esteemed shareholders, to our customers, our dealers, our suppliers, our supply industry, our business partners, our union members who have been unstinting with their continuous trust in the Koç Group and to our employees whose outstanding and dedicated contributions have contributed so greatly to our success.

In 2019, the Koç Group will continue to operate with the objective of achieving profitable and sustainable growth. Backed by our strong belief in Turkey, we will continue our investments while ensuring our resilience against market volatility via our effective management approach and strong balance sheet.

I would like to extend my greatest respect to you, our esteemed shareholders and representatives, for the honor of your presence at our General Assembly today.



Ömer M. Koç

Chairman of the Board of Directors



Independent Auditor's Report (Opinion)

Opinion¹

We have audited the accompanying consolidated financial statements of Koç Holding A.Ş. ("Koç Holding" or the "Company"), its subsidiaries and its joint ventures (collectively referred to as the "Group"), which comprise the consolidated statement of balance sheet as at 31 December 2018 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

(1) For the full Independent Auditor's Report, go to page 147.

Koç Holding A.Ş. Consolidated Balance Sheet

(TL thousand)	2017	2018
Total currents assets	52,950,143	64,765,742
Total non-currents assets	51,114,225	60,510,139
Total assets	104,064,368	125,275,881
Total short term liabilities	35,654,653	40,578,455
Total long term liabilities	25,478,697	37,739,016
Total liabilities	61,133,350	78,317,471
Total equity	42,931,018	46,958,410
Total liabilities & equity	104,064,368	125,275,881

Koç Holding A.Ş. Consolidated Income Statement

(TL thousand)	2017	2018
Total revenue	98,866,749	143,248,308
Total costs	-82,589,374	-120,809,518
Gross profit	16,277,375	22,438,790
Operating profit	10,426,630	12,963,431
Profit before tax	8,659,054	8,690,771
Tax income / expense	-761,627	-265,678
Profit for the period	7,897,427	8,425,093
Equity holders of the parent	4,908,740	5,537,028
Earnings per share (Kr)	1.936	2.183

2018 Board of Directors



Rahmi M. Koç
Honorary Chairman



Ömer M. Koç
Chairman



Ali Y. Koç
Vice Chairman



Semahat S. Arsel
Member



Caroline N. Koç
Member



İpek Kırac
Member



Temel K. Atay
Member



Dr. Bülent Bulgurlu
Member



Levent Çakıroğlu
Member

For the CVs of the BoD members, see pages 128-133.

For information about the BoD and executive management members' transactions on behalf of themselves or someone else within the framework of the permission granted by the General Assembly, and their operations within the scope of the competition ban, see the agenda item description numbered 13 in the Information Document on page 257.



Prof. Dr. John H. McArthur O.C.
Member



Prof. Dr. Heinrich V. Pierer
Member



Dr. Kwok King Victor Fung
Member



Kutsan Çelebican
Independent Member



Mustafa Kemal Olgaç
Independent Member



Jacques Albert Nasser
Independent Member



Anne Lauvergeon
Independent Member



Ömer Dinçkök
Independent Member



Emily K. Rafferty
Independent Member

Dividend Policy

Our Company implements its Dividend Policy within the framework of the provisions of the Turkish Commercial Code (TCC), Capital Markets Legislation, Tax Regulations and other relevant legislation, as well as the provisions of our Articles of Association governing the distribution of profits. In line with the Corporate Governance Principles, a balanced and accurate policy is followed between the benefits of the shareholders and the Company.

In principle, as long as the relevant regulations and financial possibilities allow, taking into consideration market expectations, the long-term strategy of our Group, the capital requirements of our Company, our affiliates and subsidiaries, our investment and financing policies, profitability and cash position, a minimum 5% of distributable profit calculated under Capital Markets Board regulations shall be distributed in cash.

Dividend Proposal

Based on the consolidated financial statements for the accounting period of 1 January - 31 December 2018 prepared by Koç Holding A.Ş. management in compliance with TMS/IFRS under Capital Markets Board regulations and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the statutory records; we are submitting the following decisions to the approval of the Shareholders General Assembly:

- i. As the amount of legal reserves in the Company's statutory records stated under article 519 of Turkish Commercial Code already amounts to 20% of the capital, it is not required to allocate any further legal reserves;

The net profit attributable to equity holders of the parent achieved in the consolidated financial statements amounting to TL 5,537,028,000 is determined as the distributable dividend base and TL 5,538,193,827 is determined as first category dividend base after addition of donations made to foundations and associations amounting to TL 1,165,827 to distributable dividend base. Meanwhile, the distributable profit in the statutory

Pursuant to Article 19 of our Articles of Association, no more than 2% of the amount remaining from the pre-tax earnings after the allocation of the first series of legal reserve fund, financial obligations and first level dividend to shareholders withheld as per Capital Markets Legislation, is allocated to Koç Holding Pension and Assistance Foundation. Additionally, without prejudice to the first level dividend established under Capital Markets Legislation, 3% of the amount remaining after the deduction of the first series of the legal reserve fund, financial obligations and 5% of the paid-in capital from the pre-tax earnings, is allocated to holders of usufruct certificates. However, the amount to be paid to holders of usufruct certificates cannot exceed 1/10 of the amount remaining from the net profit after the deduction of the first series of legal reserve fund and first level dividend to shareholders established under Capital Markets Legislation.

financial statements amounts to TL 2,988,662,190.89.

- ii. Taking into account Capital Markets Board Regulations and Company's Articles of Association, profit distribution is determined as:

- TL 276,909,691.35 as first category dividend to shareholders,
- TL 11,500,000.00 to Koç Holding Pension and Assistance Foundation as per article 19/c of our Articles of Association
- TL 162,306,992.93 to holders of usufruct certificates as per article 19/d of our Articles of Association,
- TL 732,377,732.72 as second category dividend to shareholders,

- iii. The sum of first category dividend and second category dividend amounting to TL 1,009,287,424.07 is proposed to be paid in cash;

- iv. Dividend payments of TL 1,009,287,424.07, TL 162,306,992.93 payment allocated to usufruct shareholders and TL 11,500,000.00 payment allocated to the Koç Holding Pension and

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

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

Assistance Foundation, amounting to a total of TL 1,183,094,417.00 will be paid in cash and sourced from current year taxable earnings.

- v. It is further resolved that the dividend will be distributed in cash to the resident entity taxpayer shareholders and non-resident taxpayer shareholders obtaining dividend income through an office or a permanent representative in Turkey as (gross =net) TL 0.3980 for shares with a nominal value of TL 1 (39.80%) and, to the rest of our shareholders as gross TL 0.3980 (TL 0.3383 net) for shares with a nominal value of TL 1 (gross: 39.80%; net: 33.83%).
- vi. The remaining which is left after payments of dividend to shareholders and allocations for usufruct certificate holders and Koç Holding Pension and Assistance Foundation, amounting to TL 1,805,567,773.89 in the statutory records and TL 4,353,933,583.00 in TMS/IFRS financial statements, is transferred to retained earnings.
- vii. Profit distribution date is determined as 1 April 2019.

Dividend Distribution Table

KOÇ HOLDING A.Ş. PROFIT DISTRIBUTION PROPOSAL FOR 2018 (TL)

1.	Paid-in capital		2,535,898,050.00
2.	General legal reserves (as per statutory records)		507,179,610.00
Information concerning preferred shares, if, as per the company Articles of Association, there are any privileges for preferred shares in distribution of dividend: No			
		As per Capital Markets Board	As per Statutory Records
3.	Profit for the period	8,690,771,000.00	3,078,791,598.71
4.	Taxes (-)	265,678,000.00	90,129,407.82
5.	NET PROFIT (=)	5,537,028,000.00	2,988,662,190.89
6.	Prior years' losses (-)	-	-
7.	Legal reserve fund (-)	-	-
8.	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	5,537,028,000.00	2,988,662,190.89
	Dividend Advance Distributed (-)	-	-
	Dividend Advance Less Net Distributable Current Period Profit	5,537,028,000.00	2,988,662,190.89
9.	Grants made during the year (+)	1,165,827.00	
10.	NET DISTRIBUTABLE PROFIT INCLUDING GRANTS	5,538,193,827.00	2,988,662,190.89
11.	FIRST CATEGORY DIVIDEND TO SHAREHOLDERS		
	- Cash	276,909,691.35	126,794,902.50
	- Shares	-	-
	- Total	276,909,691.35	126,794,902.50
12.	Dividends distributed to preferred shareholders	-	-
13.	OTHER DIVIDENDS DISTRIBUTED	11,500,000.00	11,500,000.00
	- Members of the Board of Directors	-	-
	- Employees (Koç Holding Pension and Assistance Foundation)	11,500,000.00	11,500,000.00
	- Non-shareholders	-	-
14.	DIVIDENDS DISTRIBUTED TO HOLDERS OF USUFRUCT RIGHT CERTIFICATES	162,306,992.93	162,306,992.93
15.	SECOND CATEGORY DIVIDEND TO SHAREHOLDERS	732,377,732.72	882,492,521.57
16.	Legal reserve fund	-	-
17.	Status reserves	-	-
18.	Special reserves	-	-
19.	EXTRAORDINARY RESERVES	4,353,933,583.00	1,805,567,773.89
20.	Other sources planned for distribution	-	-
	- Prior years' income	-	-
	- Extraordinary reserves	-	-
	- Other distributable reserves as per the legislation and Articles of Association	-	-

KOÇ HOLDING A.Ş. INFORMATION ON DIVIDEND PER SHARE FOR 2018

GROUP	TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND AMOUNT / NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDEND PER SHARE FOR TL 1 NOMINAL VALUE	
	CASH (TL)	SHARES (TL)	RATIO (%)	AMOUNT (TL)	SHARE (%)
A	270,151,822.12	0.00	4.88	0.398000	39.8000
NET B	655,941,119.59	0.00	11.85	0.338300	33.8300
TOTAL	926,092,941.71	0.00	16.73		

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

2019 Board of Directors Candidates

Rahmi M. Koç

Ömer M. Koç

Ali Y. Koç

Semahat S. Arsel

Caroline N. Koç

İpek Kırar

Levent Çakıroğlu

Prof. Dr. John H. McArthur O.C.

Prof. Dr. Heinrich V. Pierer

Dr. Kwok King Victor Fung

Mustafa Kemal Olgaç (Independent)

Jacques Albert Nasser (Independent)

Anne Lauvergeon (Independent)

Ömer Dinçkök (Independent)

Emily K. Rafferty (Independent)

For the CVs, see pages 128-133.

Remuneration Policy

This policy determines the remuneration system for the Board of Directors and key executives¹ within the scope of the definition of persons with managerial responsibility under Capital Markets Board regulations.

A fixed remuneration is determined for all members of the Board of Directors at the General Assembly every year.

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

Board Members can be granted additional payment on top of the fixed amount determined at the General Assembly if they are assigned specific duties in order to support the activities of the Company. This additional amount is determined in consultation with the Nomination and Remuneration Committee.

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

In respect of remuneration of the independent members of the Board of Directors, a payment plan based on the performance of the Company may not be used. Pro rata payment is made to the Board Members by taking into account their tenure between the date of appointment and the date of resignation. Expenses incurred by Board Members while making contributions to the Company (e.g. transportation, telephone, insurance) can be paid by the Company.

The remuneration of senior executives consists of a fixed and performance based component.

Fixed salaries of executives are determined in accordance with international standards and legal obligations by taking into account the prevailing macroeconomic data in the market, sector-wide salary policies, the size and long-term targets of the Company and the position of the person.

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

Bonus Base: Bonus bases are updated at the beginning of each year and vary depending on the workload of each executive position. When updating the bonus bases, senior management bonus policies in the market are taken into account.

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

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

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

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

(1) The key management of Koç Holding is identified as the Chairman and of the Board of Directors and the CEO and Presidents. Information on total key management compensation incurred by Koç Holding in 2018 is available in note 29 of the financial tables (see page 229).

CEO's Letter



We as the Koç Group continue our devoted efforts within the framework of our global vision and goal of creating long-term value.

Dear shareholders and stakeholders,

We now stand at a juncture where all economies, societies and businesses are being impacted by political and economic uncertainty, erosion of the social contract due to increasing inequality in many countries, the specter of trade wars again on the agenda, increasing questions over globalization and free trade, growing economic and human aspects of climate change, rising waves of migration, changing social expectations and consumer habits, and finally, the innovations brought about by technology. The rapid spread of mobile technologies, automation and integration in the entire value chain, artificial intelligence and the rise of big data are engendering a significant transformation in business models and our ways of doing business. We are faced with new opportunities and threats associated with the speed and wide sphere of influence of this transformation.

It would appear that the architecture of a new order in the fields of politics, economics and technology is being established globally. I believe that the private sector will become more important in the creation of this architecture.

It is against this backdrop that, we as the Koç Group continue our devoted efforts within the framework of our global vision and goal of creating long-term value. The cornerstones of our strategy are expanding our global presence, enhancing our competitiveness, improving our technological and innovative capabilities and creating strong brands.

Meanwhile, due to the economic volatility experienced in global markets and in our country in 2018, along with our usual growth, profitability and efficiency targets, we also focused even more on effectively managing our liquidity and leverage position which allowed us to maintain our financial strength. Our balanced portfolio structure

was one of the important factors in ensuring the resilience of our Group against risks arising from the economic conjuncture.

We were able to exceed our targets also within this operating environment. In 2018, our consolidated revenues reached TL 143.2 billion with a net profit attributable to the equity holders of the parent of TL 5.5 billion. Our combined international revenues stood at USD 20 billion with notable contributions from the automotive and consumer durables sectors.

The total amount of investments that we have undertaken in the last 5 years reached TL 37 billion with combined investments of TL 9 billion made in 2018. I am proud to report that we are at the forefront of private sector R&D investments, number of R&D centers and R&D personnel in Turkey. We realize approximately 11% of Turkey's private sector R&D spending. Our R&D expenditures stood at TL 1.8 billion in 2018, in addition to the TL 8.2 billion spent between 2007 and 2017.

With the investments we made in our companies, we increased our competitiveness and efficiency both in Turkey and abroad, increased the value of our technological power and our brands, and introduced a wide array of innovative products and services. Thus, we strengthened our leadership in the sectors in which we operate.

While managing short-term volatility in the best way possible, we continue to invest in our technology, human resources, innovation and business in line with our long-term goals. Our Digital Transformation Program is one of our most important strategic priorities in preparing our companies for the future and for global competition. In this context, we work in a wide range of areas including data analytics, artificial intelligence, the Internet of Things, blockchain, enrichment of the customer experience and Industry 4.0 applications.

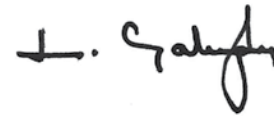
With our Digital Transformation Program, I believe we will meet changing consumer expectations more effectively, increase our agility, efficiency and competitive clout and create more value for our country.

Of course, technology is just a tool. Our goal is to realize a cultural transformation that focuses on people. For this reason, we consider the subject with a holistic approach with a particular focus on people, as well as our business model, our organizational structure and our business processes. We are implementing many innovative and original practices to develop the competencies of our employees and to prepare our leaders, who will carry our companies to the future, for the digital age. I am pleased to see that we are bearing the fruits of this sincere effort. In October last year, Forbes published the "World's Best Employers" list. We learned with great satisfaction that Koç Holding was the only company from Turkey to have entered the top 100 on the list, leaving many strong global companies in its wake.

We maintain our leadership position in reputation surveys carried out by independent organizations and we are pleased that the added value we have created in the economic and social arena has been reflected on our reputation.

At this point, I would like to thank our shareholders, our customers, our dealers, our suppliers, our trade unions and our colleagues for their unwavering support in our achievements and our goals for the future.

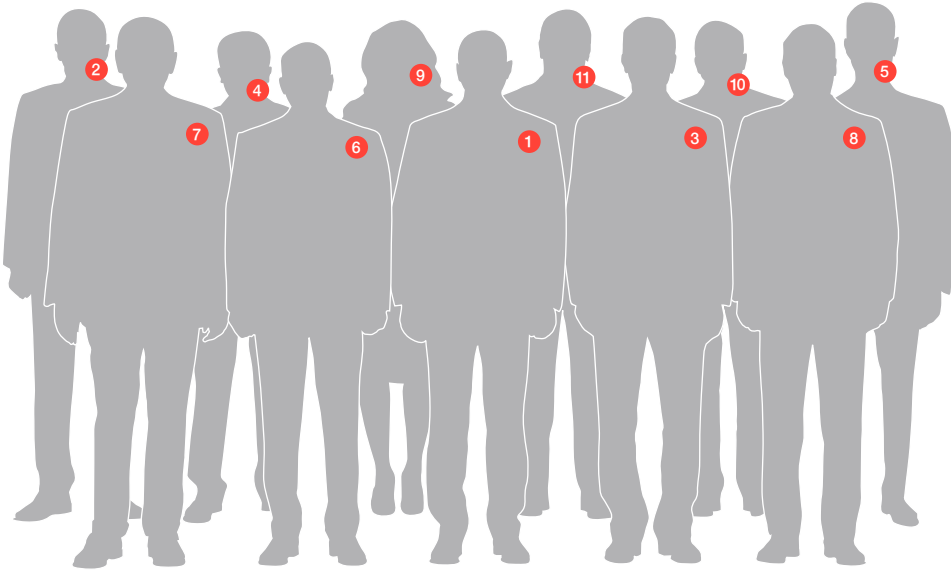
Respectfully,



Levent Çakıroğlu
CEO

Executive Management

- 1 **Levent Çakıroğlu**, CEO
- 2 **Özgür Burak Akkol**, Human Resources Director
- 3 **Ahmet Ashaboğlu**, CFO
- 4 **Ufuk Çıplak**, Public Affairs Director
- 5 **Cenk Çimen**, President, Automotive Group
- 6 **Dr. Fatih Kemal Ebiçlioğlu**, President, Consumer Durables Group
- 7 **Yağız Eyüboğlu**, President, Energy Group
- 8 **Tamer Haşımoğlu**, President, Tourism, Food and Retailing Group
- 9 **Oya Ünlü Kızıl**, Corporate Communication and External Affairs Director
- 10 **Ali Tark Uzun**, President, Audit Group
- 11 **Kenan Yılmaz**, General Counsel





History

1920s

Establishment

Sixteen-year-old Vehbi Koç begins his career at his father's grocery store. He registers the business he took over from his father with the Ankara Chamber of Commerce under the name Koçzade Ahmet Vehbi on 31 May 1926. This date symbolizes the birth and official foundation of the Koç Group.

First Ventures

In 1928, Otokoç is founded under which Ankara Ford dealership operations commence. During the same year, Standart Oil Ankara representation is acquired.

1930s

First Joint Stock Company of Turkey

Expanding the areas of business, Vehbi Koç establishes Koç Ticaret A.Ş. as Turkey's first joint stock company in 1938.

1940s

First International Operations

In 1945, the first Turkish company in the USA is established and some eminent US companies' Turkish representation is acquired by Koç Ticaret.

First Industrial Initiatives

In the late 1940s, the Group enters the manufacturing sector. In 1948, a light bulb factory is established with General Electric, the first joint venture between Turkey and USA.

1950s

New Sectors and Business Lines

A number of new business lines are entered and some of the now existing companies are founded. Accordingly, many firsts in Turkey are realized.

- **TürkTraktör:** Founded in 1954 and the first tractor in Turkey is manufactured in 1955.
- **Arçelik:** Founded in 1955 in Istanbul-Sütlüce and the first washing machine in Turkey is manufactured in 1959.
- **Koçtaş:** Founded in 1955 in İzmir for sale of construction materials.
- **Divan:** The first hotel and patisserie is opened in Istanbul-Elmadag in 1956.

1960s

The Foundation of Koç Holding and First Steps in Institutionalization

Koç Holding A.Ş. is founded in 1963 as Turkey's first holding company with Vehbi Koç as the Chairman of the Board. The aim is to manage rapid growth more efficiently and develop business lines under a more professional organization and institutionalized structure.

New Sectors and Business Lines

- **Ford Otosan:** At Otosan factory opened in 1960, the first car is assembled in 1961 for Ford Company.

- **Aygaz:** Founded in 1961, Aygaz commences LPG filling and distribution activities in 1962 and establishes its dealer organization in the same year.
- **Setur:** Founded in 1964 to provide duty-free services.
- **Tat Gıda:** In 1967, the first factory is established in Bursa for the production of tomato products.

The First Private Foundation

In 1969, **Vehbi Koç Foundation**, the first and largest private foundation in Turkey, is established to serve the community mainly in the areas of education, health and culture.

1970s

Focus on Exports

Ram Dış Ticaret, Turkey's first foreign trade company, is established in 1970 in order to grow and centralize exports. In many of the existing business lines, exports volume increases and export regions are diversified.

New Sectors and Business Lines

- **Tofaş:** At the factory founded in 1968, the serial production of the Murat 124 model starts in 1971.
- **Otokar:** Founded in 1963, Otokar is acquired by Koç Holding in 1976.

First Private Sector R&D Center

The first private sector R&D center is established by Koç Holding in 1975.

1980s

Second Generation Takes Over

Vehbi Koç names his son Rahmi M. Koç Chairman of the Board of Directors in 1984.

Growth in Banking

Koç-American Bank is founded as a joint venture with American Express Company in 1986. Until 1993, the shares of the Bank are fully acquired and the Bank is renamed Koçbank. A partnership is established with UniCredit on banking business in 2002.

First Private Museum

The Sadberk Hanım Museum is established as the Turkey's first private museum in 1980.

First Private Sector Education Institution

The Koç Group Education Center becomes operational in 1982.

1990s

The End of an Extraordinary Life

Vehbi Koç passes away on 25 February 1996 at the age of 95. His extraordinary life was marked by constant activity and achievements.

Successful Performance in Exports

In 1990, Ram Dış Ticaret becomes Turkey's first company exceeding USD 500 million in exports. In 1993, Argelik becomes one of the largest white goods producers in Europe. In 1995, Tofaş starts to produce its Tempura model for the whole world.

2000s

Third Generation Assumes Command

Rahmi M. Koç turns over Chairmanship of the Board of Directors to Mustafa V. Koç on 4 April 2003.

Major Acquisitions and Disposals

In 2005, the Koç Group acquires Tüpraş and Yapı Kredi. Following the merger of Yapı Kredi Bank and Koçbank in 2006, Yapı Kredi Bank becomes the 4th largest private bank in Turkey. Migros, the FMCG retail business of the Koç Group since 1975, is successfully sold in 2008.

Koç Holding Signs the UN Global Compact

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

2010s

New Chairman

Following the unexpected passing away of Koç Holding Chairman Mustafa V. Koç on 21 January 2016, Ömer M. Koç takes over the Chairmanship.

Extensive investments are initiated

Major investment programs initiated in 2011 result in productivity increases, technology improvements, new product developments, capacity increases and international expansion for most of the Koç Group companies. Thus, the Koç Group accelerates growth in line with its aim of long-term value creation.

Today

The Koç Group; Turkey's largest industrial and services Group in terms of revenues, exports, share in Borsa Istanbul and number of employees

Koç Holding is the only Turkish company to be listed among the top 500 companies globally.

In line with its sustained and constant goal of creating added value for all its shareholders, the Koç Group carries out its activities with internationally recognized corporate governance, customer satisfaction, social responsibility and environmental protection principles.

2018 Awards and Achievements

One of the World's Top 500 Companies

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

One of the World's Top 100 Employers

Koç Holding was the only company from Turkey to enter the top 100 in the "World's Best Employers" list published by Forbes.

Koç Holding and 2 Koç Group Companies in the World R&D Expenditures List

Koç Holding, Ford Otosan and Arçelik were included in the 2018 list of the "World's top 2,500 companies by R&D spending" by Industrial R&D scoreboard, which is prepared by the European Commission.

Export Champions

Four Koç Group companies were included in the list of Turkey's top 10 exporters at the "Export Champions Award Ceremony" organized by the Turkey Exporters Assembly with Ford Otosan ranked 1st, Tofaş 3rd, Tüpraş 5th and Arçelik 8th.

4 Koç Group Companies among Turkey's 10 Largest Industrial Enterprises

In the "Top 500 Industrial Organizations" survey prepared according to 2017 financial results by the Istanbul Chamber of Industry, four of Turkey's largest industrial enterprises were Koç Group companies, including Tüpraş (1st), Ford Otosan (2nd), Tofaş (4th) and Arçelik (6th).

Most Admired Company

At the 18th edition of the "Turkey's Most Admired Companies" survey held by Capital magazine in which 1,480 managers from over 600 companies from 59 sectors participated, Koç Holding took top position for the fourth consecutive time in 2018.

Most Reputable Company

Koç Holding was ranked 1st for the seventh consecutive time in the "Turkey Reputation Index 2017" survey held by the Turkey Reputation Academy with the participation of 5,000 people from 20 different sectors.

Most Admired Employer

In the "Turkey's Ideal Employers 2018" survey conducted by Universum and prepared according to the votes of 41 thousand university students with an average age of 22, Koç Holding was voted Turkey's most admired employer by economic and administrative sciences, social sciences, education and law students.

The 10th November Commemoration and Biennial Communication Awards

With its 10th of November Commemorative Communication, Koç Holding was awarded the Felis, Crystal Apple, Effie and Campaign awards. With its Biennial Communication, it was awarded the Felis Success and Effie awards.

Shareholder and Investor Relations

TL 36 billion

Market value at the end of 2018

Significantly lower discount vs. most holding companies globally

Discount to net asset value

Koç Holding: 7%

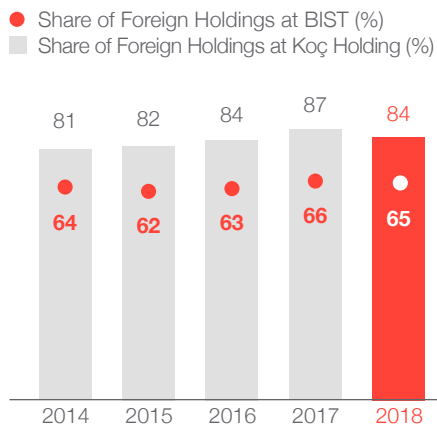
Peer Group Average: 42%¹

Koç Holding is majority owned by the Koç Family and companies owned by Koç Family members with 26% of its shares publicly listed². There are 12 publicly listed companies within the Koç Group. With listed companies accounting for approximately 85% of its net asset value, Koç Holding has a very transparent structure. As of the end of 2018, the total market value of these companies constituted 16% of the total market capitalization of Borsa İstanbul (BIST).

Koç Holding and the Koç Group strive to continuously increase shareholder value by applying international standards in corporate governance and investor relations.

The investor relations department works with the priority of establishing long-term relationships with investors and providing

Share of Foreign Holdings in Free Float³



accurate and up-to-date information. In this context, a total of 14 roadshows and conferences were held both at home and abroad during 2018 with the participation of senior management and meetings were held with more than 550 existing and potential investors. Meanwhile, websites, presentations and all other communication tools were regularly updated and shared with investors. Financial results are disclosed to investors through webcasts four times a year.

At the end of 2018, Koç Holding's market capitalization stood at TL 36 billion. The share of foreign holdings in free float was 84% as of the end of 2018 compared to 65% for BIST average.

As an indication of the high level of value that the Holding generates for its

shareholders, Koç Holding trades at a significantly lower discount to its net asset value than many holding companies, not only in Turkey, but globally. As of the end of 2018, Koç Holding traded at a 7% discount to its net asset value.

Koç Holding has been a part of the BIST Sustainability Index since 2014, reflecting the importance it attaches to sustainability.

Why Koç Holding?

- Best proxy to invest in Turkey's high growth potential
- Sustainable growth and profitability via a structure focused on increasing shareholder value
- Leading positions and the advantage of economies of scale in sectors with high growth potential
- Unique competitive advantages with strong brands, extensive distribution network and high service quality
- Strong net cash position and balance sheet structure
- Diversified portfolio structure resilient against economic fluctuations and risks
- Value generating portfolio management and proven track record dating back more than 90 years with worldwide partnerships
- Large database providing effective opportunity and risk management
- Pioneer in R&D, innovation and digital transformation
- Corporate governance at international standards with focus on sustainability

(1) Refers to the peer group in Turkey.

(2) For details of capital structure, refer to page 109.

(3) Based on year end data from Yapı Kredi Invest

Human Resources and Organization Chart

The Koç Group aims to be Turkey's most admired and preferred institution to attract the most successful professionals that create high added value for sustainable growth and be a place in which all stakeholders are proud to be a part of. To achieve these goals, the Group applies human resource (HR) systems and approaches developed through many years of hard work and experience and continuously upgrades them in line with current needs.

As of the end of 2018, there were 92,631 people working in the Koç Group, including 78,407 in Turkey and 14,224 abroad.

Koç@Insan

Koç@Insan enables all employees to access the systems being used to implement the Company's HR policies via a single interface.

This platform is also used to conduct open communication with employees, manage employee data and ensure the transparency of policies and applications.

Performance Management System

The Performance Management System enables effective deployment of the Company's goals and strategies to all employees. Targets are reviewed throughout the year and the performance management process is completed by evaluating the targets at the end of the year. The system provides a

measurement and reward tool for success in goal realization and helps determine employees' competencies and their individual development plans.

Management by objectives, effective communication with employees, mutual feedback and reconciliation form the basis of the performance management system.

Compensation Management System

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

Job grades which are the basis of the compensation management system are determined by job evaluations. An international system is used to ensure that all jobs in all areas across the Koç Group are ranked according to their potential contribution to organizational goals and their responsibility levels.

The bonus system in use encourages high performance while rewarding continuity and superior achievement. In addition, approval processes and notifications for job evaluations, salaries, job grades and bonuses for senior management are carried out through an E-approval system.

Fringe Benefit System

Fringe benefits, which are offered to all employees in line with their position, are reviewed every year to meet the expectations of employees and to protect the competitiveness of the Group in the market. These benefits, which form part of the total income, aim to carry employee engagement to the highest levels. Accordingly, enhancements to fringe benefit packages are undertaken each year and new practices are put into use. In an effort to ensure that no employee remains without private health insurance, all employees were offered Complementary Health Insurance. In addition, improvements were made in the health insurance policy conditions within the Koç Pension Fund. Within the scope of the "Health Comes First Program", announcements and bulletins for health insurance policies and preventive health measures were published throughout the year. Special programs such as diabetes management and influenza vaccination were conducted.

In line with our employee-focused, flexible and innovative approach, the Flexible Benefit Project was initiated in 2015 at our companies to offer a wider array of benefits for different generations and needs in addition to the current range of employee benefits. In 2018, the program was extended to more Group companies.

KPI Monitoring & HR Process Improvement System

The KPI (Key Performance Indicators) Monitoring and HR Process Improvement System, which forms the infrastructure of the HR Strategy, monitors the success indicators determined for human resources processes on an annual basis, and these are compared with foreign and domestic companies.

In addition to the Group's strengths, areas that require strategic focus are identified. In line with these findings, studies are carried out to ensure standardization and efficiency in the human resources processes implemented throughout the Group. HR practices which have proved successful in group companies are shared with all Group companies through the annual "Best Practices Day" event.

Talent Management Approach

At Koç Group companies, potential employees are involved in competency based evaluation processes designed for different organizational levels and positions. Employees who possess top executive level competences are identified by the "Assessment Center". This enables an effective succession plan

for top executive positions and proactively develops candidates for these positions via training-development programs and job rotation opportunities.

Koç Leadership Programs - LEAD

Learning and Development (L&D) programs which are designed in conjunction with L&D institutions in Turkey and the world are offered to the Koç Group employees. In addition to L&D programs, the Group aims to support employees in a wide range of areas such as leadership, management, strategy and change management at different stages of their career with L&D programs offered under the "LEAD" brand. There are 36 different programs available under LEAD for all employees ranging from newly recruited employees to top executives.

Many dedicated programs have been undertaken with an aim to turn top executives into change leaders. One of them is the "BeGlobal Silicon Valley" program, designed by the Koç Holding Human Resources Directorate, to examine best practices of global companies on site. Another one is the "Personal Development Program" designed in conjunction with Harvard

Business School (HBS), McKinsey, Aberkyn as well as Koç Holding's Human Resources Directorate. Within the scope of the cooperation with HBS, online training programs offered by HBS were also presented to Koç Group managers. At the same time, Koç Group employees are able to strengthen their competences via the online training programs of Udacity, which is one of the world's most valuable online training companies and which organizes a wide range of online training programs covering areas such as coding and data analysis.

KoçAcademy Development Planning and Learning Platform

KoçAcademy is the learning and development infrastructure through which activities to support the development of Koç Group employees are planned by considering Group, company and individual needs. KoçAcademy supports the professional development of Group employees with its in-class and online training programs. Through KoçAcademy, Koç Group employees are able to access videos with hundreds of content, both in the office and remotely.



Human Resources and Organization Chart

Internal Posting System - KoçKariyerim

The Koç Group employees have priority when filling vacant positions that are available at Group companies. KoçKariyerim is a portal used to announce all available positions within the Group and manage the application process. Furthermore, it enables employees to actively participate in shaping their career paths. More than 4,000 applications were submitted in response to postings published on the portal during 2018, and more than 300 employees benefited from opportunities to rotate between companies.

The Most Successful Koç Employees Award System

The Most Successful Koç Employees Award System was formed to recognize and appreciate the achievements of employees and to ensure that best practices within the Group were uncovered and shared.

Projects in the categories of “Adding Value to the Environment and Society”, “Digitalization”, “Developing Partnerships” and “Creative Innovation” are voted for by employees through a mobile and web based voting system after the initial assessment of the selection committee.

In 2018, 12 projects were selected as “The Most Successful Koç Projects” with votes from approximately 17 thousand employees, and 88 employees working on these projects were rewarded.

Employee Engagement and Satisfaction

The engagement and satisfaction of employees are measured regularly through

independent research and the factors affecting engagement are analyzed. At the same time, employees’ opinions regarding human resources practices and management matters are gathered through the research. In this vein, Group companies are given targets for employee engagement, improvement actions are closely monitored and employee participation in management practices is supported.

The Koç Group's basic goal with this process is to provide an environment where its employees, who it regards as its most important asset, can work more happily. The KoçAilem Program, the Koç Pension and Assistance Foundation, and the Koç Group Sports Association, which were formed in order to create benefit for both working life and life outside of work, and whose details are described in the following sections, are some of the practices carried out in this context.

Industrial Relations

Collective agreements are concluded with labor unions in eight lines of business within the Koç Group. The Group strives to maintain strong and constructive social dialog with these unions in accordance with European Union regulations, Koç Group human resources processes and the UN Global Compact, of which Koç Group is a signatory.

Through periodic meetings of the Industrial Relations Coordination Group, which was set up to reach this goal, a sustainable and constructive industrial relations culture has been created within the Group. In 2018, quick adaptation and compliance of Group

companies to legislative amendments that directly affect working life was secured. Group companies made the mandatory changes accordingly. Advanced training programs in industrial relations continued.

Occupational Health, Safety and Environment

The Occupational Health and Safety Board, which was established out of the Company's concern for the health and safety of its employees, aims to ensure high occupational safety standards. The Environment Board, established in line with the importance Koç Group attaches to the environment, carries out activities in many different fields such as waste management, water consumption, biodiversity and long-term plans for the environment. In 2018, a central Occupational Health, Safety and Environment Unit was established in order to further enhance occupational health and safety as well as environmental awareness throughout the Koç Group and to ensure it is one of the best examples globally.

Koç Holding Pension and Assistance Foundation

Koç Holding Pension and Assistance Foundation was established in 1967 to provide additional social security and support to the Koç Group employees who are also covered by the Social Security Institution. The Foundation offers its members lump sum payments, retirement pensions, health insurance and financial assistance services to ensure their comfortable and peaceful retirement. At the end of 2018, there were 61,878 active members and 540 retired members of the Koç Holding Pension and Assistance Foundation.

KoçAilem

The KoçAilem program is Turkey's first corporate privileges platform and is also the largest one in Turkey. The platform enables Koç Group employees, employees' families, pensioners, dealers and Koç University students to feel privileged in their social lives as part of the Koç Group family.

KoçAilem aims to increase the satisfaction and loyalty of its 120 thousand members in 81 cities with benefits that have high interaction effect and enrich their social lives, while offering members privileged access to products and services of intra-Group and non-Group companies.

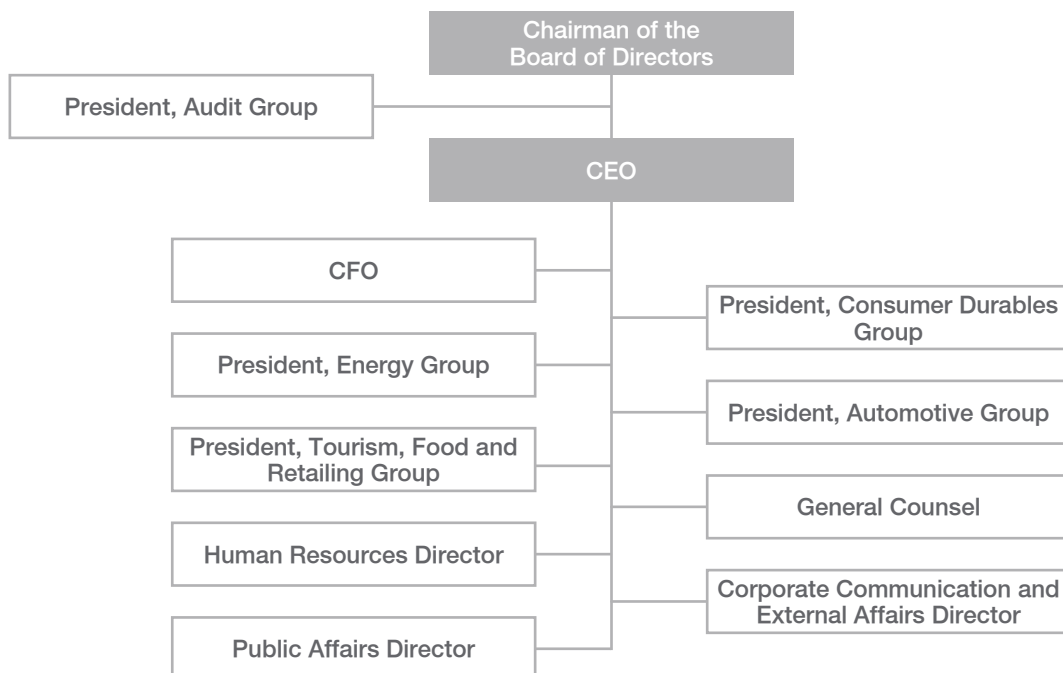
The KoçAilem program, which was renewed in 2018 with the insights and needs of the Group's employees, and which is highly inclusive, offers national and local benefits through 15 thousand benefit points and 100 leading brands in over 15 different sectors.

Koç Group Sports Club and Sports Festival

The Koç Group Sports Association was established in 2012 to improve our employees' sports and social opportunities. The Koç Group Sports Club operates in different branches including yoga, pottery workshops, tennis, aikido, zumba, the art of water marbling, jogging and volleyball. During the year, the Koç Group Sports Club has committed itself to adding value to the lives of employees through influential organizations such as the KoruCup (Turkey's longest-running and well-attended 3x3 basketball tournament) and "All Together, We Run a Marathon" event.

The 29th Annual Sports Festival organized by Koç Group Sports Club took place in 2018. The festival strengthens Group culture, improves cooperation, contributes to the physical and mental health of employees and helps employees make the most of their leisure time in an exciting environment.

The Sports Festival, which was organized in 15 branches with the participation of more than 5 thousand employees from 33 companies within the Koç Group, was held at the international level for the second time. Employees working in 11 different countries from 3 continents (United Kingdom, Italy, Romania, Russia, Serbia, Malaysia, China, South Africa, Thailand, Netherlands and Azerbaijan) also joined employees from Turkey at the festival in individual and team sports. The competitions took place at 5 centers including Izmir, Bursa, Ankara and Adana in addition to Istanbul, also with the participation of athletes from nearby cities. The Koç Group employees have been demonstrating an increased level of interest in the festival each year, while the number of female athletes also increased. More than 600 female athletes took part in the competitions in 2018.



Koç Digital Transformation Program

Digital Transformation is an integral part of the annual and long-term plans and objectives of all Group companies.

Digital Transformation Themes and Initiatives

The Digital Transformation Program, which entered its third year, has become an integral part of the annual and long-term plans and objectives of all Group companies. Work on the projects set out on the road map, which is updated every year, has accelerated and started to yield concrete results, enabling also the birth of new ideas and projects.

Of more than 300 projects set out on the first road maps Group companies, 190 have been completed by the end of 2018. With the addition of some new projects, 240 projects are currently ongoing. These projects focus on the following three main areas:

Digital Marketing and Customer Experience

Getting to know the customer better by evaluating data in both the digital and physical world, and thus offering products and services aligned with their needs and preferences at the right time, through the right channel and at right conditions via a completely new experience is among the primary objectives of many group companies. Around half of the projects on the agenda are focused on this field.

Example: Thanks to the Fiat Road Companion Connect application that can be applied to 500 thousand vehicles in Turkey, **Tofaş** conveys information obtained from vehicles to both the customer and the Tofaş customer center. It offers proactive services such as proposing maintenance and calling an ambulance in case of accident, and aims to increase its product and service quality through continuous collection of data.

Digital Supply Chain and Manufacturing

The core business of nearly half of the Group companies is manufacturing. The technologies summarized under the concept of "Industry 4.0" in this field go beyond traditional automation and robot usage, and offer the opportunity to improve all processes including products, services and design, based on customer requests, suggestions and complaints. The Group's manufacturing companies strive to take advantage of these opportunities at the highest level and bring suppliers to the same level.

Examples: **Tat Gıda** increased the efficiency of some contracted farmers from whom it purchases tomatoes by 15% by supporting them in the analysis of agricultural information. In the "Digital Field" trial, the benefits of "Precision Land Management" application offered by **TürkTraktör** and other digital solutions were introduced to farmers.

Digital Lean Workplace

Ensuring that the other processes beyond manufacturing are lean and pave the way for employees to focus on more value-added activities by facilitating their daily work with digital technologies has contributed to the success of the Group companies, by increasing efficiency and employee satisfaction.

Example: With the Shift Planning System, which enables the number of employees working in duty free stores to be flexible and respond to customer traffic on an hourly basis, **Setur** was able to increase customer satisfaction. It also boosted the motivation of its employees thanks to the Bonus System that provides daily and individual targets over their mobile phones.

Group Wide Supportive Activities

Themes that are of common interest to several Group companies are handled under the leadership of Koç Holding.

Data and Analytics

Almost half of the projects that the Group companies are working on in the fields of marketing, sales, production and supply require big data and advanced analytical solutions. **KoçDigital**, which will be a center of expertise in this field, was established as a 100% subsidiary of **KoçSistem**. The Company, which also undertook the management of the Internet of Things platform "Platform360" developed by KoçSistem, completed a number the projects, thereby creating strong references.

The Academy established within KoçDigital has started to develop and offer on the job training to specialists from Group companies as well from other customers.

Example: **Yapı Kredi** created a system that transfers the trial balance of customers to digital media through pattern recognition and Turkish native digital language processing technologies. With artificial intelligence, the system also allows analysis of the customers' bank and supplier connections and easy tracking of risks and money flows.

Industry 4.0

The managers of 12 manufacturing companies in the Group seeking solutions to the common problems in this field collaborate in a working group, share pre-competitive solutions and learn from the examples of successful practices.

Example: The Arctic 4.0 Washing Machine plant in Romania, which is the Group's first model production facility conforming to Industry 4.0 principles, has a smart infrastructure that can manage end-to-end data from suppliers to the end customer, and is planned to enter mass production in 2019.

Digital New Initiatives

New business models and ideas that emerge during digital transformation and innovation studies are evaluated, partly by related companies and partly by Inventram, Koç Holding's start-up technology investment company.

Example: The idea of providing shared transport service for small companies, which was raised during **Ford Otosan's** Koç Innovation Program studies, was put into operation at **Rezervis**, a partnership between the entrepreneurs and Ford Otosan.

Cultural Transformation

Cultural transformation efforts are undertaken with the vision of leadership in the digital world and embrace all employees and the wider ecosystem.

Awareness and Communication

- Koç Group's next generation interaction and communication platform "**KoçHub**" was launched, and digital transformation activities, which were previously shared on separate platforms started to be shared on this platform which is open to all employees.
- As a new phase in the "For My Country" project, the "Designing the Future for My Country" program was implemented so employees and stakeholders in the ecosystem are more informed, better equipped and eager to benefit from the opportunities of digital transformation.

Competency Development:

- Subject specific online education programs such as data analytics, programming, digital marketing, autonomous vehicles and machine learning were offered by Udacity.
- The "Personal Development Program" for senior executives was continued, aiming to develop their adaptive leadership competence and vision for the digital world.
- Developed in collaboration with the **Koç University**, the "Lead Digital" program continued, focusing on topics like customer experience, design-oriented thinking, data analytics, Industry 4.0 and digital marketing.
- Koç University launched the Modular MBA in Technology and Innovation Management Track for the Group's engineers in subjects required in the digital age.

Major Awards and Achievements

- **Yapı Kredi**, One Grand, four Gold and five Silver Stevie Awards with digital banking solutions, 1st prize in the IDC Turkey Finance Sector and IDC Best Innovation Projects competitions
- **KoçSistem**, 1st prize for the projects with Otokoç and Demir Export, and 2nd prize for the Tofaş and Setur projects in the IDC Turkey competitions
- **Tüpraş**, The Capital magazine CEO Club Industry 4.0 and the Platinum magazine Platinum Global 100 Industry 4.0 awards
- **Otokoç**, 1st prizes in the IDC Retail as well as IDC IoT and Big Data Awards with its "Predictive Analytics for Car Rental" project
- **Setur**, 1st prize in the IDC Turkey IoT, the Big Data and Analytical Technology Awards
- **TürkTraktör**, 1st prizes in the MESS (the Turkish Employers Association of Metal Industries) Golden Glove OHS Competition and the Platinum Global 100 Award with its digital solutions
- **Arçelik**, Champion of the Year award on the subject of the IoT Security from the UK-based IoT Security Foundation
- **Tofaş**, 1st prizes in the Technology Transformation of the Year and SAP Financial Application of the Year.
- **Opet and Tanı**, 1st prize in the Data IQ Awards in the UK with the "Smart Campaign Suggestion System"

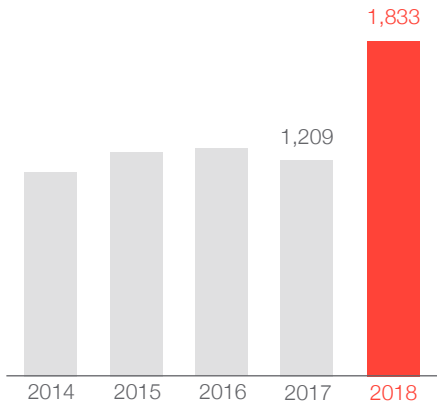
Research & Development (R&D)

Koç Group companies carry out extensive work to develop and disseminate a technology, innovation and R&D culture.

Total R&D Spending of Koç Group Companies (TL million)

21%

CAGR between 2014-2018



Attaching tremendous importance to technology, R&D and innovation, the Koç Group allocated approximately TL 1.8 billion to R&D in 2018. The Koç Group accounts for approximately 11%¹ of the total R&D expenditure in Turkey's private sector.

With 27 R&D centers, one design center and three Technopolis R&D offices, The Koç Group has the highest number of R&D centers of any group in Turkey and employs 4,385 R&D personnel, corresponding to 4.9% of all personnel working in R&D in Turkey's private sector¹.

The "2018 EU R&D Scoreboard" study published by the European Commission lists the 2,500 companies with the highest R&D expenditure in the world². Three of four Turkish companies included in this list are from Koç Group. Together with Koç Holding, Ford Otosan and Arçelik were also included in this list.

Aygaz, Koçtaş, Setur and Arçelik Small Appliances, Wat, Token and Arçelik Beylikdüzü TV R&D centers also obtained 5746 R&D center certificates in 2018.

European Union (EU) Projects

In 2018, Koç Group companies participated in 35 projects in the EU Horizon 2020 program and 17 projects in the Eureka program. Four Koç Group companies (Arçelik, Tüpraş, Ford Otosan and Tofaş) were included in the top 5 in the list of the "Horizon 2020 Most Successful Turkish Industrial Organizations"

published by TÜBİTAK (the Scientific and Technological Research Council of Turkey)³. With 16 projects ongoing in the Horizon 2020 program, Arçelik has the highest number of projects of any private sector company in Turkey. Arçelik took part in four Eureka and three Eurostars projects in 2018. In the Appstacle project, where Otocar and KoçSistem take part, a cloud-based platform that includes smart vehicle applications is being developed. Within the scope of the 5G-MOBIX Horizon 2020 project, in which connected and autonomous vehicle technologies are studied, Ford Otosan conducts advanced research in wireless communication. KoçSistem executes the coordination of the PIANISM project on smart and predictive maintenance automation under Industry 4.0 in the international ITEA3 program. In the same project, TürkTraktör and Tüpraş are also involved as project partners. Setur participated in the PAPUD project supported by ITEA. At the same time, Tofaş has increased its number of international projects to 18. Tüpraş is the petrochemical field application leader in the Horizon 2020 project BAMBOO.

Awards

Ford Trucks' new tow truck, the F-Max won the "2019 - ITOY International Truck of the Year" award at the Hannover International Commercial Vehicle Fair (IAA). Arçelik was awarded first prize in the "Innovative Environmentally-Friendly Product" category by the ISO and first prize in the 2018 Plastics Recycling Awards Europe competition.

(1) Based on Turkish Statistical Institute's 2017 R&D data

(2) <http://iri.jrc.ec.europa.eu/scoreboard18.html>

(3) www.h2020.org.tr

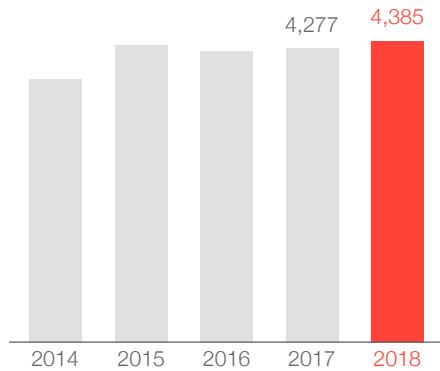
The Koç Group realizes approximately 11% of Turkey's private sector R&D expenditure.



Total R&D Employees of the Koç Group Companies

19%

Increase between 2014-2018



Setur won 2 awards with the “Shift Robot” application, which is an efficient shift planning system with workforce optimization. Koçtaş won first place in the “Best Change Management of the Year” category at the IDC 2018 CIO Awards with the digital transformation project. KoçSistem won an award in the field of digital media at the “MarCom Awards” with “TechSquare”. Opet won an award with the “Smart Campaign Suggestion System” at the DataIQ Awards18 held in the UK in cooperation with Tanı. Otokoç won first prize at the IDC Retail 2018 Awards in the “Big Data and Analytics” category, and won first place in the IT Summit 2018 Technology Captains Awards in the category of Operational Competency”, and in the IDC IoT, Big Data 2018 Awards in the category of “Operational Excellence”.

Innovation Collaborations Projects and Platforms

With support from the TÜBİTAK 1601 grant program, Arçelik implemented the entrepreneurship acceleration program, BIGG. Ford Otosan signed a cooperation protocol with AVL List GmbH for the development of truck convoy technology for the F-Max truck. Otokar and Ford

Otosan entered cooperation for the use of domestic engines developed by Ford Otosan in Otokar buses. Artificial Intelligence Marathon and mentoring programs were organized with the KoçSistem entrepreneurship platform, TechSquare. TürkTraktör completed the development process of electronically controlled and three-cylinder diesel engines which meet Tier-4 emission standards. Setur initiated the first collaboration between academia and industry in cooperation with Okan University, and has been carrying out three projects with the Computer Engineering Department. Arçelik LG realized the first domestic mass production of the VRF product and Turkey's first production of an air conditioning unit using R32 refrigerant gas. It also collaborated with Arçelik on connected air conditioning units, which are designed for remote access and control. To date, Inventram has implemented 7 company investments, 6 patent licensing, 42 patent investments and 8 technology commercialization business partnerships. It has incorporated more than 35 start-ups into its Preferred Partner program.

Koç Innovation Program

The Koç Group innovation strategy

1. Building a culture of innovation and creating the right working environment to enhance our innovation capacity
2. Cultivating corporate entrepreneurship across the Group and supporting employees' entrepreneurial spirit and efforts
3. Extending innovative endeavors not only across product and service development activities, but in all business units and operations
4. Increasing partnership with external stakeholders, an important source of innovation, and managing these collaborations more effectively
5. Managing innovative operations via clear processes to ensure sustainability

In order to implement its innovation strategy, Koç Holding has been conducting the Koç Innovation Program since 2014. As part of this program, innovation management infrastructures are built up at Koç Group companies in line with the self-developed Koç Innovation Management Model.

Within the scope of the program, corporate entrepreneurs - who are instrumental in bringing innovation to life - are supported through various training programs, mentors, new project management techniques and awards. In addition, efforts are undertaken to ensure business model innovation and increase open innovation capacity. Working methods similar to start-ups are encouraged in innovation projects to decrease time to market and costs. Thanks to all these efforts, the Group aims to grow, build a culture of innovation and cultivate corporate entrepreneurs.

As of the end of 2018, seven Group companies are participating in this voluntary program. As a result of efforts within the scope of the program, new products and services have been launched leading to generation of additional revenues. Since the start of the program, more than 150 internal startups were turned into projects, 15 new products / services were brought to the market and one company was established. On the other hand, the companies included in the program have cooperated with over 50 startups in order to support their own work and the entrepreneurship ecosystem.

Highlights from the work of companies included in Koç Innovation Program:

- **Tat Gıda**, carried out an in-house acceleration program focused on a strategy of innovation. Within the scope of the innovation studies, it introduced the SEK Quark, SEK Probiotic Yogurt, Taste Enhancing Sauces and SEK Snack Cheese products to the market.
- In 2018, **Otokoç** worked on 22 new business model ideas within the scope of its in-house entrepreneurship efforts. Among these, "Winter Tire Rental (Lastick)" and "Digital Franchise" were commercialized in 2018. Together with the "Additional Hour" project that was commercialized in 2017, a total of three new business models were implemented.
- **Aygaz** continued its innovation efforts with two in-house entrepreneurship acceleration programs in 2018. The "Aykargo" and "Palm Stove Rental" projects, which emerged as a result of Aygaz's in-house entrepreneurship activities, were commercialized.

- The Rezervis project, which emerged as a result of Ford Otosan's in-house entrepreneurship efforts, continues as a separate startup with the participation of **Ford Otosan**. Rezervis is the first "spin-out" example to have emerged from the Koç Innovation Program. Another project to have emerged within the scope of the "Smart Mobility" in-house entrepreneurship program is the "Easy Route" product. This product provides traffic forecasting and navigation services and has been downloaded 350 thousand times.
- Having adopted the vision of "Seamless Finance", **Koçfinans** has evaluated possible cooperation opportunities with 100 startups operating in different fields such as fintech, market places and automotive Technologies, and entered cooperation with six of these ventures.
- **Tüpraş** continued its in-house entrepreneurship activities with six projects in 2018. Having determined its open innovation strategy, Tüpraş, which has carried out a wide array of studies in order to develop closer communication with the entrepreneurship ecosystem and access innovative initiatives and networks, was included in the METU New Ideas New Jobs acceleration program as a strategic partner.
- **Opet Fuchs** realized the first acceleration program and has been working on 6 in-house entrepreneurship projects.

Intellectual Property

Turkey's largest intellectual property portfolio with

- > 8,200 trademarks
- > 3,600 patent families
- > 6,600 patents
- > 900 industrial designs
- > 5,800 internet domain names

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

With the goal of increasing value for investors, the Koç Group places great importance on intellectual property management.

The Koç Group's intellectual property rights strategy:

1. Maximize use of the intellectual property rights system to obtain a sustainable competitive advantage and achieve strong business results
2. Protect game changing innovations and strong brands in markets of operation
3. Create value by managing the intellectual property portfolio aligned with business goals
4. Commercialize intellectual property through acquisition, sale or licensing and be open to partnerships
5. Respect intellectual property rights of others

The Koç Group is the first group in Turkey to have established and publicly shared an intellectual property strategy. The Koç Group initiated the "Koç Intellectual Property Management" project to implement its intellectual property strategy and achieved important results. The Group maintains and monitors its growth in intellectual property by setting various goals at the Group and individual company level.

The Koç Group intellectual property rights portfolio - consisting of over 8,200 trademarks, 3,600 patent families and 6,600 patents, 900 industrial designs and 5,800 internet domain names - is the largest in Turkey and the most important in the region. In addition, Koç Group companies review this portfolio every year and are working to bring a portfolio structure that will further support their business goals.

The Koç Group companies submitted over 3,000 patent and utility model applications in the last 5 years including 350 in 2018. As Turkey's patent champions, the Koç Group companies rank among the domestic companies filing the highest number of patent applications as published by the Turkish Patent and Trademark Office and have received many awards.

In 2018, Arçelik successfully represented Turkey in the international arena by ranking 71st with its 287 applications in the World Intellectual Property Organization's "PCT System Top Applicants List".

The Koç Group leads many initiatives to develop Turkey's intellectual property rights ecosystem and widen their use in the commercial arena. The Group also shares its experience through various seminars and conferences.

Energy

With our investments, strong brands and customer focus, we are the energy of a growing Turkey.





Energy

Developments in the oil sector

Crude oil prices displayed a volatile trend during 2018. The yearly average level was USD 71 per barrel indicating 31% growth compared to 2017.

Fluctuation in crude oil prices together with the depreciation of the Turkish lira caused volatility in product prices. In May, the government started implementing a new tax regulation which ensured that pump prices were kept constant. Despite this support, a decline in the consumption of petroleum products was observed from August due to a loss of momentum in economic growth. According to data released by the Energy Market Regulatory Authority (EMRA), petroleum product consumption grew by 3.6% as of November 2018. Diesel had the biggest share in consumption and reached 23.1 million tons, marking an increase of 4%. Consumption of gasoline stood at 2.2 million tons with an increase of 2% while jet fuel consumption stood at 4.7 million tons, marking growth of 7.9% due to recovery in tourism.

2018 was a challenging year for the refining sector in terms of margins, with the Mediterranean refining margin declining to USD 4.6 per barrel from USD 5.3 per barrel in 2017 on the back of rising global capacity. Diesel and jet fuel margins were strong while the gasoline margin declined to its lowest levels in history.

Another important development this year was the waiver given to eight countries, including Turkey, regarding the US sanctions imposed against Iran as of November. In this context, Turkey, which



completely ceased oil imports from Iran in November, will be able to continue importing oil from Iran within the terms of the waiver.

Developments in the LPG sector

Turkey is the 11th largest LPG market in the world and the 2nd largest in Europe. Turkey is also the 2nd largest autogas market in the world with the world's largest fleet of LPG vehicles.

According to the November 2018 data released by EMRA, total LPG consumption increased by 2% and stood at 3.8 million tons. In the same period, autogas market increased by 6% to 3 million tons while cylinder gas market declined by 7% to 0.7 million tons.

As of the end of 2018, 22% of Turkey's LPG demand was met by domestic production while the remainder was imported mainly from Algeria, the US and Norway.

Developments in the electricity sector

According to Turkish Electricity Transmission Corporation (TEİAŞ) data, in

2018 Turkey's installed power generation capacity increased by 5% to 88,526 MW. In terms of composition, private sector has the highest share with 67% of installed capacity, 21% state-owned while the remaining 12% is based on the Build-Operate and the Build-Operate-Transfer schemes which sell their production to TETAŞ (Turkey Electricity Trading and Contracting Company).

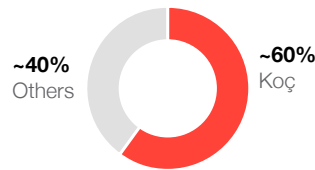
Of the installed power generation capacity, 32% consists of hydroelectric power plants, 29% of natural gas power plants, 22% of coal power plants, 11% of other renewable and thermal power plants and 6% of solar power.

The Last Resource Procurement Tariff started to be implemented during the year and the Capacity Mechanism Regulation entered force. In addition, the decision was taken to merge TETAŞ (Turkish Electricity Trade and Contracting Corporation) with Elektrik Üretim A.Ş. (Electricity Generation Inc.).

The Koç Group in the Energy Sector

Turkey's **largest oil refinery**, the **largest LPG distribution company** and the **2nd largest fuel oil distribution company**

Coverage of Domestic Demand for Petroleum Fuel Products



Coverage of Petroleum Product Storage Capacity in Turkey



Koç Group companies operating in the energy sector meet ~60% of Turkey's demand for petroleum fuel products and account for more than half of the nation's storage capacity.

Companies and Domestic Positions

Tüpraş

The **largest oil refinery** in Turkey

Aygaz

#1 LPG distribution company - **27%**

#1 Cylinder gas - **42%**

#1 Autogas - **22%**

Opet

#2 Fuel distribution company

(White products - **18%**)

Entek

A growing player in power generation

Competitive Advantages

- High refinery complexity
- A wide range of crude oil processing capability
- Close proximity to oil producers in the Middle East
- A strong logistics advantage with sea and rail transport fleet
- High storage capacity
- Widespread LPG and fuel oil distribution network
- Strong brand value
- High and sustainable customer satisfaction



Tüpraş is the largest industrial company in Turkey with the added value and revenue that it creates.

Ownership Structure



Domestic Position

74% of Turkey's current **refining capacity**
~60% share in total **petroleum fuel products market** consisting of gasoline, diesel, fuel oil and jet fuel

International Position

The **7th** largest **refining capacity** in Europe and **26th** largest in the world

Awards and Achievements

Turkey's Largest Company

1st place in lists of the largest companies in Turkey (ISO 500, Capital 500, Fortune 500)

Export Champion

1st place in the chemical substances and products sector and 5th place in general ranking in the Turkish Exporters Assembly survey

Sustainable Business Awards

2nd place in the category of "Large-scale Enterprise Environmentally Friendly Implementation Project" at the Environment Awards hosted by the Istanbul Chamber of Industry with its "Recycling of Municipal Urban Wastewaters in Industry as Process Water Project" and winner in the category of "Water Management" at the Sustainability Academy Awards

The Sustainability Funds' Favorite

2nd place in the category of "The Company Most Invested in by Sustainability Funds" in the Turkey Investor Relations Association Summit

Success in Energy Efficiency

The Kırıkkale Refinery won 1st place and the İzmit Refinery won 2nd place in the SEVAP-3 category, the Batman Refinery won 3rd place in the SEVAP-2 category at the "Energy Efficiency in Industry" awards.

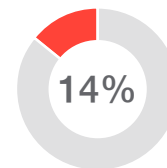
Pioneer in the Industry 4.0

"Leader in the Oil and Energy Sector" in the "Industry 4.0" theme as per the Platin Global 100 survey

Financial Indicators

(TL million)	2017	2018
Total Revenues	53,948	88,552
Operating Profit ¹	5,063	8,020
Profit Before Tax	4,474	3,724
Net Profit ²	3,812	3,713

Share of International Revenues



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

(2) Net profit attributable to the equity holders of the parent



Established in 1983, Tüpraş has four refineries in Kocaeli, İzmir, Kırıkkale and Batman with a total crude oil processing capacity of 28.1 million tons per year. Tüpraş is the largest industrial company in Turkey with the added value and revenue that it creates. As Europe's 7th largest, Tüpraş is also one of the most complex refiners in the Mediterranean region with an average Nelson complexity index of 9.5.

Most of the country's demand met despite planned maintenance at the 4 refineries.

Despite the planned maintenance and modernization works carried out without compromise on the principles of occupational health and safety, Tüpraş achieved 25.7 million tons of production with a 96% capacity utilization rate. The high value-added white product yield was above the previous year at 77%.

In 2018, Tüpraş met most of the country's demand with 25.6 million tons of domestic sales, in line with the previous year's level, and reached total sales of 29.8 million tons including exports. Tüpraş broke a national record in terms of jet fuel and diesel sales volume.

In 2018, a year marked by economic volatility, Tüpraş successfully managed its operations within the framework of its prudent risk policies and maintained its strong balance sheet.

Tüpraş is focused on being a key energy actor of the future.

Aiming to pioneer the new industrial revolution, Tüpraş takes its leading experience in the refining sector, with its fast, flexible, innovative and customer-oriented approach, and carries it to other sectors where it has a presence such as trade and logistics. Aware of the great transformation in the energy sector, Tüpraş is focused on taking its place as one of the key energy actors of the future and differentiating itself in its sector by applying the most advanced technologies.



In 2018, Tüpraş decided to establish a Trading Office in London in order to further strengthen its operational effectiveness through international integration. It has taken concrete strategic steps that will bring additional added value from the supply and sales chain by incorporating leading players from the sector. In the field of renewable energy, it aims to reduce energy costs and its carbon footprint by meeting the energy needs of its own refineries itself.

In terms of its ongoing digital transformation journey, Tüpraş started numerous projects ranging from transformation of daily business life to Industry 4.0 concepts that impact refinery processes. A Data Analytics Center was opened in the METU and ITU Technopolis in 2018 with the aim of adding value to the high amount of data that it collects from its production and commercial activities by means of machine learning and artificial intelligence algorithms. At the same time, the Company continued its compliance and investment feasibility studies to meet International Marine Organization (IMO) changes that will enter force in 2020.

Forward-looking expectations

In 2019, the Mediterranean refining margin, which is the most important indicator of refining performance, is expected to be at

USD 3.75-4.25 per barrel and the Tüpraş net refinery margin to be at USD 6.0-7.0 per barrel. Tüpraş projects approximately 28 million tons of production and a total sales volume of approximately 30 million tons. At the beginning of the year, a 90-day periodic maintenance stoppage of the İzmit Refinery Hydrocracker Unit has been planned, a requirement once every four years.

Ditaş and Körfez Ulaştırma A.Ş.

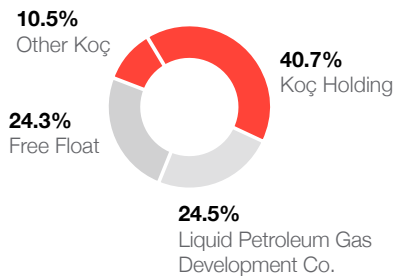
Ditaş, in which Tüpraş holds a stake of approximately 80%, provides operational and cost advantages to Tüpraş with a total of 11 tankers and a carrying capacity of about 622 thousand DWT. In order to comply with IMO 2020 standards, two crude oil tankers and two new product tankers will be equipped with hybrid scrubbers. One of the product tankers, T. Adalyn, is planned to be commissioned in May 2019, with the other, T. Elinor, to be commissioned in October 2019.

As the first private railway operator in Turkey, Körfez Ulaştırma A.Ş., increased Tüpraş's railway transportation by 30% in 2018 and provided Tüpraş with flexibility in transportation between refineries. 5 diesel locomotives, which were ordered in 2018, will be delivered in 2019. The total number of locomotives, including the existing five leased locomotives, will therefore increase to 10.

The unwavering leader of the LPG sector



Ownership Structure



Domestic Position

Leader of the LPG sector since its establishment in 1961

Leader in the overall LPG market with **27%** market share

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

Leader in the autogas market with **22%** market share

Awards and Achievements

Leadership in Cylinder Gas and Autogas

Third consecutive 1st place ranking in cylinder gas and autogas segments in the Turkish Voice of the Customer Survey

Contribution to Occupational Health and Culture

“Public and Private Sector Award” at the Crystal Helmet Awards organized by the Istanbul Metropolitan Municipality

The Export Star

1st place in the category of “Mineral Fuels Exports” and the 2nd place in the category of the “Biggest Increase in Exports” at the Istanbul Chemicals and Chemical Products Exporters Association (İKMiB) awards

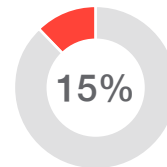
Strong Sustainability Practices

Entered the BIST Sustainability Index, which includes companies with strong sustainability practices

Financial Indicators

(TL million)	2017	2018
Total Revenues	8,469	9,554
Operating Profit ¹	263	53
Profit Before Tax	621	250
Net Profit ²	577	228

Share of International Revenues



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

(2) Net profit attributable to the equity holders of the parent



Established in 1961, Aygaz is the first and only publicly listed company operating in the LPG sector. The Company is the 11th largest in Turkey as per Istanbul Chamber of Industry rankings.

According to an independent research study carried out since 2003, Aygaz consistently has the highest level of customer satisfaction of any brand in both the cylinder gas and autogas markets.

Aygaz continues to lead the sector with its effective dealer and distribution network.

Aygaz realized 2 million tons of LPG sales in 2018.

Providing services across Turkey with the Aygaz and Mogaz brands, Aygaz has over 2,400 cylinder gas points of sale. The Company maintained its competitive advantage with its proximity to the customers and its service speed and quality in the cylinder gas market. In 2018, the Company sold a total of 315 thousand tons of cylinder gas.

Aygaz has Turkey's most extensive autogas distribution network of over 1,700 licensed autogas stations. The Company recorded 730 thousand tons of autogas sales in 2018.

Ongoing investments

In 2018, Aygaz and its subsidiaries undertook TL 108 million in investment mainly in facility modernization, new autogas stations, cylinder, environment and safety.



Forward-looking expectations

Aygaz's main target is to be the leading company offering energy solutions in the fields of LPG and natural gas to the domestic market as well as potential new markets.

Aygaz's strategic priorities include; Maintaining its leadership in the LPG sector by

- investing in the future with the responsibility of being reputable, reliable and the closest brand to the consumer,
- keeping high safety standards and product quality in the foreground,
- developing innovative products and services with solutions that focus on innovation and digitalization.

Achieving sustainable growth to carry Aygaz ahead by

- evaluating domestic and foreign acquisitions, merger and investment opportunities,
- increasing efficiency in all processes from LPG procurement to sale,
- aiming to create value for all stakeholders.

In 2019, Aygaz expects sales volume of 295-310 thousand tons in cylinder gas and 695-735 thousand tons in autogas. Accordingly, market share is forecasted to be 41.5%-43.5% in cylinder gas and 21.4%-22.6% in autogas market.

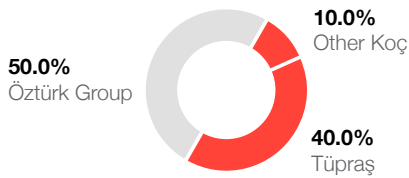
Aygaz Doğal Gaz

Established in 2004 and a subsidiary of Aygaz, Aygaz Doğal Gaz is engaged in the sale of natural gas through pipelines to eligible consumers. It also has wholesale and transmission operations to provide liquefied natural gas (LNG) to customers who do not have access to natural gas by pipeline through special transport vehicles. Aygaz Doğal Gaz reached a sales volume of 0.9 billion m³ in 2018.



Opet provides superior products and services to its customers through its distribution network of 1,615 stations.

Ownership Structure



Domestic Position

2nd in white products with **17.8%** market share

Leader in black products with **36.2%** market share

Awards and Achievements

Brand with the Highest Level of Customer Loyalty

"Brand With Highest Level of Customer Loyalty" award in the fuel oil distribution sector by KalDer - Ipsos in the Turkey Customer Voice survey

Lovemark - Brand Bond With Love

"Lovemark - Turkey is Bonded to With Love" award in the fuel distribution sector in the MediaCat - Ipsos survey

Excellence in Practice - Leadership in Customer Services

"Turkey Fuel Distribution Sector Excellence in Practice - Leadership in Customer Services" award by the Frost & Sullivan market research

Best Use Of Data

"Best Use of Data in a Marketing Programme" for its Customer Analytics Driven Customized Campaign Engine at the DataIQ Awards

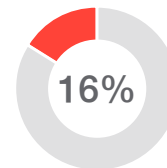
Brand with the Highest Reputation

"Brand with the Highest Reputation" in the fuel oil sector in the 7th Turkey Reputation Index

Financial Indicators

(TL million)	2017	2018
Total Revenues	28,391	42,997
Operating Profit ¹	746	1,031
Profit Before Tax	741	786
Net Profit ²	616	673

Share of International Revenues



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

(2) Net profit attributable to the equity holders of the parent



Established by the Öztürk Family in 1992, Opet has been jointly managed by the Öztürk Group and the Koç Group since 2002. The Company operates in the fuel oil distribution sector via retail sales, commercial and industrial fuel oil sales, storage and international product trade. With nearly 900 employees, 1,615 stations including the Sunpet brand and 1.1 million m³ of storage capacity, Opet manages an extensive service network throughout Turkey with 5 terminals and provides high-quality products and services to its customers.

Opet manufactures and markets mineral oil through its subsidiary Opet-Fuchs, a 50-50% partnership with the German mineral oil company, Fuchs. It also supplies and sells jet fuel oil via THY-Opet, a 50-50% partnership with Turkish Airlines.

Opet maintained its number 2 position in the market in 2018.

Opet achieved sales growth in line with the market during 2018 thanks to its well-established dealer network. The Company maintained its number 2 position in the market with a 17.8% market share in white products, while rising one place to the number 1 position in black products with 36.2% market share.

Opet generated strong financial results utilizing its effective risk policies against exchange rate and price fluctuations.

Serving numerous domestic and foreign airlines at all airports in Turkey, THY-Opet increased its jet fuel sales volume to 3.9 million m³ in 2018 compared to 3.7 million m³ in 2017.



Opet implements numerous new projects in many fields aligned with its aim of being the first choice of customers with its “Perfect Service Understanding”.

Opet sets itself apart in its sector with its approach to social responsibility.

In addition to financial success, Opet aims to generate added value for all of its stakeholders and society while minimizing its environmental impact. The Company developed and implemented a number of successful social responsibility projects such as “Clean Toilets”, “The Green Road”, “An Exemplary Town”, “Respecting History” and “Traffic Detectives” in line with this objective. In 2018, the “Respecting History/Troy Project” as well as the “Women Force Project” to improve women employment in stations were also initiated.

Forward-looking expectations

Opet’s main priority is to maintain customer satisfaction while growing above the sector without compromising profitability. 2019 is expected to be a year of investments in line with these objectives. The Company started a massive restructuring to change the existing standards in the sector by converting its station markets throughout Turkey to “Ultramarkets” and incorporating leading brands. The markets will be transformed into living spaces where customers can meet all of their needs at any time of the day. The Company also aims to take decisive steps to remain one step ahead of its competitors in the area of digital transformation.



Entek prioritizes investments in renewable energy.

One of Turkey's first private sector auto-producer companies, Entek was established in 1995 with the purpose of supplying electricity and steam to its customers.

The Company, which started production in December 1998, has a total installed capacity of 422 MW. As of the end of 2018, Entek generates electricity via eight hydroelectric power plants (HEPPs) with total capacity of 265 MW located in Kahramanmaraş, Karaman, Samsun and Mersin and one 157 MW natural gas combined cycle power plant in Kocaeli.

Entek holds a 100% stake in Menzelet Kılavuzlu Elektrik Üretimi A.Ş. which includes the Menzelet and Kılavuzlu HEPPs acquired through privatization, a 100% stake in Eltek which was established in 2003 to operate in energy sales business to procure electricity for both the Koç Group companies and third party consumers at affordable prices, a 50% stake in the 625 MW installed capacity Ayas coal fired power plant project, and a 0.05% stake in Enerji Piyasaları İşletme A.Ş. which was established to operate the Energy Exchange.



Entek continued to take advantage of investment opportunities in 2018.

Entek considers the recent trend of reasonable asset prices in the electricity sector as an opportunity for growth. Within this scope, the Company acquired three HEPPs in the Mersin Mut region, with a combined capacity of 24 MW in October 2017. Entek also submitted the highest bid and won a privatization tender for the Menzelet and Kılavuzlu HEPPs (178 MW) with operating rights for a period of 49 years in September 2017. On 9 March 2018 the Menzelet and Kılavuzlu HEPPs were taken over by Menzelet Kılavuzlu Elektrik Üretimi A.Ş., a 100% subsidiary of Entek, and became operational.

In 2018, Entek realized total sales of 1.5 billion kWh and consolidated revenues of TL 498 million.

Competition in the electricity market continued to intensify with the addition of new technology and high efficiency power plants. This has precipitated the withdrawal of low efficiency natural gas fired power generation plants from the market. However, the Kocaeli plant continues its operations with the

advantage of selling directly to nearby electricity and steam customers.

Forward-looking expectations

With the objective of being among the leading power generation companies, Entek is focused on ensuring resource diversification in production and places special priority on renewable energy investments. In the coming period, the Company plans to continue its investments and acquisitions to achieve a balanced production portfolio and gain market share.

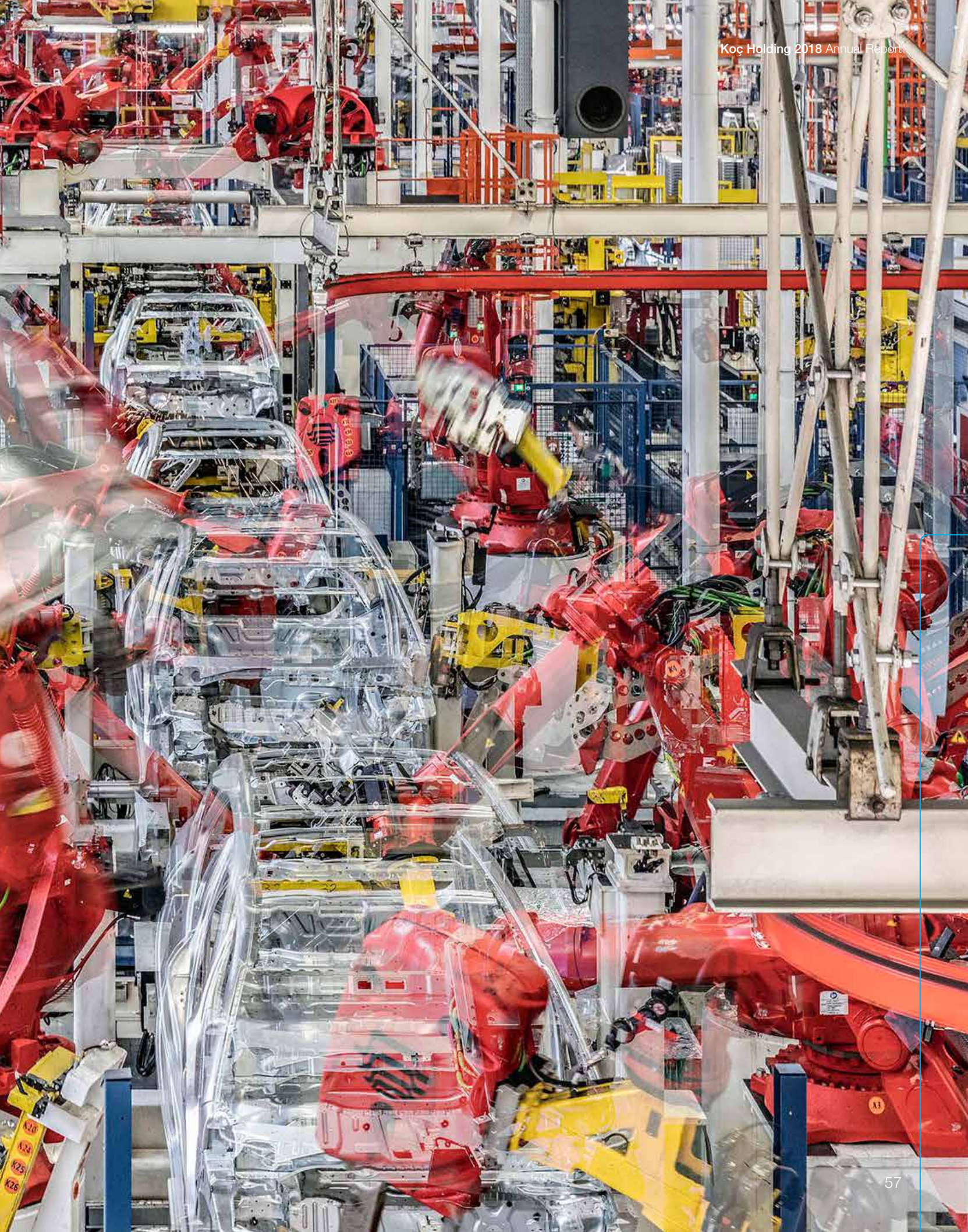
In addition, the Company continues its efforts to establish long-term sustainable business models by focusing on distributed energy solutions with the objective of being involved in every step of the energy chain. To this end, Entek aims to increase the energy efficiency of both group companies and third party customers, to enable them to carry out on-site production/consumption and to add value to all stakeholders through smart energy solutions.





Automotive

We break our own records and lead Turkey's automotive sector with our strong brands, production and R&D capabilities.



Automotive

Developments in the automotive sector

The automotive sector in Turkey contracted by 35% annually in 2018 with sales of 642 thousand vehicles. The combination of rising prices on the back of currency depreciation and decline in purchasing power due to higher interest rates were the main reasons for the sector contraction. In an effort to stimulate the sector, the government introduced tax cuts with effect from 31 October 2018 which slowed down the contraction. Sales of passenger cars declined by 33% to 486 thousand in 2018, while sales of light commercial vehicles decreased by 42% to 135 thousand units. Heavy commercial vehicle sales contracted by 33% to 21 thousand units.

Despite weak domestic demand, solid export performance limited contraction in automotive production. In Europe, our most important export market, light commercial vehicle demand continued to grow while the decline in UK and Italy passenger car demand led to a 1% annual decline in Turkey's export volumes to 1.3 million units. Based on figures released by the Automotive Manufacturers Association, export revenues increased by 11% annually to USD 32 billion and the automotive sector maintained its leadership position in Turkey's exports. Total production volume declined by 9% annually to 1.6 million vehicles.

The Turkish bus market shrank by 29% in 2018 and ended the year with sales of approximately 3,800 buses. The



contraction in sales was nearly 23% in mini and midi buses and nearly 50% in 12-meter and above city buses. The European bus market recorded an annual growth of 1.3%. Among the main markets, Italy enjoyed growth, Germany remained flat while Spain and France narrowed. Turkey's bus export volume increased by 10% annually.

Developments in the tractor market

Turkey is the 5th largest tractor market globally in terms of number of tractors sold. Turkey's tractor market size was 48 thousand units in 2018, implying 34% annual contraction. The decline in the market was driven by rising input and tractor prices leading to a decrease in the purchasing power of farmers.

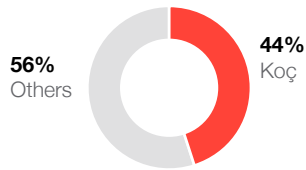
As far as exports are concerned, the performance was robust with 15% annual increase in exports to 16 thousand units.

Developments in the defense industry

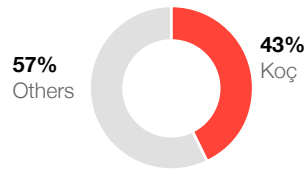
In 2018, the spotlight in the defense market was on domestic companies and manufacturing. In procurement, priority continued to be given to products and systems developed and produced in Turkey. After Otokar signed Turkey's largest single defense export contract in 2017, mass production of the armored vehicles got underway in 2018.

The Koç Group in the Automotive Sector

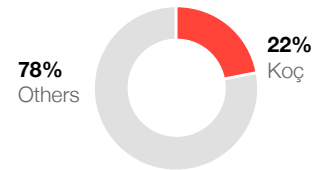
Production



Exports



Domestic Sales



44% of Turkey's automotive production and 43% of its exports are carried out by Koç Group companies.

Companies and Domestic Positions

Ford Otosan

#1 in Commercial vehicles - **31%**
 #2 in Trucks - **29%**
 #8 in Passenger cars - **5%**

Tofaş

#2 in Light commercial vehicles - **21%**
 #3 in Passenger cars - **9%**

TürkTraktör

#1 in Tractors - **43%**

Otokar

#1 in Buses - **28%**

Otokoç

#1 in Automotive retailing - **8%**
 #1 in Car rental

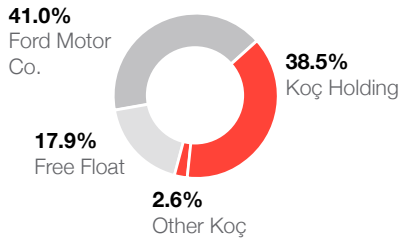
Competitive Advantages

- Economies of scale and leadership positions
- High growth potential due to low penetration
- Established international partnerships and export contracts
- Largest sales, after-sales and service network
- Strong brand value
- Highest number of R&D employees in the Turkish automotive sector
- Continuous investments
- Focus on efficiency and product diversity

FORD OTOSAN

In 2018, Ford Otosan carried out 74% of Turkey's total commercial vehicles exports and continued to be Turkey's leading exporter.

Ownership Structure



Domestic Position

3rd in total vehicle sales with **10.8%** market share
Leader in commercial vehicles with **30.8%** market share
Leader in medium commercial vehicle market with **34.7%** market share
2nd in light commercial vehicles with **27.1%** market share
2nd in truck market with **28.5%** market share
10th in passenger car market with **4.9%** market share

International Position

Exports to **82 countries in 5 continents**
 Accounts for **74%** of Turkey's commercial vehicle exports
 Ford's **highest commercial vehicle market share** in Europe
 Ford's **largest commercial vehicle manufacturing hub** in Europe

Awards and Achievements

International Truck of the Year Award

"2019 - ITOY International Truck of the Year" award at the IAA Commercial Vehicles Expo in Hannover for Ford Truck's newly unveiled F-Max model

Award to Human Resources

Bronze Award for Ford Otosan at the "For Great Employers" category of the Stevie Awards

Global Diversity and Inclusion Award

"Global Diversity and Inclusion Award" by Ford Motor Co. in recognition of the "Touch with Sign Language" project carried out by the installation team of the Yeniköy plant to establish healthy and efficient communication with hearing impaired colleagues.

Most Valuable Automotive Brand

The only automotive brand in the top 10 of "Turkey's 100 Most Valuable Brands" list prepared by Brand Finance

Turkey's Export Champion

First place at Turkish Exporters Assembly's "Turkey's Top 500 Services Exporters" research under the "Architectural, Engineering, Scientific and Other Technical Services" category

Social Responsibility Project Award

"Social Responsibility Project" award by the Automotive Distributors Association with "Women in Traffic" project which aims to improve awareness against gender prejudice in traffic

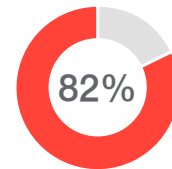
Financial Indicators

(TL million)	2017	2018
Total Revenues	25,341	33,292
Operating Profit ¹	1,629	2,359
Profit Before Tax	1,481	1,761
Net Profit ²	1,490	1,683

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

(2) Net profit attributable to the equity holders of the parent

Share of International Revenues



Established in 1959, today Ford Otosan is Ford's largest commercial vehicle production center in Europe and Turkey's largest exporter. The Company has an annual production capacity of 455 thousand commercial vehicles, 75 thousand engines and 140 thousand power trains.

Ford Otosan has operations in three main centers: Kocaeli (Gölcük and Yeniköy plants), Eskişehir (İnönü plant) and İstanbul (Sancaktepe R&D center and spare part warehouse). It has the largest workforce in the Turkish automotive sector with 10,598 employees and more than 1,100 R&D engineers. The Company is a global engineering hub for Ford's heavy commercial vehicles and related diesel engines and engine systems as well as a global support center for design and engineering of light commercial vehicles.

Ford Otosan is a constant leader in the Turkish commercial vehicle market and Turkey's export champion.

In 2018, Ford Otosan reinforced its leadership position with a 30.8% market share in commercial vehicles on the back of its sustainable and profitable growth and Ford Transit was the best-selling light commercial vehicle model in Turkey. Market share in passenger cars was realized at 4.9%, in line with its profit-oriented strategy. Thanks to new product launches during the year, the Ford brand rose from 4th place to 3rd in the market.

In 2018, the Ford brand maintained its number one position in the European commercial vehicle market and reached a market share of 14.1%. Ford Otosan plays an important role in Ford's success by producing 83% of the Transit family vehicles sold in Europe. The Company exported 329 thousand vehicles in 2018, marking 11% annual increase. Ford Otosan carried out 74% of Turkey's total commercial vehicles exports in 2018, continued its position as Turkey's export champion for the fourth consecutive year.



Ford Otosan completed its capacity increase investments in 2018.

Having started in 2017, Ford Otosan completed its capacity expansion in 2018, reaching a total production capacity of 330 thousand units at its Gölcük Plant and 455 thousand units in total.

Total production was realized in line with the previous year at 373 thousand units due to impact of the contracting domestic market, implying a capacity utilization rate of 84%.

Ford Otosan is one of the most sustainable dividend payers in Borsa İstanbul.

With rise in free cash flow following completion of the investment period, priority is given to increase dividend distribution. In 2018, TL 1,204 million of dividend were distributed, marking a rise of 52% from the previous year.

Ford Otosan is the 14th most valuable company in Borsa İstanbul (BIST) with a market value of USD 3.3 billion. In 2018, the shares outperformed the BIST 100 index by 11%.

F-Max won "International Truck of the Year" award

In the trucks segment, the Company reached a network of 35 countries with international restructuring process under

the Ford Trucks brand. Truck export volume increased by 39%. The F-Max, which was unveiled in 2018, received the "2019 - ITOY International Truck of the Year" award.

Support for in-house entrepreneurs bears its first fruit, with Rezervis project being commercialized.

Rezervis became the first commercialized project designed by in-house entrepreneurs within the context of Ford Otosan's innovation program. The Company became a 25% shareholder in Rezervis Mobil Teknoloji A.Ş., which was established to transform transportation vehicles into a shared transport service by innovating, optimizing and extending the usage of an algorithmic-based application.

Forward-looking expectations

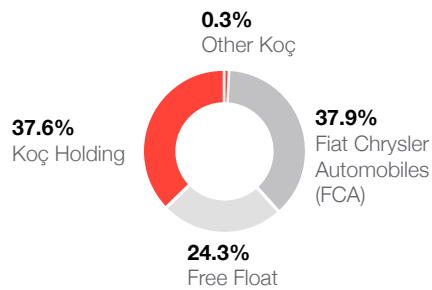
The Turkish automotive market is expected to contract further in 2019 due to higher costs on the back of exchange rates, interest rates and inflation, loan supply and the general economic conjuncture. In terms of exports, Ford Otosan is expected to exhibit a similar performance to 2018 thanks to the Ford brand's solid market position in Europe. Cost optimization efforts are expected to have a positive impact on profitability.



TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

Tofaş maintained its success with a production volume of 302 thousand vehicles in 2018.

Ownership Structure



Domestic Position

2nd in total vehicle sales with **11.7%** market share
Best-selling model
 Fiat Egea Sedan
2nd most popular brand
 Fiat with 11.3% market share
2nd most popular light commercial vehicle brand
 Fiat with 21.1% market share
Highest share of local production in the sector
 94% share in total sales
19% of the total production in Turkey
 with 302 thousand units

International Position

18% of Turkey's **total automotive exports**
2nd largest R&D center of FCA in Europe

Awards and Achievements

Exports Award

3rd place in the "Turkey's Top 500 Exporters" ranking in the automotive industry category published by the Turkey Exporters' Assembly (TIM)

Best Corporate Academy

Tofaş Academy was awarded the 1st prize among 45 of the best corporate academies in the world by "Association for Talent Development (ATD) Best"

Environment Award

1st place in the "Large Scale Enterprises Environment and Sustainability Management" category in the Istanbul Chamber of Industry (ISO) Environment Awards

Award to Tofaş Academy

Total of eight awards to Tofaş Academy at The Stevie Awards for Great Employers and Brandon Hall

Golden Spider Award

The renewed tofas.com.tr website was awarded first prize in the automotive category in the 16th Golden Spider Web Awards

Pioneer of Occupational Health and Safety

"Golden Suggestion" award for the "Reducing the Risk of Collision between Convoy Vehicles with Red LED Application" project at the Occupational Health & Safety Best Practices Awards of the Metal Industrialists' Union of Turkey

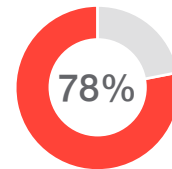
Financial Indicators

(TL million)	2017	2018
Total Revenues	17,468	18,603
Operating Profit ¹	1,312	1,747
Profit Before Tax	1,229	1,291
Net Profit ²	1,283	1,330

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

(2) Net profit attributable to the equity holders of the parent

Share of International Revenues



Established in 1968, Tofaş today is Turkey's only automotive company to produce both passenger cars and light commercial vehicles. The Company, a joint venture between Koç Holding and Fiat Chrysler Automobiles, is among Turkey's industrial giants with an annual production capacity of 450 thousand vehicles, more than 7,500 employees, an extensive dealer network and strong R&D as well as product development competency.

Tofaş maintained its 2nd place in the domestic automotive market.

Tofaş maintained its second position in the Turkish automotive market in 2018 despite the challenging market conditions. Tofaş garnered 11.7% market share via its brands both in passenger cars and light commercial vehicles. In the domestic market, Tofaş ranked 3rd with 9.1% market share in passenger cars and 2nd with 21.1% market share in light commercial vehicles. The Fiat brand's 2nd position was also maintained with a market share of 11.3% and a total sales of 70 thousand vehicles.

On the exports front, there was a decline in volumes to 243 thousand units due to the contraction in the Italian automotive market, one of the Company's key export destinations. In 2018, Tofaş realized 18% of Turkey's total automotive exports.

In 2018, Tofaş manufactured 302 thousand vehicles following the record it achieved in terms of Turkey's highest automotive production in 2017.

Egea Sedan is Turkey's best-selling model.

Egea Sedan, production of which started at the end of 2015, was once again Turkey's most popular car in 2018 with a market share of 7% and sales reaching 77 thousand vehicles.

Enabling customers to connect with their vehicles, the "Fiat Roadmate Connect" application was included in the product specifications of Fiat and Fiat Professional



vehicles with effect from April 2018. In November, Fiat Egea's Mirror model, which stands out with its technological equipment and chrome design, was introduced to the market.

Forward-looking expectations

In 2019, Tofaş will continue to focus on profitability, where further contraction is expected in the automotive market. Successful performance achieved in 2018 with the support of the Fiat Egea family is expected to continue and the Company is forecasted to reap the reward of its recent investments in 2019.

Asserting its claim in all segments of the domestic automotive market through a wide product portfolio which meets customer expectations, Tofaş plans to maintain the diversity it displays in export markets in 2019. The Company will maintain its competitiveness at the international level by taking advantages of digital technologies, its strong cooperation with dealers and suppliers as well as its high quality, fast and flexible service concept.

The Company will continue to provide a major contribution to the economy by maintaining its position as one of the most important players in Turkish automotive sector both in terms of production and exports.

Koç Fiat Kredi

Koç Fiat Kredi offers consumer financing for the brands sold by Tofaş. In 2018, the Company's total loan portfolio reached TL 2.4 billion with TL 1.7 billion provided for more than 34 thousand cars during the year. Accordingly, Koç Fiat Kredi financed 62% of Tofaş's retail sales. Koç Fiat Kredi continued to fund its growing loan portfolio via bank loans and security issuances. The total sum of these resources amounted to TL 2.3 billion as of the end of 2018. The securities issued had a nominal value of TL 355 million.

In 2018, the Company's national short-term credit rating was confirmed as (TR) A1+ and its long-term national credit rating as (TR) AA.

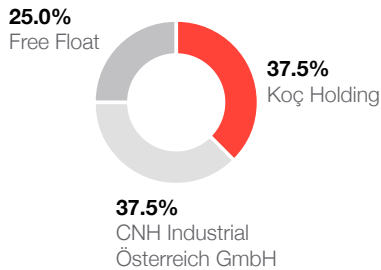
Forward-looking expectations

Koç Fiat Kredi has undertaken projects that create a lean working environment to enhance dealer and end user experience through its mobile and online applications, innovative products, services and business processes. In 2019, the Company aims to offer versatile financial solutions to its customers by increasing its brand awareness, market share, customer and dealer loyalty through opportunities offered by digital technologies and new products and services to be developed in cooperation with Tofaş.

TürkTraktör

Uninterrupted leadership in the Turkish tractor market for 12 years in a row

Ownership Structure



Domestic Position

Leader in the market with **43%** market share

Uninterrupted market leader for 12 consecutive years

International Position

Accounting for **91% of Turkey's tractor exports**, to more than 130 destinations

Sole design and main production center for New Holland TD and Case IH JX series tractors

Sole production center of Utility Light series tractors and transmissions

Sole engineering and production center for TD series transmissions

Main production center of S8000 series engines

Awards and Achievements

Achievements in Exports and Technology

Gold Medal in the "Export Achievement Award" and the "Technology Achievement Award" from the Automotive Manufacturers Association with 7 patent registrations

Successful Company of Ankara

Awards in the "Export, Corporate Tax and R&D / Patent" categories and "Honor Award" from the Ankara Chamber of Industry

Pioneer in Industry 4.0

"Industry 4.0 Award" in the automotive sector in the "Platin Global 100" index

High Employment

1st place in the "Workplaces employing more than 1,500 people" category in the "Golden Gloves Competition" held by the Metal Industrialists' Union of Turkey

Social Responsibility Awards

"International Corporate Social Responsibility Award" from Junior Chamber International (JCI) in recognition of the "Miracles of Sprouts" project

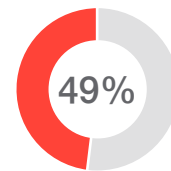
Environment Award

1st place in the "Large Scale Enterprises" category in the "Şahabettin Bilgisu Environment Awards" held by the Kocaeli Chamber of Industry.

Financial Indicators

(TL million)	2017	2018
Total Revenues	4,215	3,909
Operating Profit ¹	442	428
Profit Before Tax	351	256
Net Profit	321	240

Share of International Revenues



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



The first producer in the Turkish automotive industry which is still operational, TürkTraktör was established in 1954 and it has become one of Turkey's most important organizations with exports to more than 130 countries, mainly the Americas. TürkTraktör, which operates in line with its vision of driving modern agriculture, has an annual production capacity of 50 thousand tractors.

Leadership maintained in Turkey's tractor market for the 12th consecutive year.

TürkTraktör maintained its market leadership in Turkey, the 5th largest in the world in terms of the number of tractors sold. The Company has been the market leader in 20 of the last 32 years and completed its 12th consecutive year of market leadership. In the Turkish tractor market, production volumes declined by 34% in 2018 due to the challenging economic conditions and TürkTraktör met 72% of the total production, an increase of 5 pp with respect to the previous year. Despite the contraction in the domestic market, the Company managed to increase its exports by 21%, accounting for 91% of Turkey's total tractor exports in 2018.

Tractors with Tier-4-compliant engines developed by TürkTraktör started to be exported.

Electronically controlled tractor engines with Tier-4 emission standards, which has long been in development by engineers at the TürkTraktör R&D center, was manufactured by the Company for the first time in Turkey. The Company started exporting New Holland T4S and Case IH Farmall A model tractors which were produced with the first domestically produced Tier-4-compliant engines, to Europe and America in 2018.



Continuing its investments and R&D studies in line with changing customer needs and expectations, TürkTraktör opened a new R&D, design and innovation office in March 2018 in Istanbul in addition to the sector's first R&D center in Ankara.

Ongoing expansion in the product mix

TürkTraktör continued to expand its product mix in 2018 and introduced "The Leader's Most Compact Way" New Holland T450 S/B series with the 43 HP model, which offers high performance and fuel economy for field and garden agriculture, as well as "Local Giant" New Holland TR6 series with two models, offering 127 HP or 141 HP, which is known as the strongest local production tractor series. At the same time, the Case IH Puma X series was introduced with three models having 140 HP, 150 HP and 165 HP engines, after the existing Case IH Puma Tier-4B models were made more economical and equipped to overcome difficult conditions. TürkTraktör also launched 10 new items of agricultural equipment in national fairs with the "From tillage to harvest, all equipment is here!" slogan in order to meet the growing demand for agricultural equipment.

An increasing contribution to social responsibility

Increasing its contribution to social responsibility every year, TürkTraktör initiated work on the "Conscious Farmer, Safe Farming" social responsibility project to improve awareness to accidents caused by wrongful usage of tractors and agricultural equipment, a significant problem in Turkey which cannot be overlooked. Introduced with objective of increasing farmers' awareness under the motto of "Accidents Are Not Our Fate", the project aims to instill farmers and tractor users with an awareness of safe driving and to minimize workforce losses in the agricultural industry.

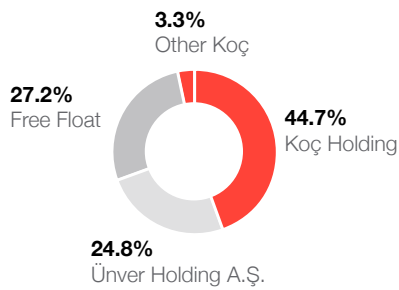
Forward-looking expectations

In addition to its efforts to improve the agriculture sector and maintain its sustainability, TürkTraktör also undertakes digital transformation projects to increase efficiency in production and provide added value not only to agriculture but also to the industrial sector.

Otokar

Otokar is Turkey's leading bus brand, exporting to more than 60 countries in 5 continents.

Ownership Structure



Domestic Position

1 out of every 3 buses sold has a Otokar brand in Otokar's existing bus market

International Position

Vehicle park of around **5,500** buses internationally

Largest single bus export contract signed by a Turkish bus brand

Largest single export contract in Turkish defense industry

Awards and Achievements

Largest Single Bus Export Contract

The largest single bus export contract for a Turkish bus brand, which includes the delivery of 400 buses to the Bucharest Municipality, along with after-sales service for a period of 8 years.

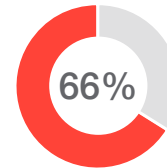
Successful Occupational Health and Safety Applications

"Gold Proposal Award" for Occupational Health and Safety Applications by the Turkish Employers Association of Metal Industries

Financial Indicators

(TL million)	2017	2018
Total Revenues	1,785	1,679
Operating Profit ¹	133	181
Profit Before Tax	91	121
Net Profit ²	99	164

Share of International Revenues



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

(2) Net profit attributable to the equity holders of the parent



Since its establishment in 1963, Otokar has been providing customized solutions for its customers with its own technology, design and applications. Producing buses for public transportation, semi-trailers and light trucks for the transportation and logistics sectors; and wheeled armored and tracked armored vehicles for the defense industry, Otokar operates with nearly 2,000 employees at its plant which covers an area of 552 thousand m² in Sakarya.

Defense Industry

Mass production of RABDAN armored vehicles started as part of an agreement to supply the United Arab Emirates Armed Forces with 8x8 series vehicles. This is the largest single export contract in the Turkish defense industry. Under this agreement, which amounts to USD 661 million, Otokar started to transfer technology abroad in addition to its armored vehicles.

In 2018, Otokar continued to deliver other armored vehicle orders that it received from Turkey and abroad.

Commercial Vehicles

In 2018, Otokar maintained its market leadership for the tenth consecutive year in the vehicle segments in which it operates. One in every three buses sold in Turkey carries the Otokar brand.

Otokar continued to strengthen its position in Europe, its target market, and signed the largest single bus export contract by a Turkish bus brand. Deliveries started in the final quarter of 2018 in line with the contract which includes the delivery of 400 buses and after-sales services for a period of 8 years to the Bucharest (Romanian) Municipality.

Otokar also signed a contract for a total of 135 vehicles with the Amman (Jordan) Municipality and received an order for 34 buses from the Warsaw (Poland) Municipality.



Digital transformation studies

As part of its digital transformation efforts, Otokar unveiled its “Smart Assistant” application for commercial vehicle users. “Digital Quality” and “Ability-Based Optimization” projects were completed and the first steps were taken on 4 new projects. Seminars and training program aimed at increasing awareness of digital transformation awareness continued throughout the year.

Otokar was involved in the Appstacale project, which aims to develop secure and open software by combining the vehicle data system with the cloud platform for use in automotive applications. The project is carried out in partnership between Germany, Finland, France and Turkey, where Otokar is working in coordination with KoçSistem and will be responsible for vehicle integration.

Forward-looking expectations

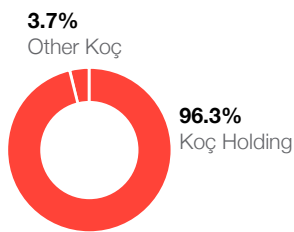
In 2019, Otokar aims to move forward to become a global company by focusing on export markets. The Company targets penetration into new markets and complete the delivery of bus orders received from European countries while maintaining its leadership in the Turkish bus market.

In addition to its product sales in the defense industry internationally, Otokar plans to evaluate opportunities for joint production with local partners in global markets through the transfer of technology.

Otokoç Otomotiv

Otokoç Otomotiv operates via 347 points in 9 countries.

Ownership Structure



Domestic Position

8% market share in total automotive market with over **48 thousand** new vehicles sales

Leader in second hand vehicle sales among corporate brands with nearly **24 thousand** units

International Position

Conducting operations in **8** countries

Awards and Achievements

Social Responsibility Award

Special award given to Avis Turkey in the “Reducing Inequalities” category at the 10th Corporate Social Responsibility Summit for the “Speak the Same Language” project, which was initiated together with the Association of Deaf Education

Mobile Application Awards

1st place in the IDC Retail Awards and IT Summit Awards given to the “Analytics Based on Forecasting for Car Rental” project

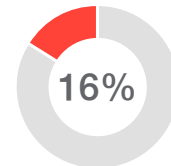
Sales Excellence Awards

Awards for several of its branches in the Ford Presidential and Sales Excellence Awards and the Volvo Retail Sales Awards.

Financial Indicators

(TL million)	2017	2018
Total Revenues	6,346	7,546
Operating Profit ¹	456	869
Profit Before Tax	176	506
Net Profit ²	126	348

Share of International Revenues



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

(2) Net profit attributable to the equity holders of the parent



Established in 1928 as Koç Holding's first automotive sector investment, Otokoç Otomotiv is Turkey's leading automotive retailer, car rental and car sharing company. Otokoç Otomotiv provides the whole range of solutions regarding automotive retailing under one roof. The Company operates with the Otokoç, Birmot, Otokoç 2.El and Otokoç Parça brands in automotive retailing; with the Avis, Avis Filo and Budget in car rental; with the Zipcar in car sharing, and with the Otokoç Sigorta in insurance services. Conducting operations in Greece, Kazakhstan, Azerbaijan, Northern Iraq, Hungary, Georgia, Northern Cyprus and Ukraine internationally, Otokoç Otomotiv operates in a total of 347 points in 9 countries including Turkey.

More than 72 thousand vehicles sold in 2018

Otokoç Otomotiv commanded a market share of 31% from Ford sales, 26% from Ford Trucks sales, 34% from Fiat sales, 42% from Alfa Romeo and Jeep sales, 38% from Volvo sales and 31% from Maserati sales in automotive retail during 2018. With over 48 thousand new vehicles sales, the Company had a share of 8% in total automotive market. In second hand vehicle sales, Otokoç maintained its leadership among the corporate brands with nearly 24 thousand units.

In 2018, the Company achieved an annual revenue growth of 42% at Avis and 59% at Budget in short-term car rentals. In operational leasing, the Company's annual revenue growth was 44%.

90th anniversary in light of a new vision

Having celebrated its 90th anniversary in 2018, Otokoç Otomotiv took important steps with its vision of "Being



an innovative and global roadmate offering transportation solutions". The Company continuously develops digital transformation and innovation management projects. The Company initiated the "Additional Time" application in car rental services and the "Winter Tire Rental" service with the Lastick brand. Otokoç also initiated the "Digital Franchising" project which offers opportunities for inventory management and expansion for the Company while helping its customers to create e-commerce websites. In addition, Otokoç carried out restructuring activities of its second hand operations with B2B and B2C sales through digital channels, and launched its online sales platform, "otokocikinciel.com".

Greece: Largest international investment to date

In 2018, Otokoç Otomotiv increased the number of foreign countries which it operates in to 8, with the addition of Greece. Olympic Commercial Touristic Enterprises, a licensee of the Avis, Budget and Payless brands in Greece

with an asset size of EUR 455 million, was acquired in partnership with the Avis Budget Group (ABG) and Otokoç Otomotiv became ABG's largest investment partner.

Thanks to support of the international investments, the international EBITDA of the Company reached a share of 36% in the total.

Forward-looking expectations

With the aim of becoming a global company, Otokoç Otomotiv plans to expand its service network through new investments and geographies. The Company focuses to increase its market share in automotive retailing while in short-term rental, it aims to grow above sector and reinforce Avis' leading position and Budget's 2nd position. Otokoç also examines opportunities for automotive retail abroad, in addition to car rental.

Consumer Durables

We strengthen our global presence by providing the unique combination of technology and design.



Consumer Durables

Developments in the consumer durables sector

The global white goods market is estimated to have grown by 1.5% to 535 million units in 2018 and by 8% to USD 213 billion revenues. The television market is expected to have grown by 2.7% to 240 million units in the same period with revenues of USD 113 billion.

In Europe, Turkey's main export market, the white goods market grew approximately 1% annually. The Western European market suffered a decline of approximately 1% due to contraction in UK, Germany, France and Italy. The UK market contracted by around 3% on the back of ongoing uncertainty over Brexit, while Germany, the largest market in the region, experienced a contraction of more than 2%.

In contrast with the Western Europe, the Eastern European market performed strongly in 2018, achieving almost 8% growth. Russia, the largest market in the region, attained 10% growth, while Poland, the second largest market, grew by more than 4%. Romania's white goods market expanded by about 2% and the growth in Ukraine reached 13%.

The South African white goods market also grew by about 5% despite slowdown in the second half of the year.



Turkey maintained its position as Europe's largest white goods manufacturing center.

In 2018, domestic sales stood at 7.1 million units in the Turkish white goods market, implying an annual decline of 17%. The contraction in the market was a result of exchange rate volatility especially in the third quarter of the year, rising inflation as well as high base impact the special consumption tax (SCT) incentive that was implemented in 2017. In order to support the sector, the government brought back the SCT incentive on 31 October 2018, which slowed down the pace of contraction in the sector in the last two months of the year.

In Turkey, Europe's largest manufacturing base, the contraction in white goods sector was offset by strong export performance. Thanks to 7% growth in export volumes, total production remained stable compared to the previous year at 28.5 million units.

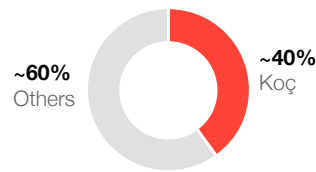
According to the retail panel data, the TV market and the air conditioning market contracted by 10% and 14%, respectively in unit terms.

The Koç Group in the Consumer Durables Sector

White Goods Sales



White Goods Exports



Air Conditioner Sales



The Koç Group is leader of the Turkish white goods sector with around 50% market share.

Companies and Domestic Positions

Arçelik

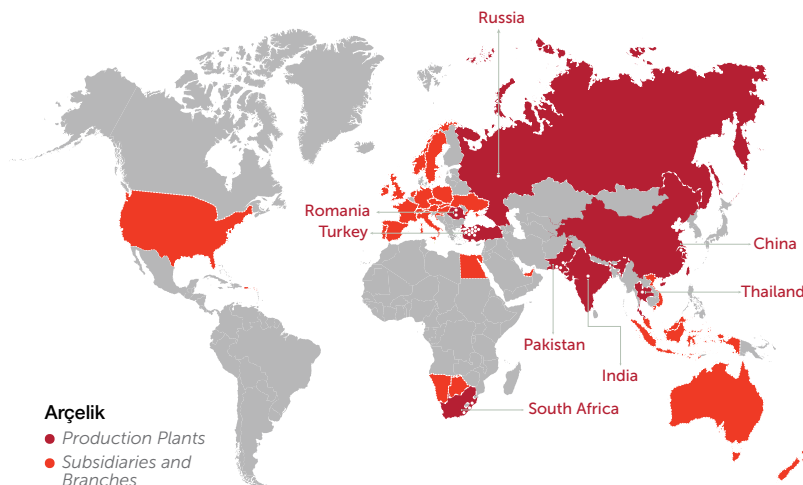
- #1 in White goods - ~50%
- #2 in TVs - ~25%
- # 1 in Air conditioning - ~51%

Bilkom

Distribution of information and communication technologies to more than 5 thousand sales points

Competitive Advantages

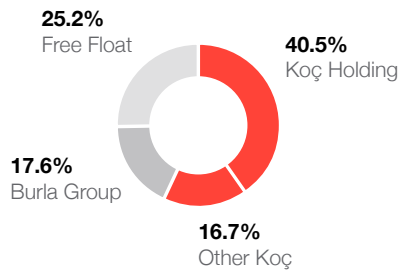
- Low-cost production centers: Turkey, Romania, Russia, China, South Africa, Thailand, Pakistan and ongoing construction in India
- Turkey's most extensive sales and after-sales service network supported by strong brand value
- Europe's largest white goods manufacturing facility under one roof, with extensive economies of scale
- Leading positions in the countries in which it operates; Europe's 2nd largest white goods company (Beko: Leading brand in free-standing major appliance market in Europe)
- Exporting to 146 countries with its sales and marketing organization in 30 countries



Arçelik

Arçelik offers its products and services in 146 countries via 21 production facilities in 8 countries and 34 sales and marketing organizations in 30 countries.

Ownership Structure



Domestic Position

Leader in white goods with market share of **~50%**
2nd largest player in TV's with a market share of **~25%**

International Position

Market leader with the Arctic brand in Romania, Defy in South Africa and Dawlance in Pakistan

Beko - Global brand:

2nd biggest player in the European white goods market and **leader** in the solo white goods market

1st in the UK white goods market

1st in the Polish white goods market

1st in the solo white goods market in France

Awards and Achievements

Strong Brands

Arçelik A.Ş.: Ranked 2nd in the survey of "Turkey's Most Admired Companies" conducted by the Capital Magazine

Arçelik: "Turkey's Most Popular Brand" for the 11th time in Turkey's Lovemarks survey

Beko: One of the fastest growing brands in Europe's built-in segment

Turkey's R&D Leader

Ranked 71st in "Top Global Patent Filers" list published by the World Intellectual Property Organization (WIPO)

Sustainability Leader

The only Turkish industrial company to enter the Dow Jones Sustainability Index for two consecutive years

AAA, highest grade, in the MSCI Sustainability Index for the 4th time (since 2015)

Inclusion in the FTSE4Good Emerging Markets Index for the 3rd time (since 2016)

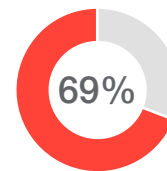
Included in the BIST Sustainability Index for the 5th time

The first company in its sector to receive 1st prize in the European Business Awards for the Environment (EBAE) in the "Management" category by the European Commission

Financial Indicators

(TL million)	2017	2018
Total Revenues	20,841	26,904
Operating Profit ¹	1,405	2,100
Profit Before Tax	821	949
Net Profit ²	843	852

Share of International Revenues



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

(2) Net profit attributable to the equity holders of the parent



Arçelik A.Ş., carrying out production, marketing, sales and after sales customer service activities in white goods, consumer electronics, small home appliances and kitchen accessories, is the sector leader in Turkey and 3rd largest in Europe. Transferring its domestic leadership position via its distinctive products and technologies to a global level, Arçelik offers its products and services in 146 countries via 21 production facilities in 8 countries and 34 sales and marketing organizations in 30 countries.

Arçelik continues its steady growth in the domestic and international markets.

Arçelik, the 3rd largest white goods company by sales volume in Europe and market leader in Turkey, also maintained its leadership position with the Arctic brand in Romania, Defy in South Africa and Dawlance in Pakistan. Beko, the global brand and leader in the European solo white goods market, maintained its leading position in the UK and Poland.

Grundig, on the other hand, increased its white goods sales by nearly 80%.

Arçelik develops value added products for its customers utilizing its R&D and innovation capabilities.

Arçelik continues to develop value-added products for its customers through its 19 R&D and Design Centers in six countries, more than 1,500 R&D staff and above 2,800 inventions.

In order to support entrepreneurs and open its doors to new technologies, Arçelik became an implementing institution of "BIGG" with TÜBİTAK (Scientific and Technological Research Council of Turkey) 1601 support and introduced a hardware-driven acceleration project. Accordingly, entrepreneurs receive mentoring for creating their prototypes within the Arçelik Garage infrastructure.

Workshop 4.0 continues to increase its competencies in the field of Industry 4.0 with applications developed in flexible production systems design, process



modeling and optimization, intelligent automation systems and data-based decision systems.

Arçelik carries out new investments and transformation projects.

Having acquired Dawlance, Pakistan's leading white goods brand, in 2016 with the aim of building a strong presence in the Asia Pacific region, the Company maintained its leading position in 2018 while increasing its investments in facilities and enriching its product portfolio.

The number of sales and marketing offices worldwide has reached 34 with the establishment of the Beko Gulf FZE sales company in the United Arab Emirates.

In line with Arçelik's international growth strategy, the Company signed a joint venture agreement with Voltas, subsidiary of the Tata Group, in 2017 to set up a production and sales company in India. Accordingly, Voltbek Home Appliances Private Limited Company was established. In 2018, "Voltas Beko" branded products were introduced to consumers and the foundation for the refrigerator production plant was laid in the Gujarat province of India. The plant is expected to be operational in 2019.

Arçelik established two new companies in 2018 with the objective of creating new and sustainable revenue streams. Accordingly, Arçelik's operations continue under WAT

Motor Sanayi in the field of industrial engines, and under Token Finansal Teknolojiler in financial technology and payment systems.

Construction of the Romanian Arctic 4.0 Washing Machine Plant continued in 2018, which is planned to be the first model production facility to meet Industry 4.0 standards. The facility is expected to start serial production in early 2019.

In 2018, the Company moved its electronic factory to Çerkezköy to produce the TVs of the future through digital and robotic technologies.

Forward-looking expectations

In 2019, Arçelik aims to strengthen its activities in its mainstream markets by focusing on built-in and premium segments as well as small appliances. The Company will also focus on taking advantage of organic and inorganic growth opportunities in new markets and expand its product portfolio with smart, connected solutions and high quality products. At the same time, it plans to take its global organizations to higher levels through new investment opportunities and digital transformation projects.



The largest manufacturer of air conditioning units in Turkey and Europe

Arçelik-LG is the largest manufacturer of air conditioning units in the Middle East and Europe.

Arçelik-LG, which started its operations with a production capacity of 300 thousand units in 2000, today has an annual production capacity of 1.5 million units and an average of 821 employees. Arçelik-LG is the largest manufacturer of air conditioners in the Middle East and Europe.

The Company maintains its leadership in Turkey with around 51% market share thanks to its innovative approach, strong technological infrastructure as well as wide distribution and service network. Approximately 30% of air conditioners produced by Arçelik-LG are exported to a number of countries, primarily Europe and Africa.



Wide array of innovations in 2018

In the high added value VRF (Variable Refrigerant Flow) product market, which has a market size of USD 250 million in Turkey and had been fully dependent on imports, the first domestic production of low-medium capacity VRF outdoor units and low capacity cassette type indoor units were carried out.

Studies for the transition to more environmentally friendly R32 refrigerant gas in all home type split air conditioning products, ranging from 9,000 to 18,000 BTU/h capacity were completed and air conditioning units using R32 refrigerant gas were also produced for the first time in Turkey. The Company introduced these products, whose usage is becoming more widespread in Europe, to the domestic and European markets in the first half of 2018.

Designed and offered to the market in 2017 for remote access and remote control of air conditioning units over smartphones, the integration of network connected air conditioning units to the HomeWhiz system was initiated in cooperation with Arçelik A.Ş.

Forward-looking expectations

Offering high quality and energy efficient products to its consumers, Arçelik-LG aims to keep its leading position in the domestic market via strengthening its competitiveness while increasing its exports. On the other hand, the Company plans to increase its market share in the commercial air conditioning segment by expanding its product mix, and continue its investments and design work to maintain its leading position.





Bilkom steadily strengthens its position in the information and communication technologies distribution market.

Bringing the world's leading technology brands to consumers for more than 30 years, Bilkom continues to strengthen its position via new brands, competitive prices and its service diversity.

In 2018, the Company included DJI, the world's leading producer of drones, to its top-tier portfolio including Apple, Asus, Huawei, Alcatel and Warner Bros brands.

Digital transformation projects focusing on growth, efficiency and cultural change

The increase in efficiency through digitalization in the changing competitive landscape plays a key role in the development of Bilkom's "value-added distributorship" model. Studies undertaken since 2010 with the motto of "Turkey's Digital Life Coach" were integrated into the Koç Group's "Digital Transformation Program" as Bilkom made digitalization part of its business culture.



Growth rate in excess of the sector

Achieving growth rates far in excess of the sector since 2011 in line with its sustainable growth strategy, Bilkom's sales revenues reached TL 2.3 billion in 2018. The Company climbed to 168th place in the Capital 500 list after growing with an average annual rate of more than 45% in TL terms between 2013 and 2018 compared to its ranking of 474th in 2013. In the Fortune Turkey 500 on the other hand, Bilkom ranked in 138th whereas it was not even included in 2013.

Bilkom increased the number of sales points through which it provides daily distribution services in the retail sector to more than 5,000.

iVisit Anatolia Project

Bilkom's digital transformation focused work model is also reflected in the field of social responsibility as the Company's "History is Revived in Three Dimensions - iVisit Anatolia" project continues to move forward in its second phase, incorporating the walls of Edirne.

Forward-looking expectations

In parallel with its value-added and focused distributorship strategy, Bilkom aims to expand its digital and mobile focused product portfolio with leading brands. The Company will continue to increase its operational efficiency and market share with the support of digital transformation projects.



Finance

We offer the most creative solutions to our customers on every platform with our investments in digital transformation and widespread branch network.



Finance

Developments in the banking sector

2018 was a challenging year for Turkey. The uncertainty caused by volatility in exchange and interest rates in August and September gave way to re-balancing in the last months of the year with implementation of effective policies incorporating support from government and regulatory authorities.

The volatility in the economy required the banking sector to take a number of steps to safeguard liquidity, capital adequacy and asset quality and to follow developments in these areas more closely. In this period, supported also by actions taken by the authorities, the banking sector remained resilient thanks to its robust liquidity position, strong capital structure as well as balanced and healthy growth policies.

Total loans grew by 14% to TL 2,311 billion, impacted also by the rising currency while the total deposit base rose by 19% to TL 2,021 billion.



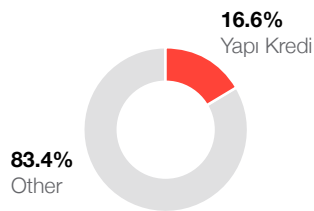
As a result of the slowdown in economic activity and volatility in financial markets, asset quality in the sector deteriorated slightly and the NPL ratio was 3.7% by the end of the year.

In 2018, net profit of the sector increased by 8.2% to TL 51.4 billion and return on equity stood at 13.7%. On the capital front, the sector's capital adequacy ratio was realized at 16.9%.

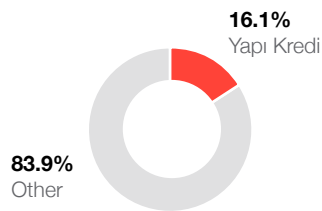
The Koç Group in the Banking Sector

Yapı Kredi Bank Shares (among private banks)

Cash Loans



Deposits



In 2018, Yapı Kredi increased its market share to 16.6% in cash loans and 16.1% in deposits among private banks.

Companies and Domestic Positions

Yapı Kredi

#3 among private banks by asset size

Yapı Kredi Bank's Subsidiaries

- Yapı Kredi Leasing #1 - 20.7%
- Yapı Kredi Invest #1 - 11.1%
- Yapı Kredi Asset Management #2 - 16.6%
- International operations:
Yapı Kredi Nederland, Yapı Kredi Azerbaijan, Yapı Kredi Malta

Koçfinans

Financial solutions for wide range of sectors, primarily automotive

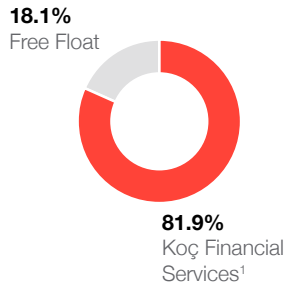
Competitive Advantages

- Experience dating back 75 years
- Innovative service and branch network
- Pioneer in digital solutions
- Customer focused growth strategy
- Strong and diversified funding base
- Meeting all of the financial needs of its customers under one roof



Yapı Kredi continued to contribute to the country's economy in 2018 while performing one of the largest capital increase in Turkey over the last 10 years through a rights issue.

Ownership Structure



Domestic Position²

#3 among private banks with **16.1%** market share in total assets
#2 in the sector with **17.1%** market share in total cash and non-cash loans
#3 in the sector with **16.6%** market share in total cash loans
#3 in the sector with **16.1%** market share in total deposits
Historic leader in credit cards

Subsidiaries

Yapı Kredi Financial Leasing
Sector leader - 20.7%
Yapı Kredi Invest
Sector leader - 11.1%
Yapı Kredi Asset Management
2nd in the sector - 16.6%
Yapı Kredi Bank Nederland
Yapı Kredi Bank Azerbaijan
Yapı Kredi Bank Malta
Yapı Kredi Koray Real Estate Investment Trust

Awards and Achievements

The World's Best Integrated Corporate Banking Site

Winner of "The World's Best Integrated Corporate Banking Site" award from Global Finance

Best Cash Management Bank

"Best Cash Management Bank in Turkey" award from Euromoney

Grand Stevie Award

"Grand Stevie" award for outstanding success in digital banking in the Stevie awards

Best Trade Finance Provider in Turkey

"Best Trade Finance Provider" in Turkey by Euromoney

Number One Credit Card Brand

Worldcard was ranked as the number one credit card brand in Turkey and Continental Europe in The Nilson Report's "World's Largest Credit Card Portfolios" list

Financial Indicators

BRSA Consolidated	2017	2018
Total Assets (TL billion)	320	373
Total Cash Loans (TL billion)	200	221
Net Profit (TL million)	3,614	4,668
Return on Average Tangible Equity	13.6%	14.2%
Cost / Income	42%	33%

(1) Koç Financial Services is 50-50% joint venture between the Koç Group and UniCredit.

(2) Market shares and positions among private banks



Having completed its 74th year of operation in 2018, Yapı Kredi is a leading financial group together with its domestic and international subsidiaries. It carries out its activities under categories including retail banking (consumer banking, private banking and asset management, SME banking and card payment systems) and corporate banking and commercial banking. The Bank's operations are supported by its domestic subsidiaries consisting of portfolio management, brokerage, leasing and factoring as well as international banking subsidiaries in the Netherlands, Azerbaijan and Malta.

Yapı Kredi serves its customers via 860 branches, more than 18 thousand young and dynamic employees, 4,330 ATMs, continuously renewed digital banking platforms and three call centers.

Yapı Kredi continues to support the country's economy thanks to its strong balance sheet structure and liquidity position.

Yapı Kredi started 2018 with a strong and ambitious road map. The Bank completed one of the largest capital increases in Turkey over the last ten years by increasing its share capital by TL 4.1 billion through a rights issue in June 2018.

The Bank continued to contribute to the country's economy in 2018, a time of rapid changes in macroeconomic dynamics. Cash and non-cash loans increased by 10% annually to TL 306.3 billion. Meanwhile, cash loans rose by 10% to TL 220.5 billion and Banks's market share among private banks increased by 67 bps (basis points) to 16.6%. The Bank's deposit volume expanded by 21% to TL 210 billion, while its market share among private banks increased by 45 bps to 16.1%. In 2018, a total of TL 8.5 billion loans were granted under the Credit Guarantee Fund (CGF) scheme and the Bank's share stood at 12%. Accordingly, its share in the cumulative volume of CGF loans in the sector increased to 7.3%. In addition, the Bank played a leading role in issuing credit under the "Room to Breathe" program.



The Bank continued to diversify its funding sources and secured USD 3.7 billion through instruments such as syndications, securitizations and bond issuances. Despite the volatility in the second half of the year, Yapı Kredi signed a syndicated loan agreement worth USD 1.1 billion with the participation of 27 institutions from 13 countries. This funding confirmed the financial strength and strong reputation of both the Turkish banking sector and Yapı Kredi.

During this period, Yapı Kredi maintained its 30-year leadership in the credit card market in terms of the outstanding volume and number of credit cards, with its Worldcard. The Bank reached market share of 20.5% with credit card outstanding volume of TL 27.9 billion and market share of 17.8% with 11.8 million cards.

Yapı Kredi focused on strengthening its revenue generation and increased its gross operating profit by 73% annually. Maintaining its disciplined approach, the Bank managed to keep its cost growth below inflation. The cost/income ratio decreased to 33%, marking an improvement of 9 points.

The Bank's return on average tangible equity stood at 14.2%, while its capital adequacy ratio improved by 144 basis points annually to 14.8%.

Yapı Kredi continues its investments and innovations in digital transformation.

Yapı Kredi continued its investments in digital, and especially mobile, channels. Thanks to its innovative solutions and high customer

satisfaction, the number of mobile banking customers increased by 31% annually to 4.8 million and number of digital banking customers rose by 26% to 5.4 million.

The Bank, which aims to bring new technologies to its customers, has introduced "Video Processing Assistants" through Yapı Kredi Mobil so that one could become a Bank customer without visiting a branch. For the first time in Turkey, banking services have also been provided over a WhatsApp approved corporate account. Yapı Kredi, which implemented NFC technology for mobile banking logins for the first time in Turkey, also introduced withdrawals/deposits/payments via QR code as well as speed and convenience via its Cebe Havale application.

Yapı Kredi, which aims to renew the digital application of card payment systems, is preparing to re-offer the Yapı Kredi Wallet application to its customers with the "World Mobil" brand. With new features, World Mobile will offer customers a world of improved opportunities in a personalized way.

Forward-looking expectations

In 2019, Yapı Kredi's 75th anniversary, the Bank aims to further solidify its capital base while maintaining its sector position and strong liquidity. In the medium term, it targets to be best in its class in value creation with the support of its strong balance sheet and customer-oriented service model driven by the most up-to-date technologies and quality workforce.

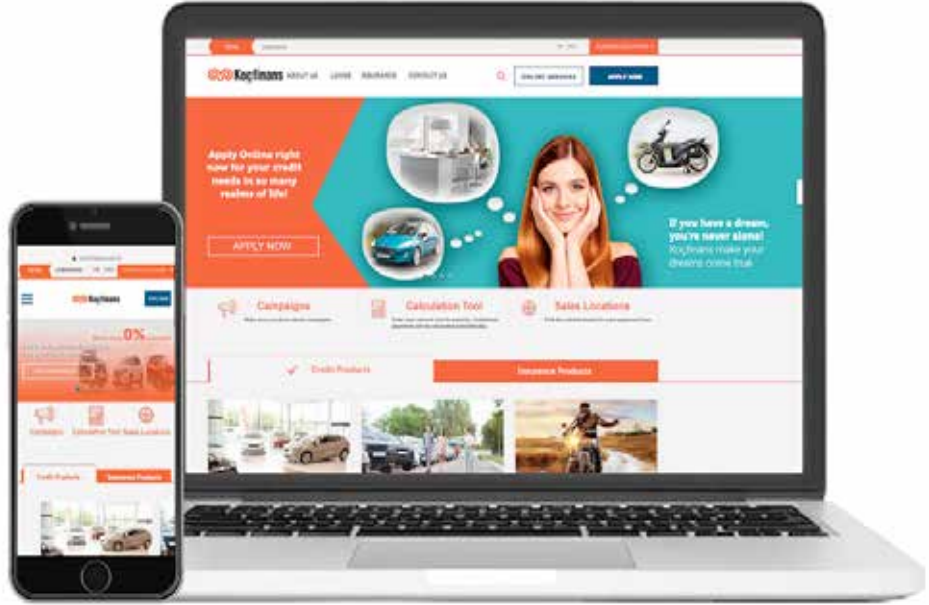


In 2018, Koçfinans added a business model that focuses directly on the consumer to the list of financial services it provides through its business partners.

Koçfinans provides retail and corporate credit solutions to its customers in many areas of life, from automotive, white goods and home electronics to education.

In 2018, in order to expand its product and customer range, Koçfinans added a new business model that focuses directly on the consumer to the list of financial services it provides through its business partners. The Company receives 18% of its loan applications from online channels via its digital application platform. Koçfinans also extended its portfolio diversification strategy into its business model.

In order to digitize its processes and to provide new channels to its customers, Koçfinans started to use digital contracts for all white good and electronics loans and 63% of its contact with credit customers were carried out through the Digital Branch in 2018.



Believing in the importance of technological initiatives and establishing an ecosystem around these initiatives, the Company held meetings with more than 100 start-up and fintech companies in 2018 and was awarded a grant in the Big Bang Entrepreneurship Contest as one of ITU Çekirdek's stakeholders.

In 2018, the Company strengthened its liquidity position by focusing more on financial risk management given volatility in markets.

In 2018, Koçfinans reached a loan portfolio of TL 3.1 billion with 121 thousand customers and TL 4 billion of assets.

Koçfinans' short-term national credit rating (TR) stands at A1+ with a long-term national credit rating (TR) of AA (-).

Forward-looking expectations

Koçfinans aims to continue to exchange information with fintechs in order to create a solid foundation in the entrepreneurship ecosystem in 2019 and maintain cooperations that offer mutual benefits. In addition, the Company, which focuses on digitization in all of its processes and business models, will continue to work to ensure that retail credit contracts are 100% digital.

Koçfinans will continue to invest in technology to create payment alternatives for shopping platforms and high frequency mobile transactions by providing integration to e-commerce sites in 2019.

The Company also targets to expand its customer database and establish a robust communication model based on customer analytics by focusing on the end-to-end customer experience in product management.





Other Lines of Business

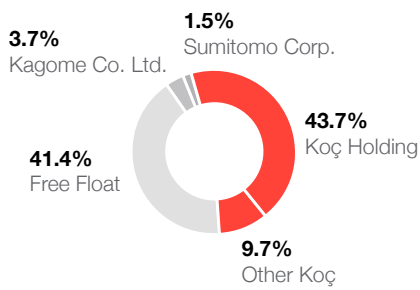
We serve our customers with high quality products, exceptional services and reliable brands.





Tat Gıda is one of the leading food companies in Turkey with its world-class production standards.

Ownership Structure



Domestic Position

Leader in tomato products with **70%** revenue share

Leader in tomato paste with **34%** revenue share

Leader in ketchup with **18%** revenue share

Leader in pasteurized milk with **25%** revenue share

International Position

Exports of branded products to **33 countries**

Awards and Achievements

Turkey's Most Admired Company

Ranked 1st in "Turkey's Most Admired Companies" survey of the milk and milk products sector carried out by Capital magazine

Silver Award in Information Technology

Tat Gıda and Düzey received the Silver Award in "SAP Quality Awards" S/4HANA Business Transformation Category for their work in the field of IT

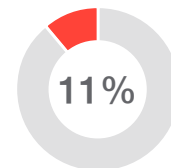
Women Empowered Boards Award

Tat Gıda chosen as "Star Market" company, ranking top in the "Women Empowered Board of Directors Index" according to the "Independent Women Directors" project

Financial Indicators

(TL million)	2017	2018
Total Revenues	1,074	1,155
Operating Profit ¹	52	37
Profit Before Tax	65	41
Net Profit	61	39

Share of International Revenues



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



The foundations of Tat Gıda were laid by Vehbi Koç in 1967 with the establishment of the Tat canning factory. Expanding its product range over the years, Tat Gıda is currently one of Turkey's largest food companies producing tomato paste and canned food under the "Tat" brand, milk and dairy products under the "SEK" brand and pasta and wheat products under the "Pastavilla" and "Kartal" brands.

Highest quality and hygiene standards in production

Behind Tat Gıda's strong position lies its world-class production infrastructure, long lasting trust based on farmer-producer cooperation and innovative consumer centric corporate culture.

The Company put special emphasis on digitalization, efficiency and farmer communication in 2018. The "From Seed to the Future" conference was held in the R&D center, established in Bursa in 2018, where national and international experts discussed the future of food. A "Digital Agricultural Field" was created and studies were carried out with digital agricultural technologies to promote more efficient and high quality tomato production.

SEK operates with the mission of being an "opinion leader" in milk and dairy products.

In 2018, SEK continued its innovative product launches for healthy living and added Protein Milk and SEK Quark Musli Bar, a healthy and tasty snack, to its healthy product portfolio including Quark.

SEK expanded its Çiftlik product portfolio in 2018 by offering whole milk Çiftlik UHT and SEK Çiftlik Yogurt to consumers.



SEK supports both the physical and social development of children with the motto "SEK raises future generations with goodness". The Company was once again the "Sponsor that feeds with goodness" of the Euroleague Basketball championship, Europe's most prestigious basketball organization and organized "SEK Children's Ceremonies" within this scope.

Pastavilla continues to introduce a wide range of products.

Pastavilla, one of the leading brands in the premium pasta category, launched the Pastavilla Gold Series in 2018, which was produced using 100% semolina from 100% natural durum wheat.

Forward-looking expectations

Tat Gıda is progressing by rapidly and effectively adapting to the changing operating environment and leading this change. The Company will sustain its efforts to strengthen its position in Turkey and in selected international markets as well as to increase its sales volume and the value it creates.

Düzey

Founded in 1975, Düzey Pazarlama is a leading sales and distribution company specializing in fast moving consumer goods. Düzey successfully sells and distributes not only leading brands of Tat Gıda but also other major brands such as Ferrero, Dardanel, Maret, Pringles and Züber in Turkey.

Düzey Pazarlama has 6 regional warehouses for its own operations and distribution activities. It also has a wide distribution network, which reaches more than 80 thousand sales points throughout Turkey via 58 distributors.

Forward-looking expectations

In 2019 and beyond, Düzey Pazarlama aims to serve its customers in line with market dynamics with a focus on digital transformation and technology, establish new business partnerships with leading domestic and international brands and sustain its growth momentum.



Koçtaş maintained its leadership position in the Do It Yourself retail sector in 2018.

Operating in the Do It Yourself (DIY) retail sector, Koçtaş meets all of the needs of customers striving for a more beautiful home by offering solutions under one roof through its 59 stores, consisting of 40 Koçtaş and 19 Koçtaş Fix stores in Turkey's 19 provinces, as well as digital channels. Operating with the aim of providing the best service to more than 10 million visitors via its sales area of ~230 thousand m², the Company maintained its leadership position in 2018 through its pioneering investments in the DIY retail sector.

Through its new "Beautiful Idea" motto, Koçtaş invited customers to renew their homes with appropriate budgets. The Company has also enriched inspirational ideas offered by its "Living Homes" decoration magazines with a new blog page called "Living Homes".

Koçtaş evaluates its customers' information with the "Koçtaş Card" in order to provide them with a better service, and has obtained 80% of its revenues from customers with the "Koçtaş Card". The "My Customer First" platform was also established by taking onboard feedback from customers at all stages, from purchases through all channels



to the return and assembly process to generate meaningful insights.

Koçtaş initiated the Koçtaş Campus to raise expert retailers with the aim of strengthening its leadership position by investing in human resources. The Campus is intended to serve as an important development and experience point for employees and handymen as well as Koçtaş customers. The R&D center, which was opened at the Koçtaş Campus, received an "Onsite R&D License" for the first time in the DIY retail sector and generates projects that will accelerate the digital transformation process.

In 2018, the Company renewed its "Ustabilir" mobile application which creates a bridge between handymen and people who need a reliable handyman for home renovation.

Forward-looking expectations

Koçtaş has focused on building a multi-channel infrastructure that will bring large stores, Fix stores, express order screens and digital channels under one roof. Under the vision of the "Mahalleli Koçtaş", the Company opened 2 new stores in 2018 and reached a network of 19 stores in the

Koçtaş Fix format, which is positioned as the capillary of multiple channels and will continue to expand this format in coming years.

Major awards and achievements

- **Most Popular Brand**
Most popular brand in the "Home Improvement" category, which was included in the Lovemarks survey for the first time in 2018
- **Leader in Digital Transformation**
1st prize in the "Best Change Management of the Year" category at the IDC 2018 CIO Awards with its Digital Transformation project
- **Focus on Customer Experience**
1st prize in the IDC Retail Executive Awards 2018 with the "My Customer First" platform
- **Leading Abroad**
3rd prize from Cannes Lions for creative work and the 1st Turkish company to achieve a global success story in Facebook through its digital marketing work
- **Real-Time Marketing**
4 awards from the Crystal Apple, Felis and Retail Sun awards with the "Screw" project



Setur

Setur is one of the first and pioneering tourism companies in Turkey.

Established in 1965, Setur operates in the fields of domestic and international tour operations and hotel reservations, air ticket sales, visa services, cruise travel, congress and seminar events and international training. The Company offers services through 46 agents and 322 online agencies.

Tourism activities

In 2018,

- Setur Mobile application and Seturday.com, social platform for travelers, were set up.
- Setur Nişantaşı Branch was opened.
- Leadership position in the corporate market was sustained. The number of companies served increased to 2,732 and number of users reached 129,600.
- Number of domestically contracted hotels and cultural tours increased.
- Tours with SeturSelect brand offered in Turkey and abroad scaled up.
- More than 800 congresses and seminars were carried out successfully.



Duty-free stores

Duty-free sales carried out via 46 Setur duty-free stores at airports, land borders and seaports constitute a significant share in Setur's revenue.

In 2018,

- The duty-free store in the international arrivals section at Sabiha Gökçen Airport was renovated to offer a more modern shopping experience in a larger area.
- Bazaar and Boutique stores were opened at the International Arrivals floor in Sabiha Gökçen Airport. The product range was enriched with new brands in accordance with the customer experience.
- The "Warehouse Management System" project was implemented which aims to increase operational efficiency via fast and effective supply chain processes.
- Customer satisfaction was improved thanks to the "Shift Planning System", which ensures the number of store staff correspond with the changing customer traffic on an hourly basis.
- Employee motivation was increased with the "Premium System", which provides daily and individual targets over a smartphone.
- New stores were opened on the Hakkari-Esendere land border gates.

Forward-looking expectations

Prioritizing digital transformation in all processes and services, the Company opened an R&D center and aims to improve its efficiency and revenue growth through its R&D projects and investments.

In the field of tourism, Setur will focus on leadership in its existing operations with a rapid growth strategy. The IT infrastructure renovation project will be completed. New branches will be opened in order to acquire new customers.

In the duty-free business, Setur plans to raise its profitability with new brand agreements, store renovations and digital transformation projects.

Major awards and achievements

- 2nd place in the category of Tour Companies - Social Media Awards Turkey 2018
- Retail Technology Award from the Category Shopping Association
- "Corporate Transformation" category award at the IDC Retail Summit and Retail Technology Awards
- "Great Data and Analytics" and "Operational Excellence" category award at the IDC Technology Award
- 1st prize for Tourism Company Website of the Year - Uzakrota Travel Technologies Award 2018



SeturMarinas

Setur Marinas is one of the few marina chains in the Mediterranean basin and leader in Turkey with 22% market share.

Entering operations 40 years ago with the Çeşme Altinyunus Marina, today Setur Marinas is leader in the marina sector with 22% market share in Turkey.

One of the few business chains in the Mediterranean basin, Setur Marinas has a total berthing capacity for 5,458 yachts in 10 marinas, including 5,201 in Turkey and 257 abroad. Its marinas are located in Kalamış & Fenerbahçe, Yalova, Ayvalık, Çeşme, Kuşadası, Marmaris, Kaş, Antalya, Finike and Lesvos.

Reflecting the advantages derived from being a marina chain to its customers, Setur Marinas secured enhanced customer loyalty through the chain marina campaigns launched by early 2018.



Apart from offering the usual marina services, Setur Marinas' experienced staff assists sailors in many areas such as hotel and airline reservations, trips to nearby places, car rentals, entry-exit formalities and yacht insurance. Social areas such as shopping centers, supermarkets and restaurants located in the majority of the marinas offer visitors a pleasurable experience.

Setur Marinas brought multi-purpose emergency response vessels into service in 2017 for the first time in Turkey to meet the emergency needs of boats within and near the facility. The vessels, which were put into service as soon as the Antalya and Marmaris Netsel marinas were opened, can provide a wide range of services from fire response, patient evacuation and towage to rapid pumping of water.

The most important mission of Setur Marinas, whose innovative approach is closely monitored by other marina operators, is to promote, popularize and spread seamanship, marine tourism, sailing and other marine sports. To this end, Setur Marinas hosts a sailing club and a number of yacht races and events, including the Aegean Yacht Rally that covers the mainland and islands of Greece.

Forward-looking expectations

In the upcoming period, Setur Marinas aims to maintain its leading position in Turkey by growing its market share while becoming an international brand by increasing the number of marinas it operates outside of Turkey. For this purpose, it closely follows opportunities both domestically and internationally.



divan

Divan Group offers services on a broad spectrum ranging from accommodation to food and beverage, from catering to production of bakery products.

Divan Group operates both in Turkey and abroad via 17 hotels, 3 residences, 21 patisseries one of which is international, 63 bakeries, 13 restaurants, 3 stadium operations as well as 2 banquet units and a factory in Taşdelen manufacturing chocolate, Turkish delight and bakery products.

In the hotel sector, Divan Group focuses mainly on city hotels and operates with its flagship brand "Divan" as well as "Divan Suites", "Divan City" and "Divan Express" brands. In residence management, the Company operates with "Divan Residence" and "Managed by Divan" brands.

In the food and beverage sector, Divan operates the "Divan Brasserie", "Divan Pub", "Divan Cafeteria", "Divan Patisserie" and "In-Bakery by Divan" brands.



2018 developments

In April 2018, Divan Patisserie successfully launched its e-commerce platform to enhance its penetration in Turkey and introduce more customers to Divan's unique flavors and quality.

"In-Bakery by Divan" units were opened in the Istanbul Oasis Shopping Center, Istanbul Anatolium Shopping Center and Istanbul Çamlica Business Center. In addition, 16 cafes and bakeries were opened in Opet Ultramarkets.

Forward-looking expectations

In 2019, Divan Group plans to launch:

- Divan Diyarbakır hotel with 153 rooms,
- Divan City Kayseri hotel with 121 rooms,
- Divan Brasserie Akasya Shopping Center,
- Divan Patisserie Vadistanbul Shopping Center,
- 40 Opet Ultramarket In-Bakery by Divan,
- Divan Kuruçeşme facilities.

Following these openings, the total number of Divan Group hotels will reach 19, restaurants 14, patisseries 27 and bakeries 103.





Zer continues to grow by offering its purchasing expertise accumulated over more than 15 years.

Zer continues to grow by offering its purchasing expertise accumulated over more than 15 years to the Koç Group and its customers outside the Koç Group. The Company's growth is driven by the value add and efficient procurement/supply processes provided to customers.

Zer's core activities are grouped under two headings: "Procurement Business Process Outsourcing (BPO)" and "Procurement Technologies". When offering these services, Zer provides services rendered by its peers operating in the global arena with local suppliers resources and works to maximize benefits provided to its customers.

Procurement Business Process Outsourcing (BPO)

Basically, after completing the spend analysis of the customer, planning is carried out on the basis of the procurement category. Customers are able to transfer the entire procurement process to Zer or may choose to receive partial service.

- Strategic and Operational Procurement (Source to Pay)
- Strategic Procurement (Source to Procure)
- Operational Procurement (Procure to Pay)

Procurement Technologies

The renewal of the end-to-end purchasing platform developed under the Promena brand has been completed to a substantial extent. Promena software is being used in the purchasing processes of many companies. With the transition to cloud-based software, services have become available from all over the world.

2018 has been an important year with many initiatives aimed at Zer's thriving. Two of these initiatives come to the fore within the others, as they are unprecedented.

1. Zer's Digital Marketing Department has paved distance towards becoming a digital agency possessing 360 degrees competence with the services it offers. Hence, the business unit was separated from Zer, and began operating under the name "Ingage" as a partnership with WPP, one of the world's largest media agencies. Backed by WPP's global know-how, Ingage moves forward to achieve growth first in Turkey and subsequently in the international arena as a digital media agency providing a one-stop shop for all services involved in the digital customer journey.
2. 2018 marked the greatest progress Zer achieved in its sales to its customers outside of the Koç Group. The Company offered services to more than 500 corporate customers in total. Zer also carried out a sales reorganization aimed at bringing its revenues derived on non-Group sales to 30% of the Company's total revenues. Achievements were secured particularly in specific categories (i.e. packaging materials, scrap sales, industrial catalogues, marine logistics, etc).

In addition to the activities mentioned above, digital transformation and innovation projects for upgrading Zer's capabilities continued in 2018.

Digital Transformation

Use of RPA (Robotics Process Automation) technologies made the highlight of 2018 in this area. With the introduction of RPA processes, significant efficiency contributions were provided to employees, customers and suppliers.

Innovation

As a result of innovation activities, many innovative applications were launched on the basis of supply categories in 2018, while existing applications were upgraded and put into service with their next generation versions. The most important ones within these applications were the spend analysis application "SpenDNA", Promena Marketplace, "Zervis" for personnel transportation, "Logistics Platform" for transportation services, and "Supplier Financing".

Forward-looking expectations

Zer aims to become a well-known and preferred procurement company in the global arena with a business model that provides benefits for all customers and solution partners.

To achieve this goal, Zer has prioritized the following strategies and action plans, for the year ahead:

1. Increase sales and marketing activities aimed at growing the volume of sales to non-Group companies
2. Become a company with proprietary technology assets that places innovation at the heart of its operations
3. Take part in sector-related award programs with the aim of achieving higher global recognition
4. Identify and realize global cooperation opportunities, as in digital marketing operations
5. Become the knowledge and experience hub that best fosters the human resource in the procurement sector





KoçSistem is the leader of Turkey's IT service market.

Preparing institutions for the digital world of the future, KoçSistem has added new customers from the finance, public, insurance, retail, energy, automotive and manufacturing sectors to its portfolio in 2018 and increased its revenue by 38% to TL 1.4 billion.

As part of its digital transformation vision, KoçSistem established a new technology company, KoçDigital, in cooperation with the Boston Consulting Group. With this step, KoçSistem has played an important role in preparing both the Koç Group and our country for the new digital age. The Company aims to be the leading force in the various areas of digital competence in Turkey as well as in the surrounding region with its advanced analytical and solutions for the Internet of Things. KoçDigital's "Academy" will also enable the development of a qualified workforce.



KoçSistem, which works under the motto "Explore the Future", continued to write new success stories in different sectors with its innovative products and services. Some examples of this include its "Vehicle and Business Tracking Management" which provides daily shipment planning with real-time vehicle monitoring and tracking of instant warehouse information in logistics; "Analytic" project which estimates the number of vehicles to be rented on the basis of all rental offices and vehicle classes in car rental; "Digital Workforce" project where majority of IT calls are resolved by KoçSistem software robots and the "Big Data IoT" project which aims to increase productivity in the mining sector.

KoçSistem introduced "KoçHub", an in-house communication platform, to increase interaction between Koç Group companies and better meet the needs of a mobile work environment.

KoçSistem launched the entrepreneurial "TechSquare" ecosystem in order to bring forward the business models of the future and worked on creating an entrepreneurial ecosystem with examples like Endeavor, e-seed strategic investments and an artificial intelligence marathon under the "TechSquare" umbrella.

KoçSistem received 26 awards in national and international fields with its activities in marketing and human resources as well as its digital transformation projects.

Forward-looking expectations

In 2019, KoçSistem aims to deepen its cooperation with existing customers and step up its attempts to gain new customers. In addition to developing its existing portfolio, KoçSistem will aim to provide new products and services for the sectors in its focus area, introduce new products by developing strategic partnerships and transform trends in technology into new business models.





RMK Marine is one of the leading shipyards in the sector.

RMK Marine is one of the leading shipyards in the sector with its infrastructure facilities and capabilities that meet Industrial Quality Assurance Requirements for Design and Production. The Company focuses on construction projects for tankers, super/mega yachts and tugs while developing projects using talent sets that are constantly being developed.

2018 developments

2018 was an intensive year for the Company, which delivered two tankers, built three tankers in line with the planned schedule as well as signing agreements and starting design work on two tug-trailers. On the other hand, in cooperation with stakeholders, efforts to create new business opportunities in the market and develop different business targets continued. In this regard, projects and business development activities that include technologies and solutions that are suitable to meet the needs of the sector continued.



Forward-looking expectations

RMK Marine realized a number of maintenance, repair and refit projects in 2018 and aims to sign the maintenance contract of a 61-meter super yacht, the largest yacht it has served so far, in early 2019. Meanwhile, RMK Marine was selected as the manufacturer of a 62-meter yacht support vessel developed by European brokers and designers. The Company is also continuing negotiations for two different 80-meter and 82-meter

yacht construction projects. Negotiations are also underway with European clients for a 38-meter yacht.

RMK Marine is committed to being a long-running, reliable, value-added solution partner with the continuation of its activities focused on environmentally friendly, high-quality and low-cost commercial ship projects and its original design super yacht/mega yacht projects.





Ram Dış Ticaret plays an important role in the development of Turkey's exports.

With its expert staff and dynamic structure, Ram Dış Ticaret (Ram Foreign Trade) continued to lead developing export markets and create permanent business areas for our Group and our country's institutions in 2018. Digitalization activities also continued with process analyses of all operations completed and moved to digital platforms.

Leading provider of humanitarian aid services

As a leading global supplier to the United Nations (UN), the Company continued to meet the immediate humanitarian needs of large masses of people who have to live away from home.

Offering high-quality and competitively priced Turkish products in rapid way has brought commercial success and leadership to Ram Dış Ticaret in this field. The Company has been a supplier for the UN and other international aid organizations in 34 countries on 4 continents.



The Company's exports and services were evaluated by the UN at the "superior performance" level.

Power of scale in central purchasing of iron and steel products

In 2018, 300 thousand tons of iron and steel were supplied to both Group companies as well as external parties utilizing the cost advantage through its central purchasing process. Ram Dış Ticaret acted as a bridge between flat steel producers and Group companies, thereby strengthening their collaboration.

Support to SMEs for their international expansion

In 2018, Ram Dış Ticaret continued its close cooperation with SMEs and facilitated their expansion into international markets.

Forward-looking expectations

Ram Dış Ticaret aims to further develop its humanitarian aid activities in 2019 by supplying Turkish products to more people in need while continuing its contribution to the exports of the Group and Turkey.

The Company plans to develop tailored service solutions for SMEs in the fields of sales and marketing, operational support, financing and digitalization by leveraging on the international presence of the Group companies.

The Company targets to increase the variety of its products, suppliers and services in order to remain a value generating solution partner in its central purchasing operations.



Sustainability

Lead. Together

For the Koç Group, creating long-term and sustainable value for the countries in which we operate and in the world as a whole lies at the heart of our business model. Our legacy, power to influence and leadership role presents our Group with a unique opportunity. We as the Koç Group act with

Lead. Together is our approach to sustainable, profitable growth at the Koç Group.

It sets a framework for making collective progress. And it helps us harness the power of our network to drive positive change.

Lead. Together means we will,

- innovate and collaborate to find solutions to big, complex issues.
- be a positive role model that drives change in society and act bravely to transform our business for the better.

Lead. Together reflects the difference we can make across the Koç Group and our commitment to partnership.

Our stakeholders drive us to make a difference. Our people mean we can bring our promise to life.

We believe that our prosperity is connected to the prosperity of the world we live and work in.

Through **Lead. Together**, we focus on...

- **Grow the business. Together**
- **Empower people. Together**
- **Act for the planet. Together**
- **Strengthen communities. Together**

We are progressing collectively across the board.

Lead. Together is a journey. Our potential is huge.

an approach that places people at the heart of what we do and act for the planet and society while expanding our businesses.

The focus areas of **Lead. Together** approach are business, people, planet and communities and its focus areas are digital transformation, innovation, future talent, diversity and inclusion and climate change.

A Part of the Big Picture: United Nations Sustainable Development Goals

United Nations (UN) Sustainable Development Goals (SDGs) seek to mobilize global efforts around a common set of goals and targets for 2030 which aim to end poverty, protect the planet and ensure prosperity for all. At the Koç Group, we recognize the business world needs to understand and contribute to these goals as a driver for innovation and inclusive economic growth. **Lead. Together** ensures that we are part of this bigger picture.

We have undertaken extensive research and engagement to understand the implications of the SDGs on our businesses and the opportunities it provides. This culminated in the Sustainable Development Goals and Their Implications on Business report. It summarizes key mega-trends that relate to the SDGs and their impacts on four main sectors.

Implementing Lead. Together

Lead. Together expresses an approach that focuses on people, communities and the planet and which acts hand in hand

with stakeholders, while strengthening our business strategy at the Koç Group. Three main areas of activity have been identified with the sustainability model developed within this scope.

Management: In order to implement the **Lead. Together** approach throughout the Group, Sustainability Teams are encouraged to come together, analyze global trends and share their experiences. To this end, the Koç Group Sustainability Team, consisting of the different departments of the publicly listed companies, meets at least twice a year.

Practice: The second focus area involves the implementation **Lead. Together** in practice. The issues that emerge in practice are the regular assessment of the current situation in sustainability issues, performance management and updating relevant policies and dissemination of common standards. The “Koç Group Sustainability Guide”, prepared by the Koç Holding Sustainability Unit and which sets out priority issues, stakeholder integration, performance indicators and sections on good practice, is implemented with workshops held in the Group companies.

Communications: This focus area is about adopting and contributing to **Lead. Together** approach as a common language. It involves establishment of appropriate mechanisms to disseminate good practices aimed at the Koç Group companies and to share company experiences.

Koç Holding's sustainability performance has been reflected to the evaluations of the Borsa İstanbul Sustainability Index. Having fulfilled the criteria, Koç Holding and all other publicly-traded companies of the Koç Group (Arçelik, Aygaz, Ford Otosan, Otokar, Tat Gıda, Tofaş, Tüpraş,

TürkTraktör and Yapı Kredi) were included in the index in 2018.

Global Compact

Global Compact, signed by Koç Holding in 2006, demonstrates a strong framework for corporate sustainability

efforts. As a Board member of the Global Compact Local Network Turkey, Koç Holding maintains its support for the dissemination of the Global Compact principles.



Sustainability

In Focus:

Act for the planet. Together

Climate change is a key issue for the majority of our sectors. We aim to address this challenge, by innovating and collaborating for the future, improving our operational performance and taking adaptive measures to build a resilient business.

The Koç Group Environmental Committee

Through the Koç Group Environmental Committee, which brings environmental experts in our companies together, we aim to accumulate common knowledge in all sectors. While the Board coordinates practices related to our focus areas, every company in the Group implements necessary actions in line with the needs of its respective sector. The Board also ensures the implementation of the Group's long-term environmental strategies. Regular environmental audits are jointly carried out with the Koç Holding Audit Group and necessary actions are being monitored.

Climate Change Management

Group companies, which carry out their efforts in tackling climate change in accordance with the Koç Group Climate Change Strategy, strive to effectively monitor, report greenhouse gas emissions and to reduce them as much as circumstances allow. On "Climate Change: Good and Bad Case Scenarios" analysis, prepared by the Environmental Committee, scenarios on climate change and its impacts are being evaluated.

The Group participated in the Conference of the Parties to the 24th Climate Change Conference (COP24) in 2018; in the session organized by the UN Environment Program and TÜSİAD, where Arçelik and Tüpraş shared their work and experience in the field of climate change.

Arçelik, Ford Otosan, Opet, Opet Fuchs, THY Opet, Tofaş, TürkTraktör and Yapı Kredi's greenhouse gas emissions in 2017 were certified in accordance with the ISO 14064-1 Greenhouse Gas Emissions Reporting Standards. Tüpraş began to certify greenhouse gas reductions obtained from energy efficiency projects under ISO 14064-2 and include a life cycle analysis approach in its work. Within the scope of the "Regulation on Monitoring of Greenhouse Gas Emissions", the 2017 greenhouse gas emission reports of Arçelik, Ford Otosan, Tofaş, Tat Gıda, Tüpraş and TürkTraktör were verified by authorized bodies of the Ministry of Environment and Urbanization.

In 2018, Yapı Kredi joined the "CDP (Carbon Disclosure Project) Water Program" and conducted its first reporting.

Biodiversity

The Koç Group published its policy and sector specific reports which cover biodiversity targets and processes. Biodiversity roadmaps and action plans were developed in cooperation with "DKM (Nature Conservation Center)", following the prioritization and mapping studies. Koç Holding's biodiversity score in the BIST Sustainability Index evaluation also ascended.

An action plan for the Group was prepared within the scope of the Koç Group's biodiversity activities. The aim of the plan is to develop protection strategies for rare endemic species. Within the scope of the prioritization work, biodiversity monitoring was conducted for the marine creatures in collaboration with the Nature Conservation Center and the Institute of Marine Sciences and Technology.

Resource Use Efficiency Management

Arçelik, Aygaz, Entek, Ford Otosan, Tat Gıda, Tofaş, TürkTraktör, Tüpraş were audited and certified by independent institutions in accordance with the ISO 50001 Energy Management System Standard.

The benefits obtained from the energy and water efficiency projects are as follows:

- **Arçelik:** In domestic operations, savings of 64,890 GJ in energy and reduction of 6,201 tons in CO₂ emission through 118 energy efficiency projects as well as 237,000 m³ water-saving through water efficiency projects
- **Aygaz:** Savings of 92 TEP in energy and reduction of 330 tons in CO₂ emissions through energy efficiency projects
- **Ford Otosan:** Savings of 1,931,673 kWh in natural gas usage and reductions of 362.7 tons in CO₂ emissions with the Solarwall project
- **Opet:** Electricity generation of 146,540 kWh from the Mersin Terminal Solar Power Plant
- **Otokoç:** 40% reduction in water usage and 30% reduction in energy consumption thanks to the "LEED Green Office Certificate"

- **Tat Gıda:** Energy efficiency projects resulted in 4,915.3 MWh of savings, reduction of 2,363.8 tons in CO₂ emissions
- **Tofaş:** 5,383 tons of CO₂ emission reduction with energy efficiency projects
- **Tüpraş:** Reduction of 243,666 tons in CO₂ emissions achieved with energy efficiency projects, 98.5% of water needs in İzmit Refinery supplied through wastewater recovery
- **TürkTraktör:** 6,584 m³ of waste water recycling achieved through recycling project

Environmental Protection and Improvement

The American Hospital, Arçelik, Aygaz, Entek, Koç University Hospital, Opet, Otokar, THY Opet, Tüpraş, Setur Marinas and Yapı Kredi all successfully passed the ISO 14001:2015 audits. Yapı Kredi subsidiaries (Yapı Kredi Faktoring, Yapı Kredi Portföy, Yapı Kredi Leasing, Yapı Kredi Yatırım, Yapı Kredi Koray, Yapı Kredi Kültür Sanat Yayıncılık) also received ISO 14001 certification.

Ford Otosan carried out a Marine Biodiversity Monitoring Study within the scope of “Fast Current Situation Determination of Marine Macro Creatures” with the Nature Conservation Center.

A “Peace Forest” was created with 155 olive tree seedlings, which were selected as a symbol of peace, and planted on campus by students of the Koç High School TAWA (This Announcement Was About) publishing group.

Within the scope of the Environment Day activities, Aygaz conducted a video awareness study with messages of environmental protection with the participation of children of its employees, and conducted an interview with Bünyamin Sürmeli (The Man Who Sniffs the Air), entitled “Season-Free Future / Climate Change”.

On World Environment Day, Opet organized a terrarium workshop for its employees.

With the projects carried out in the Vehbi Koç Foundation Health Institutions, 11% reduction in medical waste was achieved compared to the previous year.

Major Awards and Achievements

Arçelik:

- European Business Awards for the Environment - 1st prize in the “Management” category at the European Union Environment Awards
- The only industrial company from Turkey to enter the Dow Jones Sustainability Index in 2017 and 2018
- 1st prize in the “Innovative Eco-Friendly Product” category at the Istanbul Chamber of Industry (ISO) Environment Awards

Aygaz:

- Part of the FTSE4Good Emerging Markets Index
- “Crystal Baret” award in Good Occupational Health and Safety Practices

Ford Otosan:

- İnönü Factory given “Mixed Sector Environment Award in the Large Scale Business” category at the Şahabettin Bilgisu Environment Awards, organized by the Kocaeli Chamber of Industry
- Kocaeli Factories ranked 2nd in the “Large Scale Business Category Sustainable Production” branch in the 2018 Efficiency Project Awards held by the Ministry of Science, Industry and Technology

Tofaş:

- 1st prize in the category of “Large-Scale Business Environment and Sustainability Management” in the ISO Environment Awards

Tüpraş:

- İzmit Refinery: 1st prize in the “Sustainable Business Awards Water Management” category with the “Municipal Urban Waste Water Recycling Project To Be Used As Process Water in Industry” project
- 2nd prize in the “Large-Scale Enterprise Environmentally Friendly Application Project” category at the ISO Environment Awards

TürkTraktör:

- “Large-Scale Enterprise Environment Award” in the Şahabettin Bilgisu Environment Awards held by the Kocaeli Chamber of Industry
- Sakarya Chamber of industry “Environment-Sensitive Business” award

Sustainability

In Focus:

Strengthen communities. Together

We've always believed that strong and stable communities are vital foundations for building successful business. Over the years, we've been a first-mover in supporting many community investment initiatives. Today, we focus on driving large-scale programs that target widespread change. The impact we have means so many things: our business becomes stronger, our family lives become richer, future generations get more opportunities and everyone in society feels part of something that matters. Much of our recent work for the communities has focused on gender equality.

Gender Equality

At the Koç Group, we work to build partnerships, develop long-term solutions and manage issues on participation and retention of women in the workforce as well as taking part in decision making mechanisms. Since 2015, Koç Holding is part of HeForShe IMPACT 10x10x10 and has implemented and rolled out good practices that will set an example for the private sector on gender equality. 30 Group companies signed the "Women's Empowerment Principles" (WEPs) thereby declaring their corporate support for gender equality.

Supporting Gender Equality for My Country

Aiming to raise awareness on gender equality and acting as a source of inspiration for developing projects that

contributes to transformation both in society and in the business, the "Supporting Gender Equality for My Country" project was conducted during the 2015-2018 period.

In order to raise awareness, seminars and workshops were organized for the Koç Group employees, dealers and suppliers in cooperation with the Mother Child Education Foundation (AÇEV), the Turkey Family Health and Planning Foundation (TAPV) and the Koç University Women Studies Center (KOÇ-KAM). The project was carried out by 350 volunteers from the Group and 90 volunteer dealers from the Koç Group across Turkey. The seminars reached a total of 90 thousand people over the last two years.

Gender Equality in Communications

Another important area where the Koç Group has a major influence on gender equality is through its marketing and communication activities. In this context, we aim that the Koç Group brands carry out their marketing, advertising and communication activities with a gender lens.

With this goal;

- The "Guideline on Gender Equality in Communications" was developed for corporate communications and marketing teams. Workshops were also carried out in order to facilitate the implementation of these Guidelines.
- Communications and marketing professionals from 8 Koç Group companies attended to the workshops.

The companies have also rolled out these workshops to their agencies. In total, workshops were held at 30 advertising, corporate communication, event, social media and marketing agencies.

- An online platform was set up to evaluate the advertisements of the Koç Group companies in terms of gender equality, the activities of the Group companies were evaluated by the communication and marketing experts of the companies and the activities were rewarded by the advisory board.
- The Guideline on Gender Equality in Communications has been included in the TÜSİAD publication and collaboration has been entered into with the Association of Advertiser Agencies, Association of Advertisers, Advertising Foundation, Communication Consultants Association, Turkish Public Relations Association and Corporate Communicators Association to promote the Guideline.

A new era in the "Supporting Gender Equality for My Country" Project

With the increasing influence of digital technologies, it has become more important than ever to imagine the future and act with courage without leaving anyone behind. In this context, we are developing methods and tools for individuals to think and reassess the place of technology in their lives, so that the new era of the "Supporting Gender Equality for My Country" project contributes to a more fair, equal and inclusive future that will serve everyone.

Corporate Brand Projects and Sponsorships

Koç Sports Fest

Within the framework of Koç Sports Fest (KSF) which was launched by Koç Holding and its Group companies in 2006 with the aim of creating special festival for students and a new tradition, visits were carried out to 38 cities over 13 years and a total of 1,135 festivals were organized. With the belief that sport creates healthier individuals and societies, Koç Holding became the main sponsor for the Turkey University Sports Federation in 2009. The “Turkey Koç Sports Fest University Games” were added to the structure of KSF, placing it as the most prestigious sports event held among universities with the largest participation of any sports organization.

The event currently hosts more than 26 thousand athletes in 62 different branches of sport from 185 universities. Every year, a number of athletes and teams who achieve success in the competitions represent Turkey in international events with the support of Koç Holding. Interviews and panels started to be organized with the aim of spreading the culture of sport and to ensure that sport is accepted as an integral part of life for young people, under the name of “KSF Talks” from 2018, with an expanding subject range, and important names in different branches of sport, nutrition, careers, gender equality, digital transformation met university students.

KSF, which is supported by the Koç Group companies, is also the largest project realized together as Group companies. KSF was held in 2018 with the participation of Arçelik, Avis, Aygaz, Beko, Bilkom, Fiat, Ford, Koçtaş, Opet, Setur, Tat, Tüpraş, and Yapı Kredi brands.

Winter games that include skiing and snowboarding have been included in the

project since 2016. The aim is to expand the scope of KSF's interaction with students over the years, and to be able to host more sports branches. Following the Erciyes and Erzurum stages in 2017, more than 600 students from 41 universities participated in the competitions held in Erzurum Palandöken in 2018.

KSF creates an ecosystem that combines the effect of having thousands of athletes visiting the cities and preparing and implementing processes with hundreds of different suppliers and a team of 400 people each year, thereby revitalizing local economies. An Olympic atmosphere is created especially with the participation of more than 5 thousand athletes in the final leg. KSF visited seven universities in 2018 and the grand final event was held at Çukurova University in Adana.

International Nasreddin Hodja Cartoon Contest and Symposium

Since 2008, Koç Holding has been the main sponsor of the Caricaturists Association's International Nasreddin Hodja Cartoon Contest in order to support the social development of different branches of the arts and contribute to the successful representation of our country abroad in different fields. This contest, which has been running since 1974 and is open to caricaturists from around the world, has awarded the main award to Turkish caricaturists many times.

Istanbul Biennial

The Koç Group supports initiatives that can be handed down to generations in society and adopts initiatives in this direction. The largest contemporary art platform in Turkey and one of the four most important biennials in the world, the Istanbul Biennial, also received support in this direction.

The aim was to create awareness about contemporary art, especially among young people, and to introduce contemporary art to those who may not yet have been exposed to it while reviving interest among those who have.

Among the cultural events and organizations held in Istanbul, the Biennial receives the highest interest on a global scale. In that sense, the contribution to Biennial is also made to the Istanbul brand.

Koç Holding undertook the sponsorship of the “Istanbul Biennial”, which is organized by the Istanbul Foundation for Culture and Arts, for a period of 20 years. This cooperation, which started in 2007, is planned to continue until 2026. With the conceptual framework, which was designated as “Seventh Continent” by the Biennial curator Nicolas Bourriaud, the 16th Istanbul Biennial will take place between 14 September and 10 November 2019. Under the sponsorship of Koç Holding, Biennial will once again open its doors free of charge to all visitors, and will be held with guided tours and children's workshops.

In 2017, the decision was taken to leave a permanent monument to Istanbul in every biennial year, and in this context, “Where Do We Go From Here?” by the artist, Ugo Rondinone, was introduced in the Mustafa Kemal Cultural Center in 2017. The Istanbul Biennial has left a permanent trail in the city. With new works to be added every two years, Istanbul is planned to stand out as a rich, up-to-date location for art exhibitions.

Vehbi Koç Foundation

Vehbi Koç Foundation, which is one of the first charitable foundations of the Turkish Republic, was established on 17 January 1969 by Vehbi Koç.



Vehbi Koç Foundation has been contributing to the rapid development of Turkey for nearly 50 years in fundamental areas of life, which are primarily education, health and culture. The Foundation continues to make a difference through institutions managed by the foundation and the projects that it supported. Prominent activities in 2018 of the Foundation are listed below.

For more information about institutions and projects of Vehbi Koç Foundation, you can visit the web site: <http://www.vkv.org.tr/default.aspx?hl=en>

EDUCATION

Scholarships

The Vehbi Koç Foundation scholarship program, first begun in 1969 to promote equal opportunity in education, has so far provided support to approximately 50 thousand students. The program, which includes scholarships for vocational training, undergraduate and nursing, supported a total of 6,131 students with limited financial means in the 2017-2018 academic year.

<http://www.vkv.org.tr/default.aspx?hl=en>

Teacher Network

The project aims to offer a platform for continuous interaction where teachers are supported to transform education in Turkey. The Teacher Network was launched by the Vehbi Koç Foundation in partnership with ATÖLYE and the Education Reform Initiative (ERG), and other leading foundations in Turkey.

In 2018, "Exchange Delegates' Summer Meeting" was held with the participation of over 100 teachers from 16 provinces across the country; and activities were held in Van and İzmir in order to access new teachers across Turkey.

<http://www.ogretmenagi.org/>

Koç University Celebrated its 25th Anniversary.

Koç University celebrated a quarter century of accomplishments in line with its mission to become a world-class university. The university provides a liberal environment for research and study and boasts more than thirteen thousand alumni all holding eminent positions in the country and all around the world. Koç University's faculty members are globally recognized for the quality of their universal teaching and research output. The anniversary was celebrated with scientific conferences, student events, stage performances and various publications. <https://25.ku.edu.tr/?lang=en>

Lazarus Project Wins First Place in NASA Contest

A team of Koç School 11th grade students received the first prize with their "Lazarus" project in the Grade 11 category at the NASA Ames Settlement Design Contest 2018, organized by the NASA Ames Research Center in collaboration with San Jose State University and the American National Space Community. Around 10 thousand students from all around the world competed with over 2,500 projects.

Covering projects questioning and planning the possibility of living in space colonies, the space settlement of the Koç School team was designed at Lagrange 1 point between the sun and the Earth where gravitational forces reach a point of equilibrium. <http://www.kocschool.k12.tr/>



17th Vehbi Koç Award Is Presented to Yılmaz Büyükerşen.

The 17th Vehbi Koç Award, presented in 2018 in the field of education, was presented to Professor Yılmaz Büyükerşen who has served the public for over 50 years with large-scale educational projects. <http://www.vehbikocodulu.com/?dil=en>

Prof. Dr. Metin Sitti Wins 2018 Medal of Science

The Koç University Rahmi M. Koç Medal of Science was established last year to promote the advancement of science by awarding successful and pioneering scientists educated in Turkey who contribute to universal knowledge. This year, the 2018 Medal of Science was presented to Professor Metin Sitti in the category of Science, Engineering and Medicine, for his groundbreaking contributions to micro and nano-biomedical robotics technologies. <https://www.ku.edu.tr/en>

HEALTH

Organ Transplantation Center Opens at the Koç University Hospital.

Launched at the Koç University Hospital, the Organ Transplantation Center carries out successful surgical operations enabled by its cutting-edge technology and the modern surgical techniques employed, as well as a team of experienced specialists. One of the few centers where simultaneous liver, kidney, and pancreas transplants can be performed, the Center is also equipped for pediatric kidney and liver transplants, either combined or separately. <https://kuh.ku.edu.tr/en>

The American Hospital Opens in Bodrum

The Vehbi Koç Foundation acquired the Private Bodrum Hospital, and began a full-scale renovation of the building and its facilities in line with the vision and quality standards of the VKV American Hospital in March 2018.

The Bodrum American Hospital is already providing some outpatient services, but its full renovation is slated for completion in 2019. <http://bodrumamerikanhastanesi.org/en>

Vehbi Koç Foundation

Health Sciences Campus Welcomes Nursing Students

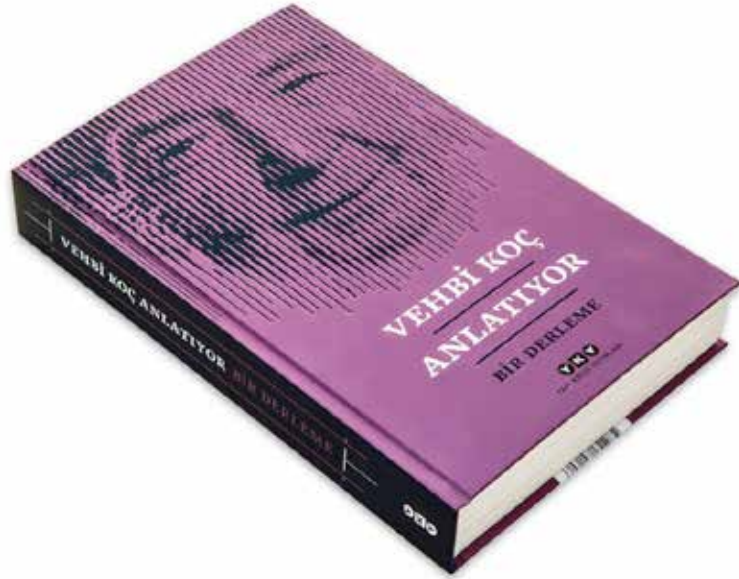
After completing the multidisciplinary Core Program at the Rumelifeneri Campus, the first class of students that began education with the new curriculum of the Koç University Faculty of Nursing started the nursing program offered at the Health Sciences Campus in Topkapı in 2018. The students will continue their education and clinical practice covered by the new curriculum at the Rahmi M. Koç Academy of Interventional Medicine, Education, and Simulation (RMK AIMES) at the Koç University Hospital.

<https://nursing.ku.edu.tr/en/>

In Vitro Fertilization (IVF) Clinic Launches at the MedAmerican.

The MedAmerican Ambulatory Care Center has begun IVF services. The IVF Center plans to provide fertility treatment to 1,500-2,000 couples per year and includes seven obstetrician-gynecologists, three embryologists, one urologist, as well as six nurses and healthcare staff.

<http://www.medamerikan.com/en>



CULTURE

As Vehbi Koç Tells It: A Compilation is Published.

The book conveys the life experiences of the late Vehbi Koç, founder of the Vehbi Koç Foundation, the first private foundation of the Republic of Turkey, and of Koç Holding. The book is published by Yapı Kredi Publications with contributions by the Vehbi Koç Foundation. The new book is a compilation of Vehbi Koç's books My Life Story (1973) and Recollections, Observations, Counsel (1987) with the addition of historical background information.

<http://www.vkv.org.tr/default.aspx?hl=en>

The Vehbi Koç Büyükdere House Opens to the Public.

The Vehbi Koç Büyükdere House in Sarıyer was opened to the public with an exhibition of selected kilims and weaving tools from the collection donated to the Vehbi Koç Foundation in 2007 by the American photographer Josephine Powell. Composing the permanent exhibition at the Vehbi Koç Büyükdere House, the kilims date from the late 18th to early 20th century and were woven in Turkey's Western Anatolia, Central Anatolia and Eastern Anatolia regions.

<http://www.sadberkhanimmuzesi.org.tr/en/>

ANAMED Breaks Out

In 2018, three ANAMED exhibitions were hosted by other museums and galleries in Turkey and abroad. The exhibition “Scent and the City” opened at the Erimtan Archaeology and Arts Museum in Ankara with the collaboration of VEKAM (Vehbi Koç Ankara Studies Research Center). “The Curious Case of Çatalhöyük” was invited by the School of Oriental and African Studies (SOAS) to London. Showcased at The Brunei Gallery, the exhibition has been the first ANAMED exhibition to go on a tour abroad.

<https://anamed.ku.edu.tr/en/node>

New Horizons in Contemporary Art

In 2018, Arter presented two solo exhibitions, Ali Mahmut Demirel’s “Isle” and Can Aytekin’s “Empty House”, and hosted the 4th Istanbul Design Biennial as one of the main venues.

Arter will relocate to its new building in Istanbul’s Dolapdere district in 2019 that marks the 50th anniversary of the Vehbi Koç Foundation. In addition to exhibition spaces, the building houses performance halls, learning and activity areas, a library, a conservation laboratory, an arts bookstore, and a café. Arter’s new building, the construction of which had started in 2015, is designed by Grimshaw Architects (UK) and has 18 thousand m² of enclosed area.

<http://www.vkv.org.tr/default.aspx?hl=en>

Weaving History: Mystery of A City, Sof

The exhibition explored the history of sof fabric and sof-weaving. Identified with Ankara, Sof is a precious commercial product that has been exported to many countries across the world since 16th century. The exhibition included sof fabrics produced from mohair and loaned from the Topkapı Palace Museum, the Sadberk Hanım Museum, and the Ethnography Museum of Ankara, as well as contemporary pieces.

<https://vekam.ku.edu.tr/en/node>



CIVIL SOCIETY

Major Collaboration for the Social Entrepreneurship Network in Turkey

Launched in October 2018, the project “Social Entrepreneurship Network in Turkey” is being carried out by a consortium of 15 partners led by the Vehbi Koç Foundation with the goal of building a social entrepreneurship network in all seven geographical regions of Turkey.

The project is funded by a grant within the scope of the “Grant Scheme for CSO Partnerships and Networks on Strengthening Cooperation Between Public Sector and CSOs” carried out by the Directorate for EU Affairs and the Ministry of Treasury and Finance under the European Union’s Instrument for Pre-Accession Assistance (IPA).

<http://www.vkv.org.tr/>

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Shareholder Structure and Voting Rights

Our Company's shares are divided into two groups, A and B. Each Group A registered share holds two voting rights at our General Assembly. However, for decisions concerning the amendment to the Articles of Association, acquittance or filing a liability lawsuit, all shares have one right to vote.

Our shareholders' voting rights, taking into account the privileged shares, are presented below:

Shareholder	Group	Amount (TL)	Share Stake (%)	Voting Right	Voting Right Stake (%)
Temel Ticaret ve Yatırım A.Ş.	A	678,773,422	26.77	135,754,684,460	42.23
Temel Ticaret ve Yatırım A.Ş.	B	428,196,786	16.88	42,819,678,578	13.32
Koç Family	B	487,895,145	19.24	48,789,514,515	15.18
Vehbi Koç Vakfı	B	184,171,754	7.26	18,417,175,384	5.73
Koç Holding Emekli ve Yardım Sandığı Vakfı	B	50,451,548	1.99	5,045,154,831	1.57
Rahmi M. Koç ve Mahdumları Maden İnşaat Turizm Ulaştırma Yatırım ve Ticaret A.Ş.	B	35,385,424	1.40	3,538,542,410	1.10
Publicly held	B	671,023,971	26.46	67,102,397,052	20.87
Total		2,535,898,050	100.00	321,467,147,230	100.00

Information about significant changes in Koç Holding A.Ş.'s ownership of non-current financial assets held in 2018

Information on changes in ownership of non-current financial assets that Koç Holding A.Ş. holds directly that exceed or fall below the thresholds specified by the Turkish Commercial Code can be found in the table below.

Companies	2017 (%)	2018 (%)	Difference	Description
Ingage Dijital Pazarlama Hizmetleri A.Ş.	0.00	19.49	19.49	In June 2018, Zer Ticaret's digital marketing operations were transferred to Ingage Company by means of a partial division. Shares representing 49.56% of Ingage's equity has been acquired by Russell Square Holding B.V. in July 2018.
SensoRam Incorporation	0.00	100.00	100.00	Founded in August 2018.
Tek-Art Kalamış ve Fenerbahçe Marmara Turizm Tesisleri A.Ş.	75.92	37.33	-38.59	As a result of the transfer of marina branches of Setur to Tek-Art Marina in December 2018 and addition of fair value of its shares to Tek-Art Marina's equity, Koç Holding's direct share in that company changed.

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Information on changes in ownership of non-current financial assets that Koç Holding A.Ş. holds indirectly that exceed or fall below the thresholds of 5%, 10%, 20%, 25%, 33%, 50%, 67% or 100% can be found in the table below.

Companies	2017 (%)	2018 (%)	Difference	Description
Alaşehir Alkollü İçkiler Sanayi ve Ticaret A.Ş.	30.56	0.00	-30.56	Sold in 2018.
Anatolia Investment Fund	35.39	0.00	-35.39	Liquidated in 2018.
Arch R&D Co. Ltd.	0.00	40.51	40.51	Founded in 2018.
Archin Limited	40.51	0.00	-40.51	Liquidated in 2018.
Beko Gulf FZE	0.00	40.51	40.51	Founded in 2018.
KoçDigital Çözümler A.Ş.	0.00	41.14	41.14	Founded in 2018.
Makmarin Kaş Marina İşl. Turizm ve Tic. A.Ş.	37.96	30.45	-7.51	As a result of the transfer of marina branches of Setur to Tek-Art Marina in December 2018 and addition of fair value of its shares to Tek-Art Marina's equity, Koç Holding's effective share in that company changed.
Olympic Commercial and Tourist Enterprises S.A.	0.00	57.85	57.85	Acquired in 2018.
Otokar Europe Filiala Bucuresti S.R.L.	0.00	44.90	44.90	Founded in 2018.
Otokoç ABG Holland B.V.	77.13	57.85	-19.28	As a result of sale of 20% of Otokoç Otomotiv Tic. ve San. A.Ş.'s shares in Otokoç Holland to Avis Europe Holdings Limited In June 2018, Koç Holding's effective share in that company changed
Rezervis Mobil Teknoloji A.Ş.	0.00	9.61	9.61	Founded in 2018.
Samos Pythagoreio Marina S.A.	46.38	0.00	-46.38	Liquidated in 2018.
Setur Antalya Marina İşletmeciliği A.Ş.	75.92	60.91	-15.01	As a result of the transfer of marina branches of Setur to Tek-Art Marina in December 2018 and addition of fair value of its shares to Tek-Art Marina's equity, Koç Holding's effective share in that company changed.
Setur Gümrüksüz Mağaza İşletmeciliği A.Ş.	0.00	46.38	46.38	Founded in 2018.
Sun Investment Fund	35.39	0.00	-35.39	Liquidated in 2018.
Token Finansal Teknolojiler A.Ş.	0.00	40.51	40.51	Founded as a 100% subsidiary as a result of spin off of Arçelik's payment systems and related R&D operations with all of its assets and liabilities.
Wat Motor San. ve Tic. A.Ş.	0.00	40.51	40.51	Founded as a 100% subsidiary as a result of spin off of Arçelik's industrial motor manufacturing, service and related R&D operations with all of its assets and liabilities.

Extraordinary General Assembly Meeting held during the year, if any

An Extraordinary General Assembly meeting was not held during the year.

Organizational changes within the year

Koç Holding's up-to-date organization structure is provided at page 37 of the annual report. No significant organizational change occurred during the year.

Associated Company Report

Turkish Commercial Code No. 6102 Article 199, which came into effect on 1 July 2012, obliges Koç Holding's Board of Directors to prepare, within the first three months of the operating year, a report on the Company's relations with its controlling shareholders and their associated companies for the previous operating year, and to include the conclusion section of this report in the annual report.

Koç Holding A.Ş. Board of Directors report of 26 February 2019 states: "In all transactions conducted in 2018 with Koç Holding's controlling shareholders and their associated companies, based on the circumstances and conditions known by us at the moment the transaction was conducted, measures were taken, or avoided; it was determined that appropriate action had been taken in each transaction, and that no measure was taken or avoided that could harm the Company, and accordingly, that no compensatory transactions or measures needed to be taken."

Lawsuits against the Company and any probable outcomes that could impact the Company's financial situation and operations

There are no lawsuits filed against the Company significant enough to have a material impact on its financial situation or operations.

Announcements concerning administrative or judicial sanctions imposed on the Company and its management due to practices in violation of regulations

There were no administrative or judicial sanctions imposed on the Company or the members of its management due to regulatory violations.

Information about regulatory changes that may have a significant impact on Company's operations

There were no regulatory changes that may have a significant impact on Company's operations.

Information on conflicts of interest with organizations with whom the Company obtains investment consultancy and rating services and measures taken by the Company to prevent such conflicts of interest

There were no incidents that may cause any conflicts of interest with organizations with whom the Company obtains investment consultancy and rating services.

Information about changes to the articles of association during the reporting period

There were no changes in articles of association in 2018.

Assessment under Article 376 of the Turkish Commercial Code

The Company's capital was reviewed under Article 376 of the Turkish Commercial Code to determine the extent to which it is secured. It was concluded that Koç Holding's issued capital in the amount of TL 2,535,898,050, reserves its existence eminently with TL 33.3 billion in total equity attributable to the parent company as of 31 December 2018, and with a net financial debt/equity multiplier of 0.57, the Company's debt structure is sufficient to carry on its operations in a healthy manner.

Corporate Governance Compliance Report

SECTION I - DECLARATION FOR COMPLIANCE WITH PRINCIPLES OF CORPORATE GOVERNANCE

Koç Holding has adopted the “Corporate Governance Principles” that the Capital Markets Board (CMB) first enacted in July 2003 and implemented most of these universal principles. Our Company fully complies with the compulsory principles within the scope of the Corporate Governance Communiqué n.II-17.1 (the Communiqué) that was in force in 2018, and Koç Holding has also widely implemented most of the non-mandatory principles. However, Koç Holding has not yet achieved full compliance due to: the challenges encountered in the implementation of some principles; ongoing discussions in Turkey and internationally regarding compliance with certain principles, and the failure of the current market and corporate structure to comply with such principles in a proper manner. We are working on the principles not yet implemented and we plan to evaluate them once the administrative, legal and technical infrastructure for the effective governance of our company has been investigated.

The major non-compulsory Corporate Governance Principles that we have not yet achieved full compliance with are explained below while detailed information regarding this issue is included in the related sections of the report. Our company was not exposed to any conflict of interest due to non-compliance with such principles.

- Regarding principle n. 1.4.2; the Company has shares entailing voting privileges as explained in Section 24; however, privileged voting rights do not constitute more than half of total voting rights.
- Regarding principle n. 1.5.2: In the Articles of Association, minority rights are not granted to those who are in possession of less than one twentieth of the capital, and in parallel to the general practices in the country, rights were granted to the minority within the general legislative framework.
- Regarding principle n. 4.4.5; the Company has in place long-standing and consistently implemented procedures related to how Board of Directors (BoD) meetings will be held; however, there is no written internal guideline specific to this matter.
- Regarding principle n. 4.5.5: Know-how and experience of the Members of our BoD is taken into consideration when appointing members to the committees in line with the relevant regulations. Some of the Members of our BoD can assume duties in more than one committee. However, members who assume duties in more than one committee enable communication among the committees that carry out activities in connected subjects and increase the opportunity of collaboration.
- Regarding principle n. 4.6.1; there has been no specific initiative aimed at self-assessment at the BoD level.
- Regarding principle n.4.6.5: remuneration of the Members of the BoD and managers who have administrative responsibilities is disclosed on a non-individual basis – in parallel to the general practices – in the footnotes of our financial statements and at the General Assembly meetings.

Within 2018, the activities in the field of Corporate Governance were carried out in accordance with the Capital Markets Law that includes the regulations regarding the CMB's Corporate Governance Principles, and with the communiqués issued based on this Law. In our Ordinary General Assembly held in 2018, our BoD and the Committees of our BoD were established in accordance with the regulations stipulated in the Communiqué. Before the General Assembly, the procedures for designating independent candidates and making public disclosures were completed and candidates were elected according to regulations. The Committees established under the BoD continued to function effectively. The General Assembly Information Document that contains the compulsory information such as information on preferred shares, voting rights and organizational changes, as well as the CVs of BoD Membership Candidates, the Remuneration Policy

for Board Members and Executive Management was provided to our investors three weeks prior to the General Assembly. In addition, the Company's website and annual report were reviewed and revisions required to comply with the principles were made.

We will continue our endeavors to ensure compliance with the Principles in light of the developments in legislation and general market practices.

Pursuant to the CMB decision dated 10.01.2019 n. 2/49, 2018 Corporate Governance Compliance Report and Corporate Governance Information Form of Koç Holding, which will be prepared in accordance with the new reporting format, will be publicly disclosed separately on the Public Disclosure Platform (KAP) within due time as prescribed by the CMB.

SECTION II - SHAREHOLDERS

2.1. Investor Relations Department

Based on our Company's BoD decision dated 26 June 2014, the duties stipulated in Article 11 of the Communiqué are being carried out by the Investor Relations Coordinator Gülsevin Tunçay and the Finance Coordinator Responsible for Ensuring Compliance with Corporate Governance and Capital Markets Regulations, Nevin İmamoğlu İpek, under the leadership of the CFO Ahmet F. Ashaboğlu.

In this framework, the Investor Relations Department (IR) is responsible for liaising in the relations between Koç Holding and its shareholders in coordination with other relevant departments. IR is responsible for providing information, excluding confidential information and trade secrets, to existing and potential shareholders on the Company's operations, its financial position and strategy and managing the bilateral communication between the shareholders and the Company management. The information is provided in an orderly manner that will not cause any inequality of information, by consulting the relevant departments and coordinating with the Group companies when required. Some of the activities that are stipulated in the Corporate Governance Communiqué are carried out by the Legal Affairs Department (ensuring that the General Assembly meetings are held in compliance with the regulations in force, the Articles of Association and other internal regulations of the Company) and Finance Department (fulfilling all obligations of public disclosure required by the regulations such as, preparation of documents that shareholders will use at the General Assembly meetings, public disclosure of financial reports and material events).

IR submits an activity report, at least annually, to the Corporate Governance Committee and CEO to be submitted to the BoD. The report regarding the activities in 2017 was submitted to the Corporate Governance Committee in order to be presented to the BoD on 26 February 2018. The report regarding the activities of 2018 was submitted to the Corporate Governance Committee and the BoD in February 2019. In addition, at the beginning of every year, an investment relations strategic plan is prepared.

Investor Relations Contacts in accordance with the Communiqué

CFO: Ahmet F. Ashaboğlu

Investor Relations Coordinator: Gülsevin Tunçay

Finance Coordinator Responsible for Ensuring Compliance with Corporate Governance and Capital Markets Regulations: Nevin İmamoğlu İpek

Investor Relations Manager: Gizem Poyraz

Investor Relations Manager: Neslihan Aycıl

Finance Manager: Ayça Sandıkciöğlu

Nevin İmamoğlu İpek, Gizem Poyraz and Ayça Sandıkciöğlu each have a Capital Market Activities Advanced Level (Level 3) License and Corporate Governance Rating License.

Corporate Governance Compliance Report

In 2018, IR attended 14 roadshows and conferences in Turkey and abroad and held more than 550 meetings with existing and potential investors. To keep shareholders better informed of the current trends and developments, the roadshow presentations were posted on the website. One-on-one interviews were held with analysts at more than 30 meetings. In addition, four times per annum when quarterly financial results were announced, IR held a webcast to discuss the financial results with the investment community where the questions of the investment community were answered by Executive Management and IR. The voice records and transcripts of the webcasts, as well as the relevant investor presentations were published on the Company website for the convenience of those investors who were unable to participate in the broadcast for further replay or downloading. The company website, investor presentations, investor bulletins and Koç Holding Investor Relations mobile app were updated regularly with the aim of informing the public and shareholders. Material disclosures were posted on the Company website in Turkish and English at the same time as their announcement on the Public Disclosure Platform (KAP). Koç Holding acted in complete prudence in carrying out these activities to ensure full compliance with the regulations. There were no complaints filed with our company regarding the exercise of shareholders' rights in 2018. To the best of our knowledge, there were also no administrative or legal proceedings regarding this subject. Numerous information requests were sent to the Investor Relations Department mainly via e-mail from the analysts and investors regarding the Company financial reports and developments in business areas and all questions were answered in parallel to the publicly available data.

2.2. Exercise of Shareholder Rights to Obtain and Evaluate Information

Koç Holding does not discriminate among shareholders vis-à-vis their right to obtain and evaluate information, and all information, except trade secrets, is shared with the shareholders. Inquiries directed to IR, with the exception of information considered confidential or a trade secret, are answered in writing or by phone by the person authorized to respond on that particular issue. As explained in section 3.1 of this report, all information and announcements that may have an impact on the exercise of shareholder rights are posted on the website.

Though our Articles of Association does not govern the right of individual shareholders to demand a special auditor, under the Turkish Commercial Code (TCC) Article 438, any shareholder can request from the General Assembly clarification of an issue via a special audit, even if the issue is not on the agenda. This request can be made provided it is necessary for the exercise of shareholder rights, and the right to receive and evaluate information concerning the events in question has previously been exercised. To date, no shareholder has submitted such a request. The company's activities are audited periodically by an Independent Auditor elected at the General Assembly.

2.3. General Assembly Meetings

General Assembly Meetings are held in accordance with the procedure drawn up for the general rules for the Koç Group companies, taking into account the TCC, Capital Market Legislation and the Corporate Governance Principles, and are organized in a manner to enable wide participation by the shareholders and to provide adequate information to the shareholders.

One Ordinary General Assembly Meeting of Koç Holding was held in 2018. It was held on 22 March 2018 with 86.69% attendance. No agenda proposal for the meeting was made by the shareholders.

Our General Assembly Meetings are open to the public. Stakeholders and the media are able to follow the meetings. The General Assembly Meeting is held under the supervision of a government observer from the Ministry of Trade.

Invitations to the General Assembly Meetings are issued by the BoD in compliance with the TCC, Capital Markets Law and company's Articles of Association. The public is informed on the date of the BoD's decision to hold the General Assembly Meeting through the Public Disclosure Platform and Electronic General Meeting System (e-GEM). General Assembly announcements are made in a way that complies with legal regulations as well as made on our website at www.koc.com.tr no later than 21 days prior to the General Assembly in order to reach the highest number of shareholders possible.

Prior to the General Assembly Meeting, the agenda items and related documents are announced to the public in compliance with all legal processes and regulations. The agenda items of the Assembly Meeting – Annual Report, Financial Statements, Corporate Governance Compliance Report, Profit Distribution Proposal, Independent Auditors' Reports and, proposed amendments, if any, to the Articles of Association with copies of the old and new versions of the texts, Disclosure Policy, Remuneration Policy, Dividend Distribution Policy, the CVs of all BoD Member Candidates, including those of independent candidates – are posted on the Company website and made available at company headquarters three weeks prior to the meeting so as to facilitate easy access to the shareholders. In addition, a detailed explanation for each agenda item in the agenda announcements is made and, together with other information regarding the principles of General Assembly meetings, is provided to investors.

At the General Assembly Meeting, the agenda items are expressed in an unbiased and detailed manner and presented in a clear and concise method to provide shareholders with an opportunity to express their opinions under equal conditions and raise any questions. During our Ordinary General Assembly Meetings, the questions raised by our shareholders, guests and media representatives are answered by the Chairman of the BoD and our Executive Management. All questions asked by our shareholders at the General Assembly meeting held on the 22 March 2018 were answered during the meeting. No shareholders submitted a written question to the Investor Relations Department on the basis of not having received an answer at the General Assembly.

General Assembly meetings are held at Company Headquarters and can be accessed via the e-GEM to facilitate attendance at meetings. Under conditions stipulated in the Articles of Association, meetings may be held in another place in the city. The location of the General Assembly meeting is selected to enable easy access to all shareholders. Proxy forms were placed on our website and announced to shareholders in commercial registry gazette for shareholders wishing to be represented through proxy at the meeting.

Minutes of the General Assembly meetings are available at the KAP, e-GEM and our company website, www.koc.com.tr. In addition, these minutes are made available to all shareholders for examination at the Company headquarters.

Information about aid and donations made within the related year is provided with a separate agenda item at the Ordinary General Assembly meetings. At the Ordinary General Assembly held on 22 March 2018, the donation limit for 2018 was set at 0.2% of the prior year's total revenues; TL 1.2 million in donations and aid was distributed by the Company during 2018.

In 2018, there was no issue left to the decision of the General Assembly for which affirmative votes of the majority of the Independent Members of the BoD were required in order to take a decision at the BoD according to CMB Regulations, and such affirmative votes could not be received.

Some of the shareholders having managerial control, shareholder BoD Members, senior management and relatives up to the second degree blood or affinity are also BoD Members at several Koç Group companies including those with similar operations to our Company. In 2018, there has not been any material transaction between the above mentioned persons and the Company or its subsidiaries that may lead to conflicts of interest.

Corporate Governance Compliance Report

2.4. Voting Rights and Minority Rights

Restrictions on the use of voting rights at our company are avoided; all shareholders are provided the right to vote equitably, easily and appropriately.

Koç Holding shares have been divided into two groups as Group A and B. Each registered Group A share is entitled to 2 voting rights at the General Assembly Meeting. However, for decisions concerning the amendment to the Articles of Association or filing a lawsuit of acquaintance and responsibility, all shares have 1 (one) right to vote. As stated in company's Articles of Association, shareholders of preferred stock do not have the privilege to nominate candidates to the BoD. If amendments are required to the Articles of Association, and if deemed necessary by TCC, Group A preferred shareholders meet and approve the decisions taken at the General Assembly Meeting. Group A shares represent 26.77% of the paid-in capital and 42.23% of the total voting rights. Group B shares, each of which is entitled to 1 (one) vote represent 73.23% of the paid-in capital and 57.77% of the total voting rights.

Within Koç Holding, no cross ownerships exist that are associated with a controlling relationship.

There are no restrictions or obligations in the Articles of Association concerning the representation of minority within the management or any provision that defines minority as having possessing shares less than 1/20 of the total shares of the Company.

2.5. Dividend Right

Koç Holding's Dividend Policy was determined at the General Assembly Meeting in 2 April 2014 within the framework of the provisions of the Capital Market Legislation and our Articles of Association. There are no privileges in dividend distribution between A and B type shareholders.

The Dividend Distribution Policy and the Dividend Distribution Proposal are disclosed to shareholders at the General Assembly and are available in the report. In addition, the policy and proposal are posted on the Company website, along with a brief history of dividend distribution and detailed information about capital accumulation. In 2018, gross dividend of 34.55% was distributed to the shareholders.

Dividend Distribution Policy

Our Company implements its Dividend Policy within the framework of the provisions of the TCC, Capital Markets Legislation, tax regulations and other relevant legislation, as well as the provisions of our Articles of Association governing the distribution of profits. In line with the Corporate Governance Principles, a balanced and accurate policy is followed between the benefits of the shareholders and the Company.

In principle, as long as the relevant regulations and financial possibilities allow, taking into consideration market expectations, the long-term strategy of our Group, the capital requirements of our Company, our affiliates and subsidiaries, our investment and financing policies, profitability and cash position, a minimum 5% of distributable profit calculated under CMB Regulations shall be distributed in cash.

Pursuant to Article 19 of our Articles of Association, no more than 2% of the amount remaining from the pre-tax earnings after the allocation of the first series of legal reserve fund, financial obligations and first level dividend to shareholders withheld as per Capital

Markets Legislation, is allocated to Koç Holding Pension and Assistance Foundation. Additionally, without prejudice to the first level dividend established under CMB Regulations, 3% of the amount remaining after the deduction of the first series of the legal reserve fund, financial obligations and 5% of the paid-in capital from the pre-tax earnings, is allocated to holders of usufruct certificates. However, the amount to be paid to holders of usufruct certificates cannot exceed 1/10 of the amount remaining from the net profit after the deduction of the first series of legal reserve fund and first level dividend to shareholders established under CMB Regulations.

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

It is expected to distribute dividends within a month following the General Assembly Meeting at the latest. The General Assembly decides the date of the dividend distribution. The General Assembly, or if authorized the BoD, may decide to pay the dividend in installments in line with CMB Regulations.

With reference to the Articles of Association of the Company, the BoD may distribute the dividend in advance only if the Board is authorized by the General Assembly and it is done in parallel with CMB Regulations.

2.6. Transfer of Shares

Article 9 of our company's Articles of Association sets out the principles regarding transfer of shares and there are no provisions in the Articles of Association that complicate the transfer of Group B shares traded on the stock exchange.

Group A shares that are not listed in the stock exchange can be transferred outside of the stock exchange only with the approval of the BoD. BoD has the right to refuse approval by advising the transferor to transfer his/her shares to his/her own account, or other shareholders' or third parties' accounts at the real value of the shares at the time of request for approval.

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Company Website and Contents

Koç Holding's website (www.koc.com.tr) provides current and historical information in Turkish and English. There is an Investor Relations section to provide more comprehensive information to current and potential shareholders and intermediary institutions. All information required by the CMB Corporate Governance Principles is available on our company website. Principles governing our website are contained in our Disclosure Policy. In addition, our website address is printed on company letterhead.

3.2. Annual Report

Koç Holding Annual Report is prepared in detail and according to CMB Corporate Governance Principles to ensure that complete and accurate information about the Company's operations reaches the public.

SECTION IV - STAKEHOLDERS

4.1. Disclosure to Stakeholders

As a holding company, our Company does not have any direct contact with third parties like customers, vendors but it does have relations with a wide range of stakeholders, due to its subsidiaries and affiliates. Stakeholders are informed of issues that may concern them by means of invitations to regular meetings or via intranet and electronic communication tools. Public disclosures are made by media meetings, press releases and interview are posted simultaneously on the Company's official website and on the corporate social media accounts while information sharing with employees is realized through various announcements and meetings and organizations on a regular basis.

Corporate Governance Compliance Report

By holding our General Assembly Meetings open to all stakeholders, providing detailed information on our website, publishing comprehensive annual reports, issuing press releases and implementing other practices that promote transparency as per our Disclosure Policy, we aim to inform not only our shareholders but also all stakeholders.

KoçHub website and mobile application have been launched within the scope of the “Koç Group Next Generation Communication and Interaction Platform” in order to increase Group-wide interaction of our employees and to offer equal communication opportunity to all employees. The KoçHub platform is intended to soon replace the Company intranet where changes in management and press bulletins are currently posted. The new platform will provide numerous collaboration opportunities with respect to employees, companies, projects and events, in addition to the bi-directional communication it offers in connection with the advancing technology and usage habits. Corporate e-mail accounts that are assigned to each and every one of our employees without exceptions allow direct communication. Furthermore a periodic internal magazine (“Bizden Haberler”), which is also followed by the public, is issued by the Corporate Communications department to increase communication with the employees.

Koç Holding's Chairman of the Board, CEO and Executive Management participate in the “Anatolian Meetings,” which are held with the dealers of our Group companies located in different parts of Turkey with the aim of exchanging views and generating ideas. In these meetings, dealers are provided with updates on the developments in the Group and their ideas can be got first hand. “Anatolian Meetings” have been held for over ten years now.

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

By using the contact form on the Company's website, www.koc.com.tr, or calling the hotline number, which can be found on the Company's intranet sites, stakeholders can report practices that violate regulations and ethically inappropriate transactions to the Audit Group Presidency to be investigated by the Audit Committee.

4.2. Support of Stakeholder Participation in Company Management

Group companies hold comprehensive meetings and exchange ideas during the year with dealers and providers and evaluate and work on the suggestions that come up during these meetings.

The results of periodically conducted dealer and customer satisfaction surveys are of significant importance to Koç Holding. Improvement of dealer and customer satisfaction are made part of Group companies' management performance targets.

Our coworkers both in our unionized and non-unionized companies participate in management and share their opinions through various methods. The annual Employee Loyalty Surveys that are conducted at all our companies collect the opinions of all our coworkers anonymously in open-ended questionnaire format. Through various communication meetings held at our companies, company-related information is shared with the employees, dealers and other stakeholders, and their questions and comments are obtained.

4.3. Human Resources Policy

“Our Most Important Asset is our People,” the statement of our Founder, Vehbi Koç, best summarizes the basic approach of the Koç Group to human resources. Accordingly, the Koç Group aims to become Turkey’s most admired and preferred corporation, one that creates high added value, employs professionals, each of whom are the best in their fields, and in which its employees are proud to be a part.

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

- Attracting the most competitive young and experienced professionals who can carry our Group into the future,
- Rewarding achievement through competitive compensation policies and high performance standards,
- Making investments for continual development,
- Creating equal opportunity with all Human Resources applications,
- Increasing employees’ engagement to the Company with career opportunities and awarding processes,
- Improving engagement of employees to the Company by creating equal opportunities in promotions and rewards,
- Creating a working environment that is always peaceful,
- Implementing fair, objective and transparent human resources systems.

The Koç Group values its employees and respects their rights. The employment contract signed with them at the time of recruitment covers the mutual responsibilities of the Company and the employees. The Personnel Code describes in a detailed and clear manner the working standards and covers all human resources processes from recruitment to resignation. Employees’ rights are structured within the scope of human rights principles, the legislation in force, labor contracts, personnel guidelines and code of ethics.

Koç Holding’s Human Resources Directorate determines the strategies and basic policies and principles pertaining to these procedures and conducts relations with all employees of the Group companies. The Directorate has six functional units: The managers of the Human Resources Department and their main responsibilities are as follows:

Human Resources Director: Özgür Burak Akkol

Human Resources Coordinator (Compensation, Performance, Koç Holding HR Process): Fatih Ay

Human Resources Coordinator (Organizational Development, Training, Recruitment): Önder Korkmaz

Human Resources Coordinator (Project and System Development): Melih Nakaş

Health, Safety and Environment Manager: Evren Emektar

Industrial Relations Manager: Eriş Aslan

KoçAilem and HR Marketing Manager: Hande Calban

The Human Resources Department ensures that candidates who meet the competency criteria as described in the Human Resources policies are evaluated and recruited without discrimination and benefit from equal opportunities throughout their employment. There have not been any claims regarding discrimination from employees.

During recruitment, prospective employees are provided with detailed job descriptions and information about the Human Resources Directorate’s procedures. The Directorate’s operations are conducted in an integrated fashion with the participation of employees once they have been hired. Employees are given information about job descriptions and task distribution as well as performance and awarding criteria. In this context, employees’ performance is evaluated, competencies are measured and the improvement and career planning is performed. Work to be done is systematically assessed and the amount that needs to be done is determined. An international system is used for job evaluation; it ensures the relative grading of all jobs on the basis of responsibility levels and the contributions each makes to enabling the Company to reach its targets in every field of operation. The grades assigned according to job volume allow objective assessments to be made regarding career and wage management of employees. Sector-based market analyses

Corporate Governance Compliance Report

of compensation are regularly conducted in order to ensure that employees receive competitive salaries. Bonus systems are in place to help the Company attain high performance levels. In addition to remuneration, employees are offered various benefits depending on their position or rank. The Flexible Benefit Scheme that is implemented in various Koç Group Companies provides a wide range of employee benefits appealing to different generations and needs.

Detailed information about Human Resources policies and applications are available in page 34-37 of the Annual Report.

All employees are able to access through the electronic platform Koç@insan the Human Resources Systems that have been prepared for the purpose of implementing these policies. This platform offers an open communication environment where the information of all our employees is managed, and allows sharing of all policies, practices and announcements of the Human Resources Directorate in a fair and transparent manner.

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

A succession plan is developed for all key managerial positions. Upon CEO approval, these succession plans are finalized with the approval of the Chairman of the Board.

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

A special Talent Management Program is conducted to identify talented leaders who we believe may play an important role in the future success of our entire Group, and to ensure their development. Under the program, our high-potential managers participating in senior executive succession plans are included in a two-year intensive development program. In addition to the content co-developed with stakeholders such as the Harvard Business School, Columbia Business School and Koç University, program participants are provided with the opportunity to build on their in-Group networking, with the aim of increasing inter-company cooperation.

In line with the future goals of the Koç Group, the "Be Global Silicon Valley" program was developed by the Koç Holding Human Resources Directorate. Through this program, our 50 Senior Managers examined best practices of global companies on site. Following the success captured by the program, BeGlobal China program began to be designed with the same goal. Another program targeted at our Senior Managers is the Personal Development Program (PDP), which aims to turn Senior Managers into change leaders in our changing world. In addition, programs such as the Executive MBA, Leading Strategic Impact, Disruptive Strategy, Negotiation Mastery

and Women in Leadership are offered to Koç Group managers through collaborations established with distinguished institutions such as Koç University, the Harvard Business School and the Columbia Business School. Employees' expertise is supported with the Data Analyst, Business Analyst, Self Driving Car, Digital Marketing and many other digital transformation topics within the scope of the collaboration initiated in previous years with Udacity, the world's most valuable online education company. Besides all these programs, new collaborations were established with the world's best business schools including Columbia Business School, MIT, and Oxford University, and Koç Group employees began to be supported with online programs in critical topics associated with digital transformation.

In workplaces with unionized workers included in collective bargaining agreements, union representatives are designated in line with the regulations. Koç Holding Human Resources Directorate works in cooperation with the Human Resources and Industrial Relations departments of the Group Companies and union representatives to ensure the sustainability of a peaceful business environment.

In order to fully implement the provisions of the collective bargaining agreement and labor legislation for our employees and to expand good applications, Industrial Relations Coordination Committee is constituted. The Committee meets on a quarterly basis during the year within the scope of the agenda determined in line with the requirements of our companies. Also with the aim of ensuring correct implementation of labor legislation and Group Human Resources policies and procedures, detailed technical trainings about different disciplines of work and seminars and trainings about new regulations are regularly developed.

The Group aims to achieve complete occupational health and safety in the work place and on the job. To this end, employees are kept informed of the regulations and directives in place at the Group and Company levels; they act in accordingly and take measures necessary to comply with them. Furthermore, necessary trainings are regularly provided to the employees in our workplaces while training contents are reviewed according to the practices and developments. In addition to these, risk assessments in all our workplaces are timely completed in accordance with the legal regulations. In addition to the emphasis we place on the health and safety of our employees, the Occupational Health and Safety Coordination Committee set up in line with our principle of complying with relevant legislation continually manages the occupational health and safety issues of the Group regularly. The goals of the Coordination Committee are reviewing relevant practices across the Group, implementing necessary development and improvement programs, ensuring the good practices developed in the Group are adopted by other Group Companies and determining continually higher and sustainable occupational safety standards. To reach these goals, board meetings, seminars and trainings related to occupational health and safety are being organized more frequently across the Group. Work accident reports are consolidated and tracked as they get centrally piled up every year.

Employee engagement and satisfaction are assessed via surveys conducted by specialized companies on an annual basis and factors that influence employee engagement are determined. In addition, employees' opinions regarding the issues like "human resources applications" and "management style" are received with these surveys. Accordingly, Group Companies are given targets that will improve employee engagement while enhancement activities are closely monitored and employees are encouraged to participate in the management.

Our main goal with this process is to provide our employees, our most valuable asset, with an effective work environment that will make them more loyal and happier employees. Examples of initiatives started for this purpose include the KoçAilem program, details of which are explained page 37 of Annual Report, Koç Holding Pension and Assistance Foundation and the Koç Group Sports Club, which have been created to benefit employees both during and after working life.

4.4. Code of Ethics and Social Responsibility

At the Koç Group, our business model is focused on creating long-term, sustainable value for the countries in which we operate, and in the world. Our past heritage, our power to influence and our leadership role offer our Group a unique opportunity. As the Koç Group, we are working with an approach that places people at the heart of what we do and cares for the world and society, while we expand our business. The areas of focus of our "Lead. Together" approach, whose main pillars consist of business, people, the world and society are digital transformation, innovation, competencies of the future, inclusiveness, diversity and climate change.

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Three main operation areas have been identified, including 'in management, in the field and in discourse' with the sustainability model developed within the scope of the **"Lead. Together"** approach.

- In management: in order to implement the **"Lead. Together"** approach throughout the Group, the relevant teams shall come together, analyze global trends and share their experiences.
- In the field: Sustainability studies are the field practices of the **"Lead. Together"** approach. This includes elements such as regular analysis of the current situation, performance follow-up through the creation and updating of relevant policies and the roll-out of common standards.
- In discourse: the Koç Group Companies shall adopt the **"Lead. Together"** approach as a common language and companies shall contribute to the common discourse.

The United Nations Global Compact (the UN Global Compact) and the UN Sustainable Development Goals, which were signed by Koç Holding in 2006, represent a strong framework for sustainability efforts. Koç Holding's sustainability performance has been reflected to the results of the evaluations under the Borsa Istanbul (BIST) Sustainability Index since 2014.

The Koç Group Corporate Social Responsibility Report has been published since 2006, first biennially and then annually. By 2014, it was issued as Koç Holding Sustainability Report. Koç Holding Sustainability Report can be accessed by the public through our website. Information on the Koç Group's performance regarding human rights, worker rights, environmental policy, ethical values and social investments can be found in these reports that are available at www.koc.com.tr.

Code of Ethics

Koç Holding aims to be a symbol of trust, continuity and respect for Turkey and its customers, shareholders, dealers and subsidiaries by working with its employees to achieve sound growth and to provide goods and services at universal quality and standards while achieving customer satisfaction. Our values guide us on the path of attaining these goals and are shared via our website with the public. In order to ensure these values are spread to our employees and passed down to future generations the "Code of Ethics and Business Conduct and its Implementation Principles" were drawn up in writing and announced on 11 October 2010 to all Koç Holding employees. Koç Holding's "Code of Ethics and Business Conduct and its Implementation Principles" regulate relations between employees, customers, the state, shareholders, competitors, subcontractors, distributors, authorized dealers and services and hold for all Group Companies. All new employees are informed about these principles and practices, which are an appendix to the personnel regulations; in addition, our employees can access this resource over the intranet portal.

The application of Code of Ethics and Business Conduct and the monitoring of compliance with them are executed by separate Board of Ethics in each Koç Holding company. In the event of updates and changes to the Koç Group's Code of Ethical Behavior, the matter shall be evaluated by Koç Holding's Board of Ethics by seeking the views and approval of the related units, when necessary.

Social Investments

We believe a strong and stable society is the most basic element to achieve success in the business world. From this point of view, we have pioneered a wide array of social investments over the years. Today, as in the past, we are focused on large-scale programs to make a difference in society. We believe that focusing on these big issues does not only benefit our business, but also the society and the world as a whole. As the Koç Group, we are working to establish cooperations, develop solutions and keep the issue on the agenda in order for women to participate and remain in the workforce and to take part in the decision making mechanisms.

SECTION V - BOARD OF DIRECTORS

5.1. Structure and Formation of the BoD

In the table below, brief information is given about our Members of the BoD who all are Non-executive Members in accordance with the definition made in the CMB Corporate Governance Principles except our CEO Levent Çakıroğlu. All BoD Members were elected at the General Assembly dated 22 March 2018 to serve until the General Assembly where the operations of 2018 will be discussed.

Name Surname	Position	Current Positions Held Outside the Company	Independent BoD Member?	Committees and Position
Rahmi M. Koç	Honorary Chairman	BoD Chairman and Member, Committee Member	Not Independent Member	Executive Committee Member
Ömer M. Koç	Chairman	BoD Chairman and Member, Committee Member	Not Independent Member	Executive Committee Chairman
Ali Y. Koç	Vice-Chairman	BoD Chairman and Member, Committee Member	Not Independent Member	Executive Committee Member
Semahat S. Arsel	Member	BoD Chairman and Member, Committee Member	Not Independent Member	Executive Committee Member
Caroline N. Koç	Member	BoD Chairman and Member, Committee Member	Not Independent Member	
İpek Kırar	Member	BoD Chairman and Member	Not Independent Member	
Temel K. Atay	Member	BoD Chairman and Member, Committee Member	Not Independent Member	Executive Committee Member, Risk Management Committee Member
Dr. Bülent Bulgurlu	Member	BoD Chairman and Member, Committee Member	Not Independent Member	Corporate Governance Committee Member; Nomination and Remuneration Committee Member
Levent Çakıroğlu	Member, CEO	BoD Chairman and Member, Committee Member	Not Independent Member	
Prof. Dr. John H. McArthur O.C.	Member	BoD Member in companies outside the Group, University Faculty Member	Not Independent Member	
Prof. Dr. Heinrich V. Pierer	Member	BoD Member in companies outside the Group	Not Independent Member	
Dr. Kwok King Victor Fung	Member	BoD Chairman and Member in companies outside the Group	Not Independent Member	
Kutsan Çelebican	Member	Advisor, Independent BoD Member, Committee Chairman and Member at Aygaz A.Ş.	Independent Member	Audit Committee Chairman, Corporate Governance Committee Chairman. Nomination and Remuneration Committee Chairman
Mustafa Kemal Olgaç	Member	BoD Chairman and Member in companies outside the Group	Independent Member	Audit Committee Member; Risk Management Committee Chairman
Jacques Albert Nasser	Member	BoD Member in companies outside the Group	Independent Member	
Anne Lauvergeon	Member	BoD Chairman and Member in companies outside the Group	Independent Member	
Ömer Dinçkök	Member	BoD Chairman and Member in companies outside the Group	Independent Member	
Emily K. Rafferty	Member	BoD Chairman and Member in companies outside the Group	Independent Member	

The CVs of the BoD Members can be found on our website and in our Annual Report. (See pages 128-133)

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The duties of the BoD Chairman and CEO are performed by different persons. Attention is paid to the allotment of enough time BoD Members need for corporate business; there are no restrictions for BoD Members on assuming other positions or duties outside the Company. Such a restriction is not deemed necessary as the business and sectoral experience of BoD Members makes a vital contribution to the BoD. Prior to the General Assembly, the CVs of the BoD Independent Members and the positions they held outside the Company are provided to shareholders.

The candidacy statements and curricula vitae of the six independent members nominated for the Nomination and Remuneration Committee prior to the General Assembly dated 22 March 2018 were evaluated by the Committee and the Board, and their nomination for independent membership was approved. The statements of independence of all Independent BoD Members are found in the Annual Report. These statements show that the Independent BoD Members meet all the criteria set forth by CMB's Corporate Governance Principles except: "Being a resident of Turkey according to the Income Tax Law." The latter criterion is met by half of all Independent BoD Members as required by the Communiqué. CMB's favorable opinion on independent Member Candidates was received and they were elected at the General Assembly.

All of the BoD Independent Members submitted their independence declarations to the Corporate Governance Committee and no condition eliminating independence appeared during the 2018 activity period.

We believe that creating diversity in terms of knowhow, experience and point of view within our BoD, will have positive impacts on the Company activities and on the effective working of the BoD. The ratio of female board members in the BoD is 28%.

5.2. BoD Operating Principles

The agenda for Board meetings is determined through notification of Executive Management and BoD Members by the related departments about the issues which the Company's Articles of Association exclusively requires discussion and decision at BoD level. In the event that any one of the members of the BoD notifies Company Executive Management about a decision that must be taken about a certain matter, the agenda of the meeting is drawn up accordingly. Matters that are to be discussed at the Company's BoD meeting are collected at the General Secretariat, which consolidates and places them on the agenda.

A General Secretariat has been assigned the duties of determining the agenda for Koç Holding BoD Meetings, preparing Board decisions within the scope of the provisions of TCC 390/IV, making disclosures to the BoD and ensuring the flow of communication. The BoD meets as many times as business dictates.

At the meetings held in 2018, the Board made 29 decisions, four of which were during meetings at which strategic issues were discussed. At least three Independent Members attended all of the meetings. Every member has one vote at BoD meetings; differences of opinion and grounds for opposing votes and specific questions raised by Members of the BoD at Board Meetings are recorded in the Resolution Book. Since no opposition or difference of opinion has been declared recently, no public announcement has been made in this regard.

The Articles of Association of the Company stipulate that BoD decisions be made according to general provisions concerning meetings and decisions; however, a majority quorum is required for any decision regarding participation in a new company or the disposal of shares of an existing subsidiary. In these kinds of decisions, the following quorums must be met: 7 on 9-Member Boards, 8 on 10-Member Boards, 9 on 11, 12 and 13-Member Boards, 10 on 14-Member Boards, 11 on 15-16-17-Member Boards and 12 on 18-Member Boards. BoD Members and Senior Executives of our company are covered by a Directors and Officers Liability Insurance policy.

While monitoring the Company activities, the BoD evaluates whether there is a possibility of developing a conflict of interest or not and, if so, estimates the results of this conflict of interest for the Company and takes necessary decisions to ensure that most appropriate action for company interests is taken. Furthermore, in related party transactions, the BoD evaluates the possible risks of misconduct besides compliance with legal regulations and determined regulations. Related party transactions are evaluated with scrutiny in the BoD.

5.3. Number, Structure and Independence of BoD Committees

Our company has established committees to enable the BoD to perform its functions and meet its responsibilities fully. The activities of these committees are conducted under specified procedures. The decisions they reach are submitted to the BoD, where an ultimate decision is made. Members who serve on more than one committee facilitate communication and increase the opportunities for cooperation between committees handling related subjects. BoD declares that the committees had provided the expected contributions.

Audit Committee

Established by a BoD decision on 4 April 2003, the Audit Committee fulfills the functions stipulated in the CMB Regulations for Audit Committee.

At the Company's Board meeting dated 23 March 2018, it was decided that the Audit Committee would be composed of two Independent BoD Members. The Audit Committee Chairman was Mr. Kutsan Çelebican and the Committee Member was Mr. Mustafa Kemal Olgaç.

The operating principles of the Audit Committee are posted on the Company's website. In 2018, the Audit Committee convened three times to review its operations, oversee compliance with tax laws and regulations and to monitor legal risks. The Committee passed five resolutions and accordingly submitted to the BoD its written assessments on selection of the independent audit firm and annual & interim financial statements in terms of their truthfulness, accuracy, and compliance with the accounting principles adopted by the Company.

Corporate Governance Committee

The Corporate Governance Committee was established by the BoD on 29 March 2007 to monitor the Company's compliance with the Corporate Governance Principles. The Committee examines the reasons for cases of none implementation of some of the principles and it makes recommendations to the BoD for the improvement of practices. The BoD resolved on 23 March 2018 that the Corporate Governance Committee shall consist of three members and decided to appoint the Independent Member Kutsan Çelebican as its Chairman and Dr. Bülent Bulgurlu and Ahmet F. Ashaboğlu as the Members. The Committee's working principles are outlined on the Company's web site. The Committee made an assessment of the Company's Corporate Governance Principles and Corporate Governance Compliance Report in 2018, and informed the BoD on the activities of IR.

Nomination and Remuneration Committee

The BoD decided on 17 July 2012 to create a Nomination and Remuneration Committee to be responsible for nominating candidate for BoD Membership and determining BoD's and senior managers' remuneration according to CMB Corporate Governance Principles. The BoD also decided on 23 March 2018 that the Committee shall consist of two members, with Independent Member Kutsan Çelebican as Chairman and Dr. Bülent Bulgurlu as Member. According to its operating principles outlined on the Company's web site, the Committee meets at least twice every year. In 2018, the Committee worked on the nomination of Independent BoD Members, and on the benefits provided to BoD Members and senior executives.

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Risk Management Committee

The BoD decided on 17 July 2012 to create a Risk Management Committee set up under the BoD to identify early on any risks to the Company's assets, development or existence; to implement the measures necessary to deal with identified risks; and to manage risk. The BoD also decided on 23 March 2018 that the Committee shall consist of two members: Independent BoD Member Mustafa Kemal Olgaç as Chairman and Temel K. Atay as Member. The Company has posted the Committee's working principles on its website. The Committee convenes at least six times per year. In 2018, the Committee worked to assess the Company's risk profile, identify measures to be taken in risk prone areas, and prepare the risk management chapters in the annual report. In its report dated 15 February 2019, PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. stated that Koç Holding's early detection of risk system and its Risk Management Committee are adequate in all major aspects within the framework of the provisions of TCC no. 378. Detailed information on the activities of the Risk Management Committee is available in the Annual Report on page 138-139.

Executive Committee

The BoD created its Executive Committee on 15 May 2012 to provide effective coordination between the BoD and other administrative units of the Company and thereby enhance the efficacy of the BoD, and to steer investments toward more appropriate strategic goals and to improve business development. At the BoD meeting held on 23 March 2018, Semahat S. Arsel, Rahmi M. Koç, Ömer M. Koç, Ali Y. Koç, İnan Kırar, Temel K. Atay and A. Ümit Taftalı were elected as Committee members. The Committee convenes regularly at least once a month. The BoD is not always able to meet when it wants to or as often as it would like, so one of the functions of the Executive Committee is to monitor developments in the Company's sectors of operation and to keep the BoD informed of them. Another of its functions is providing coordination between the administrative structure of the Company and the BoD. It also makes recommendations for developing appropriate Company strategies and increasing the effectiveness of its operations.

5.4. Risk Management and Audit Mechanism

Risk Management and Reporting at Koç Holding is conducted under the Finance Department in coordination with other departments. Risks are investigated through periodically prepared reports and meetings and they are evaluated in detail. The main risks to which Koç Holding is exposed are monitored under four main headings: financial (foreign currency, liquidity, credit, interest and commodity price risks), strategic, operational and legal; information on these risks is supplied periodically to the Risk Management Committee and the BoD. Detailed information about risk management is contained in the relevant section of the Annual Report.

5.5. Company Strategic Goals

Koç Holding BoD manages and represents the Company through its strategic decisions, taking into consideration particularly long-term interests in light of keeping the Company's risk-growth-profits balance at the most appropriate level through a rational and cautious risk management approach. Our BoD determines Koç Holding's strategic goals, identifies the human and financial resources needed to achieve them, and oversees the performance of management.

The BoD, through the strategic meetings it holds four times a year, compares the Holding's quarterly financial performance with the budget, monitors strategic developments and develops new strategies and makes investment decisions taking into account the management's recommendations. Besides evaluating financial and operational indicators, in its end-of-year performance evaluation, the BoD assesses the extent to which the Company's strategies have been implemented, thereby forming a basis for determining performance and rewards.

5.6. Financial Rights

The "Remuneration Policy for BoD Members and Senior Executives," which contains the remuneration principles and the criteria used in determining every right, benefit and remuneration given to BoD Members and Senior Executives, was posted on our website for inspection by our shareholders through the "Information Document," published three weeks before the Ordinary General Assembly held on 22 March 2018, and was implemented after the General Assembly. The policy that was publicly announced on our company website and in the Annual Report is added to the agenda of the Ordinary General Assembly Meeting that will be held on 21 March 2019 to discuss the activities of 2018 so that our shareholders will be given the opportunity to present their opinions on the Policy. The total payments made within the framework of the "Remuneration Policy for BoD Members and Executive Management" are assessed every year by the Nomination and Remuneration Committee and the BoD. The remuneration of the members of the BoD and Executive Management is disclosed on a non-individual basis – in parallel to the general practices – in the footnotes of our financial statements and at the General Assembly meetings. Koç Holding does not get involved in material transactions that might lead to conflicts of interest such as extending loans the BoD Members or Executive Management, or providing collateral on their behalf.

Board of Directors

Rahmi M. Koç, Honorary Chairman

A graduate of Johns Hopkins University in Business Administration, he joined the Koç Group in 1958 at Otokoç. He became Chairman of the Management Committee in 1980 and was named Chairman of the Board of Directors of Koç Holding in 1984, a post he held until 2003 when he became the Honorary Chairman. Apart from Koç Holding, he also serves as a Member / Chairman of the Board of Directors of other Koç Group companies. In addition, Rahmi M. Koç is or has been affiliated with philanthropic, social and professional organizations including:

- The Metropolitan Museum of Art, New York City, Honorary Trustee
- Co-Chairman of the Business Advisory Council for South East Europe (BAC SEE)
- Vice Chairman of the Board of Trustees of Vehbi Koç Foundation
- Honorary Chairman of the Board of Trustees of Koç University
- Founder and Chairman of the Board of Directors of the Rahmi M. Koç Museum and Cultural Foundation
- Chairman of the Board of Directors of the Vehbi Koç Foundation American Hospital
- Honorary Chairman and Founding Member of TURMEPA, The Turkish Marine and Environment Protection Association
- Honorary Chairman of the Advisory Board of the Turkish Industrial and Business Association (TÜSİAD)
- Member of the Advisory Board of the Turkish Employers Association
- Founding Chairman of the Global Relations Forum
- Former President of the International Chamber of Commerce (1.1.1995-31.12.1996)
- Former President of the Turkish Greek Business Council (1992-1999)
- Former Member of the Allianz Aktiengesellschaft International Advisory Board
- Former Member of the JP Morgan International Council
- Former Member of the International Advisory Board of the US Council on Foreign Relations

Rahmi M. Koç has been awarded with the following merits and degrees:

- “Honorary Doctorate” degrees by Johns Hopkins University (Baltimore-Maryland), Eskişehir Anadolu University, İzmir Ege University, Ankara Bilkent University, Ovidius University of Constanza and Aydın Adnan Menderes University
- “Outstanding Service Award” by the President of the Turkish Republic
- German Government’s “Grosses Verdienst Kreuz”
- “Order of High Merit of the Italian Republic”
- “Order of Merit of the Austrian Government”
- “(Honorary) Commander of the Most Excellent Order of the British Empire (CBE)”
- “Officier dans l’Ordre National de la Légion d’Honneur”, the highest medal awarded by the French government
- “Responsible Capitalism Lifetime Achievement Award” from FIRST, a leading multidisciplinary international affairs organization
- “Hadrian Award” by the World Monuments Fund to the Koç Family
- “Carnegie Medal of Philanthropy” (New York) to the Koç Family
- “BNP Paribas Philanthropy Award” (Paris) to the Koç Family

Ömer M. Koç, Chairman

He received his B.A. degree from Columbia University in 1985. He worked at Kofisa Trading for one year and completed his MBA at Columbia University in 1989. After working at Ramerica International Inc., he joined the Koç Group in 1990. He held various senior positions at Koç Holding including Finance Coordinator, Vice President and President of the Energy Group. He became Member of the Board of Directors in 2004 and Vice Chairman in May 2008. In February 2016, he was appointed as the Chairman of the Board of Directors of Koç Holding. He serves as the Vice President of TÜSİAD High Advisory Council, Chairman of Tofaş, Tüpraş and Yapı Kredi Kültür Sanat Yayıncılık Board of Directors and Member of the Board of Directors at other Koç Group companies. He is also the Chairman of Turkish Educational Foundation Board of Trustees and Chairman of the Board of Directors of Geyre Foundation.

Ali Y. Koç, Vice Chairman

He received his bachelor's degree from the Management Faculty of Rice University and MBA from Harvard Business School. He started his career at American Express Bank as a Management Trainee and continued as an Investment Analyst at Morgan Stanley Investment Bank. Ali Y. Koç joined Koç Holding in 1997 and held senior-level positions until 2010 including new business development and information Technologies as well as President of Corporate Communications and IT Group. After serving as Member of the Board of Directors at Koç Holding for over 8 years, he was elected as Vice Chairman in February 2016. Since April 2016, Ali Y. Koç also serves as Chairman of the Board of Directors of Koç Financial Services, Yapı Kredi Bank, Ford Otosan, Otokar as well as several other Koç Group companies. In addition to being Chairman and Vice Chairman at Turkey's largest companies and financial institutions, Ali Y. Koç also contributes to the country's social and economic development and currently is the President of Fenerbahçe Sports Club and the National Competition Research Association (URAK), Member at the Foreign Economic Relations Board (DEİK), Member of the Global Advisory Council of Bank of America, Harvard University and Council on Foreign Relations. He is also a Member of the Panel of Senior Advisers at Chatham House and recently joined the Trade and Investment Council at the Confederation of British Industry.

Semahat S. Arsel, Member

She began her career in 1964 as a Member of the Board of Directors of Koç Holding, a position she continues to hold. In addition, she is Chairman of the Board of Directors of Vehbi Koç Foundation and the Divan Group, President of the Semahat S. Arsel Nursing Education and Research Center and Founder of the Koç University School of Nursing. She also serves as Member of the Board of Directors of other Koç Group companies. She is Second Chairman of the Florence Nightingale Foundation as well as Member of the Board of Trustees of the Educational Volunteers Foundation of Turkey (TEGV). Semahat S. Arsel has received an "Honorary Doctorate" degree from Istanbul University.

Caroline N. Koç, Member

After graduating from high school at Switzerland's St. George's School, Ms. Koç went on to receive a Bachelor's degree in Business Administration from Babson College, USA. She is fluent in English, Turkish, French, Italian and Swedish. Ms. Koç started her professional career in 1992 at Edwards of Hisar, where she acted as the managing director until 1998. Subsequently, she founded "İlkadım Play and Education Center for Kids" in 1998. She was the acting manager of the Center until 2003. She founded "Haremliques Istanbul" in 20018 and "Selamlıques Turkish Coffee" in 2009 and is currently the Chairwoman of the Board of Directors of both companies. In addition, she is a Member of the Board of Directors of several Koç Group companies. She is a Member of the Board of Directors of Tohum Autism Foundation, a Founding Member of Tina Foundation as well as the Contemporary Education Foundation. She has been a Member of Koç Holding Board of Directors since 2016.

İpek Kırac, Member

She graduated from Koç Private High School in 2002 and from Brown University Department of Biology in 2007. Since March 2012, she has been a Board of Directors Member and CEO of Sirena Marine Maritime Industry and Trade Inc.; a subsidiary of Kıraca Holding. Besides being a Founding Member of the Suna and İnan Kırac Foundation, İpek Kırac continues to work as a Board of Directors Chairwoman for Koç Private High School, Board of Directors Member for Karsan Inc., Temel Trade and Investment Inc., Moment Health Services Trade Inc., Zer Central Services Inc. and Board of Trustees Member of TEGV (Educational Volunteers Foundation of Turkey), GEV (Galatasaray Education Foundation) and Koç University. She has been a Member of Koç Holding Board of Directors since 2016.

Board of Directors

Temel K. Atay, Member

A graduate of Mechanical Engineering from Istanbul Technical University, he holds an MBA degree from Wayne State University. He joined the Koç Group in 1966 and later served as the General Manager of Otayol Sanayi A.Ş. and Tofaş Türk Otomobil Fabrikası A.Ş. After working in various senior management posts at Koç Holding, he served as the CEO between 2000 and 2001. He is a Member of the Board of Directors of Tüpraş, Tofaş, RMK Marine, Otokoç Otomotiv, Divan and Setur; Vice Chairman of VKV American Hospital, Chairman of MedAmerican Ambulatory Care Surgery Center and Bodrum American Hospital. In addition, he is a Member of the Board of Directors of Vehbi Koç Foundation and Chairman of the Turkish Family Health and Planning Foundation (TAPV). He is a Member of Global Relations Forum (GRF), Galatasaray Sports Club and TURMEPA. He has been a Member of Koç Holding Board of Directors since 1996.

Dr. Bülent Bulgurlu, Member

He graduated from Ankara Engineering and Architectural Faculty and earned his Ph.D. from Norwegian University of Science and Technology (NTNU). He started his career in 1972 as a Construction Engineer at Elliot Strømme A/S in Oslo. He joined Garanti İnşaat in 1977 as Construction Engineer and worked as Planning and Construction Manager, Site Coordination and Construction Manager, Assistant General Manager, General Manager and Executive Director at Garanti-Koza. He has worked at Koç Holding since 1996 as President of the Tourism and Services Group, President of the Tourism and Construction Group and President of the Consumer Durables and Construction Group. He was Koç Holding's CEO between May 2007 and April 2010. He has been a Member of Koç Holding Board of Directors since May 2007. He also serves as Member of the Board of Directors of other Koç Group companies. He is also a Member of TÜSİAD and TURMEPA.

Levent Çakıroğlu, Member

Levent Çakıroğlu graduated from Ankara University Faculty of Political Sciences, Business Administration Department and received his master's degree from University of Illinois. He started his career as an Assistant Auditor at the Ministry of Finance in 1988, where he worked as a Senior Auditor between 1991 and 1997. He was appointed as Assistant Manager of Financial Crimes Investigation Board between 1997 and 1998, meanwhile he taught as a Part Time Instructor at Bilkent University. Çakıroğlu, joined Koç Group in 1998 as Koç Holding Financial Group Coordinator. He was the General Manager of Koçtaş between 2002 and 2007 and the CEO of Migros between 2007 and 2008. He was assigned as the CEO of Arçelik in 2008 and also became President of the Durable Goods Group of Koç Holding in April 2010. Çakıroğlu has been appointed as the CEO of Koç Holding in April 2015. He currently serves as the CEO and has also been Member of the Board of Directors of Koç Holding since April 2016. Levent Çakıroğlu is also Chairman of the Board of Directors of Arçelik- LG and TürkTraktör as well as the Vice Chairman of Otokar and Member of the Board of Directors at various Koç Holding companies.

Prof. Dr. John H. McArthur, O.C., Member

He graduated from the University of British Columbia and received his MBA and doctorate from Harvard Business School. He became a professor at Harvard Business School in 1962 and served as Dean from 1980 until 1995. He is the past Chairman of the Board of Directors of Asia Pacific Foundation of Canada and currently a Board Member of Stemnion, Inc. and Aileron Therapeutics. For many years, he served as Chairman of the Brigham and Women's Hospital and, following its merger with the Massachusetts General Hospital, was the founding co-Chairman of the Board of Partners HealthCare System, Inc. He has also served on the Board of Directors of Duke University Health Systems, Thomson Reuters Founders Share Co. Ltd., Chase Manhattan Corporation, Bell Canada, GlaxoSmithKline PLC and the AES Corporation. In 2013, he was made an Officer of the Order of Canada. McArthur is a Member of the Board of Directors of the Initiative for a Competitive Inner City. John H. McArthur has been a Member of Koç Holding Board of Directors since 1999.

Prof. Dr. Heinrich V. Pierer, Member

He studied Law and Economics at the Friedrich Alexander University Erlangen-Nuremberg. He joined Siemens AG in 1969 and held various senior positions in the Company. He was the Chief Executive Officer of Siemens AG between 1992 and 2005 and the Chairman of the Supervisory Board of Siemens AG between 2005 and 2007. He served as Chairman of the Asia-Pacific Committee of German Business between 1993 and 2006. Pierer is an Honorary Professor at the Friedrich Alexander University Erlangen-Nuremberg, Department of Law and Economics. He is a Member of the Supervisory Board of Gerorgsmarienhütte GmbH and a Member of various Advisory Boards of SMEs. In addition, he was a Member of the Supervisory Boards of Deutsche Bank, Berenberg Bank, Volkswagen, Bayer, Munich Re and Hochtief. Heinrich V. Pierer has been a Member of Koç Holding Board of Directors since 2008.

Dr. Kwok King Victor Fung, Member

He received his Bachelor's and Master's degrees in Electrical Engineering from the Massachusetts Institute of Technology, and a doctorate in Business Economics from Harvard University. He was the Chairman of the Hong Kong Trade Development Council (1991-2000), the Hong Kong Representative on the APEC Business Advisory Council (1996-2003), Chairman of the Hong Kong Airport Authority (1999-2008), Chairman of The Council of The University of Hong Kong (2001-2009), Chairman of the Greater Pearl River Delta Business Council (2004 to February 2013), Chairman (July 2008-June 2010) and Honorary Chairman (July 2010-June 2013) of the International Chamber of Commerce, a Member of WTO Panel on Defining the Future of Trade (2012-2013), a Vice Chairman of China Center for International Economic Exchanges (2009-2014), a Member of the Chinese People's Political Consultative Conference (January 2003-January 2018) and Chairman of the Steering Committee on the Hong Kong Scholarship for Excellence Scheme (September 2014-September 2018). Fung is the Group Chairman of the Fung Group (formerly known as the Li & Fung Group), a Hong Kong-based multinational group which comprises major operating groups engaging in trading, logistics, distribution and retailing. They include publicly-listed Li & Fung Limited, Global Brands Group Holding Limited, Convenience Retail Asia Limited and other privately held entities. Fung has been Chairman of the Advisory Board of Asia Global Institute at The University of Hong Kong since July 2015. Asia Global Institute, of which Fung is a Co-Founder, is a multi-disciplinary think tank. He has also been an Adviser of the Infrastructure Financing Facilitation Office of The Hong Kong Monetary Authority since 2016 and a Member of the Chief Executive's Council of Advisers on Innovation and Strategic Development since March 2018. Fung is also Chairman of the 2022 Foundation, a non-profit entity focused on research into Hong Kong's long-term competitiveness. Fung is an independent non-executive Director of Chow Tai Fook Jewellery Group Limited in Hong Kong. He is also Chairman of the Asia Advisory Board of Prudential Financial, Inc (USA). He was awarded the Gold Bauhinia Star in 2003 and Grand Bauhinia Medal in 2010 for distinguished service to the community. Kwok King Victor Fung has been a Member of Koç Holding Board of Directors since 2011.

Kutsan Çelebican, Independent Member

He graduated from Ankara University, School of Political Science. He began his career at the Ministry of Finance Tax Auditors Board in 1969, served as Deputy General Director at the General Directorate of Treasury of the Ministry of Finance between 1979 and 1982, and was later appointed as Assistant to Executive Director in the World Bank (IBRD). He joined the Koç Group in 1987 and served as Finance Coordinator, Vice President and President of the Finance Group. He retired from the Koç Group as of December 2001. He managed his own financial consulting company for a while. He is a Member of Turkish Educational Foundation, Foundation of Auditors, Chamber of Sworn-in Certified Public Accountants of Istanbul and TÜSİAD. In addition, he is an Independent Member of Board of Directors of Aygaz. Kutsan Çelebican has been a Member of Koç Holding Board of Directors since 2013.

Board of Directors

Mustafa Kemal Olgaç, Independent Member

He graduated from Boğaziçi University in Mechanical Engineering and completed two Master's degrees at University of Wales in Controlling Engineering and Edinburgh University in Fire Engineering. He started his career in 1977 at Koç Allianz Sigorta A.Ş. He worked as General Manager at Koç Allianz Hayat ve Emeklilik A.Ş. between 1991 and 2006; CEO of Allianz Turkey between 2001 and 2006; a Member of the Board of Directors of Allianz Sigorta A.Ş. and Allianz Hayat ve Emeklilik A.Ş. and as Board Chairman of Allianz Global Assistance and Magdeburger Insurance between 2001 and 2014. He served as Member of Turkey Insurance Association Board of Director, Chairman of Turkish Insurance Institute Foundation Board of Trustees, Board Member of YASED International Investors Association, Member and Chairman of EGM Pension Monitoring Center Board of Directors. He is an Independent Member of Avicennia Capital Sdn Bhd (subsidiary of Khazanah group which is a strategic investment fund of the Malaysian government) and Acıbadem Sağlık ve Hayat Sigorta A.Ş. Board of Directors. He is also the Chairman of the Board of Directors of Akasya Bakım ve Yaşam Merkezi A.Ş. He is a Member of TÜSİAD, 1907 Fenerbahçe Association and 65+ Elder Rights Association. Mustafa Kemal Olgaç has been a Member of Koç Holding Board of Directors since 2014.

Jacques Albert Nasser, Independent Member

Following a 33-year global career with Ford Motor Company, Jacques Albert Nasser served as a Member of its Board of Directors, President and Chief Executive Officer. He was most recently the Board Chairman of BHP Billiton and has served as a Member on the Board of Directors of Brambles and Sky. From 2002-2010, he was also a Partner of One Equity Partners, the private equity arm of JPMorgan. Nasser is presently on the Board of Directors of 21st Century Fox and is an Advisor to One Equity Partners. Nasser graduated in Business from RMIT University in Melbourne, Australia, and received a Doctorate of Technology honoris causa. In recognition of his work for industry, the community and as an advisor to government, he has received various awards in Australia, Lebanon and the United States. Jacques Albert Nasser has been a Member of Koç Holding Board of Directors since 2015.

Anne Lauvergeon, Independent Member

Anne Lauvergeon is a graduate of the Ecole Normale Supérieure and the French National School of Mining Engineer. She holds an advanced degree in Physics and Chemistry. She started her professional career in 1983, in the iron and steel industry (Usinor). In 1984, she directed the European nuclear safety studies applied to the chemical industry for CEA (Commissariat à l'Energie Atomique, the public technological research organization in France). From 1985 to 1988, she supervised the underground activities in and around Paris and was appointed Deputy Director of the General Mining Council in 1988. From 1990 to 1995, she worked for the French President's office, in charge of international economy and foreign trade missions and Deputy Chief of Staff in 1991. At the same time she became Personal Representative to the French President, in charge of the G7/G8 Summits. In 1995, she became Managing Director and Partner of Lazard Frères (New York, Paris). In March 1997, she joined Alcatel Telecom as Senior Executive Vice President and was appointed Member of the Executive Committee in 1998. She was in charge of the international network and the Group's interests in energy, defense, transportation and nuclear fields. From July 2001 to June 2011, after its creation, she was Chief Executive Officer of AREVA. From June 1999 to June 2011, she was Chairman of the Board of Directors and Chief Executive Officer of COGEMA (now AREVA NC). From 2013 to 2018, she was Chairman of Innovation 2030 National Committee. Since 2011, Anne Lauvergeon is Founder and CEO of A.L.P, an advisory and investment company. Since 2014, she is Chairman of the Board of Directors of Sigfox, the world leading IoT operator. Since 2018, she is appointed Co-Chairman of the Innovation Committee of the MEDEF (Mouvement des Entreprises de France). Anne Lauvergeon is a Board Member of American Express, Suez and Avril. She has been a Member of Koç Holding Board of Directors since 2016.

Ömer Dinçkök, Independent Member

Following the completion of his BA studies at Robert College in Istanbul, Ömer Dinçkök acquired his postgraduate degree in the UK in 1971. Ömer Dinçkök's entrance into business life was at Akkök Holding, which was founded by his father the late Mr. Raif Dinçkök in 1952 and encompasses industrial and trading companies operating in energy, chemicals, textile and real estate. He took responsibilities as Chairman and Member at the Board of Directors of Akkök Holding and various companies within the group between 1971-2012. Ömer Dinçkök founded Atlantik Holding in 2008 to amalgamate and oversee the performance of the family holdings. Starting in the second half of 2012, he decided to focus his entrepreneurial efforts solely on developing the activities of Atlantik Holding, which is one of the three equal partners of Akkök Holding and where he acts as Chairman of the Board of Directors. Dinçkök has actively contributed to the establishment and/or development of the business and philanthropic organizations below: Honorary Chairman of the Turkish Industry and Business Association (TÜSİAD) (2011-present); Honorary Member of the Assembly at the Istanbul Chamber of Industry (ISO) (2008-present); Member of the Board of Trustees of Koç University (2006-present); Member of the Board of Trustees (1994-present), Chairman of the Board of Trustees (2004-2007), Chairman of the Board of Directors (2001-2004) and Vice Chairman of the Board of Directors (1994-2001) of the Turkish Education Foundation (TEV); Founding Member and Member of the Board of Trustees (1995-present) and Member of the Board (1995-1998) at the Educational Volunteers Foundation of Turkey (TEGV); Chairman of the Assembly at the Istanbul Chamber of Industry (ISO) (1992-2001); Chairman of the Industrial Counsel at the Turkish Union of Chamber of Commerce and Industry (TOBB) (1992-2000); Member of the Board of Trustees at Wilberforce University in Ohio, USA (1989-2000); Chairman of the Board of Directors of TÜSİAD (1987-1989). He has been a Member of Koç Holding Board of Directors since 2017.

Emily K. Rafferty, Independent Member

Emily K. Rafferty, President Emerita of The Metropolitan Museum of Art (The Met), served for 40 years at the Museum as Chief of Institutional Advancement, Senior Vice President of External Affairs, and as President from 2005 to 2015. As President of The Met, she was the Museum's Chief Administrative Officer, supervising a staff of 2,000 full- and part-time employees and volunteers. Ms. Rafferty's global experience took her to some 50 countries on behalf of the Museum as she worked with government and private sector officials on initiatives involving funding, marketing, international art loans, legislative affairs, and cultural issues. Rafferty served also as a Board Member (2011-2017) and Chairwoman (2012-2016) of the New York Federal Reserve Bank and as a UNESCO Senior Adviser for Heritage Protection and Conservation (2015-2017). Rafferty has been Chairwoman of NYC & Company (the city's official tourism and marketing organization) since 2008, is a Board Member of the National September 11 Memorial & Museum (2005-present) serving now as Vice Chairman, Board Member of PJT Partners (2015-present). Formerly an Advisory Board Member of the Bipartisan Congressional Commission for The American Museum of Women's History in Washington, D.C. (May 2015-December 2016), she continues to serve as an Advisor to the Smithsonian for the advancement that project. As Principal of Emily K. Rafferty & Associates, she currently consults for several organizations, including Russell Reynolds Associates, serving as a Senior Advisor to the Firm in the Non-Profit Sector specifically in the Firm's culture, philanthropy and Non-Profit Board Effectiveness Practice, and for The Shed, a performing arts center under construction at Manhattan's Hudson Yards. Formerly a Member of the Advisory Committee for three years, she now serves on the Board of Carnegie Hall (October 2018-present). She is also a Board Member of Global Hope Coalitions, a Member of the Advisory Council of the American University of Beirut, a Member of the Advisory Board of The European Fine Arts Fair (TEFAF), and is a Member of the Economic Club and the Council on Foreign Relations. She also lectures widely on topics relating to non-profit and board management, fundraising and cultural heritage. The recipient of many awards and honors, Rafferty was named by Crain's New York Business one of New York City's 100 most influential women from 2009 through 2013, and in Fall 2015 she was elected to its Hall of Fame. In 2012, she received New York University's Lewis Rudin Award for Exemplary Service to New York City, and in 2018, received a Lifetime Achievement Award from the National September 11 Memorial & Museum. She has been a Member of Koç Holding Board of Directors since 2018.

Executive Management

Levent Çakıroğlu, CEO

Levent Çakıroğlu graduated from Ankara University Faculty of Political Sciences, Business Administration Department and received his master's degree from University of Illinois. He started his career as an Assistant Auditor at the Ministry of Finance in 1988, where he worked as a Senior Auditor between 1991 and 1997. He was appointed as Assistant Manager of Financial Crimes Investigation Board between 1997 and 1998, meanwhile he taught as a Part Time Instructor at Bilkent University. Çakıroğlu, joined Koç Group in 1998 as Koç Holding Financial Group Coordinator. He was the General Manager of Koçtaş between 2002 and 2007 and the CEO of Migros between 2007 and 2008. He was assigned as the CEO of Arçelik in 2008 and also became President of the Durable Goods Group of Koç Holding in April 2010. Çakıroğlu has been appointed as the CEO of Koç Holding in April 2015. He currently serves as the CEO and has also been Member of the Board of Directors of Koç Holding since April 2016. Levent Çakıroğlu is also Chairman of the Board of Directors of Arçelik- LG and TürkTraktör as well as the Vice Chairman of Otokar and Member of the Board of Directors at various Koç Holding companies.

Özgür Burak Akkol, Human Resources Director

After receiving his Bachelor's degree in Industrial Engineering from Istanbul Technical University, Akkol completed the Executive MBA program and received a Master's degree from Koç University in 2011. As he continued his professional career, he successfully graduated from Harvard Business School and Columbia University completing the "Executive Development" and "Leadership Education" programs, Columbia Business School and London Business School Global Executive MBA. Akkol started his career in 2001 in the USA, as a Production and Productivity Specialist at Nautilus Foods. After working abroad, Akkol returned to Turkey and started working for Koç Holding in 2003, as a Human Resources Assistant Specialist. He worked as a Human Resources Specialist between 2004 and 2005, and as an Audit Specialist and Senior Audit Specialist between 2005 and 2009. Akkol then worked as a System Development and Human Resources Manager between 2009 and 2010, and as a System Development and Human Resources Coordinator between 2010 and 2014. Since April 2014, he has been working as Koç Holding Human Resources Director. Akkol is Chairman of Koç Pension & Assistance Foundation and Koç Group Sports Association, member of the Board and Executive Committee of Turkish Confederation of Employer Associations (TİSK), Vice Chairman and Executive Committee member of Turkish Employers Association of Metal Industries (MESS), member of the Board of Turkish Employment Agency.

Ahmet Ashaboğlu, CFO

Mr. Ashaboğlu holds a Bachelor of Science degree from Tufts University and a Master of Science degree from Massachusetts Institute of Technology (MIT) both in Mechanical Engineering. In 1994, he began his career as a Research Assistant at MIT, followed by various positions in capital markets within UBS Warburg, New York between 1996 and 1999. After serving as a management consultant at McKinsey & Company, New York between 1999 and 2003, Mr. Ashaboğlu moved to Turkey and joined the Koç Holding company as Finance Group Coordinator in 2003. He has been at his current position of Group Chief Financial Officer (CFO) since 2006.

Ufuk Çıplak, Director of Public Affairs

Ufuk Çıplak graduated from Hacettepe University, Department of French Language and Literature in 1987. He began his professional career in 1987 at the Ministry of Foreign Affairs, Directorate General of Protocol. Subsequently, he served as Attaché at the Embassy in Sana, Yemen (1990-1992), Attaché at the Embassy in Rome (1992-1995), Deputy Undersecretary for Financial & Administrative Affairs (1995-1996), Attaché at the Permanent Mission of Turkey to the United Nations in New York (1996-2000), Chief of Cabinet to the General Secretary for EU Affairs (2000-2002), Attaché at the Embassy in Athens (2002-2006), and Training Coordinator (2006-2009). Mr. Çıplak joined Koç Holding in 2009 as Public Affairs Manager, and later served as Public Affairs Representative between 2012 and 2013, and Public Affairs Coordinator from 2013 to 2015. He has been the Director of Public Affairs at Koç Holding since 2015.

Cenk Çimen, President, Automotive Group

He graduated from Istanbul Technical University in Industrial Engineering and completed Executive Development Programs at Stanford University (USA) and the University of California at Los Angeles (USA). He joined the Koç Group in 1991 as Management Trainee at Nasoto. He assumed Sales Coordinator, Regional Manager and Import Manager responsibilities at Otosan Pazarlama between 1993 and 1996. He served as Fleet Sales Manager at Ford Otosan between 1996 and 1998 and became the General Manager of Otokoç Ankara in 1998. In 2001, he was appointed as the General Manager of the companies merged under Otokoç. In 2005 his responsibility was extended to include the General Manager role for Birmot A.Ş., also assuming responsibility for Avis car rental. He has been serving as the President of Automotive Group at Koç Holding since June 2009.

Dr. Fatih Kemal Ebiçlioğlu, President, Consumer Durables Group

After graduating from Ankara University, Faculty of Political Science, Department of International Relations, Fatih Ebiçlioğlu received a Master's degree in Finance from the Virginia Commonwealth University, and earned a PhD degree in Finance-Accounting from Ankara University Faculty of Political Science. Between 1989 and 2002, Mr. Ebiçlioğlu worked as Assistant Tax Auditor at the Ministry of Finance, and later as Tax Auditor and Senior Tax Auditor. In addition, he served as a part-time instructor at Hacettepe, Bilkent and Atılım Universities from 1998 to 2002. He joined Koç Holding in 2002 as Financial Coordinator. Subsequently, he served as Audit Group Coordinator of Koç Holding (2004-2005), and Deputy General Manager of Arçelik (2005-2015). Mr. Ebiçlioğlu has been the President of the Consumer Durables Group at Koç Holding since February 2015. He is also a Member of the Board of Directors of TÜSİAD and Turkish Exporters Assembly (TİM).

Executive Management

Yağız Eyüboğlu, President, Energy Group

Yağız Eyüboğlu graduated from Boğaziçi University with a BA degree in Economics in 1991. He went on to earn an MBA from Koç University in 1996. Mr. Eyüboğlu began his professional career as a Management Trainee at Arçelik in 1991. Starting in 1993, he worked at Koç Holding for more than 10 years, as Auditor, Senior Internal Auditor, Assistant Financial Coordinator and Financial Coordinator, respectively. Between 2004 and 2009, he served as CFO of Arçelik; CEO and Board Member of Beko Elektronik; Assistant to the President of the Foreign Trade and Tourism Group at Koç Holding; and Human Resources Director at Koç Holding. From 2009 to October 2015, he was the General Manager of Aygaz. In October 2015, he was appointed Deputy President of the Energy Group at Koç Holding and since April 2016 he has been serving as President of Energy Group. Mr. Eyüboğlu currently serves as a Board Member both in several Koç Holding companies and sectoral non-governmental organizations.

Tamer Haşımoğlu, President, Tourism, Food and Retailing Group

He graduated from Istanbul Technical University in Mechanical Engineering and earned a Master's degree in International Business from Istanbul University, Institute of Business Administration and Economics. He started his career in 1989 at Koç Holding as a Management Trainee in the Planning Department and later became Specialist, Manager and Coordinator of the Strategic Planning Department. He was appointed Koç Holding Strategic Planning Group Acting President in January 2004 and he served as the President of Strategic Planning Group between May 2004 and April 2011. He has been serving as the President of Tourism, Food and Retailing Group at Koç Holding since April 2011. He serves as a Board member of some Koç Group companies and is a member of TÜSİAD, member of the Tourism Investors' Organization, member of the Board of İMEAK Chamber of Shipping and Hisar Educational Foundation (HEV).

Oya Ünlü Kızıl, Corporate Communication and External Affairs Director

After receiving her Bachelor's degree in Business Administration from the Middle East Technical University, Kızıl started her career in 1992 as a specialist in the Republic Of Turkey Prime Ministry Privatization Administration. Kızıl received a Master's degree in International Business Administration from George Washington University in 1997 with government scholarship, and then worked in Washington, D.C. for five years as a Portfolio Director of Middle East and North Africa in the World Bank. Between 2001 and 2003, she became the Chief Advisor of the Prime Minister in the Ministry of Economy. In 2003, she started working for Koç Holding as a CEO Advisor. Kızıl continues her career as the Corporate Communication and External Relations Director. In 2008, she was selected as a "Yale World Fellow" by Yale University in 2008 and received leadership training in this program. Kızıl is a member of TÜSİAD and a member of the Board of Directors of Istanbul Foundation for Culture & Arts (İKSİV), Sustainable Development Association (SKD), Education Reform Initiative (ERG), and Turkish Family Health and Planning Foundation.

Ali Tank Uzun, President, Audit Group

He graduated from Ankara University in Faculty of Political Science with a BA in Economics in 1985 and earned his MBA degree from Koç University in 1995. He started his career in 1985 as an Account Specialist at the Ministry of Finance, joining Koç Holding in 1992 as Assistant Coordinator of Financial Affairs in the Audit and Finance Group. He served as Coordinator between 1969 and 2003 and has been serving as the President of Audit Group at Koç Holding since 2004. He is a member of TÜSİAD, TURMEPA and Alumni Association of Ankara University Faculty of Political Science.

Kenan Yılmaz, General Counsel

He graduated from Istanbul University, Faculty of Law in 1983. He was admitted to the Istanbul Bar Association in 1984. He earned an LLM in International Business Transactions from Tulane University Law School in New Orleans, Louisiana (USA) and received an EMBA from Koç University. He began his career as Legal Advisor at Koç Holding in 1989. Between 2000 and 2006, he worked as Assistant Chief Legal Advisor. Since 2006, he has been working as the General Counsel of Koç Holding. Mr. Yılmaz is a founding member of Turkish Center for Ethical Values Foundation and founding member and Vice Chairman of the Board of Directors of Turkish Institute of Nautical Archeology (TINA) and Vice Chairman of the Board of Directors of Koç Holding Pension and Support Fund Foundation, and a member of TÜSİAD and Koç University Alumni Association.

Risk Management

Since its founding, the Koç Group has achieved long-term success through its cautious and robust approach toward risk management. To this end, Koç Holding uses sophisticated risk assessment, modeling, reporting, and capital allocation techniques. These processes boost transparency and encourage the application of a more systematic approach to risk assessment in investment and business decisions at all levels.

At the Koç Group, risks are managed by the Finance Department with the oversight of the Board of Directors, in coordination with all Group presidents. Koç Holding's Risk Management function was established to further develop the Group's risk policies, limits and review mechanisms. This risk management function leverages the risk infrastructures in each of the Company's businesses, which have adopted an approach that is aligned with the Group's overall risk policies and limits.

Risks identified through risk management processes are prioritized depending on their probability and impact. It is ensured that most important risks are within the responsibilities of business leaders at company and/or Group level. In the management of risks, the Company has general response strategies that identify categories according to whether it will avoid, transfer, reduce or accept the risk. These response strategies are tailored to ensure that risks are within acceptable tolerance levels set by the Board of Directors.

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

1. Financial Risks

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

i) Foreign Currency Risk: The Koç Group companies keep their foreign currency risk exposure within certain limits. As a foreign currency risk management tool, derivative transactions are used when needed. Loans that are designated as cash flow hedges and net investment hedges in foreign operations are excluded from the calculation of the amount subject to foreign currency risk exposure. Moreover, those assets that are reported as TL on the balance sheet and, for which exchange rate changes can be reflected to their sales prices are designated as "natural hedges" and considered as "foreign currency denominated assets" while evaluating the foreign currency risk exposure.

ii) Liquidity Risk: In accordance with the management of liquidity risk, the Group continues to diversify its funding sources, increase the average duration of its financial liabilities, maintain a sufficient level of cash and cash equivalents and sustain the current ratio above a certain limit in case of a sudden cash need.

iii) Credit Risk: The Company mitigates this risk by conducting credit analysis, setting credit limits, trade receivables insurances and obtaining the maximum degree of guarantee. In addition, with the “E-Risk Commercial Risk Application”, every effort is taken to ensure that the risk of commercial receivables arising from the Group’s operations is followed up centrally.

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

v) Commodity Price Risk: The Company accepts commodity price risk where they are part of its core business and avoid or reduce exposure where possible through a variety of hedging mechanisms.

2. Strategic Risks

Strategic risks relate to the demand for the Company’s products and services, market regulations as well as factors that affect market share such as competition, technological changes, and consumer trends and product innovation.

The most effective way to reduce risks related to sales is to diversify markets sectorally and geographically. As a long-term risk management strategy, Koç Holding is increasing both its sectoral and geographical diversification. In the short term, macroeconomic and sector specific developments are monitored centrally by the president of each group. Koç Holding’s strong presence and diversified business lines in the national economy enables it to recognize market changes early and take rapid and coordinated measures.

3. Operational Risks

Operational risks include incidents that affect the Company’s operations such as earthquakes, fires and environmental accidents, as well as the integrity of its internal systems and processes. Insurable risks are frequently re-assessed and transferred out of the Group based on a cost-benefit analysis. The risk and fraud audit of financial and operational processes are periodically performed at the Koç Group companies.

4. Legal Risks

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

Risk Management Committee Activities

In 2012, a Risk Management Committee was set up for the purpose of implementing all measures deemed necessary for early detection of risks and managing those risks. Since 23 March 2018 Mustafa Kemal Olgaç, an independent member of Board of Directors, has been the Chairman of the Risk Management Committee. The other Committee Member is Temel Kamil Atay, a Member of the Board of Directors.

The Committee held six meetings in 2018. It has evaluated Koç Holding Risk Management System and the principles of risk reporting, and analyzed the risk reports prepared within this framework, as well as making recommendations for measures to be taken to address matters that do not conform to designated limits in the Risk Management System. It also reviews the Risk Management System and monitors whether the departments which assume the management of risks act in compliance with the resolutions of the Committee. Reports and committee assessments are periodically provided to the Board of Directors.

In its report dated 15 February 2019, PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. stated that Koç Holding’s early detection of risk system and its Risk Management Committee are adequate in all major aspects within the framework of the provisions of Turkish Commercial Code (TCC) no. 378.

Internal Control Systems and Audit

Internal Control System and Internal Audit Activities

The objective of the Company's Internal Control System is to ensure operational effectiveness and productivity, financial reporting system reliability and compliance with legal regulations.

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

Evaluation on Internal Control System and Internal Audit Activities

The Internal Control System is periodically reviewed and audited for effectiveness by the Internal Audit Group. Audit Committee is periodically informed about the Internal Control System and Internal Audit activities.

Audit Information

There is no private or public audit activity finalized in 2018.

Information on Preparation of Consolidated Financial Statements

As a first step, Koç Holding Reporting Unit delivers "Financial Reporting Directives" to Group companies for the preparation of consolidated financial statements. Once financial data is reported by Group companies through the "Hyperion KOCFR Application," Koç Holding Financial Reporting Unit examines the data whereupon it is transferred to the consolidated financial statements. The consolidated financial statements are audited by the Audit Committee, Internal Audit Group and independent audit company PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi.

Working Principles and Evaluation on Activities of Board Committees

In 2018, all Committees of the Board of Directors (BoD) fulfilled their duties and responsibilities stipulated by the Corporate Governance Principles and their working principles, and convened in conformity with their working schedules. Reports including the information about the activities of the Committees and the results of the meetings held within the year were presented to the BoD.

Board of Directors has concluded that the benefit expected from the activities of the Board of Directors' Committees was obtained.

Working Principles and Operations of the Audit Committee

The working principles of the Audit Committee are posted on the Company website. (<http://www.koc.com.tr/en-us/investor-relations/corporate-overview-and-governance/corporate-governance/committees>)

The operations of the Committee are summarized below:

The Audit Committee monitors the implementation of the accounting and reporting systems pursuant to the relevant laws and regulations, disclosing financial data to the public, and the effectiveness of the internal audit and inspection system within our company. The Committee convenes at least every quarter with minimum of four times a year and submits its findings and recommendations in writing to the BoD.

At the Company's Board meeting dated 23 March 2018, it was decided that the Audit Committee shall be composed of two Independent Board Members. The Audit Committee President will be Mr. Kutsan Çelebican and the Committee Member will be Mr. Mustafa Kemal Olgaç.

In 2018, the Audit Committee convened three times to review the audit related operations particularly with regards to compliance with tax laws and regulations and monitoring legal risks. The Committee passed five resolutions and accordingly submitted to the BoD its written assessments on selection of the independent audit firm and annual & interim financial statements in terms of their truthfulness, accuracy, and compliance with the accounting principles adopted by the Company.

Working Principles and Operations of the Corporate Governance Committee

The working principles of the Corporate Governance Committee are posted on the Company website. (<http://www.koc.com.tr/en-us/investor-relations/corporate-overview-and-governance/corporate-governance/committees>)

The operations of the Committee are summarized below:

The Corporate Governance Committee aims to find out whether the corporate governance principles are applied within the Company, and, if not applied, to find out the reasons and the possible conflicts of interests that may have occurred as the result of the violation of such principles. It also gives advice to the BoD on improving governance applications. The Committee meets frequently enough to manage the duties assigned to it.

Evaluation on Working Principles and Activities of Board Committees

At the Company's Board meeting dated 23 March 2018, it was decided that the Corporate Governance Committee shall be composed of three members and the Independent Member Mr. Kutsan Çelebican be appointed as its Chairman and Mr. Bülent Bulgurlu and Ahmet F. Ashaboğlu as the members.

The Committee made an assessment of the Company's corporate governance practices and the Corporate Governance Compliance Report in 2018, and informed the BoD on the activities of the Investor Relations Unit.

Working Principles and Operations of the Nomination and Remuneration Committee

The working principles of the Nomination and Remuneration Committee are posted on the Company website. (<http://www.koc.com.tr/en-us/investor-relations/corporate-overview-and-governance/corporate-governance/committees>)

The operations of the Committee are summarized below:

The Nomination and Remuneration Committee gives advice and recommendations to the BoD for the purpose of improving the corporate governance implementations on the issues of nomination of Board Members and remuneration of the key executives of our company under the provisions defined in the Corporate Governance Principles of Capital Markets Board of Turkey. The Committee convenes at least twice a year.

At the Company's Board meeting dated 23 March 2018, it was decided that the Committee shall consist of two members, with Independent Member Kutsan Çelebican as Chairman and Mr. Dr. Bülent Bulgurlu as Member.

In 2018, the Committee worked on the nomination of Independent Board Members, and on the benefits provided to Board Members and senior management.

Working Principles and Operations of the Risk Management Committee

The working principles of the Risk Management Committee are posted on the Company website. (<http://www.koc.com.tr/en-us/investor-relations/corporate-overview-and-governance/corporate-governance/committees>)

The operations of the Committee are summarized below:

The purpose of the Risk Management Committee is to early identify the risks that would endanger the existence, development and continuity of the Company; implement measures and remedies required in this respect; manage and report these risks in parallel with the Company's corporate risk profile; apply necessary precautions relevant to recognized risks; evaluate options while making decision and make recommendations to the Board about developing and integrating internal control systems. The Committee convenes at least six times a year.

At the Company's Board meeting dated 23 March 2018, it was decided that the Committee shall consist of two members: Independent BoD Member Mustafa Kemal Olgaç as Chairman and Temel K. Atay as Member.

In 2018, the Committee worked to assess the Company's risk profile, identify measures to be taken in risk prone areas, and prepare the risk management chapters in the annual report. In its report dated 15 February 2019, PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. stated that Koç Holding's early detection of risk system and its Risk Management Committee are adequate in all major aspects within the framework of the provisions of Turkish Commercial Code (TCC) no. 378. Detailed information on the activities of the Risk Management Committee is available in the report on pages 138-139.

Working Principles and Operations of the Executive Committee

The operations of the Executive Committee are summarized below:

The Executive Committee, by providing effective coordination between the BoD and other administrative units of the Company, aims to enhance the efficiency of the BoD and to steer investments toward more appropriate strategic goals and to improve business development. The Executive Committee convenes regularly at least once a month.

At the BoD meeting held on 23 March 2018, Semahat S. Arsel, Rahmi M. Koç, Ömer M. Koç, Ali Y. Koç, İnan Kırac, Temel K. Atay and A. Ümit Taftalı were elected as Committee members.

The BoD may not always be able to meet as often as it would like, therefore one of the functions of the Executive Committee is to monitor developments in the Company's sectors of operation and to keep the BoD informed of them. Another of its functions is to provide coordination between the administrative structure of the Company and the BoD. It also makes recommendations for developing appropriate Company strategies and increasing the effectiveness of its operations.

Statement of Responsibility for Financial Statements

PREPARED IN ACCORDANCE WITH ARTICLE 9 OF THE CAPITAL MARKETS BOARD'S COMMUNIQUE NUMBERED II-14.1. ON THE FINANCIAL REPORTING IN CAPITAL MARKETS

INFORMATION ON THE BOARD OF DIRECTOR'S RESOLUTION REGARDING THE APPROVAL OF THE FINANCIAL STATEMENTS

RESOLUTION DATE: 15 February 2019

RESOLUTION NUMBER: 8

Under the Capital Markets Board Regulations, within the framework of the information provided to us in relation to our tasks and responsibilities related to the Company, we hereby announce and declare that: the consolidated Balance Sheet, Statement of Income, Statement of Other Comprehensive Income, Statement of Cash Flow, Statement of Changes in Equity along with the related Notes prepared by the Company and audited by the independent auditor PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. for the period of 01.01.2018 – 31.12.2018 under the CMB Financial Reporting Communiqué numbered as II.14.1. in accordance with Turkish Accounting Principles/ Turkish Financial Reporting Standards (TAP/IFRS) and in line with the compulsory formats determined by the CMB;

- have been reviewed by us;
- do not contain any inaccuracy in all material respects and are free of omissions that may be regarded as misleading as of the issue date;
- The financial statements prepared in line with the Communiqué present fairly the assets, liabilities, financial position and the results of operations of the Company as well as of the companies included in the scope of consolidation.

Regards,

15 February 2019

[Signature]

Kutsan Çelebican
Chairman of Audit Committee

[Signature]

Mustafa Kemal Olgaç
Member of Audit Committee

[Signature]

Ahmet F. Ashaboğlu
CFO

Statement of Responsibility for Annual Report

PREPARED IN ACCORDANCE WITH ARTICLE 9 OF THE CAPITAL MARKETS BOARD'S COMMUNIQUE NUMBERED II-14.1. ON FINANCIAL REPORTING IN CAPITAL MARKETS

INFORMATION ON THE BOARD OF DIRECTOR'S RESOLUTION REGARDING THE APPROVAL OF THE ANNUAL REPORT

RESOLUTION DATE: 27 FEBRUARY 2019

RESOLUTION NUMBER: 13

Under the Capital Markets Board Regulations, within the framework of the information provided to us in relation to our tasks and responsibilities related to the Company, we hereby announce and declare that the attached Annual Report for the year of 2018 prepared by the Company in accordance with Turkish Commercial Code and CMB Financial Reporting Communiqué numbered as II.14.1. and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., according to Capital Markets Board Regulations; which includes the Corporate Governance Compliance Report prepared in accordance with the formats defined by CMB in 2014 that were allowed to be used this year by the CMB resolution dated 10.01.2019;

- has been reviewed by us;
- does not contain any inaccuracy in all material respects and is free of omissions that may be regarded as misleading as of the issue date;
- presents fairly the progress and the performance of the business, the financial position of the Company and the companies included in the scope of consolidation together with the material risks and uncertainties.

Regards,

27 February 2019

[Signature]

Kutsan Çelebican
Chairman of Audit Committee

[Signature]

Mustafa Kemal Olgaç
Member of Audit Committee

[Signature]

Ahmet F. Ashaboğlu
CFO

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT

Convenience translation into English of the consolidated financial statements originally issued in Turkish (Note 2.6)

INDEPENDENT AUDITOR'S REPORT



To the General Assembly of Koç Holding A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Koç Holding A.Ş. ("Koç Holding" or the "Company"), its subsidiaries and its joint ventures (collectively referred to as the "Group"), which comprise the consolidated statement of balance sheet as at 31 December 2018 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

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

3. Emphasis of Matter

The consolidated financial statements include the accounts of the parent company Koç Holding, its subsidiaries and its joint ventures. Koç Family members declared that they will exercise their voting power in line with Koç Holding's voting preferences in respect of their shares held in the Group companies or their shares in the Group companies controlled only by these family members. As disclosed in Note 2.4.1, the equity portion of the shares held by Koç Family members are treated as non-controlling interest. Our opinion is not qualified in respect of this matter.

4. Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

4. Key Audit Matters (Continued)

<i>Key audit matters</i>	<i>How our audit addressed the key audit matter</i>
Impairment tests of indefinite-life intangible assets The consolidated financial statements as of and for the year ending 31 December 2018 include goodwill and brands under intangible assets, with carrying values of TL 3.244.429 thousand and TL 1.195.285 thousand, respectively. While TL 2.736.463 thousand of the total goodwill is related to the energy segment, the rest of the goodwill and the brands are related to the durable goods industry. These indefinite-life intangible assets should be tested for impairment annually, as required by TFRS. Goodwill and brands are material to the consolidated financial statements. In addition, significant judgments and estimates are used in the impairment tests performed by management. For goodwill and brand impairment tests; these are earnings before interest, tax, depreciation and amortization growth forecasts, long term growth rates and discount rates. In addition, royalty rates used in the relief from royalty method for the brand impairment tests are also key estimates. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, these impairment tests are key matters for our audit. Please refer to notes 2.4, 14 and 15 to the consolidated financial statements for the relevant disclosures, including the accounting policy and sensitivity analysis.	We performed the following procedures in relation to the impairment tests of goodwill and brands: • Evaluating the appropriateness of the Cash Generating Units ("CGUs") determined by management, • Evaluating management's forecasts and future plans in the light of macroeconomic data, • Assessing reasonableness of forecasted cash flows for each CGU by comparing them against their historical financial performance, • Through involvement of our internal valuation experts, assessing and challenging key assumptions, including long term growth rates, discount rates and royalty rates and benchmarking these against rates used in the relevant industries, • Testing the setup of the discounted cash flow models and their mathematical accuracy, • Testing management's sensitivity analysis for key assumptions, • Testing the disclosures in the consolidated financial statements in relation to the impairment tests of indefinite-life intangible assets, and evaluating the adequacy of such disclosures for TFRS' requirements. We had no material findings related to the impairment tests of indefinite-life intangible assets as a result of these procedures.
Recoverability of deferred tax assets The Group's consolidated financial statements as of and for the year ending 31 December 2018 include deferred tax assets amounting to TL 4.407.803 thousand. TL 3.383.633 thousand of such deferred tax assets is related to the consolidated financial statements of the Group's subsidiary, Türkiye Petrol Rafinerileri A.Ş. ("Tüpraş"). The business model and future taxable profit forecasts used in assessing the recoverability of deferred tax assets in Tüpraş's consolidated financial statements are based on critical management estimates. Considering the inherent uncertainty as to the realization of such management estimates in the future, the necessity for expert involvement due to the complexity of such tax benefits, as well as the materiality of such assets in Koç Holding's consolidated financial statements, recoverability of deferred tax assets is a key matter in our audit. Please refer to notes 2.4, 17 and 30 to the consolidated financial statements for the accounting policy and the relevant disclosures.	We performed the following procedures in relation to the deferred tax assets: • Understanding the nature of the related temporary differences and the investment incentives which form the basis to the deferred tax assets through meetings with the Tüpraş management, • Testing the current tax calculation with the support of our tax specialists, including application of the investment incentive tax benefits, • Testing the business model used in assessing the recoverability of deferred tax assets from such investment incentives, including the critical management estimations, through following procedures; - Testing the mathematical accuracy of the business model, - Benchmarking sales tonnage and price estimations used in the model against prior periods' actuals and other independent data sources, - Benchmarking the future foreign exchange rate estimations used in the business model against the exchange rate estimations in the approved Group's budget/long term plans and other independent data sources, - Testing management's sensitivity analysis for key assumptions for the future utilization of investment incentives, • Testing the disclosures in the consolidated financial statements in relation to deferred tax assets and liabilities, and evaluating the adequacy of such disclosures for TFRS' requirements. We had no material findings related to the recoverability of deferred tax assets as a result of these procedures.

4. Key Audit Matters (Continued)

Key audit matters	How our audit addressed the key audit matter
<i>Yapı ve Kredi Bankası A.Ş. ("YKB") - Impairment of loans and receivables</i> YKB, subsidiary of Koç Finansal Hizmetler A.Ş. ("KFS") which is joint venture of the Group and accounted for using equity method, has total impairment provision of TL 14.531.568 thousand for loans and receivables of TL 249.307.749 thousand in its consolidated financial statements as at 31 December 2018. Aforementioned amounts represent a significant portion of the YKB's and KFS's total assets. As of 1 January 2018, provision for impairment of loans and receivables has started to be recognized in accordance with "TFRS 9 Financial Instruments" ("TFRS 9") requirements. Accordingly, provisioning rules have changed as of 1 January 2018 with the application of expected credit loss model under TFRS 9 as well as classification rules of loans as per their credit risk (staging). Therefore, new and complex models have been developed for calculation of expected credit losses under TFRS 9 and for determining significant increase in credit risk; and these models obtain data from multiple different systems, some of which had not been used for financial reporting purposes in the past. Due to (1) complexity of estimates and information used in the impairment assessment such as historical loss experiences, current conditions, forward looking macro-economic expectations; (2) significance of loans and receivables in YKB's consolidated financial statements; (3) level of judgments and estimations made by the management used in classification of loans as per their credit risk (staging) and the determination of the associated expected credit loss, loans and receivable amounts and provisions for impairment of YKB is considered as a key matter for audit of the consolidated financial statements.	We performed the following procedures in relation to the impairment of loans and receivables: - Understanding the policies, procedures and principles of management with respect to stage classification of loans and calculation of expected credit losses in accordance with TFRS 9 and testing design and operating effectiveness of controls in these processes implemented by management, - Testing the appropriateness of matters considered in methodology applied by YKB for staging of loans and measurement of the provision amount, - Inquiries with YKB's management about their forward looking assumptions in the expected credit loss calculations, and evaluation of those assumptions by using publicly available information, - Through involvement of our financial risk experts, assessment and testing of the appropriateness of segmentation used in the models, lifetime probability of default model, loss given default model, and approaches in relation to projection of macroeconomic expectations; - Through involvement of our macroeconomic experts, assessing appropriateness and supportability of forward looking expectations (including macroeconomic factors); - Through involvement of financial risk experts, testing selected models used in determination of provisions for various credit portfolios on a sample selection basis; - Testing the appropriateness of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flows and the arithmetical calculations for a sample of exposures,

INDEPENDENT AUDITOR'S REPORT

4. Key Audit Matters (Continued)

<i>Key audit matters</i>	<i>How our audit addressed the key audit matter</i>
Please refer to notes 2.4 and 7 to the consolidated financial statements for the accounting policy of the investments accounted for using the equity method and the relevant disclosures.	• Testing the calculation of the Loss Given Default (LGD) used by YKB in the expected credit losses calculations, as well as testing of collaterals, recovery and costs, • Testing the expected credit losses for individual loans based on YKB's policy through assessing the reasonableness of provisions in light available data and inquiring with management, • Through involvement of our information technology specialists, testing key source data used in expected credit losses calculations; and testing the reliability and completeness of the data used in expected credit losses calculations, • Testing the mathematical accuracy of expected credit losses calculations, • Performing loan review procedures based on a selected sample in order to assess the appropriateness of the determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment, • Testing the accuracy and completeness of the opening adjustments and the disclosures in the financial statements presented in relation to the transition to TFRS 9. We had no material findings related to the impairment tests of impairment of loans and receivables as a result of these procedures.

5. Other Matters

As explained in Note 2.1.3 to the consolidated financial statements, EUR and USD amounts shown in the accompanying consolidated financial statements have been translated from Turkish Lira ("TL") , as a matter of arithmetic computation only, at the official EUR and USD bid rates announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2018 for the consolidated balance sheet; and the official EUR and USD average CBRT bid rates of the year 2018 for the consolidated statement of profit or loss, consolidated statement of other comprehensive income and consolidated statement of cash flows, and they do not form part of the consolidated financial statements.

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

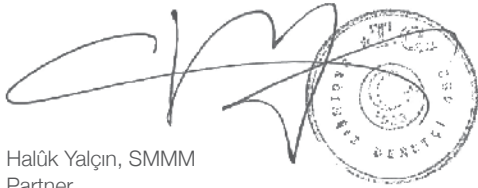
We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 15 February 2019.

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



Haluk Yalçın, SMMM
Partner

Istanbul, 15 February 2019

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KOÇ HOLDİNG A.Ş. CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2018 AND 2017

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

	Notes	2018 "EUR'000	2018 "USD'000	Audited 2018 TL'000	Audited 2017 TL'000
ASSETS					
Current assets:					
Cash and cash equivalents	5	4.077.221	4.671.727	24.577.490	20.850.437
Financial assets	6	9.019	10.334	54.364	-
Trade receivables	8	2.906.154	3.329.905	17.518.296	15.313.455
- Related parties	8	277.670	318.157	1.673.794	1.775.864
- Third parties	8	2.628.484	3.011.748	15.844.502	13.537.591
Receivables from finance sector operations	9	317.506	363.803	1.913.929	2.147.141
Derivative instruments	10	83.706	95.911	504.579	617.246
Inventories	11	2.363.688	2.708.341	14.248.311	11.038.358
Other receivables	20	423.432	485.174	2.552.450	1.326.109
Other current assets	21	555.973	637.040	3.351.406	1.613.603
		10.736.699	12.302.235	64.720.825	52.906.349
Assets held for sale	23	7.451	8.538	44.917	43.794
Total current assets		10.744.150	12.310.773	64.765.742	52.950.143
Non-current assets:					
Financial assets	6	11.665	13.365	70.314	155.765
Investments accounted for using the equity method	7	3.028.691	3.470.310	18.256.952	15.829.122
Trade receivables	8	57.030	65.345	343.774	40.538
- Third parties	8	57.030	65.345	343.774	40.538
Receivables from finance sector operations	9	206.629	236.758	1.245.560	1.699.892
Derivative instruments	10	69.515	79.652	419.039	194.562
Investment properties	12	77.523	88.827	467.311	475.799
Property, plant and equipment	13	4.379.034	5.017.548	26.396.819	21.486.258
Intangible assets		1.138.879	1.304.941	6.865.165	6.174.859
- Goodwill	14	538.226	616.706	3.244.429	3.174.575
- Other intangible assets	15	600.653	688.235	3.620.736	3.000.284
Deferred tax assets	17	731.221	837.842	4.407.803	3.596.400
Other non-current assets	21	337.990	387.273	2.037.402	1.461.030
Total non-current assets		10.038.177	11.501.861	60.510.139	51.114.225
Total assets		20.782.327	23.812.634	125.275.881	104.064.368

(*) Euro ("EUR") and US Dollar ("USD") amounts presented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2018, 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 2018 have been approved for issue by the Board of Directors ("BOD") on 15 February 2019. 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.

KOÇ HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS

AT 31 DECEMBER 2018 AND 2017

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

	Notes	2018 ₺ EUR'000	2018 ₺ USD'000	Audited 2018 TL'000	Audited 2017 TL'000
LIABILITIES					
Current liabilities:					
Short term borrowings	16	1.332.399	1.526.679	8.031.703	3.402.487
Short term portion of long term borrowings	16	1.257.785	1.441.185	7.581.929	9.792.637
Trade payables	8	2.587.468	2.964.751	15.597.256	14.931.416
- Related parties	8	198.471	227.411	1.196.384	1.554.918
- Third parties	8	2.388.997	2.737.340	14.400.872	13.376.498
Derivative instruments	10	80.838	92.625	487.291	193.805
Current income tax liabilities	17	32.349	37.066	195.000	73.704
Short term provisions	19	193.481	221.693	1.166.305	1.062.480
Other payables	20	546.326	625.986	3.293.252	2.864.158
Other current liabilities	21	700.599	802.754	4.223.207	3.331.095
		6.731.245	7.712.739	40.575.943	35.651.782
Liabilities related to assets held for sale	23	417	477	2.512	2.871
Total current liabilities		6.731.662	7.713.216	40.578.455	35.654.653
Non-current liabilities:					
Long term borrowings	16	5.673.531	6.500.797	34.200.045	23.185.745
Derivative instruments	10	8.203	9.400	49.450	3.364
Other payables	20	103.193	118.240	622.050	-
Deferred tax liabilities	17	149.772	171.611	902.826	735.331
Long term provisions		152.617	174.871	919.978	882.171
- Long term provisions for employee benefits	18	126.760	145.243	764.110	649.036
- Other long term provisions	19	25.857	29.628	155.868	233.135
Other non-current liabilities	21	173.302	198.572	1.044.667	672.086
Total non-current liabilities		6.260.618	7.173.491	37.739.016	25.478.697
Total liabilities		12.992.280	14.886.707	78.317.471	61.133.350
Equity:					
Paid-in share capital	22	420.686	482.027	2.535.898	2.535.898
Adjustment to share capital	22	160.466	183.864	967.288	967.288
Share premium		1.540	1.765	9.286	9.286
Other comprehensive income/expense not to be reclassified to profit or loss	22	(37.350)	(42.796)	(225.146)	(163.738)
Other comprehensive income/expense to be reclassified to profit or loss	22	(46.495)	(53.274)	(280.270)	(98.668)
Restricted reserves	22	86.889	99.558	523.765	2.602.389
Prior years' income		4.017.321	4.603.093	24.216.413	19.211.387
Profit for the period		918.551	1.052.487	5.537.028	4.908.740
Equity holders of the parent		5.521.608	6.326.724	33.284.262	29.972.582
Non-controlling interests		2.268.439	2.599.203	13.674.148	12.958.436
Total equity		7.790.047	8.925.927	46.958.410	42.931.018
Total liabilities and equity		20.782.327	23.812.634	125.275.881	104.064.368
Commitments and contingent liabilities	32				

(*) EUR and USD amounts presented above have been translated from TL for convenience purposes only, at the official TL bid rate announced by the CBRT at 31 December 2018, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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

KOÇ HOLDİNG A.Ş. CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

	Notes	2018 ₺ EUR'000	2018 ₺ USD'000	Audited 2018 TL'000	Audited 2017 TL'000
Revenue	24	25.159.335	29.598.572	142.469.768	98.272.831
Revenue from finance sector operations		137.486	161.744	778.540	593.918
Total revenue	4	25.296.821	29.760.316	143.248.308	98.866.749
Cost of sales	25	(21.235.844)	(24.982.801)	(120.252.216)	(82.173.057)
Cost of finance sector operations		(98.416)	(115.781)	(557.302)	(416.317)
Total costs		(21.334.260)	(25.098.582)	(120.809.518)	(82.589.374)
Gross profit (non-finance)		3.923.491	4.615.771	22.217.552	16.099.774
Gross profit (finance)		39.070	45.963	221.238	177.601
Gross profit		3.962.561	4.661.734	22.438.790	16.277.375
Marketing expenses	25	(1.184.557)	(1.393.567)	(6.707.793)	(5.347.579)
General administrative expenses	25	(710.489)	(835.851)	(4.023.287)	(3.229.364)
Research and development expenses	25	(49.664)	(58.427)	(281.234)	(234.326)
Other operating income	26	995.477	1.171.124	5.637.086	2.508.489
Other operating expenses	26	(1.284.885)	(1.511.596)	(7.275.918)	(2.239.369)
Share of profit/loss of investments accounted for using the equity method	7	560.826	659.780	3.175.787	2.691.404
Operating profit	4	2.289.269	2.693.197	12.963.431	10.426.630
Gains from investment activities	27	62.147	73.112	351.917	148.192
Losses from investment activities	27	(34.014)	(40.016)	(192.612)	(63.549)
Operating profit before financial income/(expense)		2.317.402	2.726.293	13.122.736	10.511.273
Financial income	28	2.188.432	2.574.570	12.392.436	6.208.953
Financial expense	28	(2.971.092)	(3.495.326)	(16.824.401)	(8.061.172)
Profit before tax	4	1.534.742	1.805.537	8.690.771	8.659.054
Tax income/(expense)		(46.917)	(55.196)	(265.678)	(761.627)
- Current income tax expense	17	(124.801)	(146.822)	(706.712)	(788.821)
- Deferred tax income	17	77.884	91.626	441.034	27.194
Profit for the period		1.487.825	1.750.341	8.425.093	7.897.427
Attributable to:					
Non-controlling interests	4	510.016	600.005	2.888.065	2.988.687
Equity holders of the parent	4	977.809	1.150.336	5.537.028	4.908.740
Earnings per share (Kr)	35			2,183	1,936

(*) 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 2018, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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

KOÇ HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

	2018	2018	Audited 2018	Audited 2017
	€ EUR'000	€ USD'000	TL'000	TL'000
Profit for the period	1.487.825	1.750.341	8.425.093	7.897.427
Other comprehensive income:				
Items not to be reclassified to profit/loss	(20.212)	(23.779)	(114.456)	(87.496)
Gains/(losses) on remeasurements of defined benefit plans	(13.323)	(15.674)	(75.444)	(15.675)
Share of other comprehensive income/(expenses) of investments accounted for using the equity method	(6.889)	(8.105)	(39.012)	(71.821)
Taxes relating to other comprehensive income not to be reclassified to profit/(loss)	2.522	2.967	14.280	3.186
Gains/(losses) on remeasurements of defined benefit plans, tax effect	2.522	2.967	14.280	3.186
Items to be reclassified to profit/loss	(60.387)	(71.039)	(341.938)	523.673
Currency translation differences	251.354	295.706	1.423.353	605.482
Gains/(losses) on financial assets measured at fair value through other comprehensive income	(799)	(940)	(4.524)	5.278
Gains/(losses) on hedges of net investments in foreign operations	(49.437)	(58.160)	(279.946)	(120.836)
Gains/(losses) on cash flow hedges	(223.143)	(262.515)	(1.263.591)	(18.543)
Share of other comprehensive income/(expenses) of investments accounted for using the equity method	(38.362)	(45.130)	(217.230)	52.292
Taxes relating to other comprehensive income to be reclassified to profit/loss	55.486	65.276	314.199	29.931
Gains/(losses) on financial assets measured at fair value through other comprehensive income, tax effect	40	47	226	(264)
Gains/(losses) on hedges of net investments in foreign operations, tax effect	10.876	12.795	61.588	24.168
Gains/(losses) on cash flow hedges, tax effect	44.570	52.434	252.385	6.027
Other comprehensive income	(22.591)	(26.575)	(127.915)	469.294
Total comprehensive income	1.465.234	1.723.766	8.297.178	8.366.721
Attributable to:				
Non-controlling interest	528.609	621.879	2.993.354	3.284.413
Equity holders of the parent	936.625	1.101.887	5.303.824	5.082.308

(*) 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 2018, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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

KOÇ HOLDİNG A.Ş. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

				Items not to be reclassified to profit/loss	
	Paid-in share capital	Adjustment to share capital	Share premium	Increase on revaluation of non-current assets	Gains/(losses) on remeasurement of defined benefit plans
Balances at 1 January 2017	2.535.898	967.288	9.286	35.827	(88.844)
Transfers	-	-	-	(35.827)	-
Dividends paid	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-
Total comprehensive income/(expense)	-	-	-	-	(74.894)
Balances at 31 December 2017	2.535.898	967.288	9.286	-	(163.738)
Balances at 1 January 2018	2.535.898	967.288	9.286	-	(163.738)
Adjustments related to changes in accounting policies	-	-	-	-	-
- TFRS 15 (Note 2.3)	-	-	-	-	-
- TFRS 9 (Note 2.3)	-	-	-	-	-
Transfers	-	-	-	-	-
Dividends paid	-	-	-	-	-
Capital increases	-	-	-	-	-
Additions to the scope of consolidation (Note 2)	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	(78)
Total comprehensive income/(expense)	-	-	-	-	(61.330)
Balances at 31 December 2018	2.535.898	967.288	9.286	-	(225.146)

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

Items to be reclassified to profit/loss		Gains/(losses) on financial assets measured at fair value through other comprehensive income	Retained earnings		Profit for the period	Equity holders of the parent	Non-controlling interests	Total equity
Currency translation differences	Gains/(losses) on hedge		Restricted reserves	Prior years' income				
704.026	(930.726)	(134.617)	2.529.890	16.737.842	3.459.993	25.825.863	11.040.035	36.865.898
14.187	-	-	72.499	3.409.134	(3.459.993)	-	-	-
-	-	-	-	(934.981)	-	(934.981)	(1.364.032)	(2.299.013)
-	-	-	-	(608)	-	(608)	(1.980)	(2.588)
376.074	(150.251)	22.639	-	-	4.908.740	5.082.308	3.284.413	8.366.721
1.094.287	(1.080.977)	(111.978)	2.602.389	19.211.387	4.908.740	29.972.582	12.958.436	42.931.018
1.094.287	(1.080.977)	(111.978)	2.602.389	19.211.387	4.908.740	29.972.582	12.958.436	42.931.018
-	-	-	-	(896.001)	-	(896.001)	(107.781)	(1.003.782)
-	-	-	-	(48.369)	-	(48.369)	(71.891)	(120.260)
-	-	-	-	(847.632)	-	(847.632)	(35.890)	(883.522)
-	-	-	(2.078.624)	6.987.364	(4.908.740)	-	-	-
-	-	-	-	(1.029.094)	-	(1.029.094)	(2.363.673)	(3.392.767)
-	-	-	-	(10.688)	-	(10.688)	76.697	66.009
-	-	-	-	(26.635)	-	(26.635)	(3.332)	(29.967)
(9.832)	1.021	(917)	-	(19.920)	-	(29.726)	120.447	90.721
951.080	(665.964)	(456.990)	-	-	5.537.028	5.303.824	2.993.354	8.297.178
2.035.535	(1.745.920)	(569.885)	523.765	24.216.413	5.537.028	33.284.262	13.674.148	46.958.410

KOÇ HOLDİNG A.Ş. CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

	Notes	2018 ₺ EUR'000	2018 ₺ USD'000	Audited 2018 TL'000	Audited 2017 TL'000
A. Cash Flows from Operating Activities:					
Profit for the period		1.487.825	1.750.341	8.425.093	7.897.427
Adjustments to reconcile profit for the period to cash generated from operating activities:					
Tax expenses	17	46.917	55.196	265.678	761.627
Undistributed profits of investments accounted for using the equity method	7	(560.826)	(659.780)	(3.175.787)	(2.691.404)
Depreciation and amortisation	4	373.196	439.044	2.113.296	1.579.490
Adjustments for provisions	36	11.688	13.751	66.188	181.763
Adjustments for impairment loss/(reversal of impairment loss)	36	71.849	84.524	406.851	76.518
Interest (income)/expenses, net	28	393.225	462.607	2.226.715	862.882
Fair value losses/(gains) on derivative instruments		(867)	(1.019)	(4.907)	159.347
Unrealised foreign exchange losses/(gains)		379.158	446.059	2.147.057	910.978
- Exchange (gains)/losses on borrowings, net		1.344.796	1.582.079	7.615.177	1.950.264
- Exchange (gains)/losses on cash and cash equivalents, net		(965.638)	(1.136.020)	(5.468.120)	(1.039.286)
Gain from bargain purchases	27	(33.189)	(39.045)	(187.941)	(2.681)
Losses/(gains) on disposal of non-current assets	27	(9.499)	(11.175)	(53.792)	(16.979)
Gain on sale of interest in a subsidiary	27	(4.861)	(5.718)	(27.525)	-
Losses on disposal of financial assets	27	1.446	1.702	8.191	-
Losses/(gains) on exchange transactions	27	-	-	-	(32.099)
		2.156.062	2.536.487	12.209.117	9.686.869
Changes in working capital	36	(1.047.832)	(1.232.714)	(5.933.546)	(4.357.202)
Income taxes refund/(paid)		(94.341)	(110.987)	(534.224)	(864.983)
Dividend payments received from Joint Ventures, net	7	192.259	226.183	1.088.707	600.957
Total cash flows from operating activities		1.206.148	1.418.969	6.830.054	5.065.641
B. Cash Flows from Investing Activities:					
Cash outflows from purchases of property, plant and equipment and intangible assets	4	(1.036.765)	(1.219.697)	(5.870.888)	(4.537.854)
Cash inflows from sale of property, plant and equipment and intangible assets		287.220	337.899	1.626.442	1.263.374
Cash outflows from capital increases of Joint Ventures	7	(278.914)	(328.126)	(1.579.404)	(69.395)
Cash outflows from acquisition of interest/capital increase in financial assets		(1.645)	(1.935)	(9.314)	(13.041)
Cash inflows from sale of interest/capital decrease in financial assets		2.686	3.160	15.209	1.250
Cash inflows from sale of interest in a subsidiary		2.430	2.859	13.762	-
Other cash inflows/(outflows)		(127.188)	(149.629)	(720.225)	(76.205)
- Cash outflows due to business combinations, net	3, 20	(127.188)	(149.629)	(720.225)	(76.205)
Total cash flows from investing activities		(1.152.176)	(1.355.469)	(6.524.418)	(3.431.871)
C. Cash Flows from Financing Activities:					
Dividends paid		(599.143)	(704.859)	(3.392.767)	(2.299.013)
Cash inflows from borrowings	16	9.089.186	10.692.927	51.469.336	51.859.785
Cash outflows from repayments of borrowings	16	(8.618.714)	(10.139.444)	(48.805.196)	(47.781.349)
Cash inflows/(outflows) from derivative instruments, net		18.858	22.185	106.786	58.753
Interest paid		(566.381)	(666.315)	(3.207.243)	(1.986.629)
Interest received		259.551	305.348	1.469.761	1.135.302
Other cash inflows/(outflows)		24.733	29.097	140.053	(2.588)
- Transactions with non-controlling interests		13.076	15.383	74.044	(2.588)
- Contribution of non-controlling interests to capital increases		11.657	13.714	66.009	-
Total cash flows from financing activities		(391.910)	(461.061)	(2.219.270)	984.261
Effect of exchange rate changes on cash and cash equivalents		965.638	1.136.020	5.468.120	1.039.286
Net increase/(decrease) in cash and cash equivalents		627.700	738.459	3.554.486	3.657.317
Cash and cash equivalents at the beginning of the period		3.470.469	4.082.816	19.652.226	15.994.909
Cash and cash equivalents at the end of the period	36	4.098.169	4.821.275	23.206.712	19.652.226

(*) 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 2018, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

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	
	2018	2017	2018	2017
Monthly paid	45.826	45.522	46.704	45.514
Hourly paid	46.805	48.589	49.342	50.972
Total number of personnel	92.631	94.111	96.046	96.486

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 2018, the principal shareholders and their respective shareholding rates in Koç Holding are as follows:

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

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

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

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

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

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

Subsidiaries	Country of incorporation	Nature of business	
ADG Enerji Yatırımları A.Ş. ("ADG Enerji Yatırımları")	Turkey	Natural Gas	
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ("Akpa")	Turkey	Marketing	
Anadoluhisarı Tankercilik A.Ş. ("Anadoluhisarı Tankercilik")	Turkey	Petroleum Shipping	
Aygaz A.Ş. ("Aygaz")	Turkey	LPG	
Aygaz Doğal Gaz İletim A.Ş. ("Aygaz İletim")	Turkey	Natural Gas	
Aygaz Doğal Gaz Toptan Satış A.Ş. ("Aygaz Toptan Satış")	Turkey	Natural Gas	
Bakırköy Tankercilik A.Ş. ("Bakırköy Tankercilik")	Turkey	Petroleum Shipping	
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	
Entek Elektrik Üretimi A.Ş. ("Entek")	Turkey	Power Generation	
Kadıköy Tankercilik A.Ş. ("Kadıköy Tankercilik")	Turkey	Petroleum Shipping	
Kandilli Tankercilik A.Ş. ("Kandilli Tankercilik")	Turkey	Petroleum Shipping	
Karaköy Tankercilik A.Ş. ("Karaköy Tankercilik")	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") ⁽¹⁾	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	
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	
Üsküdar Tankercilik A.Ş. ("Üsküdar Tankercilik")	Turkey	Petroleum Shipping	
Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Ayas Enerji Üretim ve Ticaret A.Ş. ("Ayas Enerji")	Oyak Birleşik Enerji A.Ş.	Turkey	Power Generation
Güney Tankercilik A.Ş. ("Güney Tankercilik")	Türk Hava Yolları	Turkey	Petroleum Shipping
Kuzey Tankercilik A.Ş. ("Kuzey Tankercilik")	Türk Hava Yolları	Turkey	Petroleum Shipping
Opet Aygaz Gayrimenkul A.Ş. ("Opet Aygaz Gayrimenkul")	Öztürk Family	Turkey	Real Estate
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. ("Opet Fuchs")	Fuchs Petrolub SE	Turkey	Lubricant Trading
Opet International Limited ("Opet International")	Öztürk Family	The UK	Petroleum Products Trading
Opet Petrolcülük A.Ş. ("Opet")	Öztürk Family	Turkey	Petroleum Products Trading
Opet Trade B.V. ("Opet Trade BV")	Öztürk Family	The Netherlands	Petroleum Products Trading
Tasfiye Halinde Opet Trade (Singapore) Pte. Ltd. ("Opet Singapore") ⁽²⁾	Öztürk Family	Singapore	Petroleum Products Trading
THY Opet Havacılık Yakıtları A.Ş. ("THY Opet")	Türk Hava Yolları	Turkey	Petroleum Products Trading

(1) Included in the scope of consolidation in 2018.

(2) In the process of liquidation.

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

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

Automotive Sector

Subsidiaries		Country of incorporation	Nature of business
Olympic Commercial and Tourist Enterprises S.A. ("Olympic") ⁽¹⁾		Greece	Car Rental and Trading
Otokar Europe SAS ("Otokar Europe")		France	Sales and Marketing
Otokar Europe Filiala Bucuresti S.R.L. ("Otokar Europe Filiala") ⁽²⁾		Romania	Sales and Marketing
Otokar Land Systems LLC ("Otokar Land Systems") ⁽³⁾		UAE	Sales and Marketing
Otokar Otomotiv ve Savunma Sanayi A.Ş. ("Otokar")		Turkey	Production
Otokoç ABG Holland B.V. ("Otokoç Hollanda") ⁽³⁾		The Netherlands	Investment
Otokoç Otomotiv Tic. ve San. A.Ş. ("Otokoç")		Turkey	Car Rental and Trading
Otokoç Hungary Rent a Car and Servicing LLC ("Otokoç Hungary") ⁽³⁾		Hungary	Car Rental
Otokoç Sigorta Aracılık Hizmetleri A.Ş. ("Otokoç Sigorta")		Turkey	Insurance
Set Auto Ltd. ("Set Auto")		Azerbaijan	Car Rental
Tasfiye Halinde Otoyol Sanayi A.Ş. ("Otoyol") ⁽⁴⁾		Turkey	-
Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Al Jasoor Heavy Vehicle Industry LLC ⁽⁵⁾	Tawazun	UAE	Sales and Marketing
Fer Mas Oto Ticaret A.Ş. ("Fer-Mas")	Fiat Auto S.p.A.	Turkey	Trading
Ford Otomotiv Sanayi A.Ş. ("Ford Otosan")	Ford Motor Co.	Turkey	Production
Koç Fiat Kredi Finansman A.Ş. ("Fiat Finans")	Fiat Auto S.p.A.	Turkey	Consumer Finance
Tofaş Türk Otomobil Fabrikası A.Ş. ("Tofaş")	Fiat Auto S.p.A.	Turkey	Production
Türk Traktör ve Ziraat Makinaları A.Ş. ("Türk Traktör")	CNH Österreich GmbH	Turkey	Production

(1) Acquired in 2018.

(2) Established in 2018 to organise Otokar's export activities in Romania and to increase international sales.

(3) Included in the scope of consolidation in 2018.

(4) In the process of liquidation.

(5) Established to conduct sales and marketing activities of Otokar in United Arab Emirates and included in the scope of consolidation in 2018.

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

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

Consumer Durables Sector

Subsidiaries	Country of incorporation	Nature of business
Arçelik A.Ş. ("Arçelik")	Turkey	Production/Sales
Arçelik Pazarlama A.Ş. ("Arçelik Pazarlama")	Turkey	Service/Sales/Marketing
Arch R&D Co. Ltd. ("Arch R&D") ⁽¹⁾	China	R&D
Ardutch B.V. ("Ardutch")	The Netherlands	Holding
Ardutch B.V. Taiwan ("Ardutch Taiwan")	Taiwan	Procurement
Beko A and NZ Pty Ltd. ("Beko Australia")	Australia, New Zealand	Sales
Beko Appliances 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 Cesko ("Beko Cesko") ⁽²⁾	Czechia	-
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales
Beko Egypt Trading LLC ("Beko Egypt")	Egypt	Sales
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales
Beko France S.A.S. ("Beko France")	France	Sales
Beko Gulf FZE ("Beko Gulf") ⁽³⁾	UAE	Sales
Beko Hong Kong Ltd. ("Beko Hong Kong")	Hong Kong, China	Procurement
Beko Italy SRL ("Beko Italy")	Italy	Sales
Beko Llc ("Beko Russia")	Russia	Production/Sales
Beko Plc. ("Beko UK")	The UK, Ireland	Sales
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales
Beko S.A. ("Beko Polska")	Poland	Sales
Beko S.A. Czech Republic ("Beko Czech")	Czechia	Sales
Beko Thai Co.Ltd. ("Beko Thailand")	Thailand	Production/Sales
Beko Ukraine LLC ("Beko Ukraine")	Ukraine	Sales
Beko US INC. ("Beko US")	United States of America	Sales
Bilkom Bilişim Hizmetleri A.Ş. ("Bilkom")	Turkey	Trading
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales
Computer Vision Interaction S.A. ("CoVii")	Portugal	R&D
Dawlance Electronics (Pvt.) Ltd. ("Dawlance Electronics")	Pakistan	Sales
Dawlance (Private) Ltd. ("Dawlance (Private)")	Pakistan	Production/Sales
Defy Appliances (Proprietary) Limited ("Defy")	Republic of South Africa	Production/Sales
Defy (Botswana) (Proprietary) Limited ("Defy Botswana")	Botswana	Sales
Defy (Namibia) (Proprietary) Limited ("Defy Namibia")	Namibia	Sales
Defy (Swaziland) (Proprietary) Limited ("Defy Swaziland")	Swaziland	Sales
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales
Grundig Intermedia Ges.m.b.H ("Grundig Austria") ⁽²⁾	Austria	-
Grundig Intermedia GmbH ("Grundig Intermedia")	Germany, Croatia	Sales
Grundig Multimedia A.G. ("Grundig Switzerland")	Switzerland	Sales
Grundig Multimedia B.V. ("Grundig Multimedia")	The Netherlands	Holding
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Sales
Grundig Nordic No AS ("Grundig Norway")	Norway	Sales
Grundig Portuguesa Lda ("Grundig Portugal") ⁽²⁾	Portugal	-
Pan Asia Private Equity Ltd. ("Pan Asia")	British Virgin Islands	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales
Token Finansal Teknolojiler A.Ş. ("Token") ⁽⁴⁾	Turkey	Information Technologies
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") ⁽⁵⁾	Turkey	Production/Sales

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

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

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Arçelik-LG Klima San. ve Tic. A.Ş. ("Arçelik LG")	LG Electronics Inc.	Turkey	Air Conditioner Production
VoltBek Home Appliances Private Limited ("VoltBek")	Tata Group	India	Production/Sales

(1) Established as a research and development company in December 2018.

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

(3) Established as a sales and marketing company in May 2018.

(4) Established as a 100% subsidiary of Arçelik, as a result of the transfer of all assets and liabilities regarding payment system operations and related R&D activities through partial demerger.

(5) Established as a 100% subsidiary of Arçelik, as a result of the transfer of all assets and liabilities regarding industrial motor production, after-sales service operations and related R&D activities through partial demerger.

Finance Sector

Subsidiaries	Country of incorporation	Nature of business
Koç Finansman A.Ş. ("Koç Finansman")	Turkey	Consumer Finance

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Koç Finansal Hizmetler A.Ş. ("Koç Finansal Hizmetler" or "KFS")	UniCredit S.p.A.	Turkey	Holding
Stiching Custody Services YKB ("Stiching Custody")	UniCredit S.p.A.	The Netherlands	Custody
Yapı Kredi Azerbaijan C.J.S.C. ("Yapı Kredi Azerbaycan")	UniCredit S.p.A.	Azerbaijan	Banking
Yapı Kredi Bank Nederland N.V. ("Yapı Kredi Nederland")	UniCredit S.p.A.	The Netherlands	Banking
Yapı Kredi Bank Malta Ltd. ("Yapı Kredi Malta")	UniCredit S.p.A.	Malta	Banking
Yapı Kredi Diversified Payment Rights Finance Company ("Yapı Kredi SPC") (*)	UniCredit S.p.A.	Cayman Islands	Special Purpose Company
Yapı Kredi Faktoring A.Ş. ("Yapı Kredi Faktoring")	UniCredit S.p.A.	Turkey	Factoring
Yapı Kredi Finansal Kiralama A.O. ("Yapı Kredi Finansal Kiralama")	UniCredit S.p.A.	Turkey	Leasing
Yapı Kredi Holding B.V. ("Yapı Kredi Holding")	UniCredit S.p.A.	The Netherlands	Financial Consulting
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. ("Yapı Kredi Koray")	Koray Group Companies	Turkey	Real Estate
Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy")	UniCredit S.p.A.	Turkey	Portfolio Management
Yapı Kredi Yatırım Menkul Değerler A.Ş. ("Yapı Kredi Menkul")	UniCredit S.p.A.	Turkey	Brokerage
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi Bankası")	UniCredit S.p.A.	Turkey	Banking

Associates	Country of incorporation	Nature of Business
Allianz Yaşam ve Emeklilik A.Ş. ("Allianz Emeklilik")	Turkey	Insurance
Banque de Commerce et de Placements S.A. ("Banque de Commerce")	Switzerland	Banking

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

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

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

Other Sectors

Subsidiaries		Country of incorporation	Nature of business
Ayvalık Marina ve Yat İşletmeciliği San. Ve Tic. A.Ş. ("Ayvalık Marina")		Turkey	Tourism
Divan Turizm İşletmeleri A.Ş. ("Divan")		Turkey	Tourism
Düzen Tüketim Malları Sanayi Pazarlama A.Ş. ("Düzen")		Turkey	Trading
KoçDigital Çözümler A.Ş. ("KoçDigital") ⁽¹⁾		Turkey	Technology
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ("Koç Sistem")		Turkey	Technology
Koç Sistem Azerbaijan LLC ("Koç Sistem Azerbaijan")		Azerbaijan	Technology
Koç Yapı Malzemeleri Ticaret A.Ş. ("Koç Yapı Malzeme")		Turkey	Trading
Marmaris Altınyunus Turistik Tesisleri A.Ş. ("Mares")		Turkey	Tourism
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")		Turkey	Foreign Trade
RMK Marine Gemi Yapım Sanayi ve Deniz Taş. İşl. A.Ş. ("RMK Marine")		Turkey	Ship Construction
Setur Antalya Marina İşletmeciliği A.Ş. ("Antalya Marina") ⁽²⁾		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
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer Ticaret")		Turkey	Trading
Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Ingage Dijital Pazarlama Hizmetleri A.Ş. ("Ingage") ⁽³⁾	Russell Square Holding	Turkey	Digital Marketing
Koçtaş Yapı Marketleri Ticaret A.Ş. ("Koçtaş Yapı Market")	Kingfisher Plc	Turkey	Retail
Makmarin Kaş Marina İşl. Turizm ve Tic. A.Ş. ("Kaş Marina") ⁽²⁾	Makyol İnşaat	Turkey	Tourism
Netsel Turizm Yatırımları A.Ş. ("Netsel")	Torunlar GYO A.Ş.	Turkey	Tourism

(1) Established in 2018.

(2) Included in the scope of consolidation in 2018.

(3) Digital marketing operations of Zer Ticaret are transferred to Ingage through partial demerger in June 2018. 49,56% of Ingage capital was sold to Russell Square Holding B.V. in July 2018.

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).

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

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 2 June 2016 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 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 on 31 December 2018 of TL6,0280 = EUR1 and TL5,2609 = 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 2018 of TL5,6627 = EUR1 and TL4,8134 = USD1, respectively, and do not form part of these consolidated financial statements.

2.2 Amendments in International Financial Reporting Standards

The accounting policies applied in the preparation of the consolidated financial statements as of 1 January - 31 December 2018 are consistent with those applied in the preparation of the consolidated financial statements as of 31 December 2017, except for the new and amended TFRS standards which are valid as of 1 January 2018 and Turkey Financial Reporting Interpretations Committee's ("TFRIC") interpretations summarised below.

Standards, amendments and interpretations effective as of 1 January 2018:

- TFRS 9 - Financial Instruments
- TFRS 15 - Revenue from Contracts with Customers
- TAS 40 - Investment Property (Amendments)
- TFRS 2 - Share Based Payments (Amendments)
- Annual Improvements to TFRSs - 2014 - 2016 Cycle: TFRS 1, TFRS 7, TAS 19, TFRS 10 and TAS 28
- TFRS 22 - Disclosure Initiative - Foreign Currency Transactions and Advance Consideration

Impacts of these amendments on the financial position or performance of the Group are explained in Note 2.3.

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

Standards, amendments and improvements issued but not yet effective and not early adopted:

- TFRS 9 - Financial Instruments (Amendments)
- TFRS 16 - Leases
- TAS 19 - Employee Benefits' on plan amendment, curtailment or settlement (Amendments)
- TAS 28 - Investments in Associates and Joint Venture (Amendments)
- TFRS 23 - Disclosure Initiative - Uncertainty Over Income Tax Treatments
- Annual Improvements to TFRSs - 2015 - 2017 Cycle: TFRS 3, TFRS 11, TAS 12 and TAS 23

The impacts of the new standards, amendments and improvements on the financial position and performance of the Group is being assessed.

New standards, amendments and interpretations that are issued by the International Accounting Standard Boards (IASB) but not issued by POA:

- TAS 1 - Presentation of Financial Statements (Amendments)
- TAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)
- TFRS 3 - Business Combinations (Amendments)
- TFRS 15 - Revenue from Contracts with Customers (Amendments)

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.

Group applied accounting policy changes resulting from the first time adoption of "TFRS 15 - Revenue from Contracts with Customers" and "TFRS 9 - Financial Instruments", effective from 1 January 2018, in accordance with the transition requirements of the related standards.

The impacts of the accounting policy changes and first time adoption are as follows:

2.3.1 TFRS 15 "Revenue from Contracts with Customers" Standard

Revenue recognition

Group recognises revenue based on the following five principles in accordance with the TFRS 15, "Revenue from Contracts with Customers Standard"; effective from 1 January 2018:

- 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.

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.

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

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

- presence of Group's collection right of the consideration for the goods or services,
- customer's ownership of the legal title on goods or services,
- physical transfer of the goods or services,
- customer's ownership of significant risks and rewards related to the goods or services,
- 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.

Transition to TFRS 15 "Revenue from Contracts with Customers"

Group applied TFRS 15, "Revenue from contracts with customers", which superseded TAS 18, "Revenue", and accounted in the consolidated financial statements by using "cumulative effect method" on the transition date of 1 January 2018. In accordance with the mentioned method, the cumulative effect of initially applying this Standard is recognised in "adjustments related to changes in accounting policies" account under retained earnings of the annual reporting period that includes the date of initial application. Under cumulative effect method, Group applied this Standard retrospectively only to contracts that are not completed at the date of initial application. According to this transition method, no restatement has been required in the comparative information of the consolidated financial statements.

The amounts by which each financial statement line item is affected in the current reporting period by the application of TFRS 15 as compared to TAS 18 are presented below:

31 December 2018	TFRS 15 (Reported)	TAS 18 (Previous effective standard)
Consolidated balance sheet		
Investments accounted for using the equity method	18.256.952	18.260.189
Deferred tax assets	4.407.803	4.377.819
Other current liabilities	4.223.207	4.200.869
Other non-current liabilities	1.044.667	884.494
Long term provisions	919.978	957.595
Consolidated statements of income		
Revenue	143.248.308	143.280.558
Shares of profit/(loss) of Joint Ventures	3.175.787	3.179.024
Deferred tax income	441.034	435.583
Profit for the period	8.425.093	8.455.130
Profit for the period (equity holders of the parent)	5.537.028	5.550.786
Consolidated statements of cash flows		
Profit for the period	8.425.093	8.455.130

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

2.3.2 TFRS 9 "Financial Instruments" Standard

Classification and Measurement

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 or loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The appropriate classification of financial assets is determined at the time of the purchase.

"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" 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 assets that are either equity securities or debt securities. 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.

"Financial assets measured at fair value through profit or loss", are assets that are not measured at amortised cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.

Changes regarding the classification of financial assets and liabilities in terms of TFRS 9 are summarised below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

Financial assets	Classification under TAS 39	Classification under TFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade receivables	Loans and receivables	Amortised cost
Receivables from finance sector operations	Loans and receivables	Amortised cost
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Financial assets	Available for sale financial assets	Fair value through other comprehensive income / profit or loss
Financial liabilities	Classification under TAS 39	Classification under TFRS 9
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Borrowings	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost

Impairment

"Expected credit loss model" defined in TFRS 9, "Financial Instruments" superseded the "incurred credit loss model" in TAS 39 "Financial Instruments: Recognition and Measurement" which was effective prior to 1 January 2018. Expected credit losses are a probability weighted estimate of credit losses over the expected life of the financial instrument. The calculation of expected credit loss is performed based on the past experiences and future expectations of the Group.

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

Trade Receivables

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. 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.

Receivables from Finance Sector Operations

As of 1 January 2018, 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.

First time adoption of TFRS 9 "Financial Instruments" Standard

Group applied TFRS 9 "Financial Instruments" which superseded TAS 39 "Financial Instruments: Recognition and Measurement" as of 1 January 2018 and accounted retrospectively in the consolidated financial statements within the transition exemption defined in the related Standard's paragraph numbered 7.2.15. In accordance with the mentioned exemption, the cumulative effect of initially applying this Standard is recognised in "adjustments related to changes in accounting policies" account under retained earnings of the annual reporting period that includes the date of initial application. Under this transition method, no restatement has been required in the comparative information of the consolidated financial statements.

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

The impacts of the transition to TFRS 9 and TFRS 15 on the consolidated financial statements as of 1 January 2018 are as follows:

	<i>Previously reported</i> 31 December 2017	TFRS 15	TFRS 9	<i>After accounting policy changes</i> 31 December 2017
Total trade receivables	15.353.993	-	(7.653)	15.346.340
Deferred tax assets	3.596.400	29.984	1.549	3.627.933
Investments accounted for using the equity method	15.829.122	(779)	(877.418)	14.950.925
Impact on total assets	104.064.368	29.205	(883.522)	103.210.051
Other current liabilities (Deferred income)	3.331.095	23.815	-	3.354.910
Other non-current liabilities (Deferred income)	672.086	163.267	-	835.353
Long term provisions (Warranty provisions)	882.171	(37.617)	-	844.554
Impact on total liabilities	61.133.350	149.465	-	61.282.815
Prior years' income ^{(1) (2)}	19.211.387	(48.369)	(847.632)	18.315.386
Non-controlling interests	12.958.436	(71.891)	(35.890)	12.850.655
Impact on total equity	42.931.018	(120.260)	(883.522)	41.927.236
Impact on total equity and liabilities	104.064.368	29.205	(883.522)	103.210.051

(1) In the first time adoption of TFRS 15, TL45.248 thousand of total amount accounted for under retained earnings include accounting policy change impact regarding the extended warranty sales of Arçelik, a Subsidiary of the Group.

(2) In the first time adoption of TFRS 9, TL830.789 thousand of total amount accounted for under retained earnings includes accounting policy change impact regarding the expected credit losses of Yapı Kredi Bankası, a Joint Venture of the Group accounted for using the equity method.

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

2.4 Summary of Significant Accounting Policies

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

2.4.1 Group accounting

- a) The consolidated financial statements include the accounts of the parent company, Koç Holding, its Subsidiaries, its Joint Ventures and its Associates on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with "TFRS" and the application of uniform accounting policies and presentation.
- b) Subsidiaries are companies over which Koç Holding has the power to control the financial and operating policies for the benefit of Koç Holding, either (a) through the power to exercise more than 50% of voting rights relating to the shares in the companies as a result of the ownership interest owned directly and indirectly by itself, and/or by certain Koç Family members and companies owned by them whereby Koç Holding exercises control over the ownership interest of the shares held by them and given to Koç Holding; or (b) although not having the power to exercise more than 50% of the ownership interest, Koç Holding has power to control the investee due to the dispersed capital structure of the investee and/or Koç Holding has rights or is exposed to variable returns from its involvement with the investee and when at the same time it has the power to affect these returns through its power over the investee.

The balance sheets and income statements of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Koç Holding and its Subsidiaries is eliminated against the related equity. Intercompany transactions and balances between Koç Holding and its Subsidiaries are eliminated during the consolidation. The nominal amount of the shares held by Koç Holding in its Subsidiaries and the associated dividends are eliminated from equity and income for the period, respectively.

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

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	
	2018	2017	2018	2017	2018	2017	2018	2017
ADG Enerji Yatırımları	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Akpa	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Anadoluhisarı Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Antalya Marina ^(1,2)	60,91	75,92	100,00	100,00	-	-	100,00	100,00
Arch R&D ⁽³⁾	40,51	-	100,00	-	-	-	100,00	-
Archin ⁽⁴⁾	-	40,51	-	100,00	-	-	-	100,00
Arctic	39,18	39,18	96,72	96,72	-	-	96,72	96,72
Arçelik	40,51	40,51	40,51	40,51	11,42	11,42	51,93	51,93
Arçelik Pazarlama	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Ardutch	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Ardutch Taiwan	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Aygaz	40,68	40,68	40,68	40,68	10,53	10,53	51,21	51,21
Aygaz İletim	40,68	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	48,46	48,46	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

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

Subsidiaries	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
	2018	2017	2018	2017	2018	2017	2018	2017
Beko Australia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Balkans	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Cesko	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko China	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Czech	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Deutschland	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Egypt	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Espana	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko France	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Gulf ⁽³⁾	40,51	-	100,00	-	-	-	100,00	-
Beko Hong Kong	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Indonesia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Italy	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Malaysia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko UK	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Polska	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Russia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Shangai	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Slovakia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Thailand	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Ukraine	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko US	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beykoz Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Bilkom	82,28	82,28	99,94	99,94	0,06	0,06	100,00	100,00
CoVii	20,66	20,66	51,00	51,00	-	-	51,00	51,00
Çengelköy Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Dawlance Electronics	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Dawlance (Private)	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Defy	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Defy Botswana	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Defy Namibia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Defy Swaziland	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Ditaş	34,95	34,95	80,00	80,00	-	-	80,00	80,00
Divan	30,08	30,08	43,73	43,73	56,27	56,27	100,00	100,00
Düzey	31,65	31,65	32,28	32,28	61,33	61,33	93,60	93,60
Elektra Bregenz	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Eltek	69,80	69,80	100,00	100,00	-	-	100,00	100,00
Enerji Yatırımları	85,68	85,68	98,50	98,50	-	-	98,50	98,50
Entek	69,80	69,80	99,23	99,23	-	-	99,23	99,23
Grundig Austria	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Intermedia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Multimedia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Norway	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Portugal	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Sweden	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Switzerland	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Kadıköy Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Kandilli Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Karaköy Tankercilik	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
KoçDigital ⁽³⁾	41,14	-	100,00	-	-	-	100,00	-
Koç Finansman	64,71	64,71	94,50	94,50	5,50	5,50	100,00	100,00
Koç Sistem	41,14	41,14	41,18	41,18	53,17	53,17	94,35	94,35
Koç Sistem Azerbaycan	41,14	41,14	100,00	100,00	-	-	100,00	100,00
Koç Yapı Malzeme ⁽⁵⁾	44,78	43,18	44,78	43,18	47,62	47,62	92,40	90,81
Körfez ⁽¹⁾	43,70	43,70	100,00	100,00	-	-	100,00	100,00

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

Subsidiaries	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
	2018	2017	2018	2017	2018	2017	2018	2017
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 ⁽⁶⁾	38,64	38,60	41,54	41,45	33,46	33,46	75,00	74,91
Menzelet Kilavuzlu Elektrik	69,80	69,80	100,00	100,00	-	-	100,00	100,00
Olympic ⁽⁷⁾	57,85	-	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 ⁽³⁾	44,90	-	100,00	-	-	-	100,00	-
Otokar Land Systems ⁽¹⁾	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 Holland ^(1,9)	57,85	77,13	60,00	80,00	-	-	60,00	80,00
Otokoç Hungary ⁽¹⁾	96,42	96,42	100,00	100,00	-	-	100,00	100,00
Otokoç Sigorta	48,22	48,22	50,02	50,02	49,98	49,98	100,00	100,00
Otoyol	53,95	53,95	53,95	53,95	10,18	10,18	64,13	64,13
Pan Asia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Pendik Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Ram Dış Ticaret ⁽⁵⁾	57,71	57,70	83,45	83,45	14,66	14,66	98,11	98,11
RMK Marine ⁽²⁾	56,55	60,51	66,84	66,84	33,16	33,16	100,00	100,00
Salacak Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Sarıyer Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Set Auto	96,42	96,42	100,00	100,00	-	-	100,00	100,00
Setur	46,38	46,38	81,13	81,13	18,87	18,87	100,00	100,00
T Damla Denizcilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Tat Gıda	43,82	43,82	44,07	44,07	7,12	7,12	51,19	51,19
Tek-Art Marina ⁽²⁾	60,91	75,92	88,16	75,92	11,84	24,08	100,00	100,00
Token ⁽¹⁰⁾	40,51	-	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
United Refrigeration	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Üsküdar Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Vietbako	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Wat Motor ⁽¹¹⁾	40,51	-	100,00	-	-	-	100,00	-
Yalova Marina ⁽²⁾	47,21	47,96	100,00	100,00	0,00	0,00	100,00	100,00
Zer Ticaret	39,00	39,00	39,00	39,00	60,11	60,11	99,11	99,11

(1) Included in the scope of consolidation in 2018.

(2) The effective interest rate of Koç Holding has changed as a result of the transfer of marina businesses of Setur to Tek-Art Marina and increase in Tek-Art Marina's capital equivalent to fair values of related marinas in December 2018.

(3) Established in 2018.

(4) Liquidated in 2018.

(5) The effective interest rate of Koç Holding has changed as a result of Koç Holding's purchase of non-controlling interests shares constituting 1,60% of Koç Yapı Malzeme capital.

(6) Rent term extension of Marmaris Hotel owned by Mares has been evaluated as a significant transaction according to CMB regulations and shareholders, who casted negative vote to the related agenda item at the Ordinary General Assembly of Mares held on 20 March 2018, have been entitled the right to exit partnership through selling their shares to Mares. Within this scope, 0,09% of shares with a nominal value of TL4.789 were repurchased by Mares and the effective interest rate of Koç Holding has changed accordingly.

(7) Acquired in 2018 (Note 3).

(8) Although the total ownership interest of Koç Holding in Otokar is less than 50%, considering the dispersed capital structure of Otokar, exposure of Koç Holding to variable returns from its involvement in this company and Koç Holding's power to affect these returns through its power; Koç Holding has the power to exercise control over Otokar and therefore consolidates the company.

(9) 20% of Otokoç Hollanda's shares owned by Otokoç were sold to Avis Europe Holdings Limited in June 2018. As of 31 December 2018, 60% of Otokoç Hollanda's shares are owned by Otokoç (Note 3).

(10) Established as a 100% subsidiary of Arçelik, as a result of the transfer of all assets and liabilities regarding payment system operations and related R&D activities through partial demerger.

(11) Established as a 100% subsidiary of Arçelik, as a result of the transfer of all assets and liabilities regarding industrial motor production, after-sales service operations and related R&D activities through partial demerger.

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

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

"TFRS 11 Joint Arrangements", effective for the annual periods on or after 1 January 2013, 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 does not go through the investee's profit or loss or other comprehensive income, the Group adjusts the carrying value of its investment with a corresponding change in its own equity.

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

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

Joint Ventures	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
	2018	2017	2018	2017	2018	2017	2018	2017
Al Jasoor ⁽¹⁾	22,00	22,00	49,00	49,00	-	-	49,00	49,00
Arçelik LG Klima	23,23	23,23	50,00	50,00	-	-	50,00	50,00
Ayas Enerji	34,90	34,90	50,00	50,00	-	-	50,00	50,00
Fer-Mas	37,59	37,59	37,86	37,86	-	-	37,86	37,86
Fiat Finans	37,59	37,59	37,86	37,86	-	-	37,86	37,86
Ford Otosan	38,46	38,46	38,46	38,46	2,61	2,61	41,07	41,07
Güney Tankercilik	9,00	9,00	50,00	50,00	-	-	50,00	50,00
Ingage ⁽²⁾	19,49	-	19,49	-	30,07	-	49,56	-
Kaş Marina ^(1,3)	30,45	37,96	50,00	50,00	-	-	50,00	50,00
Koç Finansal Hizmetler ⁽⁴⁾	43,30	43,27	44,85	44,81	5,15	5,19	50,00	50,00
Koçtaş Yapı Market ⁽⁵⁾	42,85	42,64	49,92	49,92	0,08	0,08	50,00	50,00
Kuzey Tankercilik	9,00	9,00	50,00	50,00	-	-	50,00	50,00
Netsel ⁽³⁾	33,50	41,76	55,00	55,00	-	-	55,00	55,00
Opet	18,00	18,00	41,33	41,33	8,67	8,67	50,00	50,00
Opet Aygaz Gayrimenkul	29,34	29,34	50,00	50,00	-	-	50,00	50,00
Opet Fuchs	9,00	9,00	50,00	50,00	-	-	50,00	50,00
Opet International	18,00	18,00	50,00	50,00	-	-	50,00	50,00
Opet Trade BV	18,00	18,00	50,00	50,00	-	-	50,00	50,00
Opet Trade Singapore	18,00	18,00	50,00	50,00	-	-	50,00	50,00
Stiching Custody ⁽⁴⁾	35,47	35,39	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
VoltBek	20,85	20,85	50,00	50,00	-	-	50,00	50,00

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Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

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

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	
	2018	2017	2018	2017	2018	2017	2018	2017
Yapı Kredi Azerbaijan ⁽⁴⁾	35,47	35,39	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Bankası ⁽⁴⁾	35,47	35,39	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Faktoring ⁽⁴⁾	35,45	35,38	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Fin. Kiralama ⁽⁴⁾	35,46	35,39	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Holding ⁽⁴⁾	35,47	35,39	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Koray ⁽⁴⁾	10,80	10,78	30,45	30,45	-	-	30,45	30,45
Yapı Kredi Malta ⁽⁴⁾	35,47	35,39	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Menkul ⁽⁴⁾	35,46	35,38	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Nederland ⁽⁴⁾	35,47	35,39	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Portföy ⁽⁴⁾	35,45	35,37	50,00	50,00	-	-	50,00	50,00

(1) Included in the scope of consolidation in 2018.

(2) Digital marketing operations of Zer Ticaret are transferred to Ingage through partial demerger in June 2018. 49,56% of Ingage capital was sold to Russell Square Holding B.V. in July 2018.

(3) The effective interest rate of Koç Holding has changed as a result of the transfer of marina businesses of Setur to Tek-Art Marina and increase in Tek-Art Marina's capital equivalent to fair values of related marinas in December 2018.

(4) The effective interest rate of Koç Holding has changed as a result of Koç Finansal Hizmetler's purchase of 0,1% of the pre-emptive rights that were not used in Yapı Kredi Bank's capital increase and Koç Holding's purchase of Koç Family shares constituting 0,04% of Koç Finansal Hizmetler capital.

(5) The effective interest rate of Koç Holding has changed as a result of Koç Holding's purchase of non-controlling interests shares constituting 1,60% of Koç Yapı Malzeme capital.

d) Associates are accounted for using the equity method. Associates are companies in which the Group has voting power between 20% and 50% or the Group has power to participate in the financial and operating policy decisions but not control them. Unrealised gains or losses arising from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

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

Associates	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
	2018	2017	2018	2017	2018	2017	2018	2017
Allianz Emeklilik ⁽¹⁾	7,09	7,08	20,00	20,00	-	-	20,00	20,00
Banque de Commerce ⁽¹⁾	10,88	10,85	30,67	30,67	-	-	30,67	30,67

(1) The effective interest rate of Koç Holding has changed as a result of Koç Finansal Hizmetler's purchase of 0,1% of the pre-emptive rights that were not used in Yapı Kredi Bank's capital increase and Koç Holding's purchase of Koç Family shares constituting 0,04% of Koç Finansal Hizmetler capital.

e) Financial assets in which the Group together with Koç Family members, has ownership interests below 20%, or over 20% but which the Group and Koç family members does not exercise a significant influence or which are not exposed to significant influence of variable returns or which are immaterial are classified as financial assets measured at fair value through profit or loss or financial assets measured at fair value through other comprehensive income in the consolidated financial statements.

f) Non-controlling shares in the net assets and operating results of Subsidiaries are separately classified in the consolidated financial statements as "non-controlling interests". Certain Koç Family members and companies controlled by them have interests in the share capital of certain subsidiaries. In the consolidated financial statements, these interests of Koç Family members and companies controlled by them are treated as non-controlling interests and are not included in the Group's net assets and profits attributable to the equity holders of the parent.

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

2.4.2 Segment reporting

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The sectors reported under "Other" do not meet the required minimum quantitative thresholds to be a reportable segment; hence they have been merged for the purpose of segment reporting.

For an operating segment to be identified as a reportable segment, its reported revenue, including both sales to external customers and intersegment sales or transfers, should be 10 percent or more of the combined revenue, internal and external, of all internal and external operating segments; the absolute amount of its reported profit or loss should be 10 percent or more of the combined profit or loss or its total assets should be 10 percent or more of the combined assets of all operating segments. Operating segments that do not meet any of the quantitative thresholds may be considered as reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

The financial information of the Group's Joint Ventures shall not be consolidated by using the proportionate consolidation method in accordance with "TFRS 11 Joint Arrangements". Therefore, in the case that segment reporting is prepared based on the equity method set in "TFRS 11 Joint Arrangements", major financial information of Joint Ventures, except for net profit for the period, such as revenue, operating profit and profit before tax shall not be included in the related segment results.

The operations of Joint Ventures and their impacts on the financial results of the Group and the related segment are continued to be monitored in detail by the chief operating decision maker of the Group. Therefore, for the periods after 1 January 2013, segment reporting of Joint Ventures has not been prepared based on the equity method set by the "TFRS 11 Joint Arrangements"; rather, the financial information of Joint Ventures has been included in segment results by full consolidation method (as 100%) within the framework of new segment reporting approach. The Group defines this segment reporting information prepared in conformity with this new approach as "combined financial information".

2.4.3 Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of the Subsidiaries, Joint Ventures and Associates of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in TL, which is Koç Holding's functional and presentation currency.

Foreign currency transactions and balances

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates at the balance sheet date. Foreign exchange gains and losses resulting from trading activities (trade receivables and payables) denominated in foreign currencies of the Group companies operating in the non-finance sectors, have been accounted for under "other operating income/expenses" whereas foreign exchange gains and losses resulting from the translation of other monetary assets and liabilities denominated in foreign currencies have been accounted for under "financial income/expenses" in the consolidated income statement. Foreign exchange gains and losses resulting from monetary asset and liabilities denominated in foreign currencies of the Group companies operating in the finance sector, have been classified under "revenue/cost of finance sector operations" in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to functional currency using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Financial statements of foreign subsidiaries, joint ventures and associates

The assets and liabilities, presented in the financial statements of the foreign Subsidiaries, Joint Ventures and Associates prepared in accordance with the Group's accounting policies, are translated into TL at the exchange rate at the date of the balance sheet whereas income and expenses are translated at the average exchange rates for the respective periods. Exchange differences resulting from using the exchange rates at the balance sheet date and the average exchange rates are recognised in the currency translation differences under the equity.

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

2.4.4 Assets and liabilities held for sale

Discontinued operation is a major line of business or geographical area of operations that is part of a single coordinated plan to be disposed of or is held-for-sale.

A single amount on the face of the income statements comprising the total of the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised by the disposal of the assets constituting the discontinued operation is disclosed. Also, the net cash flows of the discontinued operations associated with the operating, investment and financing activities are specified in the related note.

Group of non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Liabilities directly associated with those assets are also classified similarly.

Non-current assets or asset groups that meet the criteria of asset held for sale are measured at the lower of its carrying amount and fair value less cost to sell. These assets are not depreciated.

2.4.5 Related parties

For the purpose of these consolidated financial statements, shareholders, parents of Koç Holding A.Ş., key management personnel and Board of Directors members, their close family members and the legal entities over which these related parties exercise control and significant influence, subsidiaries and joint ventures excluded from the scope of consolidation are considered and expressed as "related parties".

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 or loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The appropriate classification of financial assets is determined at the time of the purchase.

"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" 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 assets that are either equity securities or debt securities. 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.

"Financial assets measured at fair value through profit or loss", are assets that are not measured at amortised cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under 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 includes cash in hand, deposits held in banks with maturities of 3 months or less, government bonds/treasury bills classified as available for sale financial assets with original maturities of 3 months or less, other short-term liquid investments and blocked deposits. Group evaluates its cash and cash equivalents in accordance with expected credit loss model for impairment.

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

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.

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.

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

2.4.11 Credit finance income/expenses

Credit finance income/expenses represent imputed finance charges on credit sales and purchases. Such income and expenses are recognised using the effective yield method over the period of credit sales and purchases within the materiality principle, and classified under "other operating income/expenses" in the consolidated statement of income.

2.4.12 Inventories

Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads. The cost of inventories is determined by the weighted average method. Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.4.13 Assets used in operational lease

Assets used in operational lease include the motor vehicles of Otokoç, a Subsidiary of the Group, resourced in rent a car services. The Group classifies the assets, used in operating leases and owned to be leased for over one year, as "property, plant and equipment"; and classifies the assets owned to be leased for shorter than one year and expected to be disposed at the end of related leasing period in the ordinary business of Otokoç, as "other current assets". The difference between the cost and the estimated second-hand sales price of the related assets is depreciated on a straight-line basis over the duration of rent contracts. The assets used in operating lease are transferred to inventories based on their remaining net carrying values when they are decided to be sold at the end of their leasing period.

2.4.14 Investment property

Land and buildings that are held for rental yields or for capital appreciation or both rather than held in the production or supply of goods or services or for administrative purposes or for the sale in the ordinary course of business are classified as "investment property". Investment properties are carried at cost less accumulated depreciation. Depreciation is provided for investment properties on a straight-line basis over their estimated useful lives, ranging from 3-50 years.

Investment properties are reviewed for possible impairment losses and where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. Recoverable amount of the investment property is the higher of future net cash flows from the utilisation of this investment property or fair value less cost to sell.

2.4.15 Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided for property, plant and equipment on a straight-line basis over their estimated useful lives. Land is not depreciated as it is deemed to have an indefinite useful life.

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

Buildings	5 - 50 years
Land improvements	3 - 50 years
Machinery and equipment	3 - 50 years
Furniture and fixtures	2 - 50 years
Motor vehicles	3 - 25 years
Leasehold improvements	3 - 10 years

Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset.

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net selling price or value in use. Recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilisation of this property, plant and equipment or its fair value less cost to sell.

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

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

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.

2.4.16 Intangible assets and related amortisation

Intangible assets comprise usage rights, brands, development costs, information systems, customer relationships, generation licences and other identified rights. They are initially recognised at acquisition cost and amortised on a straight-line basis over their estimated useful lives. Cost of an intangible asset acquired by a business combination is its fair value at the acquisition date. Intangible assets with indefinite useful lives are not amortised, however are tested for impairment annually. Whenever there is an indication that the intangible is impaired, the carrying amount of the intangible asset is reduced to its recoverable amount and the impairment loss is recognised as an expense.

The amortisation periods for intangible assets, which approximate the economic useful lives of such assets, are as follows:

Rights	4 - 15 years
Brands	Indefinite useful life
Development costs	2 - 10 years
Customer relationships	8 - 50 years
Other intangible assets	5 - 40 years

2.4.17 Leases

a) The Group - as the lessee

Finance leases

Leases of property, plant and equipment where the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are included in the property, plant and equipment at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset. An impairment loss is recognised when a decrease in the carrying amount of the leased property is identified. Interest expenses and foreign exchange losses related to the finance lease liabilities are accounted in the consolidated statement of income. Lease payments are deducted from finance lease liabilities.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

b) The Group - as the lessor

Operating leases

Assets leased out under operating leases are included in investment properties, property, plant and equipment or other current assets in the consolidated balance sheet (Note 2.4.13) and depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised in the consolidated income statement on a straight-line basis over the lease term.

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

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

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".

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.

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

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

Government grants allowing reduced corporate tax payment are evaluated within the scope of TAS 12 Income Taxes standard and are recognised as deferred tax asset by the qualified tax advantage amount, to the extent it is highly probable that future taxable profits will be available against which the unused investment tax credits can be utilised.

The tax effects of the transactions that are accounted directly in the equity are also reflected to the equity.

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority with the condition of being same taxpayer entity and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

2.4.20 Financial liabilities

Financial liabilities are measured initially at fair value. Any transaction costs directly attributable to the undertaking of a financial liability are added on the fair value of the financial liability. These financial liabilities are subsequently measured at amortised cost using the effective interest method.

2.4.21 Trade payables

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.4.22 Provisions for employee benefits

a) Provision for employment termination benefits

The provision for employment termination benefits, as required by Turkish Labour Law represents the present value of the future probable obligation of the Group arising from the retirement of its employees based on the actuarial projections.

TAS 19 "Employee Benefits" requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity's obligation for employment termination benefits. The effects of differences between the actuarial assumptions and the actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gains / losses and recognised under other comprehensive income.

b) Defined benefit plans

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

c) Unused vacation rights

Liabilities arising from unused vacations of the employees are accrued in the period when the unused vacations are qualified.

2.4.23 Provisions, contingent assets and liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and treated as contingent assets or liabilities.

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

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

2.4.24 Revenue recognition

Group recognises revenue based on the following five principles in accordance with the TFRS 15, "Revenue from Contracts with Customers Standard"; effective from 1 January 2018:

- 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.

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. When loans and advances to customers are considered doubtful of collection by management, they are written down to their recoverable amount, and interest income is thereafter recognised based in the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. Service income is registered as income in the period during which it is collected, other fee and commission income and expenses are recognised on an accrual basis.

2.4.25 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.4.26 Dividends

Dividend income is recognised by the Group at the date the right to collect the dividend is realised. Dividend payables are recognised as liability in the consolidated financial statements following the approval of the general assembly.

2.4.27 Research and development costs

Research costs are recognised and expensed in the income statement in the period in which they are incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility and only if the cost can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense cannot be recognised as an asset in subsequent periods. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over their estimated useful lives (2-10 years).

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

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

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.

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

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of hedged asset or liability attributable to the hedged risk is recorded as part of the carrying value of the hedged asset or liability during the effective hedging relationship. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised using a recalculated effective interest rate.

Cash flow hedge

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "gains/(losses) on cash flow hedges". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement.

On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement.

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

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

2.4.32 Earnings per share

Earnings per share disclosed in the consolidated income statement are determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported.

2.4.33 Events after the balance sheet date

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

2.4.34 Statement of cash 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 and 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 2018 (Note 14 and 15).

Recoverability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available in the foreseeable future. The recoverable amount of deferred tax assets, partially or fully, is estimated under the current conditions. During the assessment of the recoverability of deferred tax assets, future taxable profit forecasts and expiration dates of government grants, carry forward tax losses and other tax advantages were considered (Note 17).

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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 3 - BUSINESS COMBINATIONS

In accordance with the growth strategy of Otokoç in international markets, Olympic Commercial and Tourist Enterprises S.A., engaged in short and long term car rental business under Avis, Budget and Payless licenses in Greece, was acquired from Piraeus Bank by Otokoç ABG Holland B.V., of which 80% and 20% of shares are owned by Otokoç and Avis Europe Holdings Limited respectively, with a total consideration of EUR80.336 thousand (TL374.121 thousand) on 15 March 2018.

Consideration amount - cash	349.231
Consideration amount - future payments	24.890

Total consideration	374.121
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The opportunity for this acquisition arose from the strategy of Piraeus Bank for the disposal of non-core businesses and sale of Olympic through an international tender. The difference between total consideration amount and net assets acquired has been accounted for as a gain on bargain purchase in Group's consolidated financial statements as of 31 December 2018 in accordance with TFRS 3, "Business Combinations" (Note 27).

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

Total consideration	374.121
Net assets acquired	562.062

Gain on bargain purchase (Note 27)	187.941
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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	75.606
Trade receivables	457.882
Inventories	67.431
Short-term assets used in operational lease (Note 21)	177.845
Property, plant and equipment (Note 13)	1.230.568
- Long-term assets used in operational lease	1.160.958
- Other tangible assets	69.610
Intangible assets (Note 15)	69.008
Other assets	13.837
Borrowings (Note 16)	(1.176.111)
Trade payables	(281.709)
Deferred tax liabilities (Note 17)	(47.989)
Provisions for employee benefits	(6.056)
Other liabilities	(18.250)

Net assets acquired	562.062
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The details of cash outflow due to acquisition are as follows:

Total consideration - cash	349.231
Cash and cash equivalents - acquired	(75.606)

Cash outflow due to acquisition (net)	273.625
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Had the financial statements of Olympic been consolidated from 1 January 2018, Olympic's additional contribution to consolidated revenue and consolidated net profit (attributable to equity holders of the parent) would have amounted to TL102 million and TL2,6 million, respectively.

20% of Otokoç Hollanda's shares owned by Otokoç were sold to Avis Europe Holdings Limited in June 2018. As of 31 December 2018, 60% of Otokoç Hollanda's shares are owned by Otokoç (Note 2.4).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 2018 and 2017 are presented separately.

1 January - 31 December 2018	Energy	Automotive	Consumer durables	Finance	Other	Total
External revenue	126.196.956	61.533.130	29.245.616	43.016.312	7.612.944	267.604.958
Intra segment revenue	26.763.850	3.567.416	860.230	69.569	1.339.195	32.600.260
Inter segment revenue	289.231	615.557	138.346	141.306	4.885.166	6.069.606
Combined revenue	153.250.037	65.716.103	30.244.192	43.227.187	13.837.305	306.274.824
Combined gross profit	12.748.389	8.768.347	8.812.964	18.090.844	2.362.550	50.783.094
Operating expenses	(3.113.234)	(3.277.284)	(6.662.519)	(5.610.380)	(2.249.627)	(20.913.044)
Other operating income/(expenses) (net) ⁽¹⁾	(15.629)	122.911	60.791	(6.441.837)	6.113	(6.267.651)
Exchange gains/(losses) and credit finance income/(charges) from operating activities (net) ⁽²⁾	(2.550.218)	(580.300)	580.310	-	(45.105)	(2.595.313)
Combined operating profit	7.069.308	5.033.674	2.791.546	6.038.627	73.931	21.007.086
Gains/(losses) from investment activities (net) ⁽³⁾	(133.043)	217.473	6.958	99.350	115.377	306.115
Financial income/expenses (net)	(2.702.796)	(1.306.357)	(1.799.996)	-	443.227	(5.365.922)
Combined profit before tax	4.233.469	3.944.790	998.508	6.137.977	632.535	15.947.279
Tax income/(expense) (net)	(226.789)	(94.173)	(117.569)	(1.403.825)	(125.612)	(1.967.968)
Combined net profit for the period	4.006.680	3.850.617	880.939	4.734.152	506.923	13.979.311
Net profit for the period ⁽⁴⁾	1.432.653	1.644.462	365.945	1.702.265	391.703	5.537.028

(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) Provision for impairment of Ayas Enerji amounting to TL150.839 thousand (Note 27) and bargain purchase gain of Otokoç Hollanda arising from the acquisition of Olympic amounting to TL187.941 thousand (Note 27) have been accounted for under "gains/losses from investment activities" account of the Energy and Automotive sectors, respectively.

(4) Represents consolidated net profit attributable to the equity holders of the parent. The effects of provision for impairment of Ayas Enerji and bargain purchase gain of Otokoç Hollanda arising from the acquisition of Olympic to consolidated net profit for the period are TL105 million and TL145 million, respectively.

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NOTE 4 - SEGMENT REPORTING (Continued)

1 January - 31 December 2017	Energy	Automotive	Consumer durables	Finance	Other	Total
External revenue	83.586.645	50.925.425	22.441.274	29.512.165	6.192.173	192.657.682
Intra segment revenue	13.736.525	4.266.151	799.558	42.493	1.280.297	20.125.024
Inter segment revenue	250.946	365.053	120.048	145.118	3.635.517	4.516.682
Combined revenue	97.574.116	55.556.629	23.360.880	29.699.776	11.107.987	217.299.388
Combined gross profit	9.036.350	6.626.763	6.658.637	11.981.488	2.037.538	36.340.776
Operating expenses	(2.768.292)	(2.795.591)	(5.221.472)	(4.974.632)	(1.892.377)	(17.652.364)
Other operating income/(expenses) (net) ⁽¹⁾	54.016	143.347	33.804	(2.770.851)	38.712	(2.500.972)
Exchange gains/(losses) and credit finance income/(charges) from operating activities (net) ⁽²⁾	(273.179)	(33.739)	314.025	-	1.248	8.355
Combined operating profit	6.048.895	3.940.780	1.784.994	4.236.005	185.121	16.195.795
Gains/(losses) from investment activities (net) ⁽³⁾	(14.308)	660	(532)	127.078	105.539	218.437
Financial income/expenses (net)	(713.393)	(616.680)	(963.035)	-	169.107	(2.124.001)
Combined profit before tax	5.321.194	3.324.760	821.427	4.363.083	459.767	14.290.231
Tax income/(expense) (net)	(850.687)	(10.084)	19.136	(860.810)	(73.764)	(1.776.209)
Combined net profit for the period	4.470.507	3.314.676	840.563	3.502.273	386.003	12.514.022
Net profit for the period ⁽⁴⁾	1.708.543	1.337.710	342.344	1.262.150	257.993	4.908.740

(1) Provisions for loan impairment in Finance sector have been accounted for under "Other operating income/expenses" account.

(2) Includes the foreign exchange gains/(losses) and credit finance income/(charges) arising from trading activities (trade receivables and payables) of Non-Finance sectors.

(3) Gain on exchange transaction of Koç Holding amounting to TL32.099 thousand (Note 27) has been accounted for under "gains/(losses) from investment activities" account of the Other sector.

(4) Represents consolidated net profit attributable to the equity holders of the parent. The effect of gain on exchange transaction of Koç Holding to consolidated net profit for the period is TL26 million.

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NOTE 4 - SEGMENT REPORTING (Continued)

	2018	2017
a) Revenue		
Energy	153.250.037	97.574.116
Automotive	65.716.103	55.556.629
Consumer durables	30.244.192	23.360.880
Finance	43.227.187	29.699.776
Other	13.837.305	11.107.987
Combined	306.274.824	217.299.388
Less: Joint Ventures (Note 7.d)	(156.293.656)	(113.589.921)
Less: Consolidation elimination and adjustments	(6.732.860)	(4.842.718)
Consolidated	143.248.308	98.866.749
b) Operating profit		
Energy	7.069.308	6.048.895
Automotive	5.033.674	3.940.780
Consumer durables	2.791.546	1.784.994
Finance	6.038.627	4.236.005
Other	73.931	185.121
Combined	21.007.086	16.195.795
Less: Joint Ventures (Note 7.d)	(11.219.442)	(8.460.569)
Add: Net profit shares of Joint Ventures (Note 7.c)	3.175.787	2.691.404
Consolidated	12.963.431	10.426.630
c) Depreciation and amortisation		
Energy	961.654	880.367
Automotive	1.900.525	1.419.512
Consumer durables	706.055	558.852
Finance	281.100	351.908
Other	165.508	132.378
Combined	4.014.842	3.343.017
Less: Joint Ventures (Note 7.d)	(1.901.546)	(1.763.527)
Consolidated	2.113.296	1.579.490

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NOTE 4 - SEGMENT REPORTING (Continued)

	2018	2017
d) Profit before tax		
Energy	4.233.469	5.321.194
Automotive	3.944.790	3.324.760
Consumer durables	998.508	821.427
Finance	6.137.977	4.363.083
Other	632.535	459.767
Combined	15.947.279	14.290.231
Less: Joint Ventures (Note 7.d)	(10.432.295)	(8.322.581)
Add: Net profit shares of Joint Ventures (Note 7.c)	3.175.787	2.691.404
Consolidated	8.690.771	8.659.054
e) Net profit for the period		
Energy	4.006.680	4.470.507
Automotive	3.850.617	3.314.676
Consumer durables	880.939	840.563
Finance	4.734.152	3.502.273
Other	506.923	386.003
Combined	13.979.311	12.514.022
Less: Joint Ventures (Note 7.d)	(8.730.005)	(7.307.999)
Add: Net profit shares of Joint Ventures (Note 7.c)	3.175.787	2.691.404
Less: Non-controlling interests	(2.888.065)	(2.988.687)
Consolidated (attributable to the equity holders of the parent)	5.537.028	4.908.740
f) Capital expenditures		
Energy	1.304.370	1.919.095
Automotive	4.856.424	3.549.681
Consumer durables	1.837.962	1.033.728
Finance	584.286	401.094
Other	432.731	408.461
Combined	9.015.773	7.312.059
Less: Joint Ventures	(3.144.885)	(2.774.205)
Consolidated	5.870.888	4.537.854

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NOTE 4 - SEGMENT REPORTING (Continued)

g) Total assets

	31 December 2018	31 December 2017
Energy	60.530.124	55.084.154
Automotive	40.871.561	34.844.806
Consumer durables	29.474.109	21.241.461
Finance	375.327.088	321.963.926
Other	27.488.072	21.533.971
Combined	533.690.954	454.668.318
Less: Joint Ventures (Note 7.d)	(414.352.766)	(356.710.014)
Add: Carrying values of Joint Ventures (Note 7.a)	18.256.952	15.829.122
Less: Eliminations	(12.319.259)	(9.723.058)
Consolidated	125.275.881	104.064.368

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2018			31 December 2017		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Cash in hand	-	4.962	4.962	-	7.258	7.258
Cheques received	-	62.796	62.796	-	113.051	113.051
Banks						
- Demand deposits	30.417	768.971	799.388	23.860	474.814	498.674
- Time deposits	555.357	22.821.229	23.376.586	2.500	19.818.111	19.820.611
Other	32.842	300.916	333.758	87.657	323.186	410.843
	618.616	23.958.874	24.577.490	114.017	20.736.420	20.850.437

As of 31 December 2018, total blocked deposits amounted to TL1.425.142 thousand (31 December 2017: TL1.198.211 thousand). As of 31 December 2018 and 2017, the related amount consists of the revenue shares collected by Tüpraş, a Subsidiary of the Group, as indicated in the Petroleum Market License Regulation.

NOTE 6 - FINANCIAL ASSETS

	31 December 2018			31 December 2017		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Financial assets	54.364	70.314	124.678	-	155.765	155.765
	54.364	70.314	124.678	-	155.765	155.765

Short-term financial assets are comprised of time deposits having maturities more than three months. Related time deposits have an effective interest rate of 19,55% and maturity of April 2019.

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NOTE 6 - FINANCIAL ASSETS (Continued)

The list of long-term financial assets and the shareholding rates are as follows:

	31 December 2018		31 December 2017	
		(%)		(%)
Financial assets measured at fair value through other comprehensive income:				
Altinyunus Çeşme Turistik Tesisler A.Ş.	20.862	30,00	25.386	30,00
	20.862		25.386	
Financial assets measured at fair value through profit or loss:				
Beldesan Otomotiv Yan San. ve Tic. A.Ş.	10.619	91,82	7.912	91,82
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	7.459	88,00	14.444	88,00
Inventram Fikri Mülkiyet Hakları Yönetim Ticaret ve Yatırım A.Ş.	7.337	35,70	6.982	35,70
SensoRam Incorporation ⁽¹⁾	6.534	100,00	-	-
Mytilini Marina S.A.	2.571	50,00	5.488	50,00
Set Air Hava Taşımacılığı ve Hizmetleri A.Ş.	871	70,00	9.024	70,00
Alaşehir Alkollü İçkiler Sanayi ve Ticaret A.Ş. ⁽²⁾	-	-	23.400	93,40
Setur Antalya Marina İşletmeciliği A.Ş. ⁽³⁾	-	100,00	22.589	100,00
Makmarin Kaş Marina İşletmeciliği Turizm ve Ticaret A.Ş. ⁽³⁾	-	50,00	19.471	50,00
Körfez Ulaştırma A.Ş. ⁽³⁾	-	100,00	9.000	100,00
Other	14.061		12.069	
	49.452		130.379	
	70.314		155.765	

(1) Established in 2018.

(2) Sold in 2018 (Note 27).

(3) Included in the scope of consolidation in 2018.

Subsidiaries and joint ventures, in which the Group, together with right of use of interests given to Koç Holding by Koç Family members, have attributable interests of 20% or more but are not material for the consolidated financial statements or the Group does not have a significant influence, are not included in the scope of consolidation and classified as financial assets measured at fair value through profit or loss.

Total assets, revenues and net profit of the unconsolidated subsidiaries and joint ventures are below 1% of the total consolidated assets, revenues and net profit of the Group.

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NOTE 7 - JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

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

	31 December 2018		31 December 2017	
	%	Amount	%	Amount
Koç Finansal Hizmetler	44,85	13.720.303	44,81	11.363.894
Ford Otosan	38,46	1.492.659	38,46	1.414.923
Tofaş	37,59	1.380.184	37,59	1.333.803
Opet	41,33	750.513	41,33	725.508
Türk Traktör	37,50	244.447	37,50	284.163
Other		668.846		706.831
		18.256.952		15.829.122

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

	31 December 2018	31 December 2017
Yapı Kredi Bankası ^(*)	13.515.282	18.866.203
Ford Otosan	17.545.500	21.142.328
Tofaş	8.450.000	16.510.000
Türk Traktör	1.862.593	4.056.077

(*) The carrying value of Yapı Kredi Bankası, a listed Joint Venture of the Group, has been presented within Koç Finansal Hizmetler, the parent company of Yapı Kredi Bankası, holding 81,80% of its shares.

c) The movement of Joint Ventures is as follows:

	2018	2017
Beginning of the period - 1 January	15.829.122	13.688.242
Shares of profit/(loss)	3.175.787	2.691.404
Shares of other comprehensive income/(loss)	(256.242)	(19.529)
Changes in accounting policies (Note 2.3)	(878.197)	-
Dividend income from Joint Ventures	(1.172.193)	(606.516)
Contribution to capital increases of Joint Ventures ⁽¹⁾	1.579.404	69.395
Dividend paid to Joint Ventures	83.486	5.559
Additions to the scope of consolidation ⁽²⁾	25.729	-
Transactions with non-controlling interests	16.678	-
Provision for impairment of Joint Ventures ⁽³⁾	(150.839)	-
Profit eliminations	4.217	567
End of the period - 31 December	18.256.952	15.829.122

Includes the capital increase of KFS amounting to TL1.508.999 thousand.

(1) Related to the addition of Kaş Marina into the scope of consolidation and establishment of Ingage in 2018 (Note 2).

(2) Related to the provision for impairment of Ayas Enerji, a Joint Venture of the Group. Ayas Enerji has energy generation licence for a period of 49 years to construct a thermal power plant in Adana with 625 MW installed capacity. The lawsuit filed by environmental organisations against Energy Market Regulation Authority to suspend execution and to cancel production licence granted to Ayas Enerji is still continuing. The Group is not able to make a certain evaluation regarding the outcome of the case at this stage.

The result of this lawsuit has been awaited since 2012 for the company to start operations; on the other hand, considering the decline in commodity prices and rise in financing costs, it is considered that the economic return of the project is below expectation as of the current phase, and as it is no longer viewed feasible to continue the investment with the initial planned conditions; the entire value carried for Ayas Enerji has been impaired.

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NOTE 7- JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

<i>Shares of profit/(loss) of Joint Ventures:</i>	2018	2017
Koç Finansal Hizmetler	1.709.493	1.255.268
Ford Otosan	647.168	572.884
Tofaş	500.075	482.181
Opet	156.763	179.205
Türk Traktör	90.040	120.284
Other	72.248	81.582
	3.175.787	2.691.404
<i>Shares of other comprehensive income/(loss) of Joint Ventures:</i>		
Koç Finansal Hizmetler	(18.329)	161.237
Ford Otosan	(106.700)	(64.191)
Tofaş	(152.214)	(114.890)
Opet	18.026	3.629
Türk Traktör	(17.256)	(4.818)
Other	20.231	(496)
	(256.242)	(19.529)
<i>Dividend income/(capital increases) from Joint Ventures:</i>		
Koç Finansal Hizmetler	(1.509.000)	-
Ford Otosan	462.890	303.645
Tofaş	300.701	131.557
Opet	231.448	44.224
Türk Traktör	112.500	93.750
Other	(5.750)	(36.055)
	(407.211)	537.121

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NOTE 7 - JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

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

Condensed balance sheet information:

31 December 2018	KFS	Ford Otosan	Tofaş	Opet	Türk Traktör	Other	Total
Cash and cash equivalents	62.080.415	1.392.772	1.981.012	575.578	412.669	2.543.505	68.985.951
Other current assets	16.000.677	6.002.689	3.829.986	4.379.527	1.749.851	3.298.580	35.261.310
Receivables from finance sector operations	234.776.181	-	2.293.129	-	-	-	237.069.310
Goodwill	1.297.102	-	-	-	-	12.687	1.309.789
Non-current assets	57.223.629	5.776.574	4.863.150	1.703.752	930.734	1.228.567	71.726.406
Total assets	371.378.004	13.172.035	12.967.277	6.658.857	3.093.254	7.083.339	414.352.766
Short-term borrowings	44.539.017	2.804.263	2.460.751	1.586.561	469.537	2.144.707	54.004.836
Other current liabilities	23.947.175	4.415.349	3.636.954	1.683.661	612.758	2.882.499	37.178.396
Payables from finance sector operations	211.619.307	-	-	-	-	-	211.619.307
Long-term borrowings	47.473.714	1.678.554	2.971.301	1.683.284	1.303.203	282.280	55.392.336
Other non-current liabilities	6.387.032	392.609	226.238	225.723	55.898	145.938	7.433.438
Total liabilities	333.966.245	9.290.775	9.295.244	5.179.229	2.441.396	5.455.424	365.628.313
Net assets:	37.411.759	3.881.260	3.672.033	1.479.628	651.858	1.627.915	48.724.453
Allocation of net assets:							
Non-controlling interests	6.707.743	-	-	-	-	-	6.707.743
Equity holders of the parent	30.704.016	3.881.260	3.672.033	1.479.628	651.858	1.627.915	42.016.710
Reconciliation of carrying value:							
<i>Ownership of the Group</i>	<i>44,85%</i>	<i>38,46%</i>	<i>37,59%</i>	<i>41,33%</i>	<i>37,50%</i>		
Net asset share of the Group	13.770.353	1.492.659	1.380.184	611.529	244.447	655.523	18.154.695
Goodwill carried at Group level	-	-	-	138.984	-	-	138.984
Impact of additional share purchase	(50.050)	-	-	-	-	13.323	(36.727)
Carrying value	13.720.303	1.492.659	1.380.184	750.513	244.447	668.846	18.256.952

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NOTE 7 - JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Condensed balance sheet information:

31 December 2017	KFS	Ford Otosan	Tofaş	Opet	Türk Traktör	Other	Total
Cash and cash equivalents	48.105.689	1.805.945	2.625.681	76.829	441.722	1.636.625	54.692.491
Other current assets	11.145.894	5.021.095	3.760.817	3.721.043	1.554.646	1.689.826	26.893.321
Receivables from finance sector operations	215.105.383	-	2.536.117	-	-	-	217.641.500
Goodwill	1.297.102	-	-	-	-	12.687	1.309.789
Non-current assets	42.143.381	5.167.294	4.918.011	1.685.639	792.333	1.466.255	56.172.913
Total assets	317.797.449	11.994.334	13.840.626	5.483.511	2.788.701	4.805.393	356.710.014
Short-term borrowings	44.643.776	1.783.880	2.580.311	1.188.125	270.982	1.682.258	52.149.332
Other current liabilities	19.444.485	4.265.610	4.265.041	1.536.252	842.293	1.046.913	31.400.594
Payables from finance sector operations	182.807.277	-	-	-	-	-	182.807.277
Long-term borrowings	37.143.955	1.820.167	3.230.600	1.109.529	855.924	219.980	44.380.155
Other non-current liabilities	2.700.464	445.548	216.159	230.476	61.733	223.711	3.878.091
Total liabilities	286.739.957	8.315.205	10.292.111	4.064.382	2.030.932	3.172.862	314.615.449
Net assets:	31.057.492	3.679.129	3.548.515	1.419.129	757.769	1.632.531	42.094.565
Allocation of net assets:							
Non-controlling interests	5.594.894	-	-	-	-	-	5.594.894
Equity holders of the parent	25.462.598	3.679.129	3.548.515	1.419.129	757.769	1.632.531	36.499.671
Reconciliation of carrying value:							
<i>Ownership of the Group</i>	<i>44,81%</i>	<i>38,46%</i>	<i>37,59%</i>	<i>41,33%</i>	<i>37,50%</i>		
Net asset share of the Group	11.410.014	1.414.923	1.333.803	586.524	284.163	706.831	15.736.258
Goodwill carried at Group level	-	-	-	138.984	-	-	138.984
Impact of additional share purchase	(46.120)	-	-	-	-	-	(46.120)
Carrying value	11.363.894	1.414.923	1.333.803	725.508	284.163	706.831	15.829.122

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NOTE 7 - JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Condensed income statement information:

1 January - 31 December 2018	KFS	Ford Otosan	Tofaş	Opet	Türk Traktör	Other	Total
Revenue	42.467.197	33.292.031	19.098.921	42.997.244	3.908.944	14.529.319	156.293.656
Depreciation and amortisation	278.486	569.203	775.054	101.724	87.206	89.873	1.901.546
Operating profit	5.932.448	2.284.873	1.180.306	793.007	435.225	593.583	11.219.442
Net financial income/(expenses)	-	(520.222)	75.907	(302.869)	(186.275)	(498)	(933.957)
Profit before tax	6.031.742	1.760.702	1.290.894	492.089	256.384	600.484	10.432.295
Net profit for the period	4.654.386	1.682.786	1.330.423	379.297	240.107	443.006	8.730.005
Non-controlling interests	842.696	-	-	-	-	-	842.696
Equity holders of the parents	3.811.690	1.682.786	1.330.423	379.297	240.107	443.006	7.887.309
<i>Ownership of the Group</i>	<i>44,85%</i>	<i>38,46%</i>	<i>37,59%</i>	<i>41,33%</i>	<i>37,50%</i>		
Net profit share of the Group	1.709.493	647.168	500.075	156.763	90.040	72.248	3.175.787

1 January - 31 December 2017	KFS	Ford Otosan	Tofaş	Opet	Türk Traktör	Other	Total
Revenue	29.105.858	25.341.290	17.868.647	28.391.084	4.215.056	8.667.986	113.589.921
Depreciation and amortisation	350.980	473.624	696.679	95.878	69.185	77.181	1.763.527
Operating profit	4.137.012	1.708.174	1.063.964	717.440	476.766	357.213	8.460.569
Net financial income/(expenses)	-	(223.969)	165.508	(163.227)	(128.408)	78.313	(271.783)
Profit before tax	4.264.079	1.480.810	1.229.472	558.028	351.096	439.096	8.322.581
Net profit for the period	3.424.809	1.489.632	1.282.818	433.596	320.756	356.388	7.307.999
Non-controlling interests	623.551	-	-	-	-	-	623.551
Equity holders of the parents	2.801.258	1.489.632	1.282.818	433.596	320.756	356.388	6.684.448
<i>Ownership of the Group</i>	<i>44,81%</i>	<i>38,46%</i>	<i>37,59%</i>	<i>41,33%</i>	<i>37,50%</i>		
Net profit share of the Group	1.255.268	572.884	482.181	179.205	120.284	81.582	2.691.404

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Trade receivables	31 December 2018	31 December 2017
Trade receivables	14.524.585	11.695.728
Notes and cheques receivable	2.394.548	2.245.977
Less: Provision for doubtful receivables	(602.469)	(306.317)
Less: Unearned finance income	(128.388)	(57.259)
	16.188.276	13.578.129
Due from related parties (Note 29)	1.673.794	1.775.864
	17.862.070	15.353.993
Short-term trade receivables	17.518.296	15.313.455
Long-term trade receivables	343.774	40.538
	17.862.070	15.353.993

Tüpraş and Arçelik, the Subsidiaries of the Group, offset TL2.332.000 thousand (31 December 2017: TL860.788 thousand) and TL1.182.846 thousand (31 December 2017: TL833.682 thousand) respectively, from their trade receivables that were collected from factoring companies as a part of irrevocable factoring agreements as of 31 December 2018.

Movement of the provision for doubtful receivables is as follows:

	2018	2017
Beginning of the period - 1 January	306.317	265.138
Changes in accounting policies (Note 2.3)	7.653	-
Acquisitions ⁽¹⁾	161.032	-
Additions to the scope of consolidation	1.964	-
Increases during the period	88.181	43.456
Write-offs ⁽²⁾	(16.664)	(6.137)
Collections	(11.457)	(4.239)
Currency translation differences	65.443	8.099
End of the period - 31 December	602.469	306.317

(1) Related to the acquisition of Olympic by Otokoç Hollanda, a Subsidiary of the Group.

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

Trade payables	31 December 2018	31 December 2017
Trade payables	14.465.902	13.423.907
Less: Unearned finance expense	(65.030)	(47.409)
	14.400.872	13.376.498
Due to related parties (Note 29)	1.196.384	1.554.918
	15.597.256	14.931.416

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NOTE 9 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	31 December 2018	31 December 2017
Performing loans	3.153.474	3.877.124
Loans under legal follow-up	159.150	85.789
Gross	3.312.624	3.962.913
Less: Provision for impairment	(153.135)	(115.880)
Net	3.159.489	3.847.033
Short-term receivables from finance sector operations	1.913.929	2.147.141
Long-term receivables from finance sector operations	1.245.560	1.699.892
	3.159.489	3.847.033

Movement of provision for impairment is as follows:

	2018	2017
Beginning of the period - 1 January	115.880	104.690
Increase in provisions for loan impairment	51.072	40.337
Recoveries of amounts previously provisioned	(13.817)	(11.279)
Releases due to the sale of non-performing loan portfolio	-	(17.868)
End of the period - 31 December	153.135	115.880

NOTE 10 - DERIVATIVE INSTRUMENTS

As of 31 December 2018 and 2017, the breakdown of derivative instruments is as follows;

	31 December 2018		31 December 2017	
	Asset	Liability	Asset	Liability
Derivatives held for trading	205.593	258.033	84.814	188.343
Derivatives held for hedging	718.025	278.708	726.994	8.826
	923.618	536.741	811.808	197.169

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NOTE 10 - DERIVATIVE INSTRUMENTS (Continued)

	31 December 2018			31 December 2017		
	Contract amount ^(*)	Fair values		Contract amount ^(*)	Fair values	
		Asset	Liability		Asset	Liability
Derivatives held for trading:						
Currency forwards	11.524.232	19.033	27.046	8.776.177	5.069	49.516
Currency swaps	6.351.585	18.638	230.987	3.079.052	38.366	3.881
Cross-currency fixed interest rate swaps	3.540.742	166.813	-	2.596.350	38.249	-
Commodity derivatives	82.490	1.109	-	2.591.698	3.130	134.946
	21.499.049	205.593	258.033	17.043.277	84.814	188.343
Derivatives held for hedging:						
Interest rate swaps	5.338.371	34.549	15.609	3.798.364	12.227	1.467
Currency swaps	3.844.453	444.031	78.711	5.444.463	597.211	7.132
Operating lease receivables	574.514	160.195	-	540.327	105.397	-
Currency forwards	99.394	12.670	-	289.040	12.159	227
Commodity derivatives	4.292.083	66.580	184.388	-	-	-
	14.148.815	718.025	278.708	10.072.194	726.994	8.826

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

Derivatives held for trading:

Certain derivative transactions, even though providing effective economic hedges under the Group risk management position, do not qualify for hedge accounting under the specific rules, and are therefore accounted for as derivatives held for trading in the consolidated financial statements. "Cross currency fixed interest rate swaps" classified under derivative instruments held for trading include the transaction of Arçelik, a Subsidiary of the Group, amounting to EUR202,8 million in exchange for USD270 million with an interest rate of 4,65% and GBP57,5 million in exchange for USD90 million with an interest rate of 5% in April 2013, for the purpose of hedging against currency risk to ensure the correspondence of capital and interest payments of its bond issue denominated in USD (Note 16) with significant foreign currencies in which foreign sales and collections are performed.

"Commodity derivatives" classified under derivative instruments held for trading include the swap transactions of Aygaz, a Subsidiary of the Group, for the purpose of hedging against price risk of propane inventories.

Derivatives held for hedging:

Derivative transactions, that meet specified hedge accounting requirements, are accounted for as derivatives held for hedging.

a. Fair value hedge:

Otokoç, a Subsidiary of the Group, hedges its foreign exchange risk on commitments to provide operational leasing services resulting from off-balance sheet foreign currency denominated operating lease receivables (hedged item) with foreign currency denominated loans (hedging instrument). Fair value changes resulting from the exchange risk of the hedged item has been accounted for under "derivatives held for hedging" as an asset or liability on the balance sheet and as "financial income/expenses" in the statement of income. As of 31 December 2018, net foreign exchange gain related to the hedged item accounted for under "financial income/expenses" amounted to TL54.798 thousand (2017: TL31.593 thousand net foreign exchange gain).

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NOTE 10 - DERIVATIVE INSTRUMENTS (Continued)

b. Cash flow hedges:

Tüpraş, a Subsidiary of the Group, has entered into interest rate swap agreements with a total amount of USD382 million (31 December 2017: USD459 million) in order to hedge the cash flow risk arising from its long term floating rate loans. Within the scope of the aforementioned interest rate swap transactions, TL13.916 thousand net interest income after tax (2017: TL5.658 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 2018.

Tüpraş has entered into currency swap transactions regarding in order to mitigate the foreign exchange risk arising from USD216,4 million (2017: USD270,6 million) of principal and interest payments of borrowings. The total net financial expense after tax recognised under the "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2018 within the scope of aforementioned currency swap transactions amounted to TL5.676 thousand (2017: TL9.677 thousand net financial expense 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 USD874 million as of 31 December 2018 (2017: USD1.142 million). The after tax foreign exchange loss recognised under "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2018 in the scope of cash flow hedge amounted to TL741.494 thousand (2017: TL8.424 thousand foreign exchange gain after tax).

Aygaz, a Subsidiary of the Group, has entered into currency swap transactions in order to mitigate the foreign exchange and interest risk arising from USD22,5 million of principal and floating interest payments of borrowings. The total net financial income after tax recognised under the "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2018 within the scope of aforementioned currency swap transactions amounted to TL7.631 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 USD107 million (31 December 2017: USD130 million) as of 31 December 2018. The after tax foreign exchange loss recognised under "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2018 in the scope of cash flow hedge amounted to TL135.428 thousand (2017: TL18.126 thousand foreign exchange loss after tax).

Ditaş, has entered into currency swap transactions in order to mitigate the foreign exchange risk arising from EUR26,6 million of principal and interest payments of borrowings. The total net financial expense after tax recognised under the "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2018 within the scope of aforementioned currency swap transactions amounted to TL17.408 thousand (2017: None).

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 EUR19,8 million as of 31 December 2018 (31 December 2017: EUR17,25 million). The after tax foreign exchange loss recognised under "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2018 in the scope of cash flow hedge amounted to TL6.744 thousand (2017: TL2.506 thousand foreign exchange loss after tax).

Koç Finansman, a Subsidiary of the Group, funds a portion of its long term fixed interest rate TL loan portfolio with long term foreign currency funds obtained from international markets. The Company hedges its exchange rate risk arising on the principal repayments of foreign currency denominated borrowings at maturity by using currency swaps and currency forwards. Net foreign exchange loss after tax accounted for under the "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2018 regarding the foreign exchange swap transactions and foreign exchange forward transactions amounted to TL3.952 thousand (2017: TL2.368 thousand foreign exchange gain after tax).

Entek and Ditaş, the Subsidiaries of the Group, have entered into interest rate swap transactions, in order to hedge the cash flow risk of installment payments of long-term borrowings with floating rate. The after tax net interest expense of the aforementioned swap transactions recognised under "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2018 amounted to TL30.162 thousand (2017: TL1.347 thousand interest income after tax).

"Commodity derivatives" classified under derivative instruments held for hedging includes product margin (crack margin) fixing transactions of Tüpraş. The after tax foreign exchange loss recognised under "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2018 within the scope of related derivative transactions amounted to TL91.889 thousand.

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NOTE 10 - DERIVATIVE INSTRUMENTS (Continued)

c. 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 2018, EUR154 million of debt securities in issue was designated as net investment hedging instrument (31 December 2017: EUR154 million). Net foreign exchange losses after tax accounted for under "gains/(losses) on hedges of net investments in foreign operations" in the statement of other comprehensive income of 2018 amounted to TL181.500 thousand (2017: TL96.668 thousand foreign exchange loss after tax).

Otokoç, a Subsidiary of the Group, designated EUR35.5 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 (31 December 2017: None). Net foreign exchange losses after tax accounted for under "gains/(losses) on hedges of net investments in foreign operations" in the statement of other comprehensive income of 2018 amounted to TL36.858 thousand (2017: None).

NOTE 11 - INVENTORIES

	31 December 2018	31 December 2017
Raw materials and supplies	3.726.958	3.812.970
Work in progress	1.983.094	1.424.021
Finished goods	4.620.426	3.443.903
Merchandise	2.136.587	1.706.102
Goods in transit	1.960.197	672.468
Other inventories	36.399	66.046
Less: Provision for impairment	(215.350)	(87.152)
	14.248.311	11.038.358

Movement of provision for impairment on inventories is as follows:

	2018	2017
The beginning of the period - 1 January	87.152	94.427
Increases during the period	128.453	14.383
Reversal of provisions	(21.309)	(24.670)
Acquisitions (*)	11.439	-
Currency translation differences	9.615	3.012
End of the period - 31 December	215.350	87.152

(*) Related to the acquisition of Olympic by Otokoç Hollanda, a Subsidiary of the Group.

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NOTE 12 - INVESTMENT PROPERTIES

	2018	2017
As of 1 January		
Cost	577.367	534.244
Accumulated depreciation	(101.568)	(92.177)
Net book value	475.799	442.067
Net book value at the beginning of the period	475.799	442.067
Additions	1.878	488
Additions from exchange transaction ⁽¹⁾	-	35.320
Transfers ⁽²⁾	-	8.004
Current period depreciation	(10.366)	(10.080)
Net book value at the end of the period	467.311	475.799
As of 31 December		
Cost	578.895	577.367
Accumulated depreciation	(111.584)	(101.568)
Net book value	467.311	475.799

(1) Includes 4 commercial areas and 24 office areas delivered in 2017 within the scope of the joint project realised between Koç Holding and KIPTAŞ İstanbul Konut İmar Plan Turizm Ulaşım Sanayi ve Ticaret A.Ş. (KIPTAŞ). The initial recognition of the delivered property was accounted with fair value (Level 2) amounting to TL35.320 thousand, which was measured by an independent valuation company according to the sales comparison approach within the framework of the capital market regulations. Gain on exchange transaction resulting from the difference between 4 commercial areas and 24 office areas delivered to Koç Holding and the value of the land which was derecognised from Koç Holding's assets has been accounted for under "gains from investment activities" (Note 27).

(2) 4 commercial areas and 24 office areas delivered in 2017 amounting to TL35.320 thousand have been transferred to assets held for sale (Note 23); 65 residence apartments delivered in 2016 amounting to TL43.324 thousand have been transferred from assets held for sale to investment properties since they were rented.

The fair value of the investment property, with TL467.311 thousand net book value (2017: TL475.799 thousand), is TL654.443 thousand (2017: TL509.730 thousand) as of 31 December 2018.

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Constructions in progress	Leasehold improvements	Total
As of 1 January 2018								
Cost	5.391.390	2.145.529	17.723.904	3.909.245	1.230.648	1.089.929	401.161	31.891.806
Accumulated depreciation	(934.434)	(683.298)	(7.172.382)	(617.152)	(759.565)	-	(238.717)	(10.405.548)
Net book value	4.456.956	1.462.231	10.551.522	3.292.093	471.083	1.089.929	162.444	21.486.258
Net book value at the beginning of the period	4.456.956	1.462.231	10.551.522	3.292.093	471.083	1.089.929	162.444	21.486.258
Additions	3.073	118.689	255.680	1.559.787	162.685	1.877.579	95.430	4.072.923
Disposals	(3.660)	(4.493)	(38.504)	(121.377)	(6.985)	(267)	(4.752)	(180.038)
Acquisitions ⁽¹⁾	10.597	30.183	1.278.238	1.160.958	7.091	-	19.501	2.506.568
Additions to the scope of consolidation	152	-	207	54.933	3.645	53	3.993	62.983
Transfers ⁽²⁾	102.097	179.603	1.183.074	(496.197)	56.348	(1.672.462)	23.543	(623.994)
Currency translation differences	33.213	99.042	207.136	361.300	15.058	29.914	10.845	756.508
Current period depreciation	(169.443)	(64.677)	(893.196)	(359.026)	(159.101)	-	(38.946)	(1.684.389)
Net book value at the end of the period	4.432.985	1.820.578	12.544.157	5.452.471	549.824	1.324.746	272.058	26.396.819
31 December 2018								
Cost	5.531.115	2.598.016	20.684.201	6.879.077	1.458.320	1.324.746	566.496	39.041.971
Accumulated depreciation	(1.098.130)	(777.438)	(8.140.044)	(1.426.606)	(908.496)	-	(294.438)	(12.645.152)
Net book value	4.432.985	1.820.578	12.544.157	5.452.471	549.824	1.324.746	272.058	26.396.819

(1) TL1.230.568 thousand of the total amount is related to the acquisition of Olympic by Otokoç Hollanda (Note 3) and TL1.276.000 thousand of the total amount is related to Entek's acquisition of Menzelet and Kilavuzlu Hydroelectric Power Plants' operating right for 49 years (Note 20).

(2) Include transfers amounting to TL564.941 thousand from non-current assets used in operational lease classified under property, plant and equipment to inventories and transfers amounting to TL56.217 thousand from property, plant and equipment to other intangible assets (Note 15) and TL2.836 thousand to assets held for sale (Note 23).

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Constructions in progress	Leasehold improvements	Total
As of 1 January 2017								
Cost	5.312.897	2.030.371	16.652.762	2.921.745	1.049.128	892.135	365.689	29.224.727
Accumulated depreciation	(822.304)	(626.590)	(6.510.382)	(547.482)	(662.248)	-	(215.697)	(9.384.703)
Net book value	4.490.593	1.403.781	10.142.380	2.374.263	386.880	892.135	149.992	19.840.024
Net book value at the beginning of the period	4.490.593	1.403.781	10.142.380	2.374.263	386.880	892.135	149.992	19.840.024
Additions	5.353	13.112	86.020	1.472.563	139.446	1.417.333	35.946	3.169.773
Disposals	(34.334)	(5.889)	(31.961)	(56.186)	(3.602)	(462)	(2.948)	(135.382)
Transfers (*)	99.127	56.274	1.004.968	(366.176)	59.572	(1.228.367)	1.099	(373.503)
Acquisitions	49.838	-	26.576	-	423	-	-	76.837
Currency translation differences	10.085	46.058	97.078	5.873	7.667	9.290	2.291	178.342
Current period depreciation	(163.706)	(51.105)	(773.539)	(138.244)	(119.303)	-	(23.936)	(1.269.833)
Net book value at the end of the period	4.456.956	1.462.231	10.551.522	3.292.093	471.083	1.089.929	162.444	21.486.258
31 December 2017								
Cost	5.391.390	2.145.529	17.723.904	3.909.245	1.230.648	1.089.929	401.161	31.891.806
Accumulated depreciation	(934.434)	(683.298)	(7.172.382)	(617.152)	(759.565)	-	(238.717)	(10.405.548)
Net book value	4.456.956	1.462.231	10.551.522	3.292.093	471.083	1.089.929	162.444	21.486.258

(*) Include transfers amounting to TL361.756 thousand from non-current assets used in operational lease classified under property, plant and equipment to inventories and transfers amounting to TL11.747 thousand from property, plant and equipment to other intangible assets (Note 15).

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NOTE 14 - GOODWILL

	2018	2017
Net book value at the beginning of the period - 1 January	3.174.575	3.130.215
Currency translation differences	69.854	44.360
Net book value at the end of the period - 31 December	3.244.429	3.174.575

The allocation of the goodwill is as follows:

	31 December 2018	31 December 2017
Tüpraş	2.736.463	2.736.463
Defy Group	298.014	249.241
Dawlance Group	194.491	176.441
Other	15.461	12.430
	3.244.429	3.174.575

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 2018 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 twelve 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 twelve years are extrapolated using the long term growth rate of 2%. The discount rate (cost of equity) used to discount the related cash flows is 11,3%.

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 approved by Arçelik management covering five years period between 1 January 2019 and 31 December 2023. Cash flows for further periods were extrapolated using a constant growth rate of 3% which does not exceed the estimated average growth rate of economy of the country. Weighted average cost of capital rate of 12,6% is used as after tax discount rate in order to calculate the recoverable amount of the unit. The post-tax rate was adjusted considering the tax cash outflows, other future tax cash flows and differences between the cost of the assets and their tax bases.

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NOTE 14 - GOODWILL (Continued)

c) 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 approved by Arçelik management covering five years period between 1 January 2019 and 31 December 2023. 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 16% is used as after tax discount rate in order to calculate the recoverable amount of the unit. The post-tax rate was adjusted considering the tax cash outflows, other future tax cash flows and differences between the cost of the assets and their tax bases.

Sensitivity analysis:

The effects of 1% negative deviation on the significant assumptions used in the base scenario of impairment tests have been analysed for each cash generating unit. Positive deviations on recoverable amounts with respect to the carrying amounts including goodwill as a result of the sensitivity analysis performed as of 31 December 2018 are summarised in the following table:

	Tüpraş	Defy Group	Dawlance Group
Base scenario	208%	25%	57%
Sensitivity analysis:			
Long-term growth rate: 1% decrease	196%	18%	46%
Discount rate: 1% increase	176%	11%	37%

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NOTE 15 - OTHER INTANGIBLE ASSETS

	Rights	Brand	Development Costs	Customer Relations	Other	Total
1 January 2018						
Cost	1.050.897	971.242	1.603.818	489.427	432.605	4.547.989
Accumulated amortisation	(588.309)	-	(860.277)	(27.441)	(71.678)	(1.547.705)
Net book value	462.588	971.242	743.541	461.986	360.927	3.000.284
Additions	113.576	-	299.763	-	112.838	526.177
Acquisitions (Note 3)	66.667	-	-	-	2.341	69.008
Additions to the scope of consolidation	36	-	-	-	-	36
Disposals	(545)	-	-	-	(51)	(596)
Transfers (*)	56.217	-	81.700	-	(81.700)	56.217
Currency translation differences	22.022	224.043	-	48.992	475	295.532
Current period amortisation	(98.313)	-	(190.141)	(27.038)	(10.430)	(325.922)
Net book value at the end of the period	622.248	1.195.285	934.863	483.940	384.400	3.620.736
31 December 2018						
Cost	1.307.435	1.195.285	1.985.289	538.419	493.502	5.519.930
Accumulated amortisation	(685.187)	-	(1.050.426)	(54.479)	(109.102)	(1.899.194)
Net book value	622.248	1.195.285	934.863	483.940	384.400	3.620.736

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

Total research and development expenditures incurred in 2018 excluding amortisation amounts to TL398.848 thousand (2017: TL318.679 thousand).

Net book value of intangible assets with indefinite useful lives amounts to TL1.195.285 thousand (2017: TL971.242 thousand) and consists of brands. The useful lives of the related brands are assessed as indefinite, since there is no foreseeable limit to the period over which they are expected to generate net cash inflows for the Group.

Brand impairment test

As of 31 December 2018, the brands of the Group, with indefinite useful lives have been tested for impairment using the royalty relief method. Sales forecasts, considered in the determination of the brand value, are based on the financial plans approved by the management covering a five year period. Beyond the five year period, sales forecasts are extrapolated by 3% expected growth rate. The royalty income is estimated using these sales forecasts and 3% of royalty rates. Estimated royalty income with the aforementioned method has been discounted using 8% to 16% discount rates after tax. Value in use of the brands is calculated as 9,4 times of their carrying amounts 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 7,9 times of their carrying amounts.

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NOTE 15 - OTHER INTANGIBLE ASSETS (Continued)

	Rights	Brand	Development Costs	Customer Relations	Other	Total
1 January 2017						
Cost	958.897	843.457	1.311.638	482.599	398.455	3.995.046
Accumulated amortisation	(515.463)	-	(691.375)	(3.792)	(59.732)	(1.270.362)
Net book value	443.434	843.457	620.263	478.807	338.723	2.724.684
Additions	82.466	-	243.724	-	84.297	410.487
Disposals	(8.334)	-	(2.813)	-	-	(11.147)
Transfers ^(*)	11.611	-	55.489	-	(55.353)	11.747
Currency translation differences	1.133	127.785	-	6.828	27	135.773
Acquisitions	-	-	-	-	2.630	2.630
Current period amortisation	(67.722)	-	(173.122)	(23.649)	(9.397)	(273.890)
Net book value at the end of the period	462.588	971.242	743.541	461.986	360.927	3.000.284
31 December 2017						
Cost	1.050.897	971.242	1.603.818	489.427	432.605	4.547.989
Accumulated amortisation	(588.309)	-	(860.277)	(27.441)	(71.678)	(1.547.705)
Net book value	462.588	971.242	743.541	461.986	360.927	3.000.284

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

NOTE 16 - BORROWINGS

	31 December 2018			31 December 2017		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Short-term borrowings ^(*):						
Bank borrowings	2.153.923	12.371.681	14.525.604	2.274.811	7.080.188	9.354.999
Debt securities in issue	413.725	524.827	938.552	166.142	3.148.614	3.314.756
Factoring payables	-	139.755	139.755	-	517.887	517.887
Financial leasing payables	-	9.721	9.721	-	7.482	7.482
	2.567.648	13.045.984	15.613.632	2.440.953	10.754.171	13.195.124
Long-term borrowings:						
Bank borrowings	802.000	16.726.404	17.528.404	976.529	9.974.801	10.951.330
Debt securities in issue	100.000	16.547.038	16.647.038	290.009	11.942.797	12.232.806
Financial leasing payables	-	24.603	24.603	-	1.609	1.609
	902.000	33.298.045	34.200.045	1.266.538	21.919.207	23.185.745
Total borrowings	3.469.648	46.344.029	49.813.677	3.707.491	32.673.378	36.380.869

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

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Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

NOTE 16 - BORROWINGS (Continued)

Long-term debt securities issued:

2018:

Otokoç, a Subsidiary of the Group, completed the bond issue with a nominal value of TL100 million, maturity of 178 days and an annual interest rate of 29,80% on 23 October 2018.

Otokoç, a Subsidiary of the Group, completed the bond issues with a nominal value of TL198 million, maturity of 18-24 months, coupon payments in every 6 months, principal and coupon payments at the end of maturity and annual interest rates between 15,22% and 21,90% in 2018.

Aygaz, a Subsidiary of the Group, completed the bond issue with a nominal value of TL75 million, maturity of 728 days, coupon payments in every 6 months and an annual interest rate of 15,12% on 24 January 2018.

Koç Finansman, a Subsidiary of the Group, completed the bond issues with a nominal value of TL190 million and maturities between 18 and 24 months, principal and coupon payments at the end of maturity and annual interest rates between 15,22% and 15,40% in 2018.

2017 and before:

Aygaz, a Subsidiary of the Group, completed the bond issue with a nominal value of TL50 million, maturity of 728 days, coupon payments in every 6 months and an annual interest rate of 14,45% on 20 October 2017.

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 payment 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.

Otokoç, a Subsidiary of the Group, completed the bond issue with a nominal value of TL100 million, maturity of 2 years, coupon payments in every 6 months, principal and coupon payments at the end of maturity and an annual interest rate of 14,14% on 4 August 2017.

Aygaz, a Subsidiary of the Group, completed the bond issue with a nominal value of TL85 million, maturity of 728 days, coupon payments in every 6 months and an annual interest rate of 13,46% on 11 April 2017.

Koç Finansman, a Subsidiary of the Group, completed the bond issues with a nominal value of TL310 million and maturities between 18 and 24 months, principal and coupon payments at the end of maturity and annual interest rates between 13,18% and 14,84% in 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 payment in every 6 months, principal and coupon payments at the end of maturity and an annual interest rate of 5,40% on 15 March 2016.

Arçelik, a Subsidiary of the Group, completed the bond issue, quoted on the Irish Stock Exchange, with a nominal value of EUR350 million, maturity of 7 years, coupon payment in each year, principal and coupon payments at the end of maturity and an annual interest rate of 4% on 16 September 2014.

Koç Holding completed the bond issue, quoted on the Irish Stock Exchange, with a nominal value of USD750 million, maturity of 7 years, coupon payment in every 6 months, principal and coupon payment at the end of maturity and an annual interest rate of 3,568% on 24 April 2013.

Arçelik, a Subsidiary of the Group, completed the bond issue, quoted on the Irish Stock Exchange, with a nominal value of USD500 million, maturity of 10 years, coupon payment in every 6 months, principal and coupon payments at the end of maturity and an annual interest rate of 5,125% on 3 April 2013.

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NOTE 16 - BORROWINGS (Continued)

Other major long term borrowings:

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 USD954 million as of 31 December 2018 (31 December 2017: USD1.239 million).

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

	31 December 2018	31 December 2017
1-2 years	12.728.639	5.261.146
2-3 years	7.233.000	5.240.612
3-4 years	1.482.038	3.074.796
4-5 years	8.120.787	978.275
5 years and over	4.635.581	8.630.916
	34.200.045	23.185.745

Movement of the financial liabilities as of 31 December 2018 and 2017 is as follows:

	2018	2017
As of 1 January	36.380.869	30.190.704
Additions	51.469.336	51.859.785
Repayments of borrowings	(48.805.196)	(47.781.349)
Acquisitions (Note 3)	1.176.111	-
Additions to the scope of consolidation	78.298	-
Changes in exchange rates	9.032.775	2.093.860
Changes in interest accruals	481.484	17.869
As of 31 December	49.813.677	36.380.869

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NOTE 17 - TAX ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
Current income tax liabilities		
Domestic	539.863	689.747
Foreign	82.307	26.965
Less: Prepaid income tax	(427.170)	(643.008)
Current income tax liabilities (net)	195.000	73.704
Deferred tax liabilities		
Domestic	(323.251)	(295.422)
Foreign	(579.575)	(439.909)
	(902.826)	(735.331)
Deferred tax assets		
Domestic	4.154.622	3.458.758
Foreign	253.181	137.642
	4.407.803	3.596.400
Deferred tax assets (net)	3.504.977	2.861.069

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 22% in Turkey in 2018 (2017: 20%). Corporation tax is payable on the total income of the company after adjusting for certain disallowable expenses, income not subject to tax and allowances.

In accordance with the "Law on the Amendment of Certain Tax Acts and Some Other Laws" numbered 7061 and published in Official Gazette on 5 December 2017; the corporate tax rate for the years 2018, 2019 and 2020 has been increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2018 are calculated with 22% tax rate for the temporary differences that will be realised in 2018, 2019 and 2020; and with 20% tax rate for the temporary differences that will be realised after 2021 and onwards.

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Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

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

	2018	2017
Current period tax expense	(706.712)	(788.821)
Deferred tax income (net)	441.034	27.194
	(265.678)	(761.627)
Profit before tax	8.690.771	8.659.054
Less: Share of profit/loss of Joint Ventures	(3.175.787)	(2.691.404)
Profit before tax (excluding share of profit/(loss) of Joint Ventures)	5.514.984	5.967.650
Domestic tax rate	%22	20%
Tax calculated at domestic tax rate	(1.213.296)	(1.193.530)
Income not subject to tax	274.977	149.128
Investment tax credits	819.688	364.210
Additions	(29.707)	(54.844)
Tax losses and other tax advantages (net effect)	(72.159)	(9.470)
Tax rate differences	(28.509)	(1.541)
Other	(16.672)	(15.580)
Tax income/(expense)	(265.678)	(761.627)

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NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

Koç Holding, its Subsidiaries and Joint Ventures, recognise deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with 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		Deferred tax differences assets/(liabilities)	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Property, plant and equipment and intangible assets	5.067.603	5.234.655	(1.184.006)	(1.195.545)
Investment incentives (*)	-	-	3.867.974	3.685.123
Deductible tax losses and other tax advantages	(997.231)	(351.261)	250.353	110.203
Warranty and assembly provisions	(665.020)	(470.827)	144.641	104.732
Provision for employment termination benefits	(600.917)	(506.902)	125.074	104.780
Inventories	(226.372)	(91.902)	50.055	19.316
Expense accruals (net)	(148.671)	(28.347)	32.708	5.814
Provisions for unused vacations	(88.297)	(73.673)	19.056	15.817
Provisions for lawsuits	(49.447)	(25.039)	10.689	5.389
Deferred income	(33.669)	(9.661)	4.706	2.121
Unearned finance income (net)	(16.987)	99.466	3.735	(20.704)
Derivative instruments	228.746	504.151	(50.314)	(110.936)
Other (net)	(1.175.052)	(822.103)	230.306	134.959
Deferred tax assets (net)			3.504.977	2.861.069

(*) Tüpraş, a Subsidiary of the Group, was granted a large-scaled investment incentive for the Residuüm 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 TL3.228.333 thousand as of 31 December 2018 (31 December 2017: TL3.096.940 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 TL639.641 thousand as of 31 December 2018 (31 December 2017: TL588.183 thousand) that Arçelik will benefit in the foreseeable future have been recognised as deferred tax asset in the consolidated financial statements.

Net deferred tax assets and liabilities recognised in the Subsidiaries' financial statements prepared in accordance with TFRS, are separately classified under deferred tax assets and liabilities accounts in Koç Holding's consolidated balance sheet. Temporary differences and deferred tax assets and liabilities presented above, which are prepared on the basis of gross amounts, present the net deferred tax position.

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NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

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

	31 December 2018	31 December 2017
Up to 1 year	120.893	213.462
Up to 2 years	140.449	108.326
Up to 3 years	110.438	153.312
Up to 4 years	102.662	129.399
5 years and above	689.694	380.111
	1.164.136	984.610

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

	2018	2017
Beginning of the period - 1 January	2.861.069	2.852.443
Charge to the income statement	441.034	27.194
Charge to equity:		
- Gains/(losses) on financial assets measured at fair value through other comprehensive income	226	(264)
- Gains/(losses) on cash flow hedges	252.385	6.027
- Gains/(losses) on hedges of net investments in foreign operation	10.396	-
- Gains/(losses) on remeasurements of defined benefit plans	14.280	3.186
Changes in accounting policies (Note 2.3)	31.533	-
Acquisitions (Note 3)	(47.989)	(581)
Currency translation differences	(57.957)	(26.936)
End of the period - 31 December	3.504.977	2.861.069

NOTE 18 - PROVISIONS FOR EMPLOYEE BENEFITS

	31 December 2018	31 December 2017
Short-term employee benefits		
Provision for unused vacations	132.599	114.569
Provision for employment termination benefits	631.511	534.467
	764.110	649.036
Provision for employment termination benefits:		
- Domestic	617.631	530.424
- Foreign	13.880	4.043
	631.511	534.467

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NOTE 18 - 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 2018, the amount payable consists of one month's salary limited to a maximum of TL5.434,42 (31 December 2017: TL4.732,48) for each year of service.

The liability is not funded as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of Koç Holding and its Subsidiaries registered in Turkey arising from the retirement of employees.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL6.017,6 effective from 1 January 2019 (1 January 2018: TL5.001,76) has been taken into consideration in calculating the consolidated reserve for employment.

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

	31 December 2018	31 December 2017
Net discount rate (%)	5,65	4,95
Turnover rate to estimate the probability of retirement (%)	96,28	97,14
Movements in the provision for employment termination benefits are as follows:		
	2018	2017
Beginning of the period - 1 January	534.467	504.175
Interest expense	45.581	37.470
Increases during the period	95.640	80.689
Gains/(losses) on remeasurement of defined benefit plans	75.444	15.675
Acquisitions (Note 3)	6.056	-
Currency translation differences	3.539	1.187
Additions to the scope of consolidation	139	-
Payments during the period	(129.355)	(104.729)
End of the period - 31 December	631.511	534.467

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NOTE 19 - PROVISIONS

a) Short-term provisions	31 December 2018	31 December 2017
Provisions for warranty and assembly	490.919	370.616
Expense accruals of construction contracts	182.409	406.381
Provision for price revision ^(*)	178.610	-
Provisions for lawsuits and penalties	66.569	54.584
Provisions for transportation	41.996	49.303
Provision for Energy Market Regulation Authority participation share	39.502	28.923
Other	166.300	152.673
	1.166.305	1.062.480

(*) As communicated to Aygaz Doğal Gaz Tопtan 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 Tопtan Satış A.Ş. in accordance with the contract signed between Akfel and Aygaz Doğal Gaz Tопtan 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 Tопtan 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 Tопtan Satış A.Ş. by Akfel, however related invoices were not delivered yet as of the date of this report. As of 31 December 2018, total provision of USD33.949 thousand (TL178.610 thousand), USD15.368 thousand for 2017 and USD18.582 thousand for 2018, has been recognised in the consolidated financial statements. TL97.760 thousand of the related amount has been accounted for under "cost of sales" and the remaining TL80.850 thousand of the total amount has been accounted for under "other operating expenses" accounts.

b) Other long-term provisions

Provisions for warranty	155.868	233.135
	155.868	233.135

The movements of provisions for warranty and assembly, cost accruals of construction contracts and provision for lawsuits are as follows for the years ended 31 December 2018 and 2017:

	Provisions for warranty and assembly	Cost accruals of construction contracts	Provision for lawsuits
As of 1 January 2018	603.751	406.381	54.584
Additions	1.077.224	69.083	16.236
Disposals/Payments	(1.105.288)	(565.611)	(4.251)
Currency translation differences	71.100	272.556	-
As of 31 December 2018	646.787	182.409	66.569
	Provisions for warranty and assembly	Cost accruals of construction contracts	Provision for lawsuits
As of 1 January 2017	490.063	420.994	47.306
Additions	939.749	14.089	10.820
Disposals/Payments	(866.169)	(47.100)	(3.542)
Currency translation differences	40.108	18.398	-
As of 31 December 2017	603.751	406.381	54.584

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NOTE 20 - OTHER RECEIVABLES AND PAYABLES

a) Other receivables	31 December 2018	31 December 2017
VAT and SCT receivables	2.151.397	994.841
Taxes and funds deductible	401.053	331.268
	2.552.450	1.326.109
b) Other short-term payables		
Taxes and duties payable	2.808.052	2.641.840
Payables to the Privatisation Administration ^(*)	281.587	-
Social security premiums payable	203.613	222.318
	3.293.252	2.864.158
c) Other long-term payables		
Payables to the Privatisation Administration ^(*)	622.050	-
	622.050	-

(*) 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 (Note 13), 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 21 - OTHER ASSETS AND LIABILITIES

a) Other current assets	31 December 2018	31 December 2017
Short-term assets used in operational lease	1.245.396	632.628
Income accrual on commodity hedge ^(*)	761.184	-
Prepaid expenses	515.517	301.698
Advances given	388.543	389.788
Income accruals	242.471	119.748
Deposits and guarantees given	57.840	101.928
Other	140.455	67.813
	3.351.406	1.613.603

(*) Tüpraş, a Subsidiary of the Group, entered into commodity hedge transactions, maturing as of 31 December 2018, for 11,25 million barrels of inventory exposed to commodity price risk arising from fluctuations in crude oil prices. The income accrual regarding the aforementioned transactions was collected as of 8 January 2019.

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

	2018	2017
Beginning of the period - 1 January	632.628	466.505
Additions	1.269.910	957.106
Acquisitions (Note 3)	177.845	-
Currency translation differences	51.389	-
Transfers ^(*)	(801.565)	(750.654)
Current period depreciation	(84.811)	(40.329)
End of the period - 31 December	1.245.396	632.628

(*) Includes transfers to inventories.

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NOTE 21 - OTHER ASSETS AND LIABILITIES (Continued)

b) Other non-current assets	31 December 2018	31 December 2017
Spare parts and other materials	1.295.766	1.022.368
Advances given	513.948	224.984
Prepaid expenses	115.676	164.297
Other	112.012	49.381
	2.037.402	1.461.030

c) Other current liabilities	31 December 2018	31 December 2017
Revenue share ⁽¹⁾	1.430.111	1.202.668
Accruals for sales and incentive bonus	761.117	505.647
Payables to personnel and premium accruals	568.094	472.592
Advances received	363.536	119.258
Accruals for rent and advertising expenses	303.446	90.151
Deferred income	238.831	194.994
Accruals for license expenses	126.614	86.034
Deposits and guarantees received	65.904	25.274
Expense accrual on commodity hedge ⁽²⁾	-	383.058
Other	365.554	251.419
	4.223.207	3.331.095

(1) In accordance with the Petroleum Market License Regulation and Liquefied Petroleum Gas ("LPG") Market Regulation, revenue shares collected by Tüpraş, but not recognised in the statement of comprehensive income, have been recorded as revenue share within "Other current liabilities" and blocked in banks as overnight deposits according to the decision of National Petroleum Reserves Commission. Deposits related to the revenue share are classified as time deposits under "Cash and cash equivalents" (Note 5).

(2) Tüpraş, a Subsidiary of the Group, entered into commodity hedge transactions (swap transactions and zero cost collar transactions), maturing as of 31 December 2017, for 11,4 million barrels of inventory exposed to commodity price risk arising from fluctuations in crude oil prices. The expense accrual regarding the aforementioned transactions was paid as of 8 January 2018.

d) Other non-current liabilities	31 December 2018	31 December 2017
Advances received ^(*)	469.884	404.513
Deferred income	351.419	77.752
Deposits and guarantees received	163.786	97.603
Other	59.578	92.218
	1.044.667	672.086

(*) Includes advances received by Otokar, a Subsidiary of the Group, regarding the United Arab Emirates Project.

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NOTE 22 - EQUITY

Share Capital

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

31 December 2018

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 2018		31 December 2017	
	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
Other	26,46	671.023	26,46	671.023
Paid-in share capital	100,00	2.535.898	100,00	2.535.898
Adjustment to share capital ^(*)		967.288		967.288
Total share capital		3.503.186		3.503.186

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

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NOTE 22 - EQUITY (Continued)

The analysis of shares by group is as follows:

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

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

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

Other Comprehensive Income/Expense

	31 December 2018	31 December 2017
Items not to be reclassified to profit/loss:		
Gains/(losses) on remeasurement of defined benefit plans	(225.146)	(163.738)
	(225.146)	(163.738)
Items to be reclassified to profit/loss:		
Currency translation differences	2.035.535	1.094.287
Gains/(losses) on hedge	(1.745.920)	(1.080.977)
- Cash flow hedge	(1.037.046)	(648.662)
- Net investment hedge	(708.874)	(432.315)
Gains/(losses) on financial assets measured at fair value through other comprehensive income	(569.885)	(111.978)
	(280.270)	(98.668)

The movements in other comprehensive income/expense are presented in the statement of comprehensive income and statement of changes in equity.

Restricted Reserves

The details of the restricted reserves are as follows:

	31 December 2018	31 December 2017
Legal reserves	507.179	456.610
Special reserves	16.586	2.145.779
	523.765	2.602.389

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 was classified under "Special Reserves". As a result of the expiration of five year period, TL2.139.048 thousand of the special reserve balances, which became distributable without creating an additional corporate tax burden, were transferred to retained earnings from restricted reserves in 2018.

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NOTE 22 - EQUITY (Continued)

Dividend Distribution

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

According to the Article 19 of the Capital Market Law, numbered 6362 and effective from 30 December 2012, and Dividend Communiqué of CMB, numbered II-19.1 and effective from 1 February 2015, listed companies shall distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the prevailing regulations. Regarding the profit distribution policies of the listed companies, CMB may set different principles on companies with similar qualifications.

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

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

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

In accordance with 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 2018, total amount of reserves that can be subject to dividend distribution without creating additional corporate tax burden is TL7.829.684 thousand.

At the Ordinary General Assembly Meeting of Koç Holding A.Ş. held on 22 March 2018, it was resolved;

- To distribute TL876.152.776,28 consisting the first level dividend amounting to TL243.101.172,17 and the second level dividend amounting to TL633.051.604,11 in cash;
- Dividend payment of TL876.152.776,28, TL141.941.269,52 payment allocated to usufruct shareholders and TL11.000.000 allocated to Koç Holding Emekli ve Yardım Sandığı Vakfı, amounting to a total of TL1.029.094.045,80 will be paid in cash and sourced from current year taxable earnings.

Cash dividend payments were completed as of 2 - 4 April 2018.

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NOTE 23 - ASSETS HELD FOR SALE

- i) 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 (Note 12).
- ii) Due to the liquidation process of Otoyol Sanayi, a Subsidiary of the Group, assets and liabilities of the company have been classified as held for sale in accordance with TFRS 5 in the consolidated financial statements as of 31 December 2018 and 2017.

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

Assets held for sale	31 December 2018	31 December 2017
Cash and cash equivalents	6.614	8.288
Property, plant and equipment	2.836	-
Investment properties	35.320	35.320
Other assets	147	186
	44.917	43.794
Liabilities related to assets held for sale		
Provision for employment termination benefits	253	206
Other liabilities	2.259	2.665
	2.512	2.871

NOTE 24 - REVENUE

	2018	2017
Domestic revenue	107.597.331	72.377.956
Foreign revenue	34.872.437	25.894.875
Revenue	142.469.768	98.272.831
Sales of goods	138.168.626	95.747.818
Sales of services	4.301.142	2.525.013
Revenue	142.469.768	98.272.831

The Group has accounted for revenue amounting to TL141.802.624 thousand related to performance obligation at a point in time and TL667.144 thousand related to performance obligation over time.

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NOTE 25 - EXPENSES BY NATURE

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

	2018	2017
Raw materials and supplies	93.152.189	64.317.972
Changes in work in progress and finished goods	(1.735.596)	(1.326.209)
Cost of merchandise sold	19.637.905	12.261.507
Personnel expenses	6.158.632	4.929.060
Transportation, distribution and storage expenses	2.405.637	1.948.805
Depreciation and amortisation charges	2.113.296	1.579.490
Energy and utility expenses	1.983.071	1.379.329
Warranty and assembly costs	1.079.831	940.883
Maintenance and repair expenses	1.060.552	641.392
Rent expenses	1.009.076	696.361
Advertisement and promotion expenses	999.656	765.859
Outsourcing expenses	610.204	735.037
Insurance expenses	306.841	221.781
Taxes, duties and charges	289.635	206.239
Travel expenses	230.344	189.649
Information systems and communication expenses	226.986	157.702
Sales, incentives and premium expenses	222.695	139.378
Royalty and license expenses	159.788	96.100
Litigation and consultancy expenses	152.374	131.959
Grants and donations	67.737	58.789
Other	1.133.677	913.243
	131.264.530	90.984.326

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

	2018	2017
Depreciation and amortisation charges		
Cost of sales	1.515.470	1.104.752
Marketing expenses	149.950	111.024
General administrative expenses	265.727	204.343
Research and development expenses	182.149	159.371
	2.113.296	1.579.490

Total depreciation charges capitalised in 2018 is TL17.535 thousand (2017: TL14.642 thousand).

	2018	2017
Personnel expenses		
Cost of sales	2.630.429	2.120.849
Marketing expenses	1.324.532	1.008.295
General administrative expenses	2.143.331	1.754.061
Research and development expenses	60.340	45.855
	6.158.632	4.929.060

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NOTE 26 - OTHER OPERATING INCOME/EXPENSES

	2018	2017
Other operating income		
Foreign exchange gains arising from trading activities	4.090.584	1.804.312
Credit finance income arising from trading activities	1.103.966	435.526
Reversals of provisions	112.217	26.240
Income from claims and grants	80.443	74.561
Other	249.876	167.850
	5.637.086	2.508.489
Other operating expenses		
Foreign exchange losses arising from trading activities	(6.360.110)	(1.781.248)
Credit finance charges arising from trading activities	(534.711)	(230.628)
Provision expenses for loans and doubtful receivables	(139.253)	(83.793)
Provision price revision (Note 19)	(80.850)	-
Provisions for lawsuits and penalties	(53.335)	(57.543)
Other	(107.659)	(86.157)
	(7.275.918)	(2.239.369)

NOTE 27 - GAINS/LOSSES FROM INVESTMENT ACTIVITIES

	2018	2017
Gains from investment activities		
Gain on bargain purchase (Note 3)	187.941	2.681
Gain on sale of property, plant and equipment and scraps	87.374	80.528
Rent income	49.077	32.884
Gain on sale of subsidiary ⁽¹⁾	27.525	-
Gain on exchange transaction ⁽²⁾	-	32.099
	351.917	148.192
Losses from investment activities		
Provision for impairment of joint ventures (Note 7)	(150.839)	-
Loss on sale of property, plant and equipment	(33.582)	(63.549)
Loss on sales of financial assets (Note 6)	(8.191)	-
	(192.612)	(63.549)

(1) The sale of 49,56% of Ingage capital to Russell Square Holding B.V. is considered as a "loss of control" with respect to TFRS 10 Consolidated Financial Statements standard and gain on related sale transaction has been accounted for under "gains from investment activities". In addition, Group's remaining 19,49% of interest in Ingage, at the date when control was lost, has been accounted for at its fair value calculated according to the sales price. The difference between the carrying value and fair value of the investment has also been accounted for under "gains from investment activities" as a part of the sales transaction.

(2) Gain on exchange transaction resulting from the difference between the property delivered to Koç Holding in 2017 within the scope of the project developed jointly with KIPTAŞ with a fair value of TL35.320 thousand and the land derecognised from the assets of Koç Holding with a net book value of TL3.221 thousand.

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NOTE 28 - FINANCIAL INCOME/EXPENSES

	2018	2017
Financial income		
Foreign exchange gains ^(*)	9.683.612	4.360.196
Interest income	1.462.012	1.141.616
Gains on derivative instruments	1.242.739	706.593
Other financial income	4.073	548
	12.392.436	6.208.953
Financial expenses		
Foreign exchange losses ^(*)	(11.694.469)	(5.275.314)
Interest expenses	(3.688.727)	(2.004.498)
Losses on derivative instruments	(1.355.084)	(722.192)
Other financial expenses	(86.121)	(59.168)
	(16.824.401)	(8.061.172)

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

NOTE 29 - RELATED PARTY DISCLOSURES

a) Related party balances

	31 December 2018			31 December 2017		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Cash and cash equivalents	16.976.551	-	16.976.551	13.660.409	-	13.660.409
Trade receivables	1.592.008	81.786	1.673.794	1.719.654	56.210	1.775.864
Trade payables	1.137.894	58.490	1.196.384	1.514.347	40.571	1.554.918
Borrowings	705.497	-	705.497	766.316	-	766.316

b) Related party transactions

	2018			2017		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Sales of goods and services	27.605.443	276.861	27.882.304	14.601.258	180.051	14.781.309
Purchases of goods and services	5.103.060	481.329	5.584.389	5.523.374	328.289	5.851.663
Interest income	1.117.571	-	1.117.571	758.585	-	758.585
Interest expense (-)	(44.997)	-	(44.997)	(48.612)	-	(48.612)

The Joint Ventures of the Group have been accounted for using the equity method in the consolidated financial statements. Accordingly, the transactions of Group's Subsidiaries with Joint Ventures and the balances from Joint Ventures are not subject to elimination.

As of 31 December 2018, cash and cash equivalents and borrowings balances include balances of the Group's Subsidiaries with Yapı Kredi Bankası. TL1.062.482 thousand (31 December 2017: TL1.304.905 thousand) of trade receivables is composed of Tüpraş balances against Opet and THY Opet, TL172.705 thousand (31 December 2017: TL162.896 thousand) of trade receivables is composed of balances of Zor Ticaret and TL96.792 thousand (31 December 2017: TL88.169 thousand) of trade receivables is composed of balances of Ram Dış Ticaret arising from the sales transactions with other Group companies. TL996.735 thousand (31 December 2017: TL1.123.893 thousand) of trade payables is composed of balances due to vehicle purchases of Otokoç from Ford Otosan and Tofaş, and TL41.068 thousand (31 December 2017: TL256.126 thousand) of trade payables is composed of balances due to air conditioner purchases of Arçelik from Arçelik LG.

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NOTE 29 - RELATED PARTY DISCLOSURES (Continued)

TL25.143.358 thousand (31 December 2017: TL12.227.063 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 2018. TL3.588.412 thousand (31 December 2017: TL4.312.412 thousand) of purchases of goods and services is composed of balances due to Otokoç's vehicle purchases from Ford Otosan and Tofaş, and TL798.644 thousand (31 December 2017: TL635.656 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 2017 amounted to TL221.919 thousand (31 December 2017: TL194.646 thousand). Total amount is comprised of short-term employee benefits (31 December 2017: TL18.283 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).

After charging the costs to Koç Group companies to whom services are provided, the cost incurred by Koç Holding A.Ş. amounted to TL111.013 thousand (31 December 2017: TL89.820 thousand, TL3.883 thousand of this amount is related to the payments made for employee leaves).

NOTE 30 - DISCLOSURES ON INTERESTS IN OTHER ENTITIES

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

Subsidiary	31 December 2018			
	Non-controlling interest %	Gains/losses attributable to non-controlling interests	Accumulated non-controlling interests	Dividend paid to non-controlling interests
Tüpraş	56,30	1.958.922	6.112.113	1.669.161
Arçelik	59,49	497.384	4.834.360	258.779
Aygaz	59,32	177.196	839.966	272.851

Subsidiary	31 December 2017			
	Non-controlling interest %	Gains/losses attributable to non-controlling interests	Accumulated non-controlling interests	Dividend paid to non-controlling interests
Tüpraş	56,30	1.988.250	6.508.931	762.982
Arçelik	59,49	479.735	4.069.094	252.830
Aygaz	59,32	165.400	930.317	266.920

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

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

Condensed balance sheet information:

	31 December 2018		
	Tüpraş	Arçelik	Aygaz
Cash and cash equivalents	5.982.828	5.341.524	648.010
Other current assets	15.009.437	13.857.404	969.529
Deferred tax assets	3.383.633	878.247	589
Other non-current assets	16.475.341	8.113.884	2.302.028
Total assets	40.851.239	28.191.059	3.920.156
Short-term borrowings	4.113.398	5.516.726	570.947
Other current liabilities	11.828.116	6.952.986	912.775
Long-term borrowings	13.836.142	6.431.552	830.068
Other non-current liabilities	312.242	1.187.752	190.268
Total liabilities	30.089.898	20.089.016	2.504.058
Total equity	10.761.341	8.102.043	1.416.098

	31 December 2017		
	Tüpraş	Arçelik	Aygaz
Cash and cash equivalents	8.802.069	2.581.964	593.172
Other current assets	11.563.955	11.027.812	994.362
Deferred tax assets	2.870.337	648.007	672
Other non-current assets	15.928.169	6.017.266	2.012.126
Total assets	39.164.530	20.275.049	3.600.332
Short-term borrowings	340.875	1.034.417	84.784
Other current liabilities	17.334.794	7.349.345	1.194.036
Long-term borrowings	9.777.270	4.113.916	583.666
Other non-current liabilities	232.379	960.537	169.424
Total liabilities	27.685.318	13.458.215	2.031.910
Total equity	11.479.212	6.816.834	1.568.422

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

Condensed income statement information:

	2018		
	Tüpraş	Arçelik	Aygaz
Revenue	88.552.170	26.904.384	9.554.441
Depreciation and amortisation	691.657	690.414	89.580
Operating profit	5.659.939	2.632.929	61.706
Net financial expense	(2.268.422)	(1.705.689)	(127.919)
Profit before tax	3.389.397	926.127	320.202
Net profit for the period	3.441.496	833.308	298.734

	2017		
	Tüpraş	Arçelik	Aygaz
Revenue	53.948.110	20.840.613	8.469.276
Depreciation and amortisation	643.776	548.187	87.250
Operating profit	4.783.220	1.697.010	259.097
Net financial expense	(617.861)	(928.899)	(49.377)
Profit before tax	4.119.664	777.862	322.592
Net profit for the period	3.508.712	804.819	278.848

NOTE 31 - GOVERNMENT GRANTS

The Group is entitled to the following incentives and rights:

- 100% exemption from customs duty on machinery and equipment imported,
- Exemption from VAT on investment goods supplied from home and abroad,
- Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
- Inward processing permission certificates,
- Cash refund from TÜBİTAK-TEYDEB for research and development expenditures,
- Exemption from taxes, duties and charges,
- Discounted corporate tax incentive,
- Insurance premium employer share incentive,
- Corporate tax incentive within the scope of investment incentive exemption (Note 17),
- Brand supporting government grants given by the Ministry of Economy of Turkey (Turquality),
- Incentive of environmental costs support by law 9715,
- Patent incentives.

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NOTE 32 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Guarantees:

The summary of guarantees given and received of non-finance sector companies is as follows:

Guarantees given:

	31 December 2018	31 December 2017
Letters of guarantee	7.083.220	7.000.291
Guarantees given to banks	1.273.332	737.420
Letters of credit	310.393	313.153
Other	3.454	5.688
	8.670.399	8.056.552

Collaterals/pledges/mortgages/bill of guarantees ("CPMB") of Subsidiaries of the Group, except finance sector, as of 31 December 2018 and 2017 are as follows (foreign currency CPMBs are presented by their TL equivalents):

	31 December 2018	31 December 2017
A. Total amount of CPMB's given in the name of its own legal personality	7.143.836	7.028.253
- TL	4.476.590	3.628.142
- USD	1.479.886	2.488.574
- EUR	1.073.098	892.707
- Other	114.262	18.830
B. Total amount of CPMB's given on behalf of the fully consolidated companies	1.526.563	1.028.299
- TL	5.188	58.568
- USD	1.031.605	614.363
- EUR	451.562	328.054
- Other	38.208	27.314
C. Total amount of CPMB's given on behalf of third parties for ordinary course of business	-	-
D. Total amount of other CPMB's given		
i) Total amount of CPMB's given on behalf of the majority shareholder	-	-
ii) Total amount of CPMB's given to on behalf of other group companies which are not in scope of B and C	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-
	8.670.399	8.056.552

(*) As of 31 December 2018, 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 TL6.464 thousand (31 December 2017: TL3.113 thousand).

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

The summary of guarantees received regarding the non-finance sector companies is as follows:

Guarantees received:

	31 December 2018	31 December 2017
Letters of guarantee	3.916.791	3.700.305
Mortgages	2.590.375	1.831.964
Direct crediting limit	924.715	629.805
Guarantee letters of credits	784.400	-
Bill of guarantees	290.769	514.756
Guarantee notes	74.551	119.642
Other	514.833	507.781
	9.096.434	7.304.253

In addition, Koç Finansman, a Subsidiary of the Group operating in the finance sector has a lien amounting to TL3.537.794 thousand as of 31 December 2018 (31 December 2017: TL4.085.104 thousand) in favor of the company supplied from vehicle loans including non-performing loans.

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments and Financial Risk Management

Financial Risk Management

The Group is exposed to variety of financial risks due to its operations. These risks include credit risk, market risk (foreign exchange risk, interest rate risk and commodity price risk) and liquidity risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and targets to minimise potential adverse effects on the Group's financial performance. The Group also uses derivative instruments to hedge risk exposures.

A) Credit Risk

Credit risk is the risk that a counterparty cannot fulfill its obligations in the agreements that the Group is party to. The Group monitors the credit risk by credit ratings and limitations to the total risk of a single counterparty. The credit risk is diversified as a result of large number of entities comprising the customer bases and the penetration to different business segments.

Credit risk management procedures

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

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

Koç Finansman, a Subsidiary of the Group operating in the finance sector, manages the credit risk by evaluating the credit risk grading of its customers, limiting the average risk for the counter party in each agreement, regularly analysing the payment potential of current customers and prospective customers and by changing the credit limits when necessary. Furthermore, the credit risk is controlled through the guarantees and warranties taken from the customers.

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

Credit risk details

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

31 December 2018	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)	17.862.070	3.159.489	24.572.528	54.364	923.618
A. Net book value of neither past due nor impaired financial assets ^(*)	16.582.754	3.064.733	24.572.528	54.364	923.618
B. Net book value of past due but not impaired financial assets	1.221.787	88.741	-	-	-
C. Net book value of impaired assets	69.726	75.662	-	-	-
- Past due	69.726	75.662	-	-	-
- Gross amount	659.998	159.150	-	-	-
- Impairment	(590.272)	(83.488)	-	-	-
- Secured with guarantees	65.810	75.861	-	-	-
- Not past due	-	-	-	-	-
- Gross amount	-	-	-	-	-
- Impairment	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-
D. Expected credit losses (-)	(12.197)	(69.647)	-	-	-

(*) Includes receivables from related parties amounting to TL1.673.794 thousand.

31 December 2017	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)	15.353.993	3.847.033	20.843.179	-	811.808
A. Net book value of neither past due nor impaired financial assets ^(*)	14.458.298	3.839.330	20.843.179	-	811.808
B. Net book value of past due but not impaired financial assets	844.686	37.795	-	-	-
C. Net book value of impaired assets	51.009	25.416	-	-	-
- Past due	51.009	25.416	-	-	-
- Gross amount	357.326	85.788	-	-	-
- Impairment	(306.317)	(60.372)	-	-	-
- Secured with guarantees	50.565	25.686	-	-	-
- Not past due	-	-	-	-	-
- Gross amount	-	-	-	-	-
- Impairment	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-
D. Collective provision for impairment (-)	-	(55.508)	-	-	-

(*) Includes receivables from related parties amounting to TL1.775.864 thousand.

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

Trade receivables

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

	2018	2017
Customers with no payment defaults	13.069.172	12.218.985
Public institutions and corporations	2.645.402	808.230
Customers with prior collection delays	766.199	655.274
New customers (less than 3 months)	101.981	775.809
	16.582.754	14.458.298

As of 31 December 2018, trade receivables that are not due and not impaired amounting to TL7.537.259 thousand are secured by guarantees (2017: TL6.067.239 thousand).

b) Analysis of past due trade receivables:

<i>Not impaired</i>	2018	2017
0 - 1 months overdue	615.539	427.112
1 - 3 months overdue	220.491	150.909
3 - 12 months overdue	136.683	90.174
Overdue more than 1 year	249.074	176.491
	1.221.787	844.686

As of 31 December 2018, past due but not impaired trade receivables amounting to TL616.429 thousand are secured by guarantees (2017: TL429.628 thousand).

<i>Impaired</i>	2018	2017
0 - 3 months overdue	59.984	29.049
3 - 6 months overdue	15.783	41.935
6 - 12 months overdue	132.516	63.557
Overdue more than 1 year	451.715	222.785
Less: Provision for impairment	(590.272)	(306.317)
	69.726	51.009

As of 31 December 2018, impaired receivables amounting to TL65.810 thousand are secured by guarantees (2017: TL50.565 thousand).

c) Expected credit losses:

31 December 2018	Not overdue	0 - 1 months overdue	1 - 3 months overdue	More than 3 months overdue	Total
Expected loss rate (%)	0,04	0,22	0,39	0,32	
Period end balance ^(*)	14.908.960	629.618	266.396	985.771	16.790.745
Expected credit losses	6.591	1.404	1.043	3.159	12.197

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

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

Cash and cash equivalents

As of 31 December 2018 and 2017, total cash and cash equivalents are neither past due nor impaired.

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 2018	31 December 2017
Assets	26.297.920	20.643.164
Liabilities	(42.395.884)	(37.782.816)
Net balance sheet position	(16.097.964)	(17.139.652)
Derivative instruments net position	3.091.518	7.088.652
Net foreign currency position	(13.006.446)	(10.051.000)
Loans designated as hedging instruments ⁽¹⁾	6.396.339	5.473.443
Net foreign currency position after hedging instruments	(6.610.107)	(4.577.557)
Inventories under the natural hedge ⁽²⁾	6.654.336	5.321.166
Net foreign currency position after hedging instruments and natural hedge	44.229	743.609

(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 USD982 million (TL5.167 million) as of 31 December 2018 (31 December 2017: USD1.272 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 USD17 million (TL88 million) as of 31 December 2018 (31 December 2017: None).

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, Subsidiaries of the Group, designated EUR154 million (TL927 million) and EUR35,5 million (TL214 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 2017: Arçelik: EUR154 million - Otokoç: None). 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 2018, Tüpraş and Aygaz have raw materials and petroleum products amounting to TL6.333.567 thousand (31 December 2017: TL5.058.436 thousand) and TL320.769 thousand (31 December 2017: TL262.730 thousand), respectively.

Excluding the loans designated as hedging instruments and the inventories under the natural hedge, the Group has TL44.229 thousand (USD8 million) foreign exchange net long position as of 31 December 2018.

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

As of 31 December 2018, if EUR and USD had appreciated by 10% against TL with all other variables held constant, profit before tax would have been TL696.201 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 TL234 million.

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

	USD	EUR	Other	Total
31 December 2018				
Foreign currency net position ^(*)	(677.437)	(15.886)	(2.878)	(696.201)

(*) Related balances do not include the foreign exchange impacts of hedged items. Profit before tax impacts arising from foreign exchange positions of Joint Ventures have been included in the sensitivity analysis.

Above sensitivity analysis has been performed by taking "net foreign currency position" 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 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 2018				
Hedged items ^(*)	(525.496)	(367.461)	-	(892.957)

(*) Related balances include foreign exchange impacts which are within the scope of cash flow hedge and net investment hedge in foreign operations and which are recognised under the hedging reserve.

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

	31 December 2018			
	USD ⁽¹⁾	EUR ⁽¹⁾	Other (TL Equivalent)	Total (TL Equivalent)
Assets:				
Trade receivables ⁽²⁾	484.893	635.958	1.740.038	8.124.563
Monetary financial assets	2.285.234	711.002	27.405	16.335.713
Non-monetary assets	41.057	20.492	32.257	371.779
Other assets	180.578	22.577	40	1.086.150
Current assets	2.991.762	1.390.029	1.799.740	25.918.205
Trade receivables ⁽²⁾	239	1.316	-	9.185
Monetary financial assets	55	7.891	-	47.855
Other assets	4.171	49.889	-	322.675
Non-current assets	4.465	59.096	-	379.715
Total assets	2.996.227	1.449.125	1.799.740	26.297.920
Liabilities:				
Trade payables ⁽²⁾	1.576.223	364.297	94.397	10.582.734
Borrowings	664.985	278.327	-	5.176.172
Other liabilities	99.642	63.772	34.820	943.446
Short-term liabilities	2.340.850	706.396	129.217	16.702.352
Borrowings	3.950.590	718.850	-	25.116.884
Other liabilities	109.487	107	-	576.648
Long-term liabilities	4.060.077	718.957	-	25.693.532
Total liabilities	6.400.927	1.425.353	129.217	42.395.884
Net balance sheet position	(3.404.700)	23.772	1.670.523	(16.097.964)
Derivative assets	2.178.653	414.306	28.370	13.987.482
Derivative liabilities	(999.712)	(649.868)	(1.719.172)	(10.895.964)
Derivative instruments net position	1.178.941	(235.562)	(1.690.802)	3.091.518
Net foreign currency position	(2.225.759)	(211.790)	(20.279)	(13.006.446)
Loans designated as hedging instruments ⁽³⁾	998.871	189.346	-	6.396.339
Net foreign currency position after hedging instruments	(1.226.888)	(22.444)	(20.279)	(6.610.107)
Net foreign currency position of monetary items	(2.266.816)	(232.282)	(52.536)	(13.378.225)
Fair value of derivative instruments held for hedging	55.575	25.407	-	445.527

(1) Presented in original currencies.

(2) Represents balances before consolidation eliminations.

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

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

	31 December 2017			
	USD ⁽¹⁾	EUR ⁽¹⁾	Other (TL Equivalent)	Total (TL Equivalent)
Assets:				
Trade receivables ⁽²⁾	401.997	582.410	1.172.176	5.318.338
Monetary financial assets	3.561.003	239.523	3.186	14.516.498
Non-monetary assets	63.210	14.279	4.857	307.754
Other assets	54.478	6.333	538	234.630
Current assets	4.080.688	842.545	1.180.757	20.377.220
Trade receivables ⁽²⁾	-	852	-	3.849
Monetary financial assets	112	14.783	90	67.265
Other assets	2.822	40.790	-	194.830
Non-current assets	2.934	56.425	90	265.944
Total assets	4.083.622	898.970	1.180.847	20.643.164
Liabilities:				
Trade payables ⁽²⁾	2.367.158	290.694	87.569	10.328.880
Borrowings	1.469.335	185.518	2.226	6.382.118
Other liabilities	234.894	28.594	2.454	1.017.565
Short-term liabilities	4.071.387	504.806	92.249	17.728.563
Borrowings	4.304.894	746.183	-	19.607.019
Other liabilities	118.364	172	-	447.234
Long-term liabilities	4.423.258	746.355	-	20.054.253
Total liabilities	8.494.645	1.251.161	92.249	37.782.816
Net balance sheet position	(4.411.023)	(352.191)	1.088.598	(17.139.652)
Derivative assets	2.817.973	535.761	29.048	13.077.393
Derivative liabilities	(858.425)	(356.291)	(1.142.019)	(5.988.741)
Derivative instruments net position	1.959.548	179.470	(1.112.971)	7.088.652
Net foreign currency position	(2.451.475)	(172.721)	(24.373)	(10.051.000)
Loans designated as hedging instruments ⁽³⁾	1.271.539	150.000	-	5.473.443
Net foreign currency position after hedging instruments	(1.179.936)	(22.721)	(24.373)	(4.577.557)
Net foreign currency position of monetary items	(2.514.685)	(187.000)	(29.230)	(10.358.754)
Fair value of derivative instruments held for hedging	160.661	25.034	-	719.040

(1) Presented in original currencies.

(2) Represents balances before consolidation eliminations.

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

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

Export and import details (TL Equivalent)

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

Export	2018	2017
USD	16.548.410	12.742.197
EUR	7.601.177	5.723.872
Other	3.323.545	2.054.927
	27.473.132	20.520.996
Import		
USD	78.104.376	49.395.662
EUR	2.973.320	2.353.530
Other	21.722	52.544
	81.099.418	51.801.736

b) Interest Rate Risk

The Group is exposed to interest rate risk arising from the rate changes on interest-bearing liabilities and assets. The Group manages this risk by balancing the repricing terms of interest-bearing assets and liabilities with fixed-floating interest and short-long term nature of borrowings as well as using derivative instruments for hedging purposes.

The weighted average effective annual interest rates (%) for the consolidated financial assets and liabilities outstanding as of 31 December 2018 and 2017 are as follows:

	31 December 2018			31 December 2017		
	USD	EUR	TL	USD	EUR	TL
Assets						
Cash and cash equivalents	4,68	1,82	22,41	4,33	0,65	14,36
Receivables from finance sector operations	7,79	6,97	20,71	7,56	6,09	16,88
Liabilities						
Borrowings	4,49	2,65	19,10	4,01	2,96	13,00

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

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

31 December 2018	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	21.917.997	1.477.172	4.501	-	1.177.820	24.577.490
Financial assets						
- Short-term	-	54.364	-	-	-	54.364
- Long-term	-	-	-	-	70.314	70.314
Receivables from finance sector operations	658.222	1.255.707	1.243.451	2.109	-	3.159.489
	22.576.219	2.787.243	1.247.952	2.109	1.248.134	27.861.657
Liabilities						
Borrowings	10.538.715	11.322.737	23.300.980	4.394.496	256.749	49.813.677
	10.538.715	11.322.737	23.300.980	4.394.496	256.749	49.813.677
31 December 2017	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	19.821.722	33.934	25.725	-	969.056	20.850.437
Financial assets						
- Long-term	-	-	-	-	155.765	155.765
Receivables from finance sector operations	720.964	1.426.177	1.696.363	3.529	-	3.847.033
	20.542.686	1.460.111	1.722.088	3.529	1.124.821	24.853.235
Liabilities						
Borrowings	6.280.844	12.211.827	9.849.812	7.699.290	339.096	36.380.869
	6.280.844	12.211.827	9.849.812	7.699.290	339.096	36.380.869

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 TL135 million. It is expected that this interest expense will be substantially offset by the additional interest income resulting from the repricing of cash and cash equivalents due to their short term maturities and therefore, 100 bps rise in interest rates is not expected to have a material net interest income/expense effect at the Group level within 1-year period.

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

The interest rate position is as follows:

	31 December 2018	31 December 2017
Fixed interest rate financial instruments		
<i>Financial assets</i>		
Cash and cash equivalents	21.954.164	18.406.323
Receivables from finance sector operations	3.159.489	3.847.033
	25.113.653	22.253.356
<i>Financial liabilities</i>		
Borrowings	39.273.404	28.195.988
	39.273.404	28.195.988
Floating interest rate financial instruments		
<i>Financial assets</i>		
Cash and cash equivalents	1.445.506	1.475.058
	1.445.506	1.475.058
<i>Financial liabilities</i>		
Borrowings (*)	10.283.524	7.845.785
	10.283.524	7.845.785

(*) Tüpraş, a Subsidiary of the Group, has entered into interest rate swap agreements amounting to USD382 million in order to hedge the cash flow risk arising from its floating rate loans (31 December 2017: USD459 million) (Note 10).

c) Commodity price risk

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

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.

As of 31 December 2018, Tüpraş has outstanding swap transactions and zero cost collar transactions for its 11.250 thousand barrels of inventory, which are exposed to commodity price risk, to avoid from fluctuations in oil prices. The weighted average price of swap transactions is 71,4 USD/barrel and have been made for 5.625 thousand barrels of inventory. Zero cost collar transactions have been made for 5.625 thousand barrels of inventory and the weighted average purchase price and weighted average sales price of the transactions are 69,4 USD/barrel and 74,2 USD/barrel, respectively (Note 21).

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

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

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.

As of 31 December 2018, future product crack fixing transactions have been realised for 315 thousand barrels of gasoline inventories (2019 2nd quarter: 315 thousand barrels), 8.703 thousand barrels of jet inventories (2019 1st quarter: 4.515 thousand barrels, 2019 2nd quarter 4.188 thousand barrels), 11.490 thousand barrels of diesel inventory (2019 1st quarter: 5.580 thousand barrels, 2019 2nd quarter: 5.910 thousand barrels), and 9.978 thousand barrels of fuel oil (2019 1st quarter: 4.371 thousand barrels, 2019 2nd quarter: 3.957 thousand barrels, 2019 3rd quarter 1.650 thousand barrels). The weighted average fixing margin of the mentioned transactions are 9,54, 13,98, 15,92 and -10,05 USD/barrel, respectively.

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.

Undiscounted contractual cash flows of the consolidated financial liabilities as of 31 December 2018 and 2017 are as follows:

	Book value	Total contractual cash outflow	Demand or up to 3 months	3 months - 1 year	1 - 5 years	5 years and over
31 December 2018						
Financial liabilities						
Borrowings	49.813.677	55.946.532	7.607.120	10.337.904	33.170.057	4.831.451
Trade payables	15.597.256	16.023.386	15.293.862	590.436	139.088	-
Derivative instruments^(*)						
Cash inflows	763.423	10.690.792	6.135.601	1.159.015	3.385.703	10.473
Cash outflows	(536.741)	(10.453.139)	(6.035.132)	(1.600.864)	(2.806.476)	(10.667)
31 December 2017						
Financial liabilities						
Borrowings	36.380.869	39.853.422	3.836.051	10.443.723	16.557.456	9.016.192
Trade payables	14.931.416	15.006.476	14.676.292	263.108	67.076	-
Derivative instruments^(*)						
Cash inflows	706.411	10.401.859	6.085.944	2.186.781	684.645	1.444.489
Cash outflows	(197.169)	(9.716.531)	(5.953.373)	(2.007.238)	(583.337)	(1.172.583)

(*) Derivative instruments do not include the carrying value (Note 10) of changes in the fair value changes arising from the off-balance sheet operating lease transactions of Otokoç, a Subsidiary of the Group, denominated in foreign currency.

KOÇ HOLDİNG A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

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

Capital Risk Management

The Group's main objectives for capital management are to keep the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may decide on the amount of dividends paid to shareholders, issue of new shares or sell assets to decrease net financial debt.

The Group monitors capital on the basis of the net financial debt/total equity ratio. Net financial debt is calculated as total financial liabilities less cash and cash equivalents (excluding blocked deposits).

Consolidated net financial debt/total equity ratio as of 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Total borrowings	49.813.677	36.380.869
Cash and cash equivalents	23.152.348	19.652.226
Net financial debt	26.661.329	16.728.643
Equity	46.958.410	42.931.018
Net financial debt/total equity multiplier	0,57	0,39

NOTE 34 - FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

Estimated fair values of financial instruments have been determined by the Group by using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data. Accordingly, estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

The following methods and assumptions are used to estimate the fair values of financial instruments:

Financial assets

Carrying values of significant portion of cash and cash equivalents are assumed to reflect their fair values due to their short-term nature.

As of 31 December 2018, the carrying value of receivables from finance sector operations does not differ significantly from their fair value calculated through the current interest rates.

Financial liabilities

Fair values of short term borrowings and trade payables are assumed to approximate their carrying values due to their short term nature.

As of 31 December 2018, the carrying values of bonds issued by the Parent Company Koç Holding, Arçelik and Tüpraş, the Subsidiaries of the Group, with a nominal value of EUR350 million and USD3.400 million and fixed interest rates (Note 16), are above by TL870 million from their fair values measured considering the prices in the active markets (Level 1).

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

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

Fair value estimation

The classification of the Group's consolidated financial assets and liabilities at fair value is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

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

Assets and liabilities measured at fair value as of 31 December 2018 and 2017 are as follows:

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
- Equity securities	20.862	-	-	20.862
Financial assets measured at fair value through profit or loss				
- Derivative instruments	-	923.618	-	923.618
Total assets	20.862	923.618	-	944.480
Derivative instruments	-	536.741	-	536.741
Total liabilities	-	536.741	-	536.741
31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
- Equity securities	25.386	-	-	25.386
Financial assets measured at fair value through profit or loss				
- Derivative instruments	-	811.808	-	811.808
Total assets	25.386	811.808	-	837.194
Derivative instruments	-	197.169	-	197.169
Total liabilities	-	197.169	-	197.169

NOTE 35 - EARNINGS PER SHARE

	2018	2017
Earnings per share:		
Profit for the period	8.425.093	7.897.427
Profit attributable to non-controlling interests	2.888.065	2.988.687
Profit attributable to equity holders of the parent	5.537.028	4.908.740
Weighted average number of shares with nominal value of Kr 1 each	253.589.805.000	253.589.805.000
Earnings per share (Kr)	2,183	1,936

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Convenience translation into english of the consolidated financial statements originally issued in turkish (Note 2.6)

NOTE 36 - SUPPLEMENTARY CASH FLOW INFORMATION

Supplementary information for the details included in the consolidated cash flow statements as of 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Changes in provisions:		
Provision for price revisions (Note 19)	178.610	-
Provisions for warranty and assembly	43.036	113.688
Provisions for employee benefits	39.630	27.562
Provisions for lawsuits and penalties	11.985	7.278
Cost accruals for construction contracts	(223.972)	(14.613)
Other provisions	16.899	47.848
	66.188	181.763
Adjustments for impairment loss/(reversal of impairment loss):		
Provision for impairment of Joint Ventures (Note 7)	150.839	-
Provisions for impairment on inventories	116.759	(7.275)
Provisions for impairment on trade receivables	88.181	43.456
Provisions for impairment on loans	51.072	40.337
	406.851	76.518
Changes in net working capital:		
Inventories	(3.267.086)	(2.920.660)
Trade receivables	(2.141.198)	(3.930.150)
Trade payables	382.011	2.380.952
Other assets and liabilities, net	(816.783)	503.386
Other payables and receivables, net	(1.034.986)	(146.759)
Receivables from finance sector operations	636.472	(517.912)
Currency translation differences	308.024	273.941
	(5.933.546)	(4.357.202)
Cash and cash equivalents:		
Cash and cash equivalents (Note 5)	24.577.490	20.850.437
Time deposits with maturities more than three months (Note 6)	54.364	-
Less: Blocked deposits (Note 5)	(1.425.142)	(1.198.211)
	23.206.712	19.652.226

NOTE 37 - EVENTS AFTER THE BALANCE SHEET DATE

i) Yapı Kredi Bankası, a Joint Venture of the Group, issued Additional Tier 1 Capital (AT1) amounting to USD650 million nominal in compliance with the features specified in the Article 7 of the BRSA Equity Regulation entitled "Addition Tier 1" on 15 January 2019. Mentioned debt instrument is eligible to be included in the Additional Tier 1 capital of the Yapı Kredi Bankası, with no specified maturity, having the early redemption in every five years after the issuance subject to BRSA approval and with an annual rate of 13,875% for the first five years and having coupon payments in every 6 months. If the core Tier 1 ratio falls below 5,125%, the instrument may be subject to temporary write down. Out of the total issuance; USD400 million have been purchased in equal amounts by Koç Holding A.Ş. and Unicredit S.P.A, the ultimate shareholders of Yapı Kredi Bankası, and these purchased amounts are committed not to be sold for 180 days.

ii) In accordance with the authorisation granted by article 8 of the Articles of Association; on 28 January 2019, the Board of Directors of Koç Holding resolved to issue debt securities to be sold outside Turkey through one or more issuance, for a total amount up to USD1 billion or an equivalent foreign currency amount within one year from the approval date of Capital Markets Board. Capital Markets Board provided the necessary approval on 14 February 2019.

Koç Holding A.Ş. Balance Sheet and Income Statement Issued
According to the Legal Records

Koç Holding A.Ş. Balance Sheet at 31 December 2018 and 2017 Issued According to the Legal Records (TL)

ASSETS		31.12.2018	31.12.2017
CURRENT ASSETS		10,634,723,453.36	8,211,094,423.57
Cash and Cash Equivalents	10,176,295,918.60		7,844,284,445.72
Cash	700.00	800.00	
Banks	10,176,295,218.60	7,844,283,645.72	
Short Term Trade Receivables	310,973,951.30		238,950,988.23
Customers	310,973,951.30	238,950,988.23	
Doubtful Receivables	837,659.80	586,328.80	
Provision for Doubtful Receivables	-837,659.80	-586,328.80	
Other Short Term Receivables	902.56		6,782.85
Receivables from Shareholders	475.00	6,640.00	
Other Miscellaneous Receivables	427.56	142.85	
Inventories	-		35,320,000.00
Other Inventories	-	35,320,000.00	
Other Current Assets	147,452,680.90		92,532,206.77
Other Miscellaneous Current Assets	147,452,680.90	92,532,206.77	
NON-CURRENT ASSETS		10,193,828,864.23	8,231,401,687.23
Long Term Trade Receivables	515,480.01		41,758.50
Deposits and Guarantees Given	515,480.01	41,758.50	
Financial Non-Current Assets	9,131,463,138.24		7,369,703,075.08
Subsidiaries	6,282,445,951.76	4,568,243,177.10	
Affiliate Company	2,849,017,186.48	2,801,459,897.98	
Property, Plant and Equipment	1,033,057,700.36		838,118,070.83
Lands	32,967,975.16	32,967,975.16	
Land Improvements	8,290,616.51	8,167,536.74	
Buildings	612,622,604.97	495,174,435.77	
Motor Vehicles Equipment	521,056,323.48	424,225,898.61	
Furniture and Fixtures	32,340,305.65	26,056,682.41	
Accumulated Depreciation	-188,351,095.08	-163,616,961.96	
Ongoing Investments	14,130,969.67	2,727,584.10	
Advances Given	-	12,414,920.00	
Intangible Assets	8,694,840.37		4,928,772.53
Rights	4,334,160.00		
Leasehold Improvements	10,342,941.44	9,920,100.86	
Accumulated Depreciation	5,100,886.32	5,100,886.32	
Prepaid Expenses for the Following Years	-11,083,147.39	-10,092,214.65	
Prepaid Expenses for the Following Years	20,097,705.25		18,610,010.29
Intangible Assets	20,097,705.25	18,610,010.29	
TOTAL ASSETS		20,828,552,317.59	16,442,496,110.80

LIABILITIES		31.12.2018	31.12.2017
CURRENT LIABILITIES		644,410,257.17	463,713,383.69
Trade Payables	152,173,980.62		111,813,981.48
Suppliers	150,998,834.97	110,998,473.45	
Deposits and Guarantees Received	1,175,145.65	815,508.03	
Other Current Liabilities	271,120,854.64		217,488,139.28
Liabilities to Associates	679,201.00	2,309,197.00	
Taxes and Duties Payable	115,751,346.60	92,828,904.45	
Social Security Premiums Payable	1,777,930.26	1,456,301.78	
Other Debts	152,912,376.78	120,893,736.05	
Provision for Debts and Expenses	221,115,421.91		134,411,262.93
Provision for Profit of Period Taxes and Other	90,129,407.82	40,059,561.97	
Other Provision for Debts and Expenses	130,986,014.09	94,351,700.96	
NON-CURRENT LIABILITIES		7,902,943,543.07	5,667,246,759.40
Financial Liabilities	7,891,350,000.00		5,657,850,000.00
Bonds Issued	7,891,350,000.00	5,657,850,000.00	
Provision for Debts and Expenses	11,593,543.07		9,396,759.40
Provision for Employment Termination Benefits	11,593,543.07	9,396,759.40	
EQUITY		12,281,198,517.35	10,311,535,967.71
Total Share Capital	2,507,888,937.81		2,507,888,937.81
Paid-in Share Capital	2,535,898,050.00	2,535,898,050.00	
Adjustment to Share Capital - Positive	34,548,215.22	34,548,215.22	
Adjustment to Share Capital - Negative	-62,557,327.41	-62,557,327.41	
Issue Premium	9,705,724.30		9,705,724.30
Capital Reserves	312,748,745.74		313,070,302.92
Other Capital Reserves	312,748,745.74	313,070,302.92	
Reserves	6,287,313,032.57		5,887,932,292.44
Legal Reserves	615,618,768.68	565,049,322.01	
Extraordinary Reserves	3,516,060,482.43	3,177,103,589.96	
Special Funds	2,155,633,781.46	2,145,779,380.47	
Prior Years' Income-Inf. Adj. Profit-2004	174,879,886.04		174,879,886.04
Profit for the Period	2,988,662,190.89		1,418,058,824.20
TOTAL LIABILITIES AND EQUITY		20,828,552,317.59	16,442,496,110.80

Koç Holding A.Ş. Income Statement for the Period of 1 January-31 December 2018 and 2017, Issued According to the Legal Records (TL)

		2018	2017
GROSS REVENUES		269,435,099.65	245,700,334.36
Domestic Revenues	269,435,099.65		245,700,334.36
OPERATING EXPENSES		-506,385,465.95	-428,427,215.37
General Administrative Expenses	-506,385,465.95		-428,427,215.37
ORDINARY INCOME AND PROFIT FROM OTHER OPERATIONS		7,779,772,262.41	2,579,009,081.68
Dividend Income from Associates	1,347,445,299.69		949,560,486.60
Dividend Income from Subsidiaries	1,344,692,974.23		341,734,533.00
Interest Income	841,365,909.31		486,755,574.28
Provisions No Longer Required	4,194,757,458.14		761,033,796.52
F/X Income	51,510,621.04		39,924,691.28
ORDINARY EXPENSES AND LOSSES FROM OTHER OPERATIONS		-1,886,621,055.78	-359,661,071.76
Provision Expenses	-2,448,114.67		-1,513,856.80
F/X Losses	-1,884,172,941.11		-358,147,214.96
FINANCIAL EXPENSES		-2,580,696,039.02	-625,930,513.85
Short Term Borrowing Expenses	-3,531,709.92		-4,773,285.35
Long Term Borrowing Expenses	-2,577,164,329.10		-621,157,228.50
EXTRAORDINARY INCOME AND PROFIT		3,287,128.52	62,308,572.96
Other Extraordinary Income and Profit	3,287,128.52		62,308,572.96
EXTRAORDINARY EXPENSES AND LOSSES		-331.12	-14,880,801.85
Other Extraordinary Expenses and Losses	-331.12		-14,880,801.85
PROFIT FOR THE PERIOD		3,078,791,598.71	1,458,118,386.17
TAXES PAYABLES AND OTHER LEGAL LIABILITIES		-90,129,407.82	-40,059,561.97
NET PROFIT FOR THE PERIOD		2,988,662,190.89	1,418,058,824.20

Information Document for 21 March 2019 Ordinary General Assembly to Review
Financial Year 2018

Statements of Independence

Information Document for 21 March 2019 Ordinary General Assembly to Review Financial Year 2018

1. Invitation to the 21 March 2019 Ordinary General Assembly

Koç Holding A.Ş.'s Ordinary General Assembly Meeting shall be convened on 21 March 2019 Thursday at 16:00 (2pm GMT) at the address of Nakkaştepe Azizbey Sok. No. 1, 34674 Kuzguncuk-Üsküdar/Istanbul (Tel: +90 216 531 00 00, Fax: +90 216 531 00 99). At the meeting, the activities of the Company for the fiscal year 2018 will be reviewed, the following agenda will be discussed and a resolution regarding the agenda will be reached.

In accordance with the legal requirements, 2018 Financial Statements, the Independent Auditor's Report (prepared by our Independent Auditor, PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.), the Corporate Governance Compliance Report, and the Board of Directors' Annual Report, including the dividend distribution proposal of the Board of Directors, along with the following agenda and the Memorandum containing the information required by Capital Markets Board regulations shall be made available to the shareholders at Company Headquarters, on the Company's corporate website at www.koc.com.tr, on the Public Disclosure Platform, and in the Electronic General Meeting System of the Central Registry Agency at least three weeks prior to the meeting.

Shareholders unable to attend the meeting in person, save for the rights and obligations of the ones participating electronically via the Electronic General Assembly System, shall prepare their proxy documents in accordance with the legal requirements, or shall obtain a proxy sample form from Yapı Kredi Yatırım Menkul Değerler A.Ş. (Yapı Kredi Plaza / Levent-Istanbul), our Company, or from the corporate website at www.koc.com.tr and shall submit to the Company the notarized proxy documents issued in accordance with the requirements of the Communiqué No. II-30.1, Use of Proxy Vote and Proxy Collection through Invitation, enacted on 24 December 2013 and published in Official Gazette No. 28861. A proxy document is not required from a proxy appointed electronically through the Electronic General Meeting System. **The proxy documents which do not comply with the requirements of the aforementioned Communiqué shall not be accepted, given our legal liability.**

Shareholders intending to vote via the Electronic General Meeting System are requested to obtain information from the Central Registry Agency, our Company's website at www.koc.com.tr or from the Company Headquarters (Tel: +90 216 531 00 00) to ensure that they comply with the provisions of the by-laws for the Electronic Shareholders Meeting for Joint Stock Companies.

Pursuant to Paragraph 4 of Article 415 of Turkish Commercial Code No. 6102 and Paragraph 1 of Article 30 of the Capital Markets Law, the right to attend the General Assembly and voting rights shall not be conditional on depositing the share certificates. Accordingly, shareholders participating in the General Assembly do not need to block their shares.

At the Ordinary General Assembly Meeting, the voters shall use open voting system by raising hands, without prejudice to the provisions of electronic voting regarding the voting of each item on the agenda.

All right holders and stakeholders as well as the press are invited to the General Assembly Meeting.

Detailed information on processing shareholders' personal data within the framework of the Law on the Protection of Personal Data (No. 6698) is available at "Koç Holding Personal Data Protection and Processing Policy" disclosed on www.koc.com.tr.

Pursuant to the Capital Markets Law, shareholders holding registered shares that are traded on the stock exchange will not receive a separate registered invitation letter for the meeting.

It is submitted to the shareholders with due respect.

KOÇ HOLDİNG A.Ş.
Board of Directors

Company Address: Nakkaştepe Azizbey Sok. No. 1, 34674 Kuzguncuk-Üsküdar/Istanbul
Trade Registry and Number: İstanbul/85714
Mersis Number: 0570002057500012

2. Additional Explanations in Accordance with CMB Regulations

The additional explanations required pursuant to Capital Markets Board (CMB) Corporate Governance Communiqué No. II-17.1, are made in the related articles of the agenda below. Other mandatory general explanations are provided in this section.

2.1. Capital Structure and Voting Rights

As of the date of the publication of this Information Document, information concerning the total number of shares and voting rights, the number of shares and voting right representing each privileged share and the type of privilege is provided below:

Company shares are divided into two groups, Group A and Group B. Each Group A share has two votes at the General Assembly.

Information Document for 21 March 2019 Ordinary General Assembly to Review Financial Year 2018

The voting rights of our shareholders, taking into consideration privileged shares, are provided in the following table:

Shareholder	Group	Share Amount (TRY)	Equity Ratio (%)	Voting Right	Voting Right Stake (%)
Temel Ticaret ve Yatırım A.Ş.*	A	678,773,422	26.77	135,754,684,460	42.23
Temel Ticaret ve Yatırım A.Ş.*	B	428,196,786	16.88	42,819,678,578	13.32
Koç Family	B	487,895,145	19.24	48,789,514,515	15.18
Vehbi Koç Foundation	B	184,171,754	7.26	18,417,175,384	5.73
Koç Holding Retirement and Assistance Foundation	B	50,451,548	1.99	5,045,154,831	1.57
Rahmi M. Koç ve Mahdumları Maden İnşaat Turizm Ulaştırma Yatırım ve Ticaret A.Ş.	B	35,385,424	1.40	3,538,542,410	1.10
Free Float	B	671,023,971	26.46	67,102,397,052	20.87
Total		2,535,898,050	100.00	321,467,147,230	100.00

* Majority of Temel Ticaret ve Yatırım A.Ş. shares belong to Koç Family members.

2.2. Managerial and Operational Changes in Our Company or our Subsidiaries which may Significantly Affect the Activities of our Company

There are no managerial or operational changes that has or that will substantially affect the Company's activities in the previous accounting period, or planned for the upcoming accounting periods. Besides that, material event disclosures made by our Company in accordance with legal requirements are available at www.kap.gov.tr

2.3. Information regarding demands of shareholders for placing an article on the agenda

No request has been submitted in writing to the Koç Holding Investment Relations Department concerning the desire of shareholders to have an article placed on the agenda.

3. Announcements Pertaining to the Agenda Articles of the Ordinary General Assembly Meeting at 21 March 2019

1. Opening and election of the Chairman for the Meeting

Within the framework of the provisions of "Turkish Commercial Code (TCC) no. 6102" and "the Regulation of the Ministry of Customs and Commerce regarding Principles and Procedures of General Assembly Meetings of Joint Stock Companies and Representatives of the Ministry of Customs and Commerce to be Present in these Meetings" ("Regulation" or "General Assembly Regulation"), and General Assembly Principles Article 7, a Chairman shall be elected to chair the General Assembly meeting. Within the framework of the General Assembly Principles, at least one person will be appointed as Secretary by the Chairmen. The Chairman may also appoint adequate number of vote-collectors.

2. Presentation for discussion and approval of the Annual Report of the Company prepared by the Board of Directors for the year 2018

Within the framework of the TCC, the Regulation and the Capital Markets Law and related regulations, information shall be given on the 2018 Annual Report that includes the Corporate Governance Compliance Report, which has been announced at the Headquarters of our Company, on the Electronic General Assembly portal of the Central Registry Agency and on the corporate website of the Company at www.koc.com.tr for review of our shareholders three weeks before the General Assembly meeting and it shall be presented for discussion and approval of our shareholders.

3. Presentation of the summary of the Independent Auditor's Report for the year 2018

A summary of the Independent Auditor's Report, which is prepared according to the TCC and CMB regulations and posted three weeks prior to the General Assembly meeting at Company Headquarters, the Electronic General Assembly Portal of the CRA and www.koc.com.tr, will be read aloud.

4. Presentation for discussion and approval of the Financial Statements of the Company for the year 2018

Information about our financial statements and legal statutory accounts, which, pursuant to the TCC, bylaws and Capital Markets Law have been posted three weeks prior to the General Assembly meeting at our Company Headquarters, on the Electronic General Assembly Portal of the CRA and on www.koc.com.tr for review of our shareholders, shall be presented to our shareholders for their evaluation and approval.

5. Release of each member of the Board of Directors from liability for the Company's activities for the year 2018

Pursuant to the TCC and Bylaws, the release of our Board of Directors members for the activities, transactions and accounts for the year 2018 shall be submitted to the General Assembly for its approval.

6. Approval, amendment and approval, or disapproval of the Board of Directors' proposal on the distribution of profits for the year 2018 and the distribution date

According to our financial statements, prepared by our Company within the framework of the Turkish Commercial Code and Capital Markets Law and related regulations in compliance with Turkish Financial Reporting Standards and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. covering the accounting period between 01.01.2018 – 31.12.2018; consolidated profit attributable to equity holders of the parent in the amount of 5.537.028.000 TL has been obtained. The dividend payment proposal, drawn up in accordance with the Dividend Distribution Table format provided in the Dividend Communiqué numbered II-19.1 and the Dividend Manual announced in accordance with the said Communiqué, and taking into account the Company's Dividend Distribution Policy, long-term strategy, investment and financing policies, profitability and liquidity, is provided in Appendix 1.

7. Resolution of the number of the members of the Board of Directors and their terms of office, and election of the members of the Board of Directors in accordance with the newly resolved number and election of the independent board members

In accordance with CMB regulations, TCC and Bylaws and the principles governing the selection of Members of the Board of Directors in the Articles of Association, new members to replace Board members whose terms of office have expired accordingly shall be elected. In addition, Independent Members of the Board of Directors shall be elected in compliance with the CMB's Corporate Governance Communiqué No. II-17.1.

According to Article 11 of the Articles of Association, Company's business and management are conducted by a Board of Directors consisting of at least 9 and at most 18 members, elected in line with the TCC and CMB regulations. General Assembly may decide on the renewal of the Board of Directors even if their terms of office have not expired.

Information Document for 21 March 2019 Ordinary General Assembly to Review Financial Year 2018

One third of the elected Board of Director members shall meet the independence criteria as defined in the CMB's mandatory Corporate Governance Principles.

The Board of Directors, upon receipt of proposal of the Candidate Nomination and Remuneration Committee, has designated the following candidates as the Independent Members of the Board of Directors: Mustafa Kemal Olgaç, Jacques Albert Nasser, Anne Lauvergeon, Ömer Dinçök and Emily K. Rafferty.

All of the candidates meet all of the independence criteria defined in the CMB's Communiqué, except for the criteria of "qualifying as a Turkish resident under the Income Tax Law" for Jacques Albert Nasser, Anne Lauvergeon and Emily K. Rafferty. As it can be seen from the CV's of the candidates, the foreign independent members, with their competency, expertise and knowledge, have been affiliated with important merits and degrees and accordingly contribute substantially to the Company's and the Group's vision and progress. In this respect, as regards to the criteria of at least half of the independent members being resident in Turkey, application has been made to CMB for Anne Lauvergeon to be accepted for one year as the third foreign independent member of the Board of Directors, which requires five independent members for a board of 15 members. In its statement dated 01.02.2019, CMB assented this request and granted exception to Anne Lauvergeon for one year; and accordingly has not given any negative opinion on any of the candidates.

The CVs of Board of Directors candidates and Declarations of Independence for the independent member candidates are provided in Appendix 2.

8. In accordance with the Corporate Governance Principles, presentation to the shareholders and approval by the General Assembly of the "Remuneration Policy" for the members of the Board of Directors and the Senior Executives and the payments made on that basis

According to CMB's mandatory Corporate Governance Principle No. 4.6.2, the principles for the remuneration of Board of Directors' members and senior management shall be made available in writing and included as a separate article on the General Assembly Meeting agenda to enable the shareholders to share their opinions on the same. The Remuneration Policy that was adopted by the general assembly decision dated 22 March 2018 is attached hereto as Appendix 3 for this purpose. Information on the compensation of the members of the Board of Directors and the senior management is available in footnote No. 29 of our financial statements dated 31 December 2018.

9. Resolution of the annual gross salaries to be paid to the members of the Board of Directors

The annual gross remuneration to be paid to the members of the Board of Directors in 2019 shall be determined by the shareholders as per our Remuneration Policy submitted for the approval of the shareholders as per item 8 of the agenda.

10. Approval of the appointment of the Independent Audit Firm as selected by the Board of Directors in accordance with the provisions of the Turkish Commercial Code and the Capital Markets Board regulations

In accordance with the Turkish Commercial Code and Capital Markets Board regulations, and taking into consideration the opinion of the Audit Committee, the Board of Directors resolved at their meeting on 13 February 2019 to nominate PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. to audit the Company's financial reports for the year 2019 accounting period and to fulfil all other obligations required for the auditors by Turkish Commercial Code numbered 6102 and Capital Markets Law numbered 6362 and related regulations. This decision shall be submitted to the General Assembly for approval.

11. Presentation to the shareholders of the donations made by the Company in 2018, and resolution of an upper limit for donations for the year 2019

Pursuant to Article 6 of the CMB's Communiqué on Dividends No. II-19.1, the limit of donations to be made must be determined by the General Assembly, in cases not specified in the Articles of Association, and information concerning the donations and payments made must be provided to shareholders at the General Assembly. Donations totaling 1.165.827 TL were made to foundations and associations in 2018. Of this amount, 427.282 TL was donated to Koç University, 192.985 TL was donated to Global İlişkiler Forumu; 170.000 TL was donated to Üsküdar Aşevi, and the remaining 375.560 TL was donated to various other entities. The upper limit of donations to be made in 2019 shall be resolved by the General Assembly.

12. In accordance with the Capital Markets Board regulations, presentation to the shareholders of the collaterals, pledges, mortgages and sureties granted in favor of the third parties in the year 2018 and of any benefits or income thereof

Pursuant to Article 12 of the Capital Markets Board Corporate Governance Communiqué No. II-17.1, income or benefits derived by our Company and/or its Subsidiaries from collaterals, pledges, mortgages and sureties against third parties must be stipulated in a separate article of the agenda of the General Assembly. This is indicated in footnote No. 32 of our financial statements dated 31 December 2018.

13. Authorization of the shareholders that have management control, the members of the Board of Directors, the senior executives and their spouses and relatives related by blood or affinity up to the second degree as per the provisions of articles 395 and 396 of the Turkish Commercial Code and presentation to the shareholders of the transactions carried out thereof in the year 2018 pursuant to the Corporate Governance Communiqué of the Capital Markets Board

The members of the Board of Directors can do business only with the approval of the General Assembly, as stipulated in the first subsection of Articles 395 and 396 of the TCC entitled Competition Ban and Ban on doing Business with the Company and Borrowing from the Company.

Pursuant to the Capital Markets Board mandatory Corporate Governance Principle No. 1.3.6, the General Assembly shall be informed in the event that shareholders having managerial control, shareholder board members, senior management and relatives up to the second degree of blood or affinity engaged in a significant business transaction creating a conflict of interest with the Company or its subsidiaries, competed with the company in the same line of business on their own behalf or on the behalf of others, or was involved in the same business as that of the Company as unlimited partner in another company. Information about said transactions must be included as a separate article on the agenda and recorded into the minutes of the General Assembly.

Information Document for 21 March 2019 Ordinary General Assembly to Review Financial Year 2018

To fulfil the requirements of these regulations, permission shall be sought from the shareholders at the General Assembly. Some of the shareholders having managerial control, shareholder board members, senior management and relatives up to the second degree of blood or affinity are also board members at several Koç Group companies including those with similar operations to our Company. In 2018, there has not been any material transaction which requires notification in accordance with Corporate Governance Principle No. 1.3.6 of the Corporate Governance Communiqué.

14. Wishes and Opinions

APPENDICES:

APPENDIX 1 2018 Dividend Distribution Proposal (See pages 22-23)

APPENDIX 2 CVs of Board of Directors Candidates (See pages 128-133) and Independence Declarations of Independent Board Member Candidates (See pages 259-263)

APPENDIX 3 Remuneration Policy for Board of Directors and Executive Management (See page 25)

Statements of Independence

I hereby declare that I am a candidate for independent board membership at the Board of Directors of Koç Holding A.Ş. ("Company") under related regulations, Articles of Association of the Company and the criteria stated in the Capital Markets Board's ("CMB") Communiqué on Corporate Governance. In that regard I also confirm that;

- a) In the last five years, I, my spouse or my up to the second degree blood or affinity relatives is not or has not been; employed by as a key management personnel; has not had ordinary or privileged shareholding exceeding 5% by himself or together with; or has not been involved in any material business dealings with the Company, its subsidiaries and affiliates, or shareholders controlling the Company or having material effect over the Company and all entities controlled by those shareholders.
- b) In the last five years, I am not or have not been employed by as an executive having significant duties and responsibilities or have not been a member of the board or did not have a shareholding exceeding 5% of an entity which has had a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit) rating or consulting services during the terms in which the goods or services were provided,
- c) My CV indicates that I have skills, knowledge and expertise relevant to the Company's business and extensive experience to fulfill my duties as an independent board member,
- ç) I am deemed to be resident in Turkey according to Revenue Tax Law No.193 dated 31.12.1960
- d) After my election I will not work full time in a Turkish governmental or public institution, except for the faculty membership under relevant regulations,
- e) I am capable to contribute positively to the operations of the Company, to maintain my objectivity in conflicts of interests between the Company and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- f) I will dedicate enough time to follow up the activities of the Company and for the duly fulfillment of my responsibilities,
- g) I have not been on the board of the Company for more than six years within last ten years,
- ğ) I am not an independent board member in more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed on Borsa İstanbul in total.
- h) I am not registered in the name of any legal entity elected as a board member.

[Signature]

Mustafa Kemal Olgaç

Statements of Independence

I hereby declare that I am a candidate for independent board membership at the Board of Directors of Koç Holding A.Ş. ("Company") under related regulations, Articles of Association of the Company and the criteria stated in the Capital Markets Board's ("CMB") Communiqué on Corporate Governance, except for the criteria of "qualifying as a Turkish resident under the Income Tax Law". In that regard I also confirm that;

- a) In the last five years, I, my spouse or my up to the second degree blood or affinity relatives is not or has not been; employed by as a key management personnel; has not had ordinary or privileged shareholding exceeding 5% by himself or together with; or has not been involved in any material business dealings with the Company, its subsidiaries and affiliates, or shareholders controlling the Company or having material effect over the Company and all entities controlled by those shareholders.
- b) In the last five years, I am not or have not been employed by as an executive having significant duties and responsibilities or have not been a member of the board or did not have a shareholding exceeding 5% of an entity which has had a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit) rating or consulting services during the terms in which the goods or services were provided,
- c) My CV indicates that I have skills, knowledge and expertise relevant to the Company's business and extensive experience to fulfill my duties as an independent board member,
- d) After my election I will not work full time in a Turkish governmental or public institution, except for the faculty membership under relevant regulations,
- e) I am capable to contribute positively to the operations of the Company, to maintain my objectivity in conflicts of interests between the Company and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- f) I will dedicate enough time to follow up the activities of the Company and for the duly fulfillment of my responsibilities,
- g) I have not been on the board of the Company for more than six years within last ten years,
- h) I am not an independent board member in more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed on Borsa İstanbul in total.
- i) I am not registered in the name of any legal entity elected as a board member.

[Signature]

Jacques Albert Nasser

Statements of Independence

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- b) In the last five years, I am not or have not been employed by as an executive having significant duties and responsibilities or have not been a member of the board or did not have a shareholding exceeding 5% of an entity which has had a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit) rating or consulting services during the terms in which the goods or services were provided,
- c) My CV indicates that I have skills, knowledge and expertise relevant to the Company's business and extensive experience to fulfill my duties as an independent board member,
- d) After my election I will not work full time in a Turkish governmental or public institution, except for the faculty membership under relevant regulations,
- e) I am capable to contribute positively to the operations of the Company, to maintain my objectivity in conflicts of interests between the Company and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- f) I will dedicate enough time to follow up the activities of the Company and for the duly fulfillment of my responsibilities,
- g) I have not been on the board of the Company for more than six years within last ten years,
- h) I am not an independent board member in more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed on Borsa İstanbul in total.
- i) I am not registered in the name of any legal entity elected as a board member.

[Signature]

Anne Lauvergeon

Statements of Independence

I hereby declare that I am a candidate for independent board membership at the Board of Directors of Koç Holding A.Ş. ("Company") under related regulations, Articles of Association of the Company and the criteria stated in the Capital Markets Board's ("CMB") Communiqué on Corporate Governance. In that regard I also confirm that;

- a) In the last five years, I, my spouse or my up to the second degree blood or affinity relatives is not or has not been; employed by as a key management personnel; has not had ordinary or privileged shareholding exceeding 5% by himself or together with; or has not been involved in any material business dealings with the Company, its subsidiaries and affiliates, or shareholders controlling the Company or having material effect over the Company and all entities controlled by those shareholders.
- b) In the last five years, I am not or have not been employed by as an executive having significant duties and responsibilities or have not been a member of the board or did not have a shareholding exceeding 5% of an entity which has had a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit) rating or consulting services during the terms in which the goods or services were provided,
- c) My CV indicates that I have skills, knowledge and expertise relevant to the Company's business and extensive experience to fulfill my duties as an independent board member,
- ç) I am deemed to be resident in Turkey according to Revenue Tax Law No.193 dated 31.12.1960
- d) After my election I will not work full time in a Turkish governmental or public institution, except for the faculty membership under relevant regulations,
- e) I am capable to contribute positively to the operations of the Company, to maintain my objectivity in conflicts of interests between the Company and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- f) I will dedicate enough time to follow up the activities of the Company and for the duly fulfillment of my responsibilities,
- g) I have not been on the board of the Company for more than six years within last ten years,
- ğ) I am not an independent board member in more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed on Borsa İstanbul in total.
- h) I am not registered in the name of any legal entity elected as a board member.

[Signature]

Ömer Dinçkök

Statements of Independence

I hereby declare that I am a candidate for independent board membership at the Board of Directors of Koç Holding A.Ş. ("Company") under related regulations, Articles of Association of the Company and the criteria stated in the Capital Markets Board's ("CMB") Communiqué on Corporate Governance, except for the criteria of "qualifying as a Turkish resident under the Income Tax Law". In that regard I also confirm that;

- a) In the last five years, I, my spouse or my up to the second degree blood or affinity relatives is not or has not been; employed by as a key management personnel; has not had ordinary or privileged shareholding exceeding 5% by himself or together with; or has not been involved in any material business dealings with the Company, its subsidiaries and affiliates, or shareholders controlling the Company or having material effect over the Company and all entities controlled by those shareholders.
- b) In the last five years, I am not or have not been employed by as an executive having significant duties and responsibilities or have not been a member of the board or did not have a shareholding exceeding 5% of an entity which has had a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit) rating or consulting services during the terms in which the goods or services were provided,
- c) My CV indicates that I have skills, knowledge and expertise relevant to the Company's business and extensive experience to fulfill my duties as an independent board member,
- d) After my election I will not work full time in a Turkish governmental or public institution, except for the faculty membership under relevant regulations,
- e) I am capable to contribute positively to the operations of the Company, to maintain my objectivity in conflicts of interests between the Company and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- f) I will dedicate enough time to follow up the activities of the Company and for the duly fulfillment of my responsibilities,
- g) I have not been on the board of the Company for more than six years within last ten years,
- h) I am not an independent board member in more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed on Borsa İstanbul in total.
- i) I am not registered in the name of any legal entity elected as a board member.

[Signature]

Emily K. Rafferty

Identity

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Trade Registry and Number	İstanbul Trade Registry / 85714
Website Address	www.koc.com.tr
Registered Capital Ceiling	TL 5,000,000,000
Paid-in Capital	TL 2,535,898,050

Stock Information

BIST Code	KCHOL
Reuters Code	KCHOL.IS
Bloomberg Code	KCHOL.TI
Date of initial public offering	10.01.1986

Disclaimer

The Board of Directors' Report, Auditors' Report, Consolidated Financial Statements and Independent Audit Report regarding the operations and financials of the year 2018, included in this Annual Report ("Report"), are prepared in accordance with the legal requirements for the Ordinary General Assembly, which will be held on Thursday, 21 March 2019 at 4.00pm, at Koç Holding headquarters, Nakkaştepe Azizbey Sok. No. 1, 34674 Kuzguncuk-Üsküdar/Istanbul

This Report is prepared only to provide information to the shareholders, and it is not intended to form the basis of any investment decision. The opinions and statements regarding estimated figures contained within this Report solely reflect the Company management's views with

respect to certain future events; thus, the actual results and developments may differ from these estimates depending on the variables and assumptions. Accordingly, neither the Koç Group nor its respective advisors, directors or employees shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in, or omission from, this Report, or on any other information or communications in connection with the Report.

All information contained in this Report was believed to be accurate at the time of publication. Koç Holding accepts no responsibility for any spelling or printing errors that may occur during the Report's preparation.

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