KOÇ HOLDİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2013
TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT

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

KOÇ HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2013 AND 2012

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

	Notes	2013 (1) EUR'000	2013 (1) USD'000	2013 TL'000	(2)Restated 2012 TL'000
ASSETS					
Current assets:					
Cash and cash equivalents	4	3.029.824	4.168.616	8.897.078	7.103.748
Financial assets	5	-	-	-	29.284
Trade receivables	7	2.781.323	3.826.713	8.167.354	6.971.090
-Related parties	*7*	*171.558*	*236.039*	*503.779*	*296.262*
-Third parties	*7*	*2.609.765*	*3.590.674*	*7.663.575*	*6.674.828*
Receivables from finance sector operations	8	295.739	406.895	868.437	826.947
Derivative instruments	9	16.100	22.152	47.279	7.278
Inventories	10	2.227.202	3.064.320	6.540.179	5.653.032
Other current assets	20	438.194	602.894	1.286.757	1.028.222
Assets held for sale	22	17.021	23.419	49.983	25.491
Total current assets		**8.805.403**	**12.115.009**	**25.857.067**	**21.645.092**
Non-current assets:					
Financial assets	5	73.100	100.575	214.657	113.224
Joint Ventures accounted for using the equity method	6	3.422.709	4.709.172	10.050.786	9.000.830
Trade receivables	7	111.020	152.748	326.011	210.732
-Related parties	*7*	-	-	-	*70.262*
-Third parties	*7*	*111.020*	*152.748*	*326.011*	*140.470*
Receivables from finance sector operations	8	296.571	408.041	870.881	712.583
Derivative instruments	9	6.603	9.084	19.389	1.979
Investment properties	11	28.798	39.622	84.565	84.642
Property, plant and equipment	12	5.065.568	6.969.516	14.875.039	11.783.508
Intangible assets	13	464.764	639.450	1.364.779	1.279.606
Goodwill	14	990.693	1.363.055	2.909.169	2.913.543
Deferred tax assets	16	420.035	577.910	1.233.434	140.098
Other non-current assets	20	335.155	461.127	984.183	801.941
Total non-current assets		**11.215.016**	**15.430.300**	**32.932.893**	**27.042.686**
Total assets		**20.020.419**	**27.545.309**	**58.789.960**	**48.687.778**

(1) 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 2013, and therefore do not form part of these consolidated financial statements (Note 2.1.3).
(2) Financial statements of prior periods are restated in accordance with the changes in accounting policies resulting from the new standards, amendments and interpretations effective from 1 January 2013 and Communiqué on the Principles of Financial Reporting announced by Capital Markets Board ("CMB"). The effects of restatement are disclosed in Note 2.3.

These consolidated financial statements as of and for the year ended 31 December 2013 have been approved for issue by the Board of Directors ("BOD") on 21 February 2014 and signed on behalf of the BOD by the CFO (Chief Financial Officer), Ahmet F. Ashaboğlu and by Accounting Director, Emine Alangoya. These consolidated financial statements will be finalized 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 2013 AND 2012

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

	Notes	2013 [1] EUR'000	2013 [1] USD'000	2013 TL'000	[2]Restated 2012 TL'000
LIABILITIES					
Current liabilities:					
Short term borrowings	15	748.252	1.029.491	2.197.243	1.938.888
Short term portion of long term borrowings	15	849.597	1.168.928	2.494.843	2.803.795
Trade payables	7	3.397.994	4.675.167	9.978.208	7.328.797
-Related parties	*7*	*289.754*	*398.662*	*850.864*	*455.607*
-Third parties	*7*	*3.108.240*	*4.276.505*	*9.127.344*	*6.873.190*
Other payables	19	628.088	864.162	1.844.381	1.770.681
Derivative financial instruments	9	7.414	10.200	21.770	18.922
Current income tax liabilities	16	14.936	20.550	43.859	76.723
Provisions	18	308.043	423.824	904.568	652.599
Other current liabilities	20	575.790	792.202	1.690.804	1.222.237
Liabilities held for sale	22	2.297	3.160	6.744	3.979
Total current liabilities		**6.532.411**	**8.987.684**	**19.182.420**	**15.816.621**
Non-current liabilities:					
Long term borrowings	15	4.218.831	5.804.525	12.388.597	7.646.969
Derivative financial instruments	9	17.429	23.980	51.180	5.159
Provisions for employee benefits	17	128.321	176.552	376.816	349.433
Provisions	18	37.121	51.073	109.006	97.271
Deferred tax liabilities	16	110.474	151.997	324.408	414.825
Other non-current liabilities	20	56.850	78.218	166.940	96.243
Total non-current liabilities		4.569.026	6.286.345	13.416.947	8.609.900
Total liabilities		**11.101.437**	**15.274.029**	**32.599.367**	**24.426.521**
Equity:					
Paid-in share capital	21	863.578	1.188.164	2.535.898	2.535.898
Adjustment to share capital	21	329.402	453.211	967.288	967.288
Total share capital	21	1.192.980	1.641.375	3.503.186	3.503.186
Share premium		3.162	4.351	9.286	9.286
Other comprehensive income/expense not to be reclassified to profit or loss	21	63	87	186	(1.274)
Other comprehensive income/expense to be reclassified to profit or loss	21	(24.842)	(34.180)	(72.950)	321.354
Restricted reserves	21	808.974	1.113.036	2.375.553	2.336.332
Prior years' income		3.248.781	4.469.870	9.540.044	7.792.918
Profit for the period		912.553	1.255.547	2.679.713	2.324.150
Equity holders of the parent		6.141.671	8.450.086	18.035.018	16.285.952
Non-controlling interest		2.777.311	3.821.194	8.155.575	7.975.305
Total equity		**8.918.982**	**12.271.280**	**26.190.593**	**24.261.257**
Total liabilities and equity		**20.020.419**	**27.545.309**	**58.789.960**	**48.687.778**
Commitments and contingent liabilities	**31**				

[1] 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 2013, and therefore do not form part of these consolidated financial statements (Note 2.1.3).
[2] Financial statements of prior periods are restated in accordance with the changes in accounting policies resulting from the new standards, amendments and interpretations effective from 1 January 2013 and Communiqué on the Principles of Financial Reporting announced by CMB. The effects of restatement are disclosed in Note 2.3.

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

KOÇ HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF INCOME AT 31 DECEMBER 2013 AND 2012

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

	Notes	2013 (1) EUR'000	2013 (1) USD'000	2013 TL'000	(2)Restated 2012 TL'000
Revenue	23	26.112.108	34.682.537	65.942.213	65.449.383
Revenue from finance sector operations		94.869	126.007	239.578	216.352
Total revenue	**3**	**26.206.977**	**34.808.544**	**66.181.791**	**65.665.735**
Cost of sales (-)	24	(23.373.235)	(31.044.720)	(59.025.599)	(58.946.894)
Cost of finance sector operations (-)		(59.671)	(79.256)	(150.690)	(129.888)
Total costs		**(23.432.906)**	**(31.123.976)**	**(59.176.289)**	**(59.076.782)**
Gross profit non-finance		2.738.873	3.637.817	6.916.614	6.502.489
Gross profit finance		35.198	46.751	88.888	86.464
Gross profit		**2.774.071**	**3.684.568**	**7.005.502**	**6.588.953**
Marketing, selling and distribution expenses (-)	24	(1.136.311)	(1.509.267)	(2.869.583)	(2.606.227)
General administrative expenses (-)	24	(762.519)	(1.012.790)	(1.925.627)	(1.721.863)
Research and development expenses (-)	24	(53.327)	(70.830)	(134.669)	(110.274)
Other operating income	25	476.776	633.262	1.204.026	758.726
Other operating expenses (-)	25	(621.238)	(825.139)	(1.568.844)	(584.171)
Share of profit/loss of Joint Ventures	6	798.222	1.060.211	2.015.789	1.485.394
Operating profit	**3**	**1.475.674**	**1.960.015**	**3.726.594**	**3.810.538**
Gains from investment activities	26	31.173	41.405	78.723	20.593
Losses from investment activities (-)	26	(9.490)	(12.605)	(23.966)	(46.576)
Operating profit before financial income/(expense)		**1.497.357**	**1.988.815**	**3.781.351**	**3.784.555**
Financial income	27	1.199.400	1.593.064	3.028.906	1.427.506
Financial expense (-)	27	(1.487.011)	(1.975.073)	(3.755.223)	(1.434.297)
Profit before tax	**3**	**1.209.746**	**1.606.806**	**3.055.034**	**3.777.764**
Tax income/(expense)		**374.315**	**497.170**	**945.275**	**(33.941)**
-Current income tax expense (-)	16	(100.190)	(133.075)	(253.016)	(409.400)
-Deferred tax income	16	474.505	630.245	1.198.291	375.459
Profit for the period	**3**	**1.584.061**	**2.103.976**	**4.000.309**	**3.743.823**
Attributable to:					
Non-controlling interest		522.936	694.572	1.320.596	1.419.673
Equity holders of the parent	**3**	**1.061.125**	**1.409.404**	**2.679.713**	**2.324.150**
Earnings per share (Kr)	**34**			**1,057**	**0,916**

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(2) Financial statements of prior periods are restated in accordance with the changes in accounting policies resulting from the new standards, amendments and interpretations effective from 1 January 2013 and Communiqué on the Principles of Financial Reporting announced by CMB. The effects of restatement are disclosed in Note 2.3.

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

KOÇ HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME AT 31 DECEMBER 2013 AND 2012

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

	2013 (*) EUR'000	2013 (*) USD'000	2013 TL'000	(2)Restated 2012 TL'000
Profit for the period	**1.584.061**	**2.103.976**	**4.000.309**	**3.743.823**
Other comprehensive income:				
Items to be reclassified to profit/loss:				
Non-current assets revaluation fund				
Tax effect	46	60	115	420
	46	60	115	420
Actuarial gains/loss on defined benefit plans				
Actuarial loss/gain	(1.682)	(2.234)	(4.248)	(1.146)
Tax effect	337	447	850	229
	(1.345)	(1.787)	(3.398)	(917)
Items to be reclassified to profit/loss:				
Financial assets fair value reserve				
Fair value gains/losses on financial assets	(6.271)	(8.329)	(15.836)	(2.008)
Tax effect	314	417	793	98
	(5.957)	**(7.912)**	**(15.043)**	**(1.910)**
Hedging reserve				
Cumulative gains/losses on hedging	(71.348)	(94.765)	(180.178)	12.929
Tax effect	15.017	19.945	37.922	802
	(56.331)	**(74.820)**	**(142.256)**	**13.731**
Currency translation differences	**97.707**	**129.777**	**246.746**	**(73.468)**
Share of other comprehensive income/expense of Joint Ventures	**(177.357)**	**(235.568)**	**(447.888)**	**499.302**
Other comprehensive income (after tax)	**(143.237)**	**(190.250)**	**(361.724)**	**437.158**
Total comprehensive income	**1.440.824**	**1.913.726**	**3.638.585**	**4.180.981**
Attributable to:				
Non-controlling interest	535.187	710.844	1.351.534	1.417.413
Equity holders of the parent	**905.637**	**1.202.882**	**2.287.051**	**2.763.568**

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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 2013 AND 2012

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

	Capital		Items not to be reclassified to profit/loss			Items to be reclassified to profit/loss			Retained earnings					
	Paid-in share capital	Adjustment to share capital	Share premium	Non-current assets revaluation fund	Actuarial loss/gain	Currency translation differences	Hedging reserve	Financial assets fair value reserve	Restricted reserves	Profit for the period	Prior years' income	Equity holders of the parent	Non controlling interests	Total equity
Balances at 1 January 2012-as previously reported	**2.415.141**	**967.288**	**9.286**	**27.815**	**-**	**142.563**	**(268.888)**	**(4.244)**	**2.309.638**	**2.124.469**	**6.173.681**	**13.896.749**	**9.374.075**	**23.270.824**
Changes in accounting policies:														
-TFRS 11 (Note 2.3)	-	-	-	-	-	-	-	-	-	-	-	-	(1.969.647)	(1.969.647)
-TAS 19 (Note 2.3)	-	-	-	-	(15.917)	-	-	-	-	15.917	-	-	-	-
Balances at 1 January 2012-as restated	**2.415.141**	**967.288**	**9.286**	**27.815**	**(15.917)**	**142.563**	**(268.888)**	**(4.244)**	**2.309.638**	**2.140.386**	**6.173.681**	**13.896.749**	**7.404.428**	**21.301.177**
Transfers	-	-	-	-	-	-	-	-	26.694	(2.140.386)	2.113.692	-	-	-
Capital increases	-	-	-	-	-	-	-	-	-	-	-	-	95.136	95.136
Dividends paid	120.757	-	-	-	-	-	-	-	-	-	(493.568)	(372.811)	(938.032)	(1.310.843)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1.554)	(1.554)	(3.640)	(5.194)
Total comprehensive income	-	-	-	(3.902)	(9.270)	(36.219)	(38.015)	526.157	-	2.324.150	667	2.763.568	1.417.413	4.180.981
Balances at 31 December 2012	**2.535.898**	**967.288**	**9.286**	**23.913**	**(25.187)**	**106.344**	**(306.903)**	**521.913**	**2.336.332**	**2.324.150**	**7.792.918**	**16.285.952**	**7.975.305**	**24.261.257**
Balances at 1 January 2013-as previously reported	**2.535.898**	**967.288**	**9.286**	**23.913**	**-**	**106.344**	**(306.903)**	**521.913**	**2.336.332**	**2.314.880**	**7.777.001**	**16.285.952**	**10.465.293**	**26.751.245**
Changes in accounting policies:														
-TFRS 11 (Note 2.3)	-	-	-	-	-	-	-	-	-	-	-	-	(2.489.988)	(2.489.988)
-TAS 19 (Note 2.3)	-	-	-	-	(25.187)	-	-	-	-	9.270	15.917	-	-	-
Balances at 1 January 2013-as restated	**2.535.898**	**967.288**	**9.286**	**23.913**	**(25.187)**	**106.344**	**(306.903)**	**521.913**	**2.336.332**	**2.324.150**	**7.792.918**	**16.285.952**	**7.975.305**	**24.261.257**
Transfers	-	-	-	-	-	-	-	-	39.221	(2.324.150)	2.284.929	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	(546.363)	(546.363)	(1.037.785)	(1.584.148)
Sale of a subsidiary [1]	-	-	-	-	-	-	-	-	-	-	-	-	(19.331)	(19.331)
Transactions with non-controlling interests [2]	-	-	-	-	-	-	-	-	-	-	8.378	8.378	(114.148)	(105.770)
Total comprehensive income	-	-	-	4.447	(2.987)	182.982	(36.122)	(541.164)	-	2.679.713	182	2.287.051	1.351.534	3.638.585
Balances at 31 December 2013	**2.535.898**	**967.288**	**9.286**	**28.360**	**(28.174)**	**289.326**	**(343.025)**	**(19.251)**	**2.375.553**	**2.679.713**	**9.540.044**	**18.035.018**	**8.155.575**	**26.190.593**

[1] Arising from the sale of Tat Tohumculuk shares.
[2] Arising from the purchase of 2% of shares of Enerji Yatırımları A.Ş. from non-controlling interests (Note 2.4.1.b).

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

KOÇ HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

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

	Notes	2013 (1) EUR'000	2013 (1) USD'000	2013 TL'000	(2)*Restated* 2012 TL'000
A. Cash flows from operating activities:					
Profit for the period		1.584.061	2.103.976	4.000.309	3.743.823
Adjustments to reconcile net cash generated:					
Adjustments to tax (income)/expenses		(374.315)	(497.170)	(945.275)	33.941
Share of profit/loss of Joint Ventures	6	(798.222)	(1.060.211)	(2.015.789)	(1.485.394)
Dividend income from Joint Ventures (net)	6	234.215	311.085	591.469	459.586
Participation to capital increases of Joint Ventures	6	(26.820)	(35.623)	(67.731)	(148.889)
Depreciation and amortisation	3	344.791	457.958	870.719	775.678
Changes in provisions	35	141.277	187.647	356.774	181.360
Net interest expenses	27	123.590	164.154	312.108	147.006
Loss on derivative instruments, net	27	20.918	27.784	52.826	27.234
Exchange losses/(gains) on borrowings (net)		657.416	873.191	1.660.205	(290.905)
Exchange (gains)/losses on cash and cash equivalents (net)		(521.374)	(692.498)	(1.316.652)	102.995
Dividend income from financial assets	26	(10.333)	(13.724)	(26.094)	(1.752)
Gain on sale of property, plant and equipment and intangible assets (net)	26	(18.780)	(24.944)	(47.427)	(1.278)
		1.356.424	1.801.625	3.425.442	3.543.405
Changes in net working capital	35	139.090	184.742	351.252	240.241
Income taxes paid		(97.978)	(130.136)	(247.429)	(456.099)
Total cash flows from operating activities		**1.397.536**	**1.856.231**	**3.529.265**	**3.327.547**
B. Cash flows from investing activities:					
Purchases of property, plant and equipment and intangible assets	3	(1.567.831)	(2.082.419)	(3.959.321)	(3.110.945)
Sale of property, plant and equipment and intangible assets		178.914	237.637	451.821	295.634
Cash inflow from sale of a subsidiary (net)		3.567	4.738	9.009	-
Sale and redemption of financial assets		24.139	32.062	60.959	1.401
Acquisition of financial assets and capital contributions		(38.120)	(50.632)	(96.267)	(32.849)
Dividend income from financial assets		10.333	13.724	26.094	1.752
Transactions with non-controlling interests		(20.942)	(27.815)	(52.885)	(777)
Total cash flows from investing activities		**(1.409.940)**	**(1.872.705)**	**(3.560.590)**	**(2.845.784)**
C. Cash flows from financing activities:					
Share capital increases		-	-	-	95.136
Dividend payments		(627.298)	(833.188)	(1.584.148)	(1.310.843)
Cash flows from borrowings (net)		929.876	1.235.077	2.348.262	3.312.821
Cash flows (used in)/provided by from derivative transactions (net)	(19.518)	(25.925)	(49.291)	19.918	
Interest paid		(271.762)	(360.959)	(686.294)	(490.707)
Interest received		155.782	206.912	393.403	367.687
Total cash flows from financing activities		**167.080**	**221.917**	**421.932**	**1.994.012**
Effects of foreign exchange rate changes on cash and cash equivalents		521.374	692.498	1.316.652	(102.995)
Net increase in cash and cash equivalents		676.050	897.941	1.707.259	2.372.780
Cash and cash equivalents at the beginning of the period		2.622.531	3.483.290	6.622.809	4.250.029
Cash and cash equivalents at the end of the period	**35**	**3.298.581**	**4.381.231**	**8.330.068**	**6.622.809**

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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 2013 (Continued)

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

NOTE 1-GROUP'S ORGANISATION AND NATURE OF OPERATIONS

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

As of 31 December 2013, the number of personnel employed by the Parent Company Koç Holding, its Subsidiaries and Joint Ventures (together referred as the "Group") is 80.996 (2012: 82.158); divided into categories of 37.259 white-collar (2012: 38.491) and 43.737 blue-collar workers (2012:43.667).

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

Koç Holding is registered to the CMB and its shares have been quoted on the Borsa İstanbul ("BIST") since 10 January 1986. As of 31 December 2013, the principal shareholders and their respective shareholding rates in Koç Holding are as follows:

	%
Companies owned by Koç Family members	42,69
Koç Family members	25,82
Vehbi Koç Vakfı	7,15
Koç Holding Emekli ve Yardım Sandığı Vakfı	1,99
Other	22,35
	100,00

Koç Holding is organized 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 construction, none of which are of a sufficient size to be reported separately.

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

The subsidiaries ("Subsidiaries"), the joint ventures ("Joint Ventures") 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
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ("Akpa")	Turkey	Trading
Anadoluhisarı Tankercilik A.Ş ("Anadoluhisarı Tankercilik")	Turkey	Petroleum Shipping
Aygaz A.Ş. ("Aygaz")	Turkey	LPG
Aygaz Doğal Gaz İletim A.Ş. ("Aygaz İletim")	Turkey	LNG
Aygaz Doğal Gaz Toptan Satış A.Ş. ("Aygaz Toptan Satış")	Turkey	LNG
Beykoz Tankercilik A.Ş. ("Beykoz Tankercilik")	Turkey	Petroleum Shipping
Demir Export A.Ş. ("Demir Export")	Turkey	Mining
Deniz İşletmeciliği ve Tic. A.Ş. ("Ditaş")	Turkey	Petroleum Shipping
Enerji Yatırımları A.Ş. ("Enerji Yatırımları")	Turkey	Investment
Kadıköy Tankercilik A.Ş. ("Kadıköy Tankercilik")	Turkey	Petroleum Shipping
Kandilli Tankercilik A.Ş. ("Kandilli Tankercilik")	Turkey	Petroleum Shipping
Karşıyaka Tankercilik A.Ş. ("Karşıyaka Tankercilik")	Turkey	Petroleum Shipping
Kartal Tankercilik A.Ş. ("Kartal Tankercilik")	Turkey	Petroleum Shipping
Kuleli Tankercilik A.Ş. ("Kuleli Tankercilik")	Turkey	Petroleum Shipping
Kuzguncuk Tankercilik A.Ş. ("Kuzguncuk Tankercilik")	Turkey	Petroleum Shipping
Maltepe Tankercilik A.Ş. ("Maltepe Tankercilik")	Turkey	Petroleum Shipping
Salacak Tankercilik A.Ş. ("Salacak Tankercilik")	Turkey	Petroleum Shipping
Sarıyer Tankercilik A.Ş. ("Sarıyer Tankercilik")	Turkey	Petroleum Shipping
T Damla Denizcilik A.Ş. ("T Damla Denizcilik")	Turkey	Petroleum Shipping
Türkiye Petrol Rafinerileri A.Ş. ("Tüpraş")	Turkey	Production and Trading of Petroleum Products
Üsküdar Tankercilik A.Ş. ("Üsküdar Tankercilik")	Turkey	Petroleum Shipping

Mogaz Petrol Gazları A.Ş. was merged with Aygaz A.Ş. on 22 January 2013.

Ventures Joint	Joint Venture Partner	Country of incorporation	Nature of business
AES Enerji Ltd. ("AES Enerji")	AES Mont Blanc Holdings B.V.	Turkey	Power Generation
AES Entek Elektrik Üretimi A.Ş. ("AES Entek")	AES Mont Blanc Holdings B.V.	Turkey	Power Generation
Ayas Enerji Üretim ve Ticaret A.Ş. ("Ayas Enerji")(1)	Oyak Birleşik Enerji A.Ş.	Turkey	Power Generation
Cenay Elektrik Üretim, İnşaat, Sanayi ve Ticaret Ltd. ("Cenay Elektrik")	AES Mont Blanc Holdings B.V.	Turkey	Power Generation
Eltek Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş. ("Eltek")	AES Mont Blanc Holdings B.V.	Turkey	Power Generation
Güney Tankercilik A.Ş. (Güney Tankercilik")	Türk Hava Yolları	Turkey	Petroleum Shipping
Kumköy Enerji Üretim A.Ş. ("Kumköy Enerji")	AES Mont Blanc Holdings B.V.	Turkey	Power Generation
Kuzey Tankercilik A.Ş. (Kuzey Tankercilik")	Türk Hava Yolları	Turkey	Petroleum Shipping
Opet Fuchs Madeni Yağ.San. ve Tic. A.Ş. ("Opet Fuchs")	Fuchs Petrolub AG	Turkey	Lubricant Trading
Opet Gıda ve İhtiyaç Mad. Tur. San. İç ve Dış Ticaret A.Ş. ("Opet Gıda") (2)	Öztürk Family	Turkey	-
Opet International Limited ("Opet International")	Öztürk Family	The UK	Petroleum Products Trading
Opet Petrolcülük A.Ş. ("Opet")	Öztürk Family	Turkey	Petroleum Products Trading
Opet Trade B.V. ("Opet Trade BV")	Öztürk Family	The Netherlands	Petroleum Products Trading
Opet Trade (Singapore) Pte. Ltd. ("Opet Singapore")	Öztürk Family	Singapore	Petroleum Products Trading
Selen Elektrik Üretim A.Ş. ("Selen Elektrik")	AES Mont Blanc Holdings B.V.	Turkey	Power Generation
Seymenoba Elektrik Üretim A.Ş. ("Seymenoba Elektrik")	AES Mont Blanc Holdings B.V.	Turkey	Power Generation
THY Opet Havacılık Yakıtları A.Ş. ("THY Opet")	Türk Hava Yolları	Turkey	Petroleum Products Trading

(1) In 2013, Ordu Yardımlaşma Kurumu transferred its shares to Oyak Birleşik Enerji A.Ş.
(2) In the process of liquidation.

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

Automotive Sector

Subsidiaries	Country of incorporation	Nature of business
Otokar Otobüs Karoseri Sanayi A.Ş. ("Otokar")	Turkey	Production
Otokoç Otomotiv Tic. ve San. A.Ş. ("Otokoç")	Turkey	Trading
Otokoç Sigorta Aracılık Hizmetleri A.Ş. ("Otokoç Sigorta")	Turkey	Insurance
Tasfiye Halinde Otoyol Sanayi A.Ş. ("Otoyol") (*)	Turkey	-

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Fer Mas Oto Ticaret A.Ş. ("Fer-Mas")	Fiat Auto S.p.A.	Turkey	Trading
Ford Otomotiv Sanayi A.Ş. ("Ford Otosan")	Ford Motor Co.	Turkey	Production
Tofaş Türk Otomobil Fabrikası A.Ş. ("Tofaş")	Fiat Auto S.p.A.	Turkey	Production
Türk Traktör ve Ziraat Makinaları A.Ş. ("Türk Traktör")	CNH Osterreich Gmbh	Turkey	Production

(*) In the process of liquidation.

Consumer Durables Sector

Subsidiaries	Country of incorporation	Nature of business
Archin Limited ("Archin") (1)	Hong Kong, China	Trading
Arçelik A.Ş. ("Arçelik")	Turkey	Production/Sales
ArcticPro SRL ("ArcticPro") (1)	Romania	Service
Ardutch B.V. ("Ardutch")	The Netherlands	Holding
Ardutch B.V. Taiwan ("Ardutch Taiwan")	Taiwan	Procurement
Beko A and NZ Pty Ltd. ("Beko Australia")	Australia	Trading
Beko Cesko ("Beko Cesko") (1)	Czech Republic	Trading
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Trading
Beko Egypt Trading LLC ("Beko Egypt")	Egypt	Trading
Beko Electronics Espãna S.L. ("Beko Espana")	Spain	Trading
Beko France S.A.S. ("Beko France")	France	Trading
Beko Hong Kong Ltd. ("Beko Hong Kong") (2)	Hong Kong, China	Procurement
Beko Italy SRL ("Beko Italy")	Italy	Trading
Beko Llc ("Beko Russia")	Russia	Production/Sales
Beko Plc. ("Beko UK")	The UK	Trading
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Trading
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Trading
Beko S.A. ("Beko Polska")	Poland	Trading
Beko S.A. Czech Republic ("Beko Czech")	Czech Republic	Trading
Beko S.A. Hungary ("Beko Hungary") (1)	Hungary	Trading
Beko Ukraine ("Beko Ukraine")	Ukraine	Trading
Blomberg Werke GmbH ("Blomberg Werke") (1)	Germany	Production
Carron SA (Proprietary) Limited ("Defy Carron") (1)	Republic of South Africa	Trading
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales
Defy Appliances (Proprietary) Limited ("Defy")	Republic of South Africa	Production/Sales
Defy (Botswana) (Proprietary) Limited ("Defy Botswana")	Botswana	Trading
Defy (Namibia) (Proprietary) Limited ("Defy Namibia")	Namibia	Trading
Defy (Swaziland) (Proprietary) Limited ("Defy Swaziland") (1) (3)	Swaziland	Trading
Defy Trust Two (Proprietary) Limited ("Defy Trust Two")	Republic of South Africa	Investment
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Trading
Grundig Ceska Republika S.r.o ("Grundig Czech Republic") (1)	Czech Republic	Trading
Grundig Intermedia Ges.m.b.H ("Grundig Austria") (1)	Austria	Trading
Grundig Intermedia GmbH ("Grundig Intermedia")	Germany	Trading
Grundig Magyarország Kft. ("Grundig Hungary") (1)	Hungary	Trading
Grundig Multimedia A.G. ("Grundig Switzerland") (4)	Switzerland	Trading
Grundig Multimedia B.V. ("Grundig Multimedia")	The Netherlands	Holding
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Trading
Grundig Nordic No AS ("Grundig Norway")	Norway	Trading
Grundig Portuguesa Lda ("Grundig Portugal") (1)	Portugal	Trading
Grundig Slovakia s.r.o. ("Grundig Slovakia") (1)	Slovakia	Trading
Kindoc Park (Proprietary) Limited ("Defy Kindoc")	Republic of South Africa	Investment
Ocean Appliances Limited. ("Defy Ocean") (1)	Republic of South Africa	Trading
Raupach Wollert GmbH ("Raupach") (1)	Germany	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales

Beko Magyarorszag K.F.T. was liquidated in 2013.
Air Conditioner Production

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Arçelik-LG Klima San. ve Tic. A.Ş. ("Arçelik LG")	LG Electronics Inc.	Turkey	Air Conditioner Production

(1) Non-operational companies as of the balance sheet date.
(2) Established in 2013.
(3) Established as a separate company in 2013 while it was previously a branch of Defy.
(4) Operating as a separate company since 2013 while it was previously a branch of Grundig Multimedia.

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

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

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

Finance Sector

Subsidiaries	Country of incorporation	Nature of business
Koç Finansman A.Ş. ("Koç Finansman") (1)	Turkey	Consumer Finance

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Koç Fiat Kredi Finansman A.Ş. ("Fiat Finans") (1)	Fiat Auto S.p.A.	Turkey	Consumer Finance
Koç Finansal Hizmetler A.Ş. ("Koç Finansal Hizmetler" or "KFS")	UniCredit S.p.A.	Turkey	Holding
Stiching Custody Services YKB ("Stiching Custody")	UniCredit S.p.A.	The Netherlands	Custody
Tasfiye Halinde Yapı Kredi B Tipi Yatırım Ortaklığı A.Ş. ("Yapı Kredi Yatırım") (2)	UniCredit S.p.A.	Turkey	Investment Trust
UniCredit Menkul Değerler A.Ş. ("UniCredit Menkul")	UniCredit S.p.A.	Turkey	Brokerage
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 Moscow ("Yapı Kredi Moscow")	UniCredit S.p.A.	Russia	Banking
Yapı Kredi Diversified Payment Rights Finance Company ("Yapı Kredi SPC") (3)	UniCredit S.p.A.	Cayman Islands	Company
Yapı Kredi Faktoring A.Ş. ("Yapı Kredi Faktoring")	UniCredit S.p.A.	Turkey	Factoring
Yapı Kredi Finansal Kiralama A.O. ("Yapı Kredi Finansal Kiralama")	UniCredit S.p.A.	Turkey	Leasing
Yapı Kredi Holding B.V. ("Yapı Kredi Holding")	UniCredit S.p.A.	The Netherlands	Financial Consulting
Yapı Kredi Invest LLC. ("Yapı Kredi Invest")	UniCredit S.p.A.	Azerbaijan	Brokerage
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. ("Yapı Kredi Koray")	Koray Group Companies	Turkey	Real Estate
Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy")	UniCredit S.p.A.	Turkey	Portfolio Management
Yapı Kredi Yatırım Menkul Değerler A.Ş. ("Yapı Kredi Menkul")	UniCredit S.p.A.	Turkey	Brokerage
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi Bankası")	UniCredit S.p.A.	Turkey	Banking

Yapı Kredi Sigorta A.Ş. has been sold to Allianz SE as of 12 July 2013.

Associates	Country of incorporation	Nature of Business
Allianz Yaşam ve Emeklilik A.Ş. ("Allianz Emeklilik") (4)	Turkey	Insurance
Banque de Commerce et de Placements S.A. ("Banque de Commerce")	Switzerland	Banking

(1) The legal titles of Koç Tüketici Finansmanı A.Ş. and Koç Fiat Kredi Tüketici Finansmanı A.Ş. have been changed as Koç Finansman A.Ş. and Koç Fiat Kredi Finansman A.Ş. respectively, in accordance with the Financial Leasing, Factoring and Financing Companies Law numbered 6361.
(2) In the process of liquidation.
(3) Although Yapı Kredi Bankası has no shareholding interest, the special purpose company established for securitization transactions is included in the scope of consolidation.
(4) The legal title of Yapı Kredi Emeklilik A.Ş. has been changed as Allianz Yaşam ve Emeklilik A.Ş. as of September 2013.

Other Sectors

Subsidiaries	Country of incorporation	Nature of business
Ayvalık Marina ve Yat İşletmeciliği San. ve Tic. A.Ş. ("Ayvalık Marina")	Turkey	Tourism
Bilkom Bilişim Hizmetleri A.Ş. ("Bilkom")	Turkey	Trading
Divan Turizm İşletmeleri A.Ş. ("Divan")	Turkey	Tourism
Düzey Tüketim Malları Sanayi Pazarlama A.Ş. ("Düzey")	Turkey	Trading
Harranova Besi ve Tarım Ürünleri A.Ş. ("Harranova Besi")	Turkey	Agriculture and Food
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ("Koç Sistem")	Turkey	Technology
Koç Yapı Malzemeleri Ticaret A.Ş. ("Koç Yapı Malzeme")	Turkey	Trading
Marmaris Altınyunus Turistik Tesisleri A.Ş. ("Mares")	Turkey	Tourism
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	Turkey	Foreign Trade
RMK Marine Gemi Yapım Sanayi ve Deniz Taş. İşl. A.Ş. ("RMK Marine")	Turkey	Ship Construction
Setur Servis Turistik A.Ş. ("Setur")	Turkey	Tourism
Setur Yalova Marina İşletmeciliği A.Ş. ("Yalova Marina")	Turkey	Tourism
Tat Gıda Sanayi A.Ş. ("Tat Gıda") (1)	Turkey	Food
Tat Tohumculuk A.Ş. ("Tat Tohumculuk") (2)	Turkey	Agriculture
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

(1) The legal title of Tat Konserve Sanayi A.Ş. has been changed as Tat Gıda Sanayi A.Ş. as of 15 November 2013.
(2) Upon the completion of the sales transaction on 9 December 2013, Tat Tohumculuk has been excluded from the scope of consolidation.

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Koçtaş Yapı Marketleri Ticaret A.Ş. ("Koçtaş Yapı Market")	Kingfisher Plc	Turkey	Retail
Netsel Turizm Yatırımları A.Ş. ("Netsel")	Torunlar GYO A.Ş.	Turkey	Tourism

For the purpose of segment presentation in these consolidated financial statements; Koç Holding's stand-alone financial statements have been included in the "Other" segment (Note 3).

NOTE 2-BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") that are set out in the 5th article of the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 and published in Official Gazette numbered 28676.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for public companies operating in Turkey. Consequently, the consolidated financial statements of the Group have been prepared in accordance with this resolution.

The consolidated financial statements have been prepared considering certain adjustments and reclassifications for the purpose of fair presentation in accordance with the Turkish Accounting Standards issued by the POA.

Koç Holding and its Subsidiaries and Joint Ventures registered in Turkey maintain their books of account and prepare their statutory financial statements in TL in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance, applicable Turkish insurance laws for insurance companies and banking law, accounting principles and instructions promulgated by the Banking Regulation and the Supervision Agency ("BRSA") for banks. 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 Turkish Financial Reporting Standards, have been accounted for in the statutory financial statements which are prepared in accordance with the historical cost principle.

2.1.2 Comparatives and adjustment of prior periods' financial statements

The current period consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to the changes in the presentation of the current period consolidated financial statements.

Financial statements of prior periods are restated in accordance with the changes in accounting policies resulting from the new standards, amendments and interpretations effective from 1 January 2013 and Communiqué on the Principles of Financial Reporting issued by CMB. The effects of these restatements are disclosed in Note 2.3.

2.1.3 EUR and USD amounts presented in the financial statements

EUR and USD amounts shown in the consolidated balance sheet prepared in accordance with the TAS/TFRS have been translated from TL, as a matter of arithmetic computation only, at the official EUR and USD bid rates announced by the CBRT on 31 December 2013 of TL2,9365 = EUR1 and TL2,1343 = 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 2013 of TL2,5254= EUR1 and TL1,9013= 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 2013 are consistent with those applied in the preparation of the consolidated financial statements as of
31 December 2012, except for the new standards and International Financial Reporting Interpretations Committee's ("IFRIC") interpretations summarized below.

Standards, amendments and interpretations effective as of 1 January 2013:

-TFRS 7 Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities (Amended)
-TAS 1 Presentation of Financial Statements (Amended)-Presentation of Items of Other Comprehensive Income
-TAS 19 Employee Benefits (Amended)
-TAS 27 Separate Financial Statements (Amended)
-TAS 28 Investments in Associates and Joint Ventures (Amended)
-TFRS 10 Consolidated Financial Statements
-TFRS 11 Joint Arrangements
-TFRS 12 Disclosure of Interests in Other Entities
-TFRS 13 Fair Value Measurement
-TFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
-Transition Guidance (Amendments to TFRS 10, TFRS 11 and TFRS 12)
-Improvements to TFRSs (Annual Improvements to TFRSs-2009-2011)

The new and amended standards and interpretations effective as of 1 January 2013 have no impact in the consolidated financial statements of the Group except for TFRS 11 "Joint Arrangements", TFRS 12 "Disclosures of Interest in Other Entities" and amendments in TAS 19 "Employee Benefits". Disclosure requirements of TFRS 12 "Disclosures of Interest in Other Entities" have been presented in the related notes; and the effects of other standards and improvements in the Group's consolidated balance sheet, consolidated statements of income and consolidated cash flows as of 31 December 2012 have been disclosed in Note 2.3.

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

Standards, amendments and improvements issued but not yet effective and not early adopted:

Amendments effective as of 1 January 2014,

-TAS 32 Financial Instruments: Presentation-Offsetting Financial Assets and Financial Liabilities (Amended)
-TFRIC Interpretation 21 Levies
-TAS 36 Impairment of Assets-Recoverable Amount Disclosures for Non-Financial Assets (Amendment)
-TAS 39 Financial Instruments: Recognition and Measurement-Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

Standards effective as of 1 January 2015,

-TFRS 9 Financial Instruments-Classification and Measurement

New standards, amendments and interpretations that are issued by the International Accounting Standard Boards (IASB) but not issued by POA:

-IFRS 10 Consolidated Financial Statements (Amendment)
-UFRS 9 Financial Instruments-Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39-IFRS 9 (2013)
-Improvements to IFRSs-2010-2012 Cycle and IFRSs-2011-2013 Cycle
-IFRS 14-Interim Standard on Regulatory Deferral Accounts

Resolutions promulgated by the POA

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. "The financial statement examples and user guide" became immediately effective at its date of issuance; however, other resolutions shall become effective for the annual reporting periods beginning after 31 December 2012.

-2013-1 Financial Statement Examples and User Guide
-2013-2 Accounting of Business Combinations under Common Control
-2013-3 Accounting of Redeemed Share Certificates
-2013-4 Accounting of Cross Shareholding Investments

The effects of resolution promulgated by POA "2013-1 Illustrative Financial Statements and User Guide" on the Group's consolidated balance sheet, consolidated statements of income and consolidated cash flows as of 31 December 2012 have been disclosed in Note 2.3.

2.3 Changes in Accounting Policies

Any change in accounting policies resulting from the first time adoption of a new TAS/TFRS is made either retrospectively or prospectively in accordance with the transition requirements of TAS/TFRS. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements.

If changes in accounting estimates are related to only one period, they are recognised in the period when the changes are applied; if changes in estimates are related to future periods, they are recognised both in the period where the change is applied and in future periods prospectively. The estimates used in the preparation of these consolidated financial statements are consistent with those used in the preparation of consolidated financial statements for the year ended 31 December 2012.

Within the new standards, amendments and interpretations effective from 1 January 2013, the Group has applied the changes in accounting policies resulting from the first time adoption of "TFRS 11 Joint Arrangements" and "TAS 19 Employee Benefits" retrospectively, in accordance with the transitional provisions of the related standards.

Additionally, in accordance with the decision taken on 7 June 2013 by the CMB at its meeting numbered 20/670, a new set of illustrative financial statements and guidance to it have been issued effective from the interim periods ended after 31 March 2013 which is applicable for the companies that are subject to the Communiqué regarding the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, retrospective reclassifications have been accounted for in the Group's consolidated financial statements as of 31 December 2012.

The effects of changes resulting from the application of the new standards and changes in the illustrative financial statements are as follows:

2.3.1 Group Accounting-Accounting of Joint Ventures

The Group's interests in Joint Ventures, companies in respect of which there are contractual arrangements to undertake an economic activity subject to joint control, were accounted for by proportionate consolidation method in accordance with "TAS 31 Shares in Joint Ventures" effective before 1 January 2013. Under proportionate consolidation, the Joint Venture's assets, liabilities, equity, income and expenses are consolidated by the total ownership interest of the Group and intercompany transactions and balances with Joint Ventures are eliminated during the consolidation.

"TFRS 11 Joint Arrangements", effective for the annual periods on or after 1 January 2013, supersedes "TAS 31 Shares in Joint Ventures" and requires the application of the equity method for the consolidation of interests in joint ventures in accordance with "TAS 28 Investments in Associates and Joint Ventures".

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

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 acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss. Distributions (dividends etc.) received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

In accordance with this amendment, the Group changed its policy regarding the accounting of its Joint Ventures from proportionate consolidation method to equity method in conformity with the transitional provisions stated in "TFRS 11 Joint Arrangements". The Group's investment in its Joint Ventures is recognised as at the beginning of the earliest period presented in the consolidated financial statements as of 1 January-31 December 2013. This initial investment has been measured as the aggregate of the carrying amounts of the assets and liabilities that the Group has previously proportionately consolidated, including any goodwill arising from acquisition.

Total direct and indirect ownership interest of Koç Holding has been taken into consideration in the accounting of Joint Ventures by equity method.

Since the interests in Joint Ventures are considered as part of the main operations of Koç Holding, "Share of profit/loss of Joint Ventures" account is presented under operating profit in the consolidated statement of income.

2.3.2 Provision for Employment Termination Benefits-Accounting of Actuarial Gains/Losses

The provision for employment termination benefits, as required by Turkish Labour Law represents the present value of the future probable obligation of the Group arising from the retirement of its employees based on the actuarial projections.

"TAS 19 Employee Benefits" requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity's obligation for employment termination benefits. The effects of differences between the actuarial assumptions and the actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gains/losses.

In accordance with "TAS 19 Employee Benefits" effective before 1 January 2013, the actuarial gains/losses were recognised in the statement of income whereas the amendment, effective as of 1 January 2013, requires the actuarial gains/losses to be recognised under other comprehensive income. With this amendment, the Group accounted for its actuarial gains/losses under other comprehensive income in conformity with the transitional provisions stated in "TAS 19 Employee Benefits".

2.3.3 Reclassifications within the scope of the Communiqué on the Principles of Financial Reporting and decision taken on 7 June 2013 by the CMB

In accordance with the decision taken on 7 June 2013 by the CMB at its meeting numbered 20/670, a new set of illustrative financial statements and guidance to it have been issued effective from the interim periods ended after
31 March 2013 which is applicable for the companies that are subject to the Communiqué regarding the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, retrospective reclassifications have been accounted for in the consolidated financial statements of the Group.

The reclassifications in the Group's consolidated financial statements as of 31 December 2012 are as follows:

-Short term portion of long term borrowings amounting to TL2.803.795 thousand, which was disclosed in short term borrowings, has been represented as a separate balance sheet account in the consolidated balance sheet.

-Short term and long term provisions amounting to TL652.599 thousand and TL97.271 thousand, which were disclosed in other current and non-current liabilities, respectively, have been presented as separate balance sheet accounts in the consolidated balance sheet.

-TL38.900 thousand of provisions for unused vacation accounted for under short term provisions for employee benefits has been reclassified to long term provisions for employee benefits.

-Foreign exchange gains arising from trading activities amounting to TL366.043 thousand, credit finance income amounting to TL236.901 thousand have been reclassified from financial income to other operating income.

-Foreign exchange losses arising from trading activities amounting to TL372.706 thousand, credit finance charges amounting to TL57.077 thousand have been reclassified from financial expenses to other operating expenses.

-Dividend income amounting to TL1.752 thousand, gain on sale of property, plant and equipment amounting to TL12.448 thousand and gain on sale of subsidiary amounting to TL6.393 thousand have been reclassified from other operating income to gains from investment activities.

-Loss on sale of property, plant and equipment amounting to TL15.470 thousand, loss on sale of financial assets amounting to TL2.093 thousand, provision for impairment in financial assets amounting to TL13.826 thousand and provision for impairment in asset held for sale amounting to TL15.187 have been reclassified from other operating expenses to losses from investment activities.

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

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

The effects of restatement of financial statements of prior periods within the scope of the changes in the accounting policies:

The effects of restatement of consolidated balance sheet as of 31 December 2012 are presented below:

	As previously reported 31 December 2012 TL'000	As restated 31 December 2012 TL'000	Net effect of restatement TL'000
ASSETS			
Current assets:			
Cash and cash equivalents	10.474.225	7.103.748	(3.370.477)
Balances with central banks	4.970.513	-	(4.970.513)
Financial assets	928.909	29.284	(899.625)
Trade receivables	8.184.716	6.971.090	(1.213.626)
Receivables from finance sector operations	23.035.524	826.947	(22.208.577)
Derivative instruments	202.845	7.278	(195.567)
Inventories	6.656.979	5.653.032	(1.003.947)
Other current assets	2.551.167	1.053.713	(1.497.454)
Total current assets	**57.004.878**	**21.645.092**	**(35.359.786)**
Non-current assets:			
Financial assets	10.173.385	113.224	(10.060.161)
Joint Ventures accounted for using the equity method	-	9.000.830	9.000.830
Trade receivables	156.030	210.732	54.702
Receivables from finance sector operations	20.078.807	712.583	(19.366.224)
Derivative instruments	61.625	1.979	(59.646)
Investment properties	93.766	84.642	(9.124)
Property, plant and equipment	14.266.871	11.783.508	(2.483.363)
Intangible assets	1.876.672	1.279.606	(597.066)
Goodwill	3.833.043	2.913.543	(919.500)
Deferred tax assets	370.616	140.098	(230.518)
Other non-current assets	1.151.333	801.941	(349.392)
Total non-current assets	**52.062.148**	**27.042.686**	**(25.019.462)**
Total assets	**109.067.026**	**48.687.778**	**(60.379.248)**

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

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

The effects of restatement of consolidated balance sheet as of 31 December 2012 are presented below:

	As previously reported 31 December 2012 TL'000	*As restated* 31 December 2012 TL'000	*Net effect of restatement* TL'000
LIABILITIES			
Current liabilities:			
Payables of finance sector operations	35.256.360	-	(35.256.360)
Short term borrowings	12.238.810	1.938.888	(10.299.922)
Short term portion of long term borrowings	-	2.803.795	2.803.795
Trade payables	8.355.236	7.328.797	(1.026.439)
Other payables	1.979.123	1.770.681	(208.442)
Derivative instruments	195.291	18.922	(176.369)
Current income tax liabilities	205.022	76.723	(128.299)
Provisions for employee benefits	97.751	-	(97.751)
Provisions	-	652.599	652.599
Other current liabilities	6.548.930	1.226.216	(5.322.714)
	64.876.523	**15.816.621**	**(49.059.902)**
Non-current liabilities:			
Payables of finance sector operations	778.963	-	(778.963)
Long term borrowings	14.583.371	7.646.969	(6.936.402)
Derivative instruments	475.187	5.159	(470.028)
Provisions for employee benefits	877.897	349.433	(528.464)
Provisions	-	97.271	97.271
Deferred tax liabilities	452.161	414.825	(37.336)
Other non-current liabilities	271.679	96.243	(175.436)
Total non-current liabilities	**17.439.258**	**8.609.900**	**(8.829.358)**
Total liabilities	**82.315.781**	**(57.889.260)**	**24.426.521**
Equity:			
Paid-in share capital	2.535.898	2.535.898	-
Adjustment to share capital	967.288	967.288	-
Total share capital	3.503.186	3.503.186	-
Share premium	9.286	9.286	-
Revaluation funds	238.923	-	(238.923)
Currency translation differences	106.344	-	(106.344)
Other comprehensive income/expense not to be reclassified to profit or loss	-	(1.274)	(1.274)
Other comprehensive income/expense to be reclassified to profit or loss	-	321.354	321.354
Restricted reserves	2.336.332	2.336.332	-
Prior years' income	7.777.001	7.792.918	15.917
Profit for the period	2.314.880	2.324.150	9.270
Equity holders of the parent	16.285.952	16.285.952	-
Non-controlling interest	10.465.293	7.975.305	(2.489.988)
Total equity	**26.751.245**	**24.261.257**	**(2.489.988)**
Total liabilities and equity	**109.067.026**	**48.687.778**	**(60.379.248)**

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

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

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

The effects of restatement of consolidated statement of income dated 31 December 2012 are presented below:

	As previously reported **31 December 2012 TL'000**	*As restated* **31 December 2012 TL'000**	*Net effect of restatement* **TL'000**
Revenue	77.535.603	65.449.383	(12.086.220)
Revenue from finance sector operations	7.297.729	216.352	(7.081.377)
Total revenue	**84.833.332**	**65.665.735**	**(19.167.597)**
Cost of sales (-)	(69.517.198)	(58.946.894)	10.570.304
Cost of finance sector operations (-)	(3.621.323)	(129.888)	3.491.435
Total cost	**(73.138.521)**	**(59.076.782)**	**14.061.739**
Gross profit non-finance	8.018.405	6.502.489	(1.515.916)
Gross profit finance	3.676.406	86.464	(3.589.942)
Gross profit	**11.694.811**	**6.588.953**	**(5.105.858)**
Marketing, selling and distribution expenses (-)	(3.172.978)	(2.606.227)	566.751
General administrative expenses (-)	(3.340.274)	(1.721.863)	1.618.411
Research and development expenses (-)	(166.507)	(110.274)	56.233
Other operating income	270.018	758.726	488.708
Other operating expense (-)	(820.832)	(584.171)	236.661
Share of profit/loss of Joint Ventures	-	1.485.394	1.485.394
Operating profit	**4.464.238**	**3.810.538**	**(653.700)**
Gains from investment activities	-	20.593	20.593
Losses from investment activities (-)	-	(46.576)	(46.576)
Operating profit before financial income/expense	**4.464.238**	**3.784.555**	**(679.683)**
Share of profit/loss of investments accounted for using the equity method	8.896	-	(8.896)
Financial income	2.293.693	1.427.506	(866.187)
Financial expenses (-)	(2.249.329)	(1.434.297)	815.032
Profit before tax	**4.517.498**	**3.777.764**	**(739.734)**
Tax income/(expense)	**(415.791)**	**(33.941)**	**381.850**
-Current income tax expense (-)	(904.707)	(409.400)	495.307
-Deferred tax income/(expense)	488.916	375.459	(113.457)
Profit for the period	**4.101.707**	**3.743.823**	**(357.884)**
Attributable to:			
Non-controlling interest	1.786.827	1.419.673	(367.154)
Equity holders of the parent	**2.314.880**	**2.324.150**	**9.270**

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

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

The effects of restatement of consolidated statement of cash flow dated 31 December 2012 are presented below:

	As previously reported **31 December 2012 TL'000**	*As restated* **31 December 2012 TL'000**	*Net effect of* **restatement TL'000**
Cash flows from operating activities	3.407.726	3.327.547	(80.179)
Cash flows from investing activities	(3.429.533)	(2.845.784)	583.749
Cash flows from financing activities	4.003.043	1.994.012	(2.009.031)
Cash and cash equivalents at the beginning of the period	6.359.381	4.250.029	(2.109.352)
Cash and cash equivalents at the end of the period	10.103.786	6.622.809	(3.480.977)

The breakdown of assets and liabilities classified under "Joint Ventures accounted for using the equity method" account in the restated consolidated balance sheet is as follows:

	31 December 2012 TL'000	**31 December 2011 TL'000**
Assets:		
Cash and cash equivalents	3.370.477	2.148.382
Balances with central banks	4.970.513	4.524.256
Financial assets	10.959.786	10.823.369
Derivative instruments	255.213	326.159
Trade receivables	1.158.924	1.452.129
Receivables from finance sector operations	41.574.801	37.010.991
Inventories	1.003.947	986.492
Investment properties	9.124	8.367
Property, plant and equipment	2.483.363	2.075.854
Intangible assets	597.066	514.496
Goodwill	919.500	829.018
Deferred tax assets	230.518	306.796
Other current assets	1.846.846	1.518.749
	69.380.078	62.525.058
Liabilities:		
Payables of finance sector operations	36.035.323	34.855.019
Financial liabilities	14.432.529	12.317.726
Derivative instruments	646.397	520.651
Trade payables	1.026.439	1.396.963
Current income tax liabilities	128.299	87.487
Provisions for employee benefits	626.215	600.857
Deferred tax liabilities	37.336	44.797
Other current liabilities	4.956.722	3.400.663
	57.889.260	**53.224.163**
Non-controlling interest	**2.489.988**	**1.969.647**
Net assets of Joint Ventures	**9.000.830**	**7.331.248**

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 "TAS/TFRS" and the application of uniform accounting policies and presentation.

b) Subsidiaries are companies over which Koç Holding has the power to control the financial and operating policies for the benefit of Koç Holding, either (a) through the power to exercise more than 50% of voting rights relating to the shares in the companies as a result of the ownership interest owned directly and indirectly by itself, and/or by certain Koç Family members and companies owned by them whereby Koç Holding exercises control over the ownership interest of the shares held by them; or (b) although not having the power to exercise more than 50% of the ownership interest, it has rights or is exposed to variable returns from its involvement with the investee and when at the same time it has the power to affect these returns through its power over the investee.

The balance sheets and income statements of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Koç Holding and its Subsidiaries is eliminated against the related equity. Intercompany transactions and balances between Koç Holding and its Subsidiaries are eliminated during the consolidation. The nominal amount of the shares held by Koç Holding in its Subsidiaries and the associated dividends are eliminated from equity and income for the period, respectively.

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

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

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

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

	Proportion of interest effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interese	
Subsidiaries	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Akpa	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Anadoluhisarı Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Archin	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Arctic	39,18	39,18	96,72	96,72	-	-	96,72	96,72
Arctic Pro	39,18	39,18	100,00	100,00	-	-	100,00	100,00
Arçelik	40,51	40,51	40,51	40,51	11,42	11,42	51,93	51,93
Ardutch	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Ardutch Taiwan	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Aygaz	40,68	40,68	40,68	40,68	10,53	10,53	51,21	51,21
Aygaz İletim	40,53	40,53	100,00	100,00	-	-	100,00	100,00
Aygaz Toptan Satış	40,36	40,36	100,00	100,00	-	-	100,00	100,00
Ayvalık Marina	48,41	48,41	95,57	95,57	4,43	4,43	100,00	100,00
Beko Australia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Cesko	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko China	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Czech	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Deutschland	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Egypt	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Espana	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko France	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Hong Kong (1)	40,51	-	100,00	-	-	-	100,00	-
Beko Hungary	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 Magyarorszag (2)	-	40,51	-	100,00	-	-	-	100,00
Beko Plc	20,26	20,26	50,00	50,00	50,00	50,00	100,00	100,00
Beko Polska	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko Russia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beko 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 Ukraine	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Beykoz Tankercilik (3)	34,95	34,13	100,00	100,00	-	-	100,00	100,00
Bilkom	82,28	82,28	99,94	99,94	0,06	0,06	100,00	100,00
Blomberg Werke	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Demir Export	2,34	2,34	2,34	2,34	97,46	97,46	99,80	99,80
Defy	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Defy Botswana	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Defy Carron	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Defy Kindoc	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 Ocean	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Defy Swaziland (4)	40,51	-	100,00	-	-	-	100,00	-
Defy Trust Two	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Ditaş (3)	34,95	34,13	80,00	80,00	-	-	80,00	80,00
Divan	11,79	11,79	25,46	25,46	74,54	74,54	100,00	100,00
Düzey	31,65	31,65	32,28	32,28	61,28	61,28	93,56	93,56
Elektra Bregenz	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Enerji Yatırımları (3)	85,68	83,66	98,50	96,50	-	-	98,50	96,50
Grundig Austria	40,51	40,51	100,00	100,00	-	-	100,00	100,00

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

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

	Proportion of interest effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interese	
Subsidiaries	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Grundig Czech Republic	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Intermedia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Hungary	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Multimedia	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Norway	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Portugal	40,51	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Slovakia	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 (5)	40,51	-	100,00	-	-	-	100,00	-
Harranova Besi	41,95	41,95	74,62	74,62	15,38	15,38	90,00	90,00
Kadıköy Tankercilik (3)	34,95	34,13	100,00	100,00	-	-	100,00	100,00
Kandilli Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Karşıyaka Tankercilik (3)	34,95	34,13	100,00	100,00	-	-	100,00	100,00
Kartal Tankercilik (3)	34,95	34,13	100,00	100,00	-	-	100,00	100,00
Koç Finansman	64,71	64,71	94,50	94,50	5,50	5,50	100,00	100,00
Koç Sistem	41,14	41,14	41,18	41,18	53,17	53,17	94,35	94,35
Koç Yapı Malzeme	43,18	43,18	43,18	43,18	47,62	47,62	90,81	90,81
Kuleli Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
KuzguncukTankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Maltepe Tankercilik (3)	34,95	34,13	100,00	100,00	-	-	100,00	100,00
Mares	36,81	36,81	36,81	36,81	33,46	33,46	70,27	70,27
Mogaz (5)	-	40,68	-	100,00	-	-	-	100,00
Otokar	44,90	44,90	44,92	44,92	2,70	2,70	47,62	47,62
Otokoç	96,42	96,42	96,57	96,57	3,43	3,43	100,00	100,00
Otokoç Sigorta	48,22	48,22	50,02	50,02	49,98	49,98	100,00	100,00
Otoyol	53,95	53,95	53,95	53,95	10,18	10,18	64,13	64,13
Ram Dış Ticaret	57,70	57,70	83,45	83,44	14,66	14,66	98,11	98,10
Raupach	40,51	40,51	100,00	100,00	-	-	100,00	100,00
RMK Marine	53,81	53,81	66,84	66,84	33,16	33,16	100,00	100,00
Salacak Tankercilik (3)	34,95	34,13	100,00	100,00	-	-	100,00	100,00
Sarıyer Tankercilik (3)	34,95	34,13	100,00	100,00	-	-	100,00	100,00
Setur	46,32	46,32	81,07	81,07	18,87	18,87	99,94	99,94
T Damla Denizcilik (3)	34,95	34,13	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
Tat Tohumculuk (8)	-	16,15	-	33,00	-	3,00	-	36,00
Tek-Art Marina	50,48	50,48	51,94	51,94	47,46	47,46	99,40	99,40
Tüpraş (3)	43,70	42,67	51,00	51,00	-	-	51,00	51,00
Üsküdar Tankercilik (3)	34,95	34,13	100,00	100,00	-	-	100,00	100,00
Yalova Marina	46,63	46,63	100,00	100,00	-	-	100,00	100,00
Zer Ticaret	39,00	39,00	39,00	39,00	60,06	60,06	99,06	99,06

(1) Established in 2013.
(2) Liquidated in 2013.
(3) The proportion of effective interest has been changed since Koç Holding has purchased shares representing 2% of the capital of Enerji Yatırımları from Shell Overseas Inv. B.V and The Shell Company of Turkey Ltd.
(4) Established as a separate company in 2013 while it was previously a branch of Defy.
(5) Operating as a separate company since 2013 while it was previously a branch of Grundig Multimedia.
(6) Merged with Aygaz A.Ş. as of 22 January 2013.
(7) Although, the total ownership interest of Koç Holding in Otokar is less than 50%, Koç Holding has the power to exercise control over financial and operating policies of this company.
(8) Has been sold to Kagome Co. Ltd. on 9 December 2013.

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

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

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

As disclosed in detail in Note 2.3, "TAS 11 Joint Arrangements", effective for the annual periods on or after 1 January 2013, supersedes "TAS 31 Shares in Joint Ventures" and requires the application of the equity method for the consolidation of interests in joint ventures in accordance with "TAS 28 Investments in Associates and Joint Ventures".

Under the equity method, the investment in a joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of the acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss. Distributions (dividends etc.) received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for the change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

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

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

	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
Joint Ventures	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
AES Enerji Ltd.	34,90	34,90	49,62	49,62	-	-	49,62	49,62
AES Entek	34,90	34,90	49,62	49,62	-	-	49,62	49,62
Arçelik LG Klima	23,23	23,23	50,00	50,00	-	-	50,00	50,00
Ayas Enerji	17,45	17,45	49,62	49,62	-	-	49,62	49,62
Cenay Elektrik	34,90	34,90	49,62	49,62	-	-	49,62	49,62
Eltek	34,90	34,90	49,62	49,62	-	-	49,62	49,62
Fer-Mas (1)	37,59	37,37	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	2,58	2,58	41,04	41,04
Güney Tankercilik (2)	9,00	8,79	50,00	50,00	-	-	50,00	50,00
Koç Finansal Hizmetler	40,21	40,21	44,12	44,12	5,88	5,88	50,00	50,00
Koçtaş Yapı Market	42,64	42,64	49,92	49,92	0,08	0,08	50,00	50,00
Kumköy Enerji	34,90	34,90	49,62	49,62	-	-	49,62	49,62
Kuzey Tankercilik (2)	9,00	8,79	50,00	50,00	-	-	50,00	50,00
Netsel	27,76	27,76	55,00	55,00	-	-	55,00	55,00
Opet (2)	18,00	17,59	41,33	41,33	8,67	8,67	50,00	50,00
Opet Fuchs (2)	9,00	8,79	50,00	50,00	-	-	50,00	50,00
Opet Gıda (2)	18,00	17,59	50,00	50,00	-	-	50,00	50,00
Opet International (2)	18,00	17,59	50,00	50,00	-	-	50,00	50,00
Opet Trade BV (2)	18,00	17,59	50,00	50,00	-	-	50,00	50,00
Opet Trade Singapore (2)	18,00	17,59	50,00	50,00	-	-	50,00	50,00
Selen Elektrik	34,90	34,90	49,62	49,62	-	-	49,62	49,62
Seymenoba Elektrik	34,90	34,90	49,62	49,62	-	-	49,62	49,62
Stiching Custody	32,89	32,89	50,00	50,00	-	-	50,00	50,00
THY Opet (2)	9,00	8,79	50,00	50,00	-	-	50,00	50,00
Tofaş	37,59	37,59	37,59	37,59	0,27	0,27	37,86	37,86
Türk Traktör	37,50	37,50	37,50	37,50	-	-	37,50	37,50
UniCredit Menkul	40,21	40,21	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Azerbaycan	32,89	32,89	50,00	50,00	-	-	50,00	50,00

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

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

	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
Joint Ventures	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Yapı Kredi Bankası	32,89	32,89	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Faktoring	32,88	32,88	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Fin.Kiralama	32,89	32,88	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Holding	32,89	32,89	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Invest	32,89	32,89	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Koray	10,01	10,01	30,45	30,45	-	-	30,45	30,45
Yapı Kredi Menkul	32,88	32,88	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Moscow	32,89	32,89	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Nederland	32,89	32,89	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Portföy	32,87	32,87	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Sigorta [3]	-	30,90	-	50,00	-	-	-	50,00
Yapı Kredi Yatırım [4]	31,36	18,44	50,00	50,00	-	-	50,00	50,00

[1] 0,58% of shares of Fer-Mas owned by other shareholders, have been purchased by Tofaş.
[2] The proportion of effective interest has been changed since Koç Holding has purchased shares representing 2% of the capital of Enerji Yatırımları from Shell Overseas Inv. B.V and The Shell Company of Turkey Ltd.
[3] Yapı Kredi Sigorta A.Ş. was sold to Allianz SE, following the completion of share transfer procedures on 12 July 2013.
[4] Within the scope of the liquidation of Yapı Kredi Yatırım, the shareholding rate of Yapı Kredi Bankası has reached up to 95,36% upon the takeover of the shares of other shareholders through the takeover bid.

d)Associates are accounted for using the equity method. Associates are companies in which the Group has voting power between 20% and 50% or the Group has power to participate in the financial and operating policy decisions but not control them. Unrealised gains or losses arising from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

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

	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
Associates	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Allianz Emeklilik[*]	6,58	30,90	20,00	50,00	-	-	20,00	50,00
Banque de Commerce	10,09	10,09	30,67	30,67	-	-	30,67	30,67

[*] The shares representing 19,93% of the capital of Allianz Yaşam ve Emeklilik A.Ş. were acquired by Yapı Kredi Finansal Kiralama on 12 July 2013.

e) Available-for-sale financial assets in which the Group together with Koç Family members, have ownership interests below 20%, or over which the Group does not exercise a significant influence or which are immaterial and do not have quoted market prices in active markets and whose fair values cannot be reliably measured, are carried at cost, less any accumulated impairment loss.

Available-for-sale financial assets, in which the Group together with Koç Family members, have ownership interests below 20% or over which the Group does not exercise a significant influence and that have quoted market prices in active markets and whose fair values can be reliably measured, are carried at fair value 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 interest". 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 interest and are not included in the Group's net assets and profits attributable to the shareholders of Koç Holding.

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.

In the financial periods before 1 January 2013, the Group prepared its segment reporting information in accordance with the consolidation principles set forth within TAS/TFRS. In the segment reporting information prepared within this scope, the Subsidiaries of the Group were recognised through full consolidation while Joint Ventures were recognised using the proportionate consolidation method.

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

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" as detailed in Note 2.3.1. Therefore, in the case that segment reporting is prepared based on the equity method set in "TFRS 11 Joint Arrangements", major financial information of Joint Ventures, except for net profit for the period, such as revenue, operating profit and profit before tax shall not be included in the related segment results.

The operations of Joint Ventures and their impacts on the financial results of the Group and the related segment are continued to be monitored in detail by the chief operating decision maker of the Group. Therefore, for the periods after 1 January 2013, segment reporting of Joint Ventures has not been prepared based on the equity method set by the "TFRS 11 Joint Arrangements"; rather, the financial information of Joint Ventures has been included in segment results by full consolidation method (as 100%) within the framework of new segment reporting approach. The Group defines this segment reporting information prepared in conformity with this new approach as "combined financial information"

2.4.3 Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of the Subsidiaries, Joint Ventures and Associates of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in TL, which is Koç Holding's functional and presentation currency.

Foreign currency transactions and balances

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates at the balance sheet date. Foreign exchange gains and losses resulting from trading activities (trade receivables and payables) denominated in foreign currencies of the Group companies operating in the non-finance sectors, have been accounted for under "other operating income/expenses" whereas foreign exchange gains and losses resulting from the translation of other monetary assets and liabilities denominated in foreign currencies have been accounted for under "financial income/expenses" in the consolidated income statement. Foreign exchange gains and losses resulting from monetary asset and liabilities denominated in foreign currencies of the Group companies operating in the finance sector, have been classified under "revenue/cost of finance sector operations" in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to functional currency using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Financial statements of foreign subsidiaries, joint ventures and associates

The assets and liabilities, presented in the financial statements of the foreign Subsidiaries, Joint Ventures and Associates prepared in accordance with the Group's accounting policies, are translated into TL at the exchange rate at the date of the balance sheet whereas income and expenses are translated at the average exchange rates for the respective periods. Exchange differences resulting from using the exchange rates at the balance sheet date and the average exchange rates are recognised in the currency translation differences under the equity.

2.4.4 Assets and liabilities held for sale

Discontinued operation is a major line of business or geographical area of operations that is part of a single coordinated plan to be disposed of or is held-for-sale.

A single amount on the face of the income statements comprising the total of the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised by the disposal of the assets constituting the discontinued operation is disclosed. Also, the net cash flows of the discontinued operations associated with the operating, investment and financing activities are specified in the related note.

Group of non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Liabilities directly associated with those assets are also classified similarly.

Non-current assets or asset groups that meet the criteria of asset held for sale are measured at the lower of its carrying amount and fair value less cost to sell. These assets are not depreciated.

2.4.5 Related parties

For the purpose of these consolidated financial statements, shareholders, Koç Holding A.Ş. key management personnel and BOD members, their close family members and the legal entities over which these related parties exercise control and significant influence, subsidiaries and joint ventures excluded from the scope of consolidation are considered and expressed as "related parties".

2.4.6 Financial assets

The appropriate classification of financial assets is determined at the time of the purchase and re-evaluated by management on a regular basis.

"Financial assets at fair value through profit or loss" are either acquired for generating a profit from short-term price fluctuations or dealers' margin, or included in a portfolio in which a pattern of short-term profit making exists. Financial assets at fair value through profit or loss are initially recognised and subsequently measured at fair value. All related gains and losses are accounted in the income statement.

Non-derivative financial assets with fixed maturities, where management has both the intent and the ability to hold to the maturity excluding the financial assets classified as loans and advances to customers are classified as "held to-maturity financial assets". Held-to-maturity financial assets are carried at amortised cost using the effective yield method.

"Available-for-sale financial assets" are non-derivatives that are not designated in financial assets at fair value through profit or loss, held-to-maturity financial assets or loans and receivables. These are included in noncurrent assets unless management has the intention of holding these investments for less than 12 months from the balance sheet date, or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

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

Available-for-sale financial assets are subsequently measured at fair value. Available-for-sale financial assets that are quoted in active markets are measured based on current bid prices. If the market for a financial asset is not active the fair value is determined by using valuation techniques such as discounted cash flow analysis and option pricing models.

Available-for-sale equity securities that do not have quoted fair values or for which fair values cannot be reliably measured through alternative methods, are measured at cost less any impairment.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are accounted in equity net of tax under "financial assets fair value reserve". Unrealised gains and losses arising from changes in the fair value of available-for-sale debt securities are the differences between the fair value of such securities and their amortised costs at the balance sheet date. When available-for-sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are transferred to the consolidated income statement. If the difference between the cost and the fair value of the available-for-sale securities is permanent, gains and losses are transferred to the consolidated income statement.

Interest and dividends associated to the available-for-sale financial assets are accounted under corresponding interest income and dividend income accounts.

"Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The
Group's loans and receivables comprise "cash and cash equivalents", "trade receivables" and "loans and advances to customers".

2.4.7 Repurchase and resale transactions

Securities purchased under agreements to resell are recorded as cash and cash equivalents in the consolidated financial statements. The difference between the purchase and resale price of these repurchase agreements is treated as interest income and accrued over the life of the reverse repurchase agreement.

2.4.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held in banks with maturities of 3 months or less, government bonds/treasury bills classified as available for sale financial assets with original maturities of 3 months or less and other short-term liquid investments.

2.4.9 Trade receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are carried at amortised cost. Trade receivables, net of unearned financial income, are measured at amortised cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for trade receivables is recognised if there is objective evidence for the inability to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to partial/full collection, the release of the provision is credited to other income. Doubtful receivables, for which no possibility of collection is foreseen, are written off from the records along with their related provisions.

Credit finance income/expenses and foreign exchange gains/losses arising from trading activities are accounted for under "other operating income/expense" in the consolidated statement of income.

2.4.10 Loans and advances to customers

Financial assets generated as a result of lending money or providing a loan are classified as loans and advances to customers and are carried at amortised cost, less any impairment. All loans and advances are recognised in the consolidated financial statements when cash is transferred to customers.

A credit risk provision for loan impairment is recognised if there is objective evidence that the Group will not be able to collect all the amounts due. The amount of the provision for impaired loans and loans under legal follow-up is the difference between the carrying amount and the recoverable amount. The recoverable amount is the net present value of the expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the associated loan.

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. The amount of provision is estimated based upon the Group's credit risk policy, the structure of the existing loan portfolio, historical patterns of losses in each component, the internal credit risk rating of the borrowers and the current economic climate in which the borrowers operate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a loan or receivable is uncollectible, it is written off against the allowance account for loans or receivables on the balance sheet. Subsequent recoveries of amounts previously impaired are credited against the allowance account on the balance sheet and accounted for as an income in the related provision account in the income statement.

2.4.11 Credit finance income/expenses

Credit finance income/expenses represent imputed finance charges on credit sales and purchases. Such income and expenses are recognised using the effective yield method over the period of credit sales and purchases withinthe materiality principle, and classified under "other income/expenses" in consolidated statement of income.

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

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

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 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 3-30 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.

2.4.14 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	4-25 years
Leasehold improvements	3-10 years

Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset.

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net selling price or value in use. Recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilisation of this property, plant and equipment or its fair value less cost to sell.

Repairs and maintenance are charged to the income statements during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Machinery and equipment are capitalised and amortised when their capacity is fully available for use and their physical situations meet the determined production capacities.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their net carrying amounts and are classified under "gains/losses from investing activities" in the current period.

2.4.15 Intangible assets and related amortisation

Intangible assets comprise usage rights, brands, development costs, information systems, generation licences and other identified rights. They are initially recognised at acquisition cost and amortised on a straight-line basis over their estimated useful lives. Cost of an intangible asset acquired by a business combination is its fair value at the acquisition date. Intangible assets with indefinite useful lives are not amortised, however are tested for impairment annually. Whenever there is an indication that the intangible is impaired, the carrying amount of the intangible asset is reduced to its recoverable amount and the impairment loss is recognised as an expense.

The amortisation periods for intangible assets, which approximate the economic useful lives of such assets, are as follows:

Rights	3-15 years
Brands	Indefinite useful life
Development costs	2-10 years
Other intangible assets	5-42 years

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

2.4.16 Leases

a) The Group-as the lessee

Finance leases

Leases of property, plant and equipment where the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are included in the property, plant and equipment at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset. An impairment loss is recognised when a decrease in the carrying amount of the leased property is identified. Interest expenses and foreign exchange losses related to the finance lease liabilities are accounted in the consolidated statement of income. Lease payments are deducted from finance lease liabilities.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

b) The Group-as the lessor

Operating leases

Assets leased out under operating leases are included in investment properties or property, plant and equipment in the consolidated balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised in the consolidated income statement on a straight-line basis over the lease term.

2.4.17 Business combinations and goodwill

A business combination is evaluated as the bringing together of separate entities or businesses into one reporting entity.

Business combinations realised before 1 January 2010 have been accounted for by using the purchase method in the scope of IFRS 3 "Business combinations" prior to the amendment. Under this method, the cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree and in addition, any costs directly attributable to the business combination. If a business combination contract includes clauses that enable adjustments in the cost of business combination depending on events after the acquisition date; in case the adjustment is measurable and more probable than not, than cost of business combination at acquisition date is adjusted.

Any excess of the cost of acquisition over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill in the consolidated financial statements.

Goodwill recognised in business combinations is tested for impairment annually (as of 31 December) or more frequently if events or changes in circumstances indicate impairment, instead of amortisation. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Any excess of the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is accounted for as income in the related period.

In business combinations involving entities under common control, assets and liabilities subject to a business combination are recognised at their carrying amounts in the consolidated financial statements. In addition, statements of income are consolidated from the beginning of the financial year in which the business combination takes place. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. As a result of these transactions, no goodwill is recognised. The difference arising in the elimination of the carrying value of the investment held and share capital of the acquired company is directly accounted under "effect of transactions under common control" in "retained earnings".

Fair value changes of contingent consideration that arise from business combinations realised before 1 January2010 are adjusted against goodwill.

The Group applied revised IFRS 3 "Business Combinations", which is effective for the periods beginning1 January 2010 for the business combinations realised in 2011 and 2012.

The revised IFRS 3 introduces a number of changes in accounting of business combinations having an impact on the amount of goodwill recognised in the consolidated financial statements, the reported results in the period of the acquisition, and the results that will be reported in the future. According to these changes, the costs related to the acquisition are accounted for as expense and subsequent changes in the fair value of contingent consideration are recognised in the profit or loss (rather than by adjusting goodwill).

Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For share purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. In case of the share sales to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recorded in equity.

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

2.4.18 Taxes on income

Taxes include current period income tax liabilities and deferred tax liabilities. A provision is recognised for the current period tax liability based on the period results of the Group at the balance sheet date.

Deferred income tax is provided for in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements.

Currently enacted tax rates are used to determine deferred income tax.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences (including unused incentive amounts and carried forward tax losses of prior years) are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

The parent company Koç Holding recognizes deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, only to the extent that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilized.

The parent company Koç Holding recognizes deferred tax liability for all taxable temporary differences associated with investments in subsidiaries except to the extent that both of the following conditions are satisfied:
- the parent is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

Government grants allowing reduced corporate tax payment are evaluated within the scope of TAS 12 Income Taxes standard and are recognised as deferred tax asset by the qualified tax advantage amount, to the extent it is highly probable that future taxable profits will be available against which the unused investment tax credits can be utilised.

The tax effects of the transactions that are accounted directly in the equity are also reflected to the equity.

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority with the condition of being same taxpayer entity and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

2.4.19 Financial liabilities

Financial liabilities are measured initially at fair value. Any transaction costs directly attributable to the undertaking of a financial liability are added on the fair value of the financial liability. These financial liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities subject to hedging are accounted within the framework of hedge accounting.

2.4.20 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.

2.4.21 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.

As indicated in Note 2.3, in accordance with TAS 19 "Employee Benefits" effective before 1 January 2013, the actuarial gains/losses were recognised in the statement of income whereas the amendment, effective as of 1 January 2013, requires the actuarial gains/losses to be recognised under other comprehensive income. With this amendment, the Group accounted for its actuarial gains/losses under other comprehensive income in conformity with the transitional provisions stated in TAS 19 "Employee Benefits".

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.

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

2.4.22 Provisions, contingent assets and liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and treated as contingent assets or liabilities.

2.4.23 Revenue recognition

Revenues include the invoiced amounts of goods and services sold. Revenues are recognised on an accrual basis at the time deliveries are made, risks and benefits related to the product are transferred, income amount is reliably measured and when it is highly probable that the Group will obtain future economic benefits. Interest income is realised according to the cut-off basis and accrued income is determined through taking into consideration the effective interest rate and the rate effective until maturity date. Net sales represent the invoiced value of goods shipped less sales returns and discounts. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as other income.

Contract revenue and costs related to the projects are recognised when the amount of revenue can be reliably measured and the increase in the revenue due to change in the scope of the contract related with the project is probable. Contract revenue is measured at the fair value of the consideration received or receivable. Projects are fixed price contracts and revenue is recognised in accordance with the percentage of completion method. The portion of the total contract revenue corresponding to the completion rate is recognised as contract revenue in the relevant period.

Finance sector

Interest income and expenses are recognised in the income statement on an accrual basis. When loans and advances to customers are considered doubtful of collection by management, they are written down to their recoverable amount, and interest income is thereafter recognised based in the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Service income is registered as income in the period during which it is collected, other fee and commission income and expenses are recognised on an accrual basis.

2.4.24 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.

2.4.25 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 in the period they are declared as a part of profit distribution.

2.4.26 Research and development costs

Research costs are recognised and expensed in the income statement in the period in which they are incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility and only if the cost can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense cannot be recognised as an asset in subsequent periods. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over their estimated useful lives (2-10 years).

2.4.27 Warranties

Warranty expenses are recorded as a result of repair and maintenance expenses for products produced and sold, authorised services' labour and material costs for products under the scope of the warranty terms without any charge to the customers, initial maintenance costs and estimated costs based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period.

2.4.28 Government grants

Government grants along with investment, research and development grants are accounted for on an accrual basis for estimated amounts expected to be realised under grant claims filed by the Group. These grants are accounted for as deferred income in the consolidated balance sheet and are credited to consolidated income statement on a straight-line basis over the expected lives of related assets. Government grants allowing reduced corporate tax payment are evaluated within the scope of TAS 12 Income Taxes standard (Note 2.4.18).

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

2.4.29 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, one that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Borrowing costs that are not in this scope are recognised directly in the income statement.

The financing costs of borrowings directly attributable to ongoing investments (interest expenses and foreign exchange loses based on the difference between the TL benchmark interest and interest regarding the foreign currency denominated loans) are capitalized until the completion of the investments.

2.4.30 Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and currency/ interest rate swap instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the consolidated financial statements. The fair value changes for these derivatives are recognised in the consolidated income statement.

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

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of hedged asset or liability attributable to the hedged risk is recorded as part of the carrying value of the hedged asset or liability during the effective hedging relationship. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised using a recalculated effective interest rate.

Cash flow hedge

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "hedging reserves". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement.

On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement.

2.4.31 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.

2.4.32 Events after the balance sheet date

The Group adjusts the amounts recognised in its 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.

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

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

2.4.33 Statement of cash flow

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (tangible and intangible assets and financial assets).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

2.5 Significant Accounting Estimates and Assumptions

Preparation of consolidated financial statements requires the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the balance sheet date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during the financial period. The accounting assessments, forecasts and assumptions are reviewed continuously considering the past experiences, other factors and the reasonable expectations about the future events under current conditions. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

2.6 Convenience Translation into English of Consolidated Financial Statements

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosure requirements of the POA.

NOTE 3-SEGMENT REPORTING

As disclosed in detail in Note 2.3.1, 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 2013 and 2012 are presented separately.

1 January-31 December 2013	Energy	Automotive	Consumer durables	Finance	Other	Total
External revenue	56.311.014	22.500.807	11.188.293	13.763.044	4.228.448	107.991.606
Intra segment revenue	8.940.242	2.342.077	508.303	10.749	828.862	12.630.233
Inter segment revenue	206.851	271.839	109.487	60.401	2.207.714	2.856.292
Combined revenue	**65.458.107**	**25.114.723**	**11.806.083**	**13.834.194**	**7.265.024**	**123.478.131**
Combined gross profit	2.961.854	3.043.517	3.491.517	7.555.216	1.295.413	18.347.517
Operating expenses	(1.755.377)	(1.425.641)	(2.594.286)	(3.101.545)	(1.212.222)	(10.089.071)
Other operating income/expenses (net) (1)	(752.753)	87.847	260.076	(1.140.146)	47.701	(1.497.275)
Combined operating profit	**453.724**	**1.705.723**	**1.157.307**	**3.313.525**	**130.892**	**6.761.171**
Gains/losses from investment activities(net(2)	2.817	(3.201)	(1.013)	1.368.131	50.963	1.417.697
Financial income/expenses (net)	(350.897)	(295.057)	(412.295)	-	75.426	(982.823)
Combined profit/(loss) before tax	**105.644**	**1.407.465**	**743.999**	**4.681.656**	**257.281**	**7.196.045**
Tax income/expense (net)	1.111.176	84.095	(128.873)	(750.243)	(70.907)	245.248
Net profit from discontinued operations (2)	-	-	-	39.569	-	39.569
Combined net profit for the period (3)	**1.216.820**	**1.491.560**	**615.126**	**3.970.982**	**186.374**	**7.480.862**
Net profit for the period (4)	**402.163**	**612.156**	**234.051**	**1.316.714**	**114.629**	**2.679.713**

(1) Provisions for loan impairment in Finance sector and the foreign exchange gains/losses and credit finance income/charges arising from trading activities (trade receivables and payables) of non-finance sector have been accounted for under "other operating income/expenses" account.
(2) As disclosed in Note 6.e, due to the sale of Yapı Kredi Sigorta A.Ş. ("YKS") shares owned by Yapı Kredi Bankası, a Joint Venture of the Group, the income statement items of YKS are presented in the "Discontinued operations" line. Gain on sale of Yapı Kredi Bankası from the sale of YKS shares amounting to TL1.324 million has been accounted for under "gains/losses from investment activities".
(3) The impact of the gain on sale of YKS shares of Yapı Kredi Bankası on combined net profit for the period is TL1.254 million.
(4) Represents consolidated net profit attributable to the equity holders of the parent. The impact of the gain of Yapı Kredi Bankası from sales of YKS shares on consolidated net profit for the period is TL412 million.

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

NOTE 3-SEGMENT REPORTING (Continued)

1 January-31 December 2012	Energy	Automotive	Consumer durables	Finance	Other	Total
External revenue	55.364.684	19.618.060	10.589.957	12.905.642	4.266.225	102.744.568
Intra segment revenue	7.631.376	2.200.082	421.465	18.972	778.783	11.050.678
Inter segment revenue	229.707	354.543	183.120	61.047	1.963.842	2.792.259
Combined revenue	**63.225.767**	**22.172.685**	**11.194.542**	**12.985.661**	**7.008.850**	**116.587.505**
Combined gross profit	**2.941.713**	**2.754.164**	**3.143.829**	**6.798.811**	**1.202.077**	**16.840.594**
Operating expenses	(1.592.468)	(1.190.160)	(2.352.158)	(2.851.668)	(1.070.323)	(9.056.777)
Other operating income/expenses (net) (1)	325.163	85.451	(48.668)	(1.122.133)	6.467	(753.720)
Combined operating profit	**1.674.408**	**1.649.455**	**743.003**	**2.825.010**	**138.221**	**7.030.097**
Gains/losses from investment activities (net)	12.292	11.710	536	32.384	(34.359)	22.563
Financial income/expenses (net)	59.091	(68.731)	(130.904)	-	21.034	(119.510)
Combined profit/(loss) before tax	**1.745.791**	**1.592.434**	**612.635**	**2.857.394**	**124.896**	**6.933.150**
Tax income/expense (net)	19.290	(88.949)	(79.614)	(607.476)	(29.243)	(785.992)
Net profit from discontinued operations (2)	-	-	-	106.944	-	106.944
Combined net profit for the period	**1.765.081**	**1.503.485**	**533.021**	**2.356.862**	**95.653**	**6.254.102**
Net profit for the period (3)	**683.608**	**613.507**	**197.162**	**786.001**	**43.872**	**2.324.150**

(1) Provisions for loan impairment in Finance sector and the foreign exchange gains/losses and credit finance income/charges arising from trading activities (trade receivables and payables) of Non-finance sector have been accounted for under "other operating income/expenses" account.
(2) As disclosed in Note 6.d, due to the sale of Yapı Kredi Sigorta A.Ş. ("YKS") shares owned by Yapı Kredi Bankası, a Joint Venture of the Group, the income statement items of YKS are presented in the "Discontinued operations" line.
(3) Represents consolidated net profit attributable to the equity holders of the parent.

	2013	2012
a) Revenue		
Energy	65.458.107	63.225.767
Automotive	25.114.723	22.172.685
Consumer durables	11.806.083	11.194.542
Finance	13.834.194	12.985.661
Other	7.265.024	7.008.850
Combined	**123.478.131**	**116.587.505**
Less: Joint Ventures (Note 6.d)	(54.141.700)	(47.835.356)
Less: Consolidation elimination and adjustments	(3.154.640)	(3.086.414)
Consolidated	**66.181.791**	**65.665.735**
b) Operating profit		
	453.724	1.674.408
Energy	1.705.723	1.649.455
Automotive	1.157.307	743.003
Consumer durables	3.313.525	2.825.010
Finance	130.892	138.221
Other		
Combined	**6.761.171**	**7.030.097**
Less: Joint Ventures (Note 6.d)	(5.050.366)	(4.704.953)
Add: Net profit shares of Joint Ventures (Note 6.c)	2.015.789	1.485.394
Consolidated	**3.726.594**	**3.810.538**

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

NOTE 3-SEGMENT REPORTING (Continued)

c) Depreciation and amortisation

Energy	481.087	464.587
Automotive	630.306	579.767
Customer durables	312.211	271.079
Finance	247.423	238.196
Other	102.229	97.225
Combined	**1.773.256**	**1.650.854**
Less: Joint Ventures (Note 6.d)	(902.537)	(875.176)
Consolidated	**870.719**	**775.678**

d) Profit before tax

	2013	2012
Energy	105.644	1.745.791
Automotive	1.407.465	1.592.434
Customer Durables	743.999	612.635
Finance	4.681.656	2.857.394
Other	257.281	124.896
Combined	**7.196.045**	**6.933.150**
Less: Joint Ventures (Note 6.d)	(6.156.800)	(4.640.780)
Add: Net profit shares of Joint Ventures (Note 6.c)	2.015.789	1.485.394
Consolidated	**3.055.034**	**3.777.764**

e) Net profit for the period

Energy	1.216.820	1.765.081
Automotive	1.491.560	1.503.485
Customer Durables	615.126	533.021
Finance	3.970.982	2.356.862
Other	186.374	95.653
Combined	**7.480.862**	**6.254.102**
Less: Joint Ventures (Note 6.d)	(5.496.342)	(3.995.673)
Add: Net profit shares of Joint Ventures (Note 6.c)	2.015.789	1.485.394
Less: Non-controlling interests	(1.320.596)	(1.419.673)
Consolidated (attributable to the equity holders of the parent)	**2.679.713**	**2.324.150**

f) Capital expenditures

	2013	2012
Energy (*)	3.198.404	2.147.349
Automotive	2.320.274	1.590.747
Customer Durables	530.096	488.564
Finance	251.563	318.052
Other	130.991	172.260
Combined	**6.431.328**	**4.716.972**
Less: Joint Ventures	(2.009.707)	(1.605.935)
Consolidated	**4.421.621**	**3.111.037**

(*) Capital expenditures include foreign exchange losses amounting to TL462.300 thousand capitalized by Tüpraş in the period 1 January-31 December 2013 (1 January-31 December 2012: TL92 thousand) regarding the borrowings for which no cash out flow has been realized yet.

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

NOTE 3-SEGMENT REPORTING (Continued)

g) Total assets

	31 December 2013	31 December 2012
Energy	33.891.828	28.049.337
Automotive	16.384.377	14.272.598
Customer Durables	11.963.440	10.373.835
Finance	161.848.308	132.723.080
Other	19.623.387	16.452.398
Combined	**243.711.340**	**201.871.248**
Less: Joint Ventures (Note 6.d)	(179.199.170)	(147.794.502)
Less: Eliminations	(5.722.210)	(5.388.968)
Consolidated	**58.789.960**	**48.687.778**

NOTE 4-CASH AND CASH EQUIVALENTS

	31 December 2013			31 December 2012		
	Finance	Non-Finance	Total	Finance	Non-Finance	Total
Cash in hand	-	2.069	2.069	-	1.669	1.669
Cheques received	-	73.336	73.336	-	62.529	62.529
Banks						
-Demand deposits	5.147	224.084	229.231	8.222	177.788	186.010
-Time deposits	5.223	8.462.006	8.467.229	39.499	6.723.052	6.762.551
Other	4.855	120.358	125.213	-	90.989	90.989
	15.225	**8.881.853**	**8.897.078**	**47.721**	**7.056.027**	**7.103.748**

NOTE 5-CASH AND CASH EQUIVALENTS

As of 31 December 2013, total blocked deposits amount to TL567.010 thousand (31 December 2012: TL480.939 thousand). TL566.744 thousand of the related amount consists of the revenue shares collected by Tüpraş, a Subsidiary of the Group, as indicated in the Petroleum Market License Regulation (31 December 2012: TL480.809 thousand) (Note 20).

	31 December 2013			31 December 2012		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Financial assets at fair value through profit or loss (*)	-	-	-	16.520	-	16.520
Time deposits (*)	-	-	-	12.764	-	12.764
Available-for-sale financial assets	-	214.657	214.657	-	113.224	113.224
	-	**214.657**	**214.657**	**29.284**	**113.224**	**142.508**

(*) As of 31 December 2012, "Financial assets at fair value through profit or loss" consists of Eurobonds and financial assets classified under "Time deposits" consist of deposits with maturities longer than 3 months.

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

NOTE 5-CASH AND CASH EQUIVALENTS (Continued)

The list of equity securities and the shareholding rates (including the rates of Joint Ventures) are as follows:

	31 December 2013		31 December 2012	
Listed:				
Altınyunus Çeşme Turistik Tesisler A.Ş.	19.957	30,00	35.792	30,00
	19.957		**35.792**	
Unlisted:				
Opet Aygaz Gayrimenkul A.Ş.	45.118	50,00	-	-
Ferrocom Madencilik Sanayi ve Ticaret A.Ş.	33.794	100,00	-	-
Makmarin Kaş Marina İşletmeciliği Turizm ve Ticaret A.Ş.	23.642	50,00	23.642	50,00
Alaşehir Alkollü İçkiler Sanayi ve Ticaret A.Ş.	21.000	93,00	-	-
Setur Antalya Marina İşletmeciliği A.Ş.	18.839	100,00	-	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	15.721	88,00	15.381	88,00
Beldesan Otomotiv Yan San. ve Tic. A.Ş	13.066	91,82	13.066	91,82
Promena Elektronik Ticaret A.Ş.	-	-	5.000	50,00
Callus Bilgi ve İletişim Hizmetleri	-	-	997	100,00
Set Air Hava Taşımacılığı ve Hizmetleri A.Ş.	4.037	70,00	4.037	70,00
Körfez Hava Ulaştırma A.Ş.	4.000	100,00	4.000	100,00
Ultra Kablolu Televizyon ve Telekom. San. ve Tic. A.Ş	1.604	50,00	1.604	50,00
Bozkurt Tarım ve Gıda San. ve Tic. A.Ş	911	83,89	911	83,89
Other	12.968	-	8.794	-
	194.700		**77.432**	
	214.657		**113.224**	

Subsidiaries and joint ventures, in which the Group, together with Koç Family members, have attributable interests of 20% or more but are not material for the consolidated financial statements or the Group does not have a significant influence, are not included in the scope of consolidation and classified as available-for-sale financial assets. These financial assets are measured at fair value or carried at cost less any impairment when fair values cannot be reliably measured.

Total assets, revenues and net profit of the unconsolidated subsidiaries and joint ventures are below 1% of the total consolidated assets, revenues and net profit of the Group.

Available-for-sale equity securities that do not have quoted fair values or for which fair values cannot be reliably measured through alternative methods, are measured at cost less any impairment.

NOTE 6-JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

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

	31 December 2013		31 December 2012	
	%	**Amount**	**%**	**Amount**
Koç Finansal Hizmetler	44,12	7.007.097	44,12	6.071.385
Ford Otosan	38,46	857.255	38,46	765.249
Tofaş	37,59	713.715	37,59	775.096
Opet	41,33	632.408	41,33	604.481
Türk Traktör	37,50	278.744	37,50	248.922
AES Entek	49,62	351.817	49,62	333.357
Other		209.750		202.340
		10.050.786		**9.000.830**

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

NOTE 6-JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

b) The market values (Level 1) of the listed Joint Ventures (100%) are as follows:

	31 December 2013	31 December 2012
Yapı Kredi Bankası (*)	16.171.031	22.604.667
Ford Otosan	7.965.657	7.509.474
Tofaş	6.700.000	5.225.000
Türk Traktör	3.282.194	3.108.744

(*) 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:

	2013	2012
Beginning of the period-1 January	**9.000.830**	**7.331.248**
Shares of profit/loss	2.015.789	1.485.394
Shares of other comprehensive income/(loss)	(447.888)	499.302
Dividend income from Joint Ventures	(591.613)	(459.694)
Contribution to capital increase in Joint Ventures	67.731	148.889
Dividend paid to Joint Ventures	144	108
Profit elimination of inventory	5.942	-
Transactions with non-controlling interests	(149)	(4.417)
End of the period-31 December	**10.050.786**	**9.000.830**

Shares of profit/loss of Joint Ventures:

	2013	2012
	1.410.144	819.049
Koç Finansal Hizmetler (*)	246.554	263.293
Ford Otosan	163.212	166.152
Tofaş	106.464	125.531
Opet	104.964	100.548
Türk Traktör	(49.271)	(27.825)
AES Entek	33.722	38.646
Other		
	2.015.789	**1.485.394**

(*) Includes the gain on sale of Yapı Kredi Sigorta shares as disclosed in Note 6.e. (Impact on consolidated net profit: TL453 million. Impact on consolidated net profit for the period – equity holders of the parent: TL412 million).

Shares of other comprehensive (loss)/income of Joint Ventures:

	2013	2012
Koç Finansal Hizmetler (*)	(368.389)	481.530
Ford Otosan	(39.308)	(4.175)
Tofaş	(44.173)	30.348
Opet	4.123	(1.485)
Türk Traktör	(141)	26
Other	-	(6.942)
	(447.888)	**499.302**

(*) Other comprehensive income amounting to TL58.591 thousand has been classified to the income statement in 2013 (2012: TL55.488 thousand other comprehensive expense).

Dividend income/(capital increase) from Joint Ventures:

	2013	2012
Koç Finansal Hizmetler	105.894	-
Ford Otosan	115.385	222.673
Tofaş	180.421	93.969
Opet	82.660	41.330
Türk Traktör	75.000	75.000
AES Entek	(67.731)	(148.889)
Other	32.253	26.722
	523.882	**310.805**

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

NOTE 6-JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

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

Condensed balance sheet information:

31 December 2013	KFS	Ford Otosan	Tofaş	Opet	Türk Traktör	AES Entek	Other	Total
Cash and cash equivalents	25.929.503	238.128	1.673.250	99.818	209.323	33.797	111.840	28.295.659
Other current assets	6.368.647	2.205.303	1.067.422	2.427.500	876.390	58.129	694.978	13.698.369
Receivables from finance sector operations	106.140.581	-	1.201.883	-	-	-	-	107.342.464
Goodwill	1.283.686	-	-	-	-	184.597	-	1.468.283
Non-current assets	20.350.759	3.540.021	1.985.647	1.250.498	408.900	607.096	251.474	28.394.395
Total assets	**160.073.176**	**5.983.452**	**5.928.202**	**3.777.816**	**1.494.613**	**883.619**	**1.058.292**	**179.199.170**
Short term borrowings	17.687.633	1.071.563	1.003.345	1.084.770	14.703	36.473	254.881	21.153.368
Other current liabilities	10.596.034	1.325.424	1.562.367	933.918	371.109	56.100	275.264	15.120.216
Payables of finance sector operations	91.860.336	-	-	-	-	-	-	91.860.336
Long term borrowings	18.718.823	1.219.653	1.280.886	498.796	333.888	112.851	95.000	22.259.897
Other non-current liabilities	1.866.289	137.751	182.801	66.467	31.596	64.046	15.005	2.363.955
Total liabilities	**140.729.115**	**3.754.391**	**4.029.399**	**2.583.951**	**751.296**	**269.470**	**640.150**	**152.757.772**
Net assets	**19.344.061**	**2.229.061**	**1.898.803**	**1.193.865**	**743.317**	**614.149**	**418.142**	**26.441.398**
Allocation of net assets:								
Non-controlling interests	3.463.045	-	-	-	-	-	-	3.463.045
Equity holders of the parent	**15.881.016**	**2.229.061**	**1.898.803**	**1.193.865**	**743.317**	**614.149**	**418.142**	**22.978.353**
Reconciliation of carrying value:								
Ownership of the Group	*44,12%*	*38,46%*	*37,59%*	*41,33%*	*37,50%*	*49,62%*		
Net asset share of the Group	7.007.097	857.255	713.715	493.424	278.744	304.740	209.750	9.864.725
Goodwill carried at Group level	-	-	-	138.984	-	47.077	-	186.061
Carrying value	**7.007.097**	**857.255**	**713.715**	**632.408**	**278.744**	**351.817**	**209.750**	**10.050.786**

Condensed balance sheet information:

31 December 2012	KFS	Ford Otosan	Tofaş	Opet	Türk Traktör	AES Entek	Other	Total
Cash and cash equivalents	19.605.643	301.518	1.637.362	45.806	378.970	34.512	124.684	22.128.495
Other current assets	5.391.194	2.136.742	1.248.648	1.668.450	725.352	64.734	419.829	11.654.949
Receivables from finance sector operations	82.776.658	-	1.177.658	-	-	-	-	83.954.316
Goodwill	1.283.686	-	-	-	-	184.597	-	1.468.283
Non-current assets	22.073.842	2.202.892	1.989.464	1.151.909	215.420	705.155	249.777	28.588.459
Total assets	**131.131.023**	**4.641.152**	**6.053.132**	**2.866.165**	**1.319.742**	**988.998**	**794.290**	**147.794.502**
Short term borrowings	13.306.838	363.516	941.216	694.919	160.938	28.612	59.245	15.555.284
Other current liabilities	10.856.306	1.269.538	1.515.066	683.529	276.566	52.712	274.194	14.927.911
Payables of finance sector operations	75.952.057	-	-	-	-	-	-	75.952.057
Long term borrowings	11.784.454	896.037	1.344.528	301.699	194.830	121.184	45.000	14.687.732
Other non-current liabilities	2.419.358	122.235	190.218	59.724	23.617	209.544	13.204	3.037.900
Total liabilities	**114.319.013**	**2.651.326**	**3.991.028**	**1.739.871**	**655.951**	**412.052**	**391.643**	**124.160.884**
Net assets	**16.812.010**	**1.989.826**	**2.062.104**	**1.126.294**	**663.791**	**576.946**	**402.647**	**23.633.618**
Allocation of net assets:								
Non-controlling interests	3.051.709	-	-	-	-	-	-	3.051.709
Equity holders of the parent	**13.760.301**	**1.989.826**	**2.062.104**	**1.126.294**	**663.791**	**576.946**	**402.647**	**20.581.909**
Reconciliation of carrying value:								
Ownership of the Group	*44,12%*	*38,46%*	*37,59%*	*41,33%*	*37,50%*	*49,62%*		
Net asset share of the Group	6.071.385	765.249	775.096	465.497	248.922	286.280	202.340	8.814.769
Goodwill carried at Group level	-	-	-	138.984	-	47.077	-	186.061
Carrying value	**6.071.385**	**765.249**	**775.096**	**604.481**	**248.922**	**333.357**	**202.340**	**9.000.830**

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

NOTE 6-JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Condensed income statement information:

31 December 2013	KFS	Ford Otosan	Tofaş	Opet	Türk Traktör	AES Entek	Other	Total
Revenue	13.416.633	11.404.913	7.215.937	17.845.630	2.175.320	341.534	1.741.733	54.141.700
Depreciation and amortisation	246.351	184.962	324.276	67.300	24.627	25.033	29.988	902.537
Operating profit/(loss)	3.234.839	669.643	373.603	367.383	349.220	(69.488)	125.166	5.050.366
Net financial income/(expenses)	-	(213.214)	103.257	(54.197)	(29.146)	(31.486)	(31.720)	(256.506)
Profit/(loss) before tax	4.602.913	451.730	477.075	313.750	320.255	(100.703)	91.780	6.156.800
Net profit/(loss) for the period	3.910.009	641.097	434.218	257.594	279.905	(99.297)	72.816	5.496.342
Non-controlling interests	714.032	-	-	-	-		-	714.032
Equity holders of the parents	**3.195.977**	**641.097**	**434.218**	**257.594**	**279.905**	**(99.297)**	**72.816**	**4.782.310**
Ownership of the Group	*44,12%*	*38,46%*	*37,59%*	*41,33%*	*37,50%*	*49,62%*		
Net profit/(loss) share of the Group	**1.410.144**	**246.554**	**163.212**	**106.464**	**104.964**	**(49.271)**	**33.722**	**2.015.789**

31 December 2012	KFS	FordOtosan	Tofaş	Opet	TürkTraktör	AES Entek	Other	Total
Revenue	12.580.965	9.767.937	6.893.618	14.716.247	1.974.014	308.375	1.594.200	47.835.356
Depreciation and amortisation	236.943	140.216	346.669	63.689	18.871	39.176	29.612	875.176
Operating profit/(loss)	2.734.900	631.185	530.282	443.568	304.937	(48.204)	108.285	4.704.953
Net financial income/(expenses)	-	20.218	(34.632)	(70.812)	6.458	(10.153)	(23.799)	(112.720)
Profit/(loss) before tax	2.767.281	653.652	497.439	378.242	318.064	(58.357)	84.459	4.640.780
Net profit/(loss) for the period	2.283.338	684.622	442.038	303.728	268.129	(56.077)	69.895	3.995.673
Non-controlling interests	427.029	-	-	-	-	-	-	427.029
Equity holders of the parent	***1.856.309***	***684.622***	***442.038***	***303.728***	***268.129***	***(56.077)***	***69.895***	***3.568.644***
Ownership of the Group	*44,12%*	*38,46%*	*37,59%*	*41,33%*	*37,50%*	*49,62%*		
Net profit/(loss) share of the Group	**819.049**	**263.293**	**166.152**	**125.531**	**100.548**	**(27.825)**	**38.646**	**1.485.394**

e) Other significant matters regarding the Joint Ventures are as follows:

i. The tax audit reports related with 2008-2010 financial years that have been prepared following a tax inspection in Tofaş, a Joint Venture of the Group, were delivered to the Company in December 2013 by the Presidency of Tax Audit Committee of Istanbul Large Scaled Tax Payers. In these tax audit reports, some payments made to foreign based tax payer institutions were criticized in terms of VAT and withholding tax. In accordance with the tax audit reports, Tofaş was obliged to pay TL13,4 million as tax base and TL23,8 million tax penalty in 2008, TL8,4 million tax base and TL14,9 million tax penalty in 2009, TL9,1 million tax base and TL16,2 million tax penalty in 2010.

According to the management of Tofaş, practices subject to criticism are in compliance and consistent with the related regulations and international agreements regarding the prevention of double taxation. Tofaş is planning to claim all its legal rights including settlement and all other legal processes with regard to these reports. In case of a possible legal process, it is expected that the outcome is more likely to result in favour of Tofaş, therefore no provision was recognised in the consolidated financial statements of Tofaş.

ii. Yapı Kredi Bankası, a Joint Venture of the Group, sold its 7.548.164.112 shares with a notional amount of TL75.481.641,12 representing 74,01% of its shares in Yapı Kredi Sigorta at an amount of TL1.410.079 thousand to Allianz SE ("Allianz"). The transfer of shares was completed on 12 July 2013.

iii. As a result of the investigation of Turkish Competition Board initiated on some banks including Yapı Kredi Bankası to determine whether there is a violation of the 4th article of the Protection of Competition Law No. 4054 an administrative fine amounting to TL149.961 thousand was imposed against Yapı Kredi Bankası in accordance with the decision of Competition Board numbered 13-13/198-100 dated 8 March 2013. In accordance with the Article 17 of Law on Crime numbered 5326, Yapı Kredi Bankası paid 75% of the fine amounting to TL112.471 thousand on 14 August 2013 to Large Scaled Tax Payers Office.

iv. Ford Otosan, a Joint Venture of the Group, obtained "Large Scale Investment Incentive Certificate amounting to TL1.342.220 thousand in December 2010, for its New Generation Transit model and for its new product Transit Custom model. The incentive certificate has a 30% contribution rate and TL559.817 thousand capital expenditure has been realized as of balance sheet date within scope of this incentive (31 December 2012: TL531.834 thousand). Following "Council of Ministers decision on Government Incentives on Investments" for rearranging investment incentive system which was published on Official Gazette as of 19 June 2012, Ford Otosan has obtained Priority Investment Incentive Certificate amounting to TL1.652.210 thousand for investment plans of New Generation Transit and new model Transit Courier investments mentioned above. In addition to the vehicle investments, Priority Investment Incentive Certificate amounting to TL187.379 thousand has been obtained in 2013 for the production of new 6 and 4 cylinder engines. Within the scope of these incentives having 40% rate of contribution for the investment, TL630.033 thousand of capital expenditure has been incurred. As of 31 December 2013, Ford Otosan accounted for TL405.776 thousand deferred tax asset regarding the investment incentives (31 December 2012: TL158.504 thousand).

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

NOTE 7-TRADE RECEIVABLES AND PAYABLES

Trade receivables	31 December 2013	31 December 2012
Trade receivables	6.032.981	5.163.102
Notes and cheques receivable	2.194.422	1.845.367
Less: Provision for doubtful receivables	(197.861)	(165.941)
Less: Unearned finance income	(39.956)	(27.230)
	7.989.586	**6.815.298**
Due from related parties (Note 28)	503.779	366.524
	8.493.365	**7.181.822**
Short-term trade receivables	8.167.354	6.971.090
Long-term trade receivables	326.011	210.732
	8.493.365	**7.181.822**

Tüpraş, a Subsidiary of the Group, has offset TL1.609.499 thousand (31 December 2012: TL1.496.173 thousand) from its trade receivables that are collected from factoring companies as a part of irrevocable factoring agreements as of 31 December 2013.

Movement in the provision for doubtful receivables is as follows:

	2013	2012
Beginning of the period-1 January	**165.941**	**159.436**
Increases during the period	30.768	38.039
Collections	(4.646)	(5.182)
Write-offs (1)	(2.674)	(24.645)
Sale of a subsidiary (2)	(264)	-
Currency translation differences	8.736	(1.707)
End of the period-31 December	**197.861**	**165.941**

(1) Doubtful receivables, for which no possibility of collection is foreseen, are written off from the records along with their related provisions.
(2) Arising from the sale of Tat Tohumculuk shares.

Trade payables	31 December 2013	31 December 2012
Trade payables	9.137.674	6.879.359
Less: Unearned finance expense	(10.330)	(6.169)
	9.127.344	6.873.190
Due to related parties (Note 28)	850.864	455.607
	9.978.208	**7.328.797**

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

NOTE 8-RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	31 December 2013	31 December 2012
Performing loans	1.730.665	1.520.149
Loans under legal follow-up	51.778	42.148
Gross	**1.782.443**	**1.562.297**
Less: Provision for impairment	(43.125)	(22.767)
Net	**1.739.318**	**1.539.530**

Movement of provision for impairment is as follows:

	2013	2012
Beginning of the period-1 January	**22.767**	**32.369**
Increase in provisions for loan impairment	23.424	10.939
Recoveries of amounts previously provisioned	(2.985)	(1.283)
Write-offs during the period as uncollectible	(81)	(2.048)
Releases due to the sale of non-performing loan portfolio	-	(17.210)
End of the period-31 December	**43.125**	**22.767**

NOT 9-DERIVATIVE INSTRUMENTS

As of December 2013 breakdown of the derivative financial instruments is as follows;

	31 December 2013		31 December 2012	
	Asset	Liability	Asset	Liability
Derivatives held for trading	6.651	66.909	2.176	6.008
Derivatives held for hedging	60.017	6.041	7.081	18.073
	66.668	**72.950**	**9.257**	**24.081**

	31 December 2013			31 December 2012		
		Fair values			Fair values	
	Contract amount (*)	Asset	Liability	Contract amount (*)	Asset	Liability
Derivatives held for trading:						
Cross-currency fixed interest rate swaps	1.583.318	-	51.180	-	-	-
Currency forwards	1.572.914	817	10.054	912.215	325	4.743
Currency swaps	866.714	5.834	5.675	578.527	1.851	1.265
	4.022.946	**6.651**	**66.909**	**1.490.742**	**2.176**	**6.008**
Derivatives held for hedging:						
Interest rate swaps	926.628	-	6.041	1.030.628	-	15.477
Operating lease receivables	271.582	44.318	-	212.723	7.081	-
Currency swaps	204.359	15.106	-	317.895	-	2.410
Currency forwards	9.376	593	-	19.375	-	186
	1.411.945	**60.017**	**6.041**	**1.580.621**	**7.081**	**18.073**

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

Derivatives held for trading:

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

"Cross currency fixed interest rate swaps" classified under derivative assets held for trading include the transaction of Arçelik, a Subsidiary of the Group, amounting to EUR 202,8 million in exchange for USD270 million with an interest rate of 4,65% and GBP57,5 million in exchange for USD90 million with an interest rate of 5% in April 2013 for the purpose of hedging against currency risk to ensure the correspondence of capital and interest payments of its bond issue denominated in USD (Note 15) with significant foreign currencies in which foreign sales and collections are performed.

Derivatives held for hedging:

Derivative transactions, that meet specified hedge accounting requirements, are accounted for as derivatives held for hedging.

a. Fair value hedge:
Otokoç, a Subsidiary of the Group, hedges its foreign exchange risk on commitments to provide operational leasing services resulting from off-balance sheet foreign currency denominated operating lease receivables (hedged item) with foreign currency denominated loans (hedging instrument). Fair value changes resulting from the exchange risk of the hedged item has been accounted for under "derivatives held for hedging" as an asset or liability on the balance sheet and as foreign exchange gain/losses in the statement of income.

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

NOTE 9-DERIVATIVE INSTRUMENTS (continued)

b. Cash flow hedges:

In order to hedge the cash flow risk resulting from the floating rate loan obtained for the acquisition of 51% of the shares of Tüpraş; EYAŞ, a Subsidiary of the Group, has entered into an interest rate swap agreement amounting to USD217.080 thousand (2012: USD289.080 thousand). Net interest expense after tax on the cash flow hedge, which is reclassified to the statement of income of 2013, amounted to TL13.182 thousand (2012: TL14.250 thousand interest expense). Net interest expense after tax accounted for under "Cumulative gains/losses on hedging" in the statement of other comprehensive income of 2013 is TL3.746 thousand (2012: TL2.690 thousand interest income).

Koç Finansman, a Subsidiary of the Group, funds its long term fixed interest rate TL loan portfolio with long term foreign currency funds obtained from international markets. The Company hedges its exchange rate risk arising on the principal repayments of foreign currency denominated borrowings at maturity by using currency swaps and currency forwards.

Net foreign exchange gain after tax on the cash flow hedge, which is reclassified to the statement of income of 2013, amounted to TL12.524 thousand (2012: TL12.278 thousand foreign exchange loss). Net foreign exchange gain after tax accounted for under "Cumulative gains/losses on hedging" in the statement of other comprehensive income of 2013 is TL14.636 thousand (2012: TL15.614 thousand foreign exchange loss).

c. Net investment hedges in a foreign operation:

Arçelik, a Subsidiary of the Group, designated some portion of its EUR denominated bank loans as a hedging instrument in order to hedge the foreign currency risk arising from the translation of net assets of part of its subsidiaries operating in Europe from EUR to Turkish Lira. As of 31 December 2013, EUR328,8 million of bank borrowings was designated as a net investment hedging instrument (31 December 2012: EUR328,8 million). Net foreign exchange losses after tax accounted for under "cumulative gains/losses on hedging" in the statement of other comprehensive income of 2013 is TL153.804 thousand (2012: TL127 thousand foreign exchange gains).

NOTE 10-INVENTORIES

	31 December 2013	31 December 2012
Finished goods	2.069.884	1.854.407
Raw materials and supplies	1.924.792	1.797.127
Work in progress	788.585	730.822
Merchandise	657.299	438.653
Goods in transit	1.050.653	819.651
Other inventories	113.689	80.115
Less: Provision for impairment	(64.723)	(67.743)
	6.540.179	**5.653.032**

Details of goods in transit are as follows:

Raw material and supplies	724.860	566.771
Work in progress	268.036	105.248
Merchandise	57.757	147.632
	1.050.653	**819.651**

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

NOTE 10-INVENTORIES (continued)

Movement of provision for impairment on inventories is as follows:

	2013	2012
The beginning of the period-1 January	**67.743**	**68.743**
Increase during the period	3.379	6.553
Reversal of provisions	(7.603)	(6.997)
Currency translation differences	1.204	(556)
End of the period-31 December	**64.723**	**67.743**

NOTE 11-INVESTMENT PROPERTIES

	2013	2012
As of 1 January		
Cost	166.700	163.115
Accumulated depreciation	(82.058)	(80.727)
Net book value	**84.642**	**82.388**
Net book value at the beginning of the period	**84.642**	**82.388**
Additions	121	524
Transfers (*)	-	4.547
Currency translation differences	1.410	(258)
Current period depreciation	(1.608)	(1.618)
Provision for impairment	-	(941)
Net book value at the end of the period	**84.565**	**84.642**
As of 31 December		
Cost	170.131	166.700
Accumulated depreciation	(85.566)	(82.058)
Net book value	**84.565**	**84.642**

(*) Transferred from property, plant and equipment.

As of 31 December 2013, the fair value of investment properties has been determined as TL139.064, according to the related valuations performed (2012: TL127.587 thousand).

NOTE 12-PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Machineryand equipment	Motor vehicles	Furniture and fixtures	Constructions in progress	Leasehold improvements	Total
As of 1 January 2013								
Cost	2.790.526	1.328.318	8.909.176	1.576.402	620.955	2.530.121	297.537	18.053.035
Accumulated depreciation	(386.975)	(466.720)	(4.468.485)	(411.136)	(371.443)	-	(164.768)	(6.269.527)
Net book value	**2.403.551**	**861.598**	**4.440.691**	**1.165.266**	**249.512**	**2.530.121**	**132.769**	**11.783.508**
Net book value at the beginning of the period	**2.403.551**	**861.598**	**4.440.691**	**1.165.266**	**249.512**	**2.530.121**	**132.769**	**11.783.508**
Additions (1)	3.203	23.628	189.423	762.295	51.751	3.063.061	135.020	4.228.381
Disposals	(6.109)	(2.967)	(5.922)	(415.479)	(2.632)	(7.434)	(5.015)	(445.558)
Transfers (2)	89.559	32.624	305.119	12.434	36.012	(495.843)	2.714	(17.381)
Sale of a subsidiary (3)	(1.912)	(1.217)	(1.045)	(121)	(269)	-	-	(4.564)
Currency translation differences	997	23.701	32.409	1.854	1.265	5.054	316	65.596
Current period depreciation	(73.569)	(36.244)	(440.523)	(86.897)	(76.602)	-	(21.108)	(734.943)
Net book value at the end of the period	**2.415.720**	**901.123**	**4.520.152**	**1.439.352**	**259.037**	**5.094.959**	**244.696**	**14.875.039**
31 December 2013								
Cost	2.868.072	1.407.593	9.346.481	1.887.893	679.805	5.094.959	423.981	21.708.784
Accumulated depreciation	(452.352)	(506.470)	(4.826.329)	(448.541)	(420.768)	-	(179.285)	(6.833.745)
Net book value	**2.415.720**	**901.123**	**4.520.152**	**1.439.352**	**259.037**	**5.094.959**	**244.696**	**14.875.039**

(1) Tüpraş, a Subsidiary of the Group, compared borrowing costs arising from foreign currency borrowings for Residuum Upgrading Project with TL benchmark interest rates and capitalized TL536.100 thousand of borrowing costs as constructions in progress for the year ended 31 December 2013 (31 December 2012: TL55.980 thousand).
(2) Includes transfers amounting to TL9.251 thousand from intangible assets (Note 13) and TL26.632 thousand to assets held for sale (Note 22).
(3) Arising from the sale of Tat Tohumculuk shares.

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

NOTE 12-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 2012								
Cost	2.666.710	1.327.365	8.534.407	1.337.428	540.443	649.516	257.027	15.312.896
Accumulated depreciation	(322.008)	(438.738)	(4.188.859)	(434.659)	(320.728)	-	(147.108)	(5.852.100)
Net book value	**2.344.702**	**888.627**	**4.345.548**	**902.769**	**219.715**	**649.516**	**109.919**	**9.460.796**
Net book value as the beginning of the period	**2.344.702**	**888.627**	**4.345.548**	**902.769**	**219.715**	**649.516**	**109.919**	**9.460.796**
Additions	3.972	16.807	221.604	587.071	57.760	2.011.405	23.006	2.921.625
Disposals	(1.190)	(4.046)	(21.943)	(254.934)	(719)	(2.193)	(3.925)	(288.950)
Transfers (*)	123.279	2.336	311.738	4.795	40.286	(126.105)	22.568	378.897
Currency translation differences	(227)	(4.776)	(6.884)	(449)	(761)	(2.502)	(57)	(15.656)
Current period depreciation	(66.985)	(37.350)	(409.372)	(73.986)	(66.769)	-	(18.742)	(673.204)
Net book value at the e nd of the period	**2.403.551**	**861.598**	**4.440.691**	**1.165.266**	**249.512**	**2.530.121**	**132.769**	**11.783.508**
31 December 2012								
Cost	2.790.526	1.328.318	8.909.176	1.576.402	620.955	2.530.121	297.537	18.053.035
Accumulated depreciation	(386.975)	(466.720)	(4.468.485)	(411.136)	(371.443)	-	(164.768)	(6.269.527)
Net book value	**2.403.551**	**861.598**	**4.440.691**	**1.165.266**	**249.512**	**2.530.121**	**132.769**	**11.783.508**

(*) Includes transfers amounting to TL437.700 thousand from other non-current assets, TL24.078 thousand to intangible assets (Note 13), TL30.178 thousand to assets held for sale (Note 22) and TL4.547 thousand to investment properties (Note 11)

NOTE 13-INTANGIBLE ASSETS

	Rights	Brand	Development costs	Other	Total
As of 1 January 2013					
Cost	762.150	434.267	552.969	75.987	1.825.373
Accumulated amortisation	(326.092)	-	(196.856)	(22.819)	(545.767)
Net book value	**436.058**	**434.267**	**356.113**	**53.168**	**1.279.606**
Additions	31.749	-	112.222	49.147	193.118
Disposals	(2.435)	-	-	(12)	(2.447)
Transfers (*)	16.082	-	40.335	(65.668)	(9.251)
Currency translation differences	1.440	46.291	-	87	47.818
Current period amortisation	(44.921)	-	(98.203)	(941)	(144.065)
Net book value at the end of the period	**437.973**	**480.558**	**410.467**	**35.781**	**1.364.779**
31 December 2013					
Cost	814.743	480.558	705.526	62.110	2.062.937
Accumulated amortisation	(376.770)	-	(295.059)	(26.329)	(698.158)
Net book value	**437.973**	**480.558**	**410.467**	**35.781**	**1.364.779**

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

Total research and development expenditures incurred in 2013 excluding amortisation amounts to TL161.739 thousand (2012: TL138.765 thousand).

The net book value of intangible assets with indefinite useful lives amounts to TL480.553 thousand and consists of brands (2012: TL434.267 thousand). The useful lives of the related brands are assessed as indefinite, since there is no foreseeable limit to the period over which they are expected to generate net cash inflows for the Group. The original currency amounts of the related brands are identical with the prior year whereas the change in the net book value of the related brands arises only from currency translation difference.

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

NOTE 13-INTANGIBLE ASSETS (Continued)

Brand impairment test

As of 31 December 2013, the brands of Arçelik, a Subsidiary 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 three to five year period. Beyond the three to five year period, sales forecasts are extrapolated 3% expected growth rate. The royalty income is estimated using these sales forecasts and royalty rates of 2% to 3%. Estimated royalty income with the aforementioned method has been discounted using 9,2% to 10,9% discount rates

	Rights	Brand	Development Cost	Other	Total
As of 1 January 2012					
Cost	743.438	467.410	409.768	31.035	1.651.651
Accumulated depreciation	(290.250)	-	(120.617)	(18.465)	(429.332)
Net book value	**453.188**	**467.410**	**289.151**	**12.570**	**1.222.319**
Additions	19.498	-	99.313	70.078	188.889
Disposals	(203)	-	(5.073)	(130)	(5.406)
Transfers (*)	6.482	-	43.888	(26.292)	24.078
Currency translation differences	(101)	(33.143)	-	595	(32.649)
Current period amortisation	(42.806)	-	(71.166)	(3.653)	(117.625)
Net book value at the end of the period	**436.058**	**434.267**	**356.113**	**53.168**	**1.279.606**
31 December 2012					
Cost	762.150	434.267	552.969	75.987	1.825.373
Accumulated depreciation	(326.092)	-	(196.856)	(22.819)	(545.767)
Net book value	**436.058**	**434.267**	**356.113**	**53.168**	**1.279.606**

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

NOTE 14-GOODWILL

	2013	2012
Net book value at the beginning of the period-1 January	**2.913.543**	**2.932.630**
Currency translation differences	(4.374)	(19.087)
Net book value a t the end of the period-31 December	**2.909.169**	**2.913.543**

The allocation of the goodwill is as follows:

	31 December 2013	31 December 2012
Tüpraş	2.736.463	2.736.463
Defy Group	166.154	171.160
Other	6.552	5.920
	2.909.169	**2.913.543**

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

NOTE 14-GOODWILL (continued)

Goodwill impairment tests:

The Group assesses goodwill allocated to cash-generating units for impairment annually or more frequently when there is an indication of impairment as indicated in Note 2.4.17. The recoverable amount of a cash generating unit is determined by calculating the value in use or fair value less costs to sell calculations.

As specified below in details, no impairment has been identified as of 31 December 2013 as a result of the impairment tests realised on the basis of cash generating units.

a) Tüpraş:

The recoverable amount of the cash generating unit is determined using discounted cash flow analyses based on fair value less costs to sell calculations. These fair value calculations include shareholders cash flow projections denominated in USD and are based on the financial plans approved by Tüpraş management covering thirteen years period. The Group considers that, the analysis covering a period longer than five years is more appropriate as to evaluate operating results and prospective assumptions in the sector and therefore impairment test is based on thirteen years plans. The cash flows for the periods beyond thirteen years are extrapolated using the long term growth rate of 2%.

Other key assumptions used in the fair value calculation model are stated below:

Gross profit margin	%4,4-%8,5
Discount rate (cost of equity)	%11,7-%13,2

c) Defy Group:

The recoverable amount of the goodwill has been determined based on value in use calculations. Value in use is determined by discounting the expected future cash flows to be generated by the cash-generating unit. The projection period for the purposes of goodwill impairment testing is taken as 5 years between 1 January 2014 and 31 December 2018. Cash flows for further periods were extrapolated using a constant growth rate of %3,0 which does not exceed the estimated average growth rate of economy of the country. Weighted average cost of capital rate of %9,0-%10,9 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.

NOTE 15-BORROWINGS

	31 December 2013			31 December 2012		
	Finance	**Non-Finance**	**Total**	**Finance**	**Non-Finance**	**Total**
Shorttermborrowings (*):						
Bank borrowings	578.621	3.669.104	4.247.725	633.390	3.704.702	4.338.092
Debt securities in issue	349.970	80.286	430.256	314.971	56.217	371.188
Factoring payables	-	5.013	5.013	-	28.000	28.000
Financial leasing payables	-	9.092	9.092	-	5.403	5.403
	928.591	**3.763.495**	**4.692.086**	**948.361**	**3.794.322**	**4.742.683**
Long-term borrowings:						
Bank borrowings	391.287	7.264.597	7.655.884	109.789	5.901.355	6.011.144
Debt securities in issue	255.000	4.364.828	4.619.828	334.833	1.292.405	1.627.238
Financial leasing payables	-	112.885	112.885	-	8.587	8.587
	646.287	**11.742.310**	**12.388.597**	**444.622**	**7.202.347**	**7.646.969**
	1.574.878	**15.505.805**	**17.080.683**	**1.392.983**	**10.996.669**	**12.389.652**

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

Long-term debt securities issued:

2013:

On 14 March 2013, Tat Gıda, a Subsidiary of the Group, completed the bond issue with a nominal value of TL50 million, maturity of 2 years, coupon payment in every 6 months, principle and coupon payments at the end of maturity and an annual interest rate of 7,31%.

On 3 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, principle and coupon payment at the end of maturity and an annual interest rate of 5,125%.

On 18 April 2013, Aygaz, a Subsidiary of the Group, completed the bond issue with a nominal value of TL150 million, maturity of 700 days, coupon payment in every 175 days, principle and coupon payment at the end of maturity and an annual interest rate of 7,128%.

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

NOTE 15-BORROWINGS (Continued)

On 24 April 2013, 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 28 August 2013, Setur, a Subsidiary of the Group, completed bond issues with a nominal value of TL35 million, 2-year maturity, coupon payment in every 6 months, principle payment and coupon payment at the end of maturity and annual interest rate of 11,33 %.

2012 and before:

On 2 November 2012, Tüpraş completed the bond issue, quoted on the London Stock Exchange, with a nominal value of USD700 million, maturity of 5,5 years, coupon payment in every 6 months and principal and coupon payment at the end of maturity and an annual interest rate of 4,168 %.

On 7 November 2012, Otokoç, a Subsidiary of the Group, completed bond issue with a nominal value of TL50 million, maturity of 18 months, coupon payment in every 6 months, principle and coupon payments at the end of maturity and an annual interest rate of 9,15%.

As of 31 December 2013, Koç Finansman, a Subsidiary of the Group, has bond issues with a nominal value of TL589,8 million, maturities between 18 and 24 months, principle and coupon payments at the end of maturity and an annual interest rates between 6,57% and 10,63%.

Other major borrowings:

Details of the loans obtained in 2006 in order to finance the acquisition cost of Tüpraş shares and to re-structure the Group's existing loans are presented below:

-A loan of USD950 million from a consortium, comprising of JP Morgan Europe Limited and JP Morgan Chase Bank N.A. with a maturity of 7 years and bearing an interest rate of Libor+1,9;

-A loan of USD1.800 million from a consortium comprising of Akbank T.A.Ş. Malta Branch, Türkiye Garanti Bankası A.Ş. Luxembourg Branch, Türkiye İş Bankası A.Ş. Bahrain Offshore Branch, Standard Bank Plc., Türkiye Vakıflar Bankası T.A.O. Bahrain Offshore Branch and Türkiye Halk Bankası A.Ş. with a maturity of 10 years and bearing an interest rate of Libor+2,3 until 2013 and an interest rate of Libor+2,8 thereafter.

Repayments of first loan amounting to USD950 million were completed in 2013. As of 31 December 2013, after principal repayments of second loan amounting to USD1.800 million, remaining balance of related loan decreased to USD330,7 million.

Tüpraş, a Subsidiary of the Group, signed three different loan agreements regarding the financing of the Fuel Oil Conversion Project in 2011. Tüpraş commenced to utilize the related loans in 2011 and continued to utilize in 2012 and in 2013. The two tranches of the financing package; USD1.111,8 million insured by the Spanish export credit Agency (CESCE) and USD624,3 million insured by the Italian export credit agency (SACE) are non-recourse loans for 4 years (interest accruals of related loans are added on their principal balances) and with a maximum 12 years maturity date. The third tranche, USD359 million, is also a non-recourse loan for 4 years with a maximum 7 years maturity date. The loan amounts of CESCE and SACE have been decreased respectively to USD1.078,5 million and USD597,4 million with letter on 24 October 2013 and these amounts have been valid as of 26 November 2013. As of 31 December 2013, the amount of loan utilized within the scope of the total loan package for insurance payments and capital expenditures is USD1.742,8 million (31 December 2012: USD1.085,4 million).

The details of collaterals, mortgages and pledges given related to the loans of the Group are disclosed in Note 31.

The redemption schedule of long-term bank borrowings is as follows:

	31 December 2013	31 December 2012
1-2 years	3.746.055	2.186.680
2-3 years	1.038.290	1.907.155
3-4 years	731.274	505.066
4-5 years	2.244.756	503.561
5 years and over	4.628.222	2.544.507
	12.388.597	**7.646.969**

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

NOTE 16-TAX ASSETS AND LIABILITIES

	31 December 2013	31 December 2012
Current income tax liabilities		
Domestic	194.536	386.159
Foreign	19.648	24.008
Less: Prepaid income tax	(170.325)	(333.444)
Current income tax liabilities (net)	**43.859**	**76.723**
Deferred tax liabilities		
Domestic	(196.957)	(292.654)
Foreign	(127.451)	(122.171)
	(324.408)	**(414.825)**
Deferred tax assets		
Domestic	1.163.256	74.024
Foreign	70.178	66.074
	1.233.434	**140.098**
Deferred tax assets/(liabilities) (net)	**909.026**	**(274.727)**

Turkish tax legislation does not permit a parent company, its subsidiaries and joint ventures to file a consolidated tax return. Therefore, tax liabilities, as reflected in consolidated financial statements, have been calculated on a separate-entity basis.

The corporation tax rate is 20% in Turkey. Corporation tax is payable on the total income of the company after adjusting for certain disallowable expenses, income not subject to tax and allowances.

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

	2013	2012
Current period tax expense	253.016	409.400
Deferred tax expense/(income) (net)	(1.198.291)	(375.459)
	945.275	**(33.941)**
Profit before tax	**3.055.034**	**3.777.764**
Less: Share of profit/(loss) of Joint Ventures	(2.015.789)	(1.485.394)
Profit before tax (excluding share of profit/(loss) of Joint Ventures)	**1.039.245**	**2.292.370**
Domestic tax rate	20%	20%
Tax calculated at domestic tax rate	207.849	458.474
Income not subject to tax	(73.899)	(77.794)
Investment tax credit (*)	(1.223.551)	(356.441)
Additions	84.942	23.369
Carry forward tax losses (net effect)	58.842	(21.180)
Tax rate differences	6.513	5.195
Other	(5.971)	2.318
Tax expense	**(945.275)**	**33.941**

(*) TL1.223.551 thousand (2012: TL356.441 thousand) investment tax credits of Tüpraş, a Subsidiary of the Group, within the scope of investment incentives to be utilized in future periods, have been accounted for as deferred tax income in the consolidated income statement in 2013.

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

NOTE 16-TAX ASSETS AND LIABILITIES (Continued)

Koç Holding, its Subsidiaries and Joint Ventures, recognise deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with TAS/TFRS and the Turkish tax legislations. These temporary differences usually result in the recognition of revenue and expenses in different reporting periods for TAS/TFRS and Tax Legislation.

The breakdown of cumulative temporary differences and deferred tax assets and liabilities provided using principal tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Property, plant and equipment and intangible assets	4.225.431	4.254.971	(864.880)	(872.262)
Investment incentives (*)	(4.163.798)	(1.188.137)		1.579.992
Investment incentives to be offset (-) (*)	-	-	(41.082)	-
Provision for employment termination benefits	(311.894)	(301.196)	62.399	60.266
Carry forward tax losses	(297.937)	(359.711)	61.629	73.817
Warranty and assembly provisions	(229.136)	(194.049)	47.592	39.136
Inventories	(70.181)	(102.443)	14.102	20.567
Provision for unused vacation	(45.429)	(37.366)	9.086	7.472
Provision for lawsuits	(15.771)	(13.060)	3.154	2.612
Expense accruals (net)	(8.511)	(15.209)	1.702	3.042
Deferred income	21.658	(166)	(4.331)	34
Unearned finance income (net)	37.999	19.994	(7.600)	(4.000)
Other (net)	(230.559)	(181.569)	47.263	38.148
Deferred tax assets/(liabilities) (net)			**909.026**	**(274.727)**

(*) For the Residuum Upgrade Project (RUP), In the first period of 2011, within the scope of the decree of the Council of Ministers dated 14 July 2009 and numbered 2009/15199, Tüpraş, a Subsidiary of the Group, was granted a large-scaled investment incentive. Within the scope of the subject legislation, the Company can deduct 30% of its investment expenditures related with the new investment, with a rate of 50% from tax base in accordance with the legislation provisions, at the time investment is completed and the revenue is started to be recognised. As of 7 October 2013, Residuum Upgrading Project was granted Strategic Investment Incentive by Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey that would be applicable after 19 October 2012. Within the scope of the Strategic Investment, the Company can deduct 50% of its investment expenditures related with the new investment, with a rate of 90% from tax base in accordance with the legislation provisions. Accordingly, as of 31 December 2013, investment expenditures amounting to TL4.163.798 thousand (31 December 2012-TL1.188.137 thousand) have been made and tax credits amounting to TL1.579.992 thousand (31 December 2012-TL356.441 thousand) have been realized to be used in future periods. Moreover, as of 31 December 2013 within the scope of the Strategic Investment the Company offset TL41.082 thousand from tax base (31 December 2012-None).

Net deferred tax assets and liabilities recognised in the Subsidiaries' financial statements prepared in accordance with TAS/TFRS, are separately classified under deferred tax assets and liabilities accounts in Koç Holding's consolidated balance sheet. Temporary differences and deferred tax assets and liabilities presented above, which are prepared on the basis of gross amounts, present the net deferred tax position.

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

	31 December 2013	31 December 2012
Up to 1 year	145.776	613.982
Up to 2 years	150.713	143.248
Up to 3 years	369.381	149.682
Up to 4 years	27.776	367.141
5 years and above	410.004	187.628
	1.103.650	**1.461.681**

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

NOTE 16-TAX ASSETS AND LIABILITIES (Continued)

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

	2013	2012
Beginning of the period-1 January	**(274.727)**	**(671.893)**
Charge to the income statement	1.198.291	375.459
Charge to equity:		
-Non-current assets revaluation fund	115	420
-Actuarial gain/loss	850	229
-Financial assets fair value reserve	793	98
-Hedging reserve	(529)	834
Currency translation differences	(15.767)	20.126
End of the period-31 December	**909.026**	**(274.727)**

NOTE 17-PROVISIONS FOR EMPLOYEE BENEFITS

Short-term employee benefits	**31 December 2013**	**31 December 2012**
Provision for unused vacation	52.335	38.900
Provision for employment termination benefits	324.481	310.533
	376.816	**349.433**

Provision for employment termination benefits:		
-Domestic	320.967	308.749
-Foreign	3.514	1.784
	324.481	**310.533**

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 2013, the amount payable consists of one month's salary limited to a maximum of TL3.254,44 (31 December 2012: TL3.033,98) 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 TL3.438,22 effective from 1 January 2014 (1 January 2012: TL3.129,25) has been taken into consideration in calculating the consolidated reserve for employment.

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

NOTE 17-PROVISIONS FOR EMPLOYEE BENEFITS (continued)

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

	31 December 2013	31 December 2012
Net discount rate (%)	4,78	3,86
Turnover rate to estimate the probability of retirement (%)	97,26	97,33

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

	2013	2012
Beginning of the period-1 January	**310.533**	**278.052**
Interest expense	14.038	17.999
Increased during the period	50.188	70.155
Actuarial losses	4.248	1.146
Currency translation differences	278	(240)
Sale of a subsidiary (*)	(591)	-
Payments during the period	(54.213)	(56.579)
End of the period-31 December	**324.481**	**310.533**

(*) Arising from the sale of Tat Tohumculuk shares.

NOTE 18-PROVISIONS

a) Short-term provisions	31 December 2013	31 December 2012
Provision for Competition Board penalty (*)	309.011	-
Provisions for warranty and assembly	220.462	189.659
Cost accruals of construction contracts	168.768	294.786
Provisions for lawsuits and penalties	49.525	54.617
Provision for Energy Market Regulation Authority participation share	17.642	16.542
Other	139.160	96.995
	904.568	**652.599**

(*) The Competition Board has decided upon an administrative fine of TL412.015 thousand at the rate of 1% of the annual gross revenue of Tüpraş, a Subsidiary of the Group, in 2013. The details of the criticism are unknown since the reasoned decision leading to the administrative fine has not released yet. Related penalty will be paid at 3/4 of the total amount as TL309.011 thousand in accordance with the prevailing regulations. Tüpraş has recognised necessary provision for the mentioned amount as of the balance sheet date.

b) Long-term provisions		
Warranty provision	109.006	97.271

The movements of provisions for warranty and assembly, cost accruals of construction contracts and provision for lawsuits are as follows for the year ended 31 December 2013:

	Provisions for warranty and assembly	Cost accruals of construction contracts	Provision for lawsuits
As of 1 January 2013	**286.930**	**294.786**	**54.617**
Additions	503.098	7.327	6.652
Disposals/Payments	(484.054)	(125.084)	(11.856)
Currency translation differences	23.494	(8.261)	112
As of 31 December 2013	**329.468**	**168.768**	**49.525**

	Provisions for warranty and assembly	Cost accrualsof construction contracts	Provision for lawsuits
As of 1 January 2013	**283.283**	**240.836**	**29.680**
Additions	452.636	94.127	41.177
Disposals/Payments	(445.668)	(27.867)	(16.289)
Currency translation differences	(3.321)	(12.310)	49
As of 31 December 2012	**286.930**	**294.786**	**54.617**

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

NOT 19-OTHER PAYABLES

	31 December 2013	31 December 2012
Taxes and duties payable	1.759.051	1.716.569
Social security premiums payable	85.208	53.991
Other	122	121
	1.844.381	**1.770.681**

NOTE 20-OTHER ASSETS AND LIABILITIES

a) Other current assets	31 December 2013	31 December 2012
VAT receivables	426.817	392.325
Taxes and funds deductible	403.702	194.303
Advances given	182.180	222.184
Prepaid expenses	145.633	113.700
Deposits and guarantees given	37.572	42.968
Assets obtained as collaterals	9.507	9.900
Other	81.346	52.842
	1.286.757	**1.028.222**

	31 December 2013	31 December 2012
b) Other non-current assets		
Spare parts and other materials	464.871	369.611
Advances given	240.545	136.636
Prepaid expenses	230.278	266.428
Other	48.489	29.266
	984.183	**801.941**

c) Other current liabilities		
Revenue share (*)	569.013	483.236
Advances received	342.990	217.445
Payables to personnel and premium accruals	278.857	213.336
Accruals for sales and incentive bonus	220.480	162.624
Deferred income	75.211	36.280
Accruals for license expenses	34.880	23.016
Deposits and guarantees received	21.362	26.981
Other	148.011	59.319
	1.690.804	**1.222.237**

(*) In accordance with the Petroleum Market License Regulation and Liquefied Petroleum Gas ("LPG") Market Regulation, revenue shares collected by Tüpraş, but not recognised in the statement of comprehensive income, have been recorded as revenue share within "Other current liabilities" and blocked in banks as demand deposits with special interest rates within "Cash and cash equivalents" according to the decision of National Petroleum Reserves Commission.

d) Other non-current liabilities		
Deposits and guarantees received	73.613	74.439
Deferred income	48.875	5.641
Other	44.452	16.163
	166.940	**96.243**

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

NOTE 21-EQUITY

Share Capital

Koç Holding adopted the registered share capital system available to companies registered with the CMB. Koç Holding's registered and issued share capital is as follows:

	31 December 2013
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 2013		31 December 2012	
	Share %	Amount	Share %	Amount
Temel Ticaret ve Yatırım A.Ş.	42,59	1.079.984	42,59	1.079.984
Koç Family Members	25,82	654.608	25,82	654.608
Rahmi M. Koç ve Mahdumları Maden, İnşaat, Turizm, Ulaştırma, Yatırım ve Ticaret A.Ş.	0,10	2.659	0,10	2.659
Total Koç Family members and companies owned by Koç Family members	**68,51**	**1.737.251**	**68,51**	**1.737.251**
Vehbi Koç Vakfı	7,15	181.405	7,15	181.405
Koç Holding Emekli ve Yardım Sandığı Vakfı	1,99	50.452	1,99	50.452
Other	22,35	566.790	22,35	566.790
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.

The analysis of shares by group is as follows:

Group	Unit of shares	TL'000	Nature of shares
A	67.877.342.230	678.773	Registered
B	185.712.462.770	1.857.125	Registered
	253.589.805.000	**2.535.898**	

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

1. In accordance with Article 6, pre-emptive rights are used in purchase of new shares issued for their own groups; however, pre-emptive rights not used by B-group shareholders, can be used by A-group shareholders within the terms of CMB Legislation.

2. In accordance with Article 15 paragraph "c", A-group shareholders have two voting rights for each share owned at the General Assembly meetings (except for resolutions to change the Articles and decisions given for filing release and liability suits).

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

NOTE 21-EQUITY (Continued)

Other Comprehensive Income/Expense

	31 December 2013	31 December 2012
Items not to be reclassified to profit/loss:		
Non-current assets revaluation fund	28.360	23.913
Actuarial loss/gain	(28.174)	(25.187)
	186	**(1.274)**
Items to be reclassified to profit/loss:		
Currency translation differences	289.326	106.344
Financial assets fair value reserve	(19.251)	521.913
Hedging reserve	(343.025)	(306.903)
-Cash flow hedge	*(174.866)*	*(248.540)*
-Net investment hedge	*(168.159)*	*(58.363)*
	(72.950)	**321.354**

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 2013	31 December 2012
Legal reserves	230.311	197.229
Special reserves	2.145.242	2.139.103
	2.375.553	**2.336.332**

Within the scope of the Exemption for Sale of Participation Shares, the 75% portion of gains in statutory financial statements arising from the sale of investments was transferred to "Special Reserves". As a result of the expiration of five year period, TL2.125.677 thousand of the special reserve balance became distributable without creating an additional corporate tax burden as of 31 December 2013.

Dividend Distribution

Listed companies are subject to dividend requirements regulated by 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 2014, listed companies shall distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the prevailing regulations. Regarding the profit distribution policies of the listed companies, CMB may set different principles on companies with similar qualifications.

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

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

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

In accordance with Article 32 of the Company's Articles of Association, a contribution of a maximum 2% (according to the decision of the General Assembly) of the amount remaining after the first legal reserves set aside over income before tax, financial obligations and first level dividends, is paid to Koç Holding Emekli ve Yardım Sandığı Vakfı. In addition, save for the first level dividend determined according to the Capital Markets Law, 3% of the amount remaining after the first legal reserves, financial obligations and 5% of the paid-in capital are deducted from the income before tax, is allocated to holders of dividend-right certificates. However, the amount to be paid to the holders of usufruct 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 2013, total amount of reserves that can be subject to dividend distribution without creating additional corporate tax burden is TL4.080.119 thousand.

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

NOTE 21-EQUITY (Continued)

At the Ordinary General Assembly Meeting of Koç Holding A.Ş. held on 10 April 2013, it was resolved;

- to distribute TL474.212.935,35 consisting the first level dividend amounting to TL456.402.094,52 and the second level dividend of TL17.810.840,83 in cash;
- to pay TL474.212.935,35 dividend to shareholders and TL64.650.100,65 dividend to holders of usufruct right certificates in cash. TL104.593.736,26 of the total cash dividend amounting to TL538.863.036,00, is to be paid from current year's tax exempt statutory income and TL434.269.299,74 is to be paid from current year's other statutory income. TL7.500.000 to be paid to Koç Holding Emekli ve Yardım Sandığı Vakfı to be expended from the current year's taxable statutory income.

Cash dividend payments were completed as of April 2013.

NOTE 22-ASSETS HELD FOR SALE

According to the resolution dated 29 June 2012 of the Board of Directors of Tat Gıda, a Subsidiary of the Group, Harranova Besi ve Tarım Ürünleri A.Ş., a subsidiary of the Company, decided to terminate purchasing livestock assets and to cease its livestock business. In accordance with the contract signed on 7 December 2012 between Tat Gıda and CMB licensed independent valuation company, a valuation was performed regarding fixed assets of the livestock business and impairment amounting to TL15.187 thousand was identified. Since the mentioned fixed assets are available for immediate sale and the sale is highly probable, the related assets were presented as assets held for sale as of 31 December 2012.

In accordance with the resolutions of the Board of Directors dated 14 October 2013 and 26 December 2013, the Company decided to discontinue operations of Harranova Besi, to sell some of its fixed assets to Tat Gıda and to authorize the management of Tat Gıda for the sale of the remaining assets of Harranova Besi in whole or in part. In accordance with the contract signed on 13 December 2013 between Tat Gıda and CMB licensed independent valuation company, a valuation has been performed regarding the fixed assets of Harranova Besi and impairment amounting to TL16.982 thousand has been identified. As of 31 December 2013, excluding the assets to be sold to Tat Gıda, the assets and liabilities of Harranova Besi have been classified as assets and liabilities held for sale in the consolidated financial statements in accordance with TFRS 5.

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 2013 and 2012.

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

Assets held for sale	2013	2012
Cash and cash equivalents	12.196	9.943
Trade receivables	1.996	248
Inventory	16.176	-
Property, plant and equipment	26.632	30.178
Other assets	11.747	309
Provision for impairment (*)	(18.764)	(15.187)
	49.983	**25.491**

(*) Includes impairment provision for property, plant and equipment amounting to TL16.982 thousand and impairment provision for inventory amounting to TL1.782 thousand (31 December 2012: Includes impairment provision for property, plant and equipment).

Liabilities held for sale	2013	2012
Trade payables	2.047	185
Provision for employment termination benefits	630	111
Other liabilities	4.067	3.683
	6.744	**3.979**

NOTE 23-REVENUE

	2013	2012
Domestic revenue	50.448.508	48.761.965
Foreign revenue	17.105.956	18.043.265
Gross revenue	**67.554.464**	**66.805.230**
Less: Discounts	(1.612.251)	(1.355.847)
Revenue	**65.942.213**	**65.449.383**
Sales of goods	64.017.108	63.746.524
Sales of services	1.925.105	1.702.859
Revenue	**65.942.213**	**65.449.383**

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

NOTE 24-EXPENSES BY NATURE

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

	2013	2012
Raw materials and supplies	49.890.650	49.057.257
Changes in work in progress, finished goods	(273.240)	48.619
Cost of merchandise sold	5.533.469	6.199.525
Personnel expenses	2.764.369	2.461.342
Depreciation and amortisation charges	870.719	775.678
Transportation, distribution and storage expenses	1.084.631	997.751
Energy and utility expenses	993.983	915.382
Warranty and assembly costs	510.121	457.756
Advertisement and promotion expenses	409.381	396.217
Rent expenses	355.265	311.634
Maintenance and repair expenses	334.215	314.221
Taxes, duties and charges	162.079	126.558
Outsourcing expenses	121.358	215.249
Insurance expenses	107.660	93.367
Travel expenses	106.976	95.457
Litigation and consultancy expenses	86.517	80.978
Sales, incentives and premium expenses	77.782	90.817
Information systems and communication expenses	67.882	67.274
Royalty and license expenses	53.028	55.563
Grants and donations	31.344	33.381
Other	667.289	591.232
	63.955.478	**63.385.258**

The functional breakdown of amortisation, depreciation and personnel expenses is as follows:

	2013	2012
Depreciation and amortisation charges		
Cost of sales	613.596	554.008
Marketing, selling and distribution expenses	39.578	31.928
General administrative expenses	132.393	118.920
Research and development expenses	85.152	70.822
	870.719	**775.678**

Total depreciation charges capitalised in 2013 is TL9.897 thousand (2012: TL16.769 thousand).

	2013	2012
Personnel expenses		
Cost of sales	1.211.748	1.083.875
Marketing, selling and distribution expenses	511.454	448.685
General administrative expenses	1.007.907	906.191
Research and development expenses	33.260	22.591
	2.764.369	**2.461.342**

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

NOTE 25-OTHER OPERATING INCOME/EXPENSES

	2013	2012
Other operating income		
Foreign exchange gains arising from trading activities	836.870	366.043
Credit finance income arising from trading activities	212.119	236.901
Income from claims and grants	36.354	43.848
Reversals of provisions	27.359	17.156
Rent income	15.514	13.507
Other	75.810	81.271
	1.204.026	**758.726**
Other operating expenses		
Foreign exchange losses arising from trading activities	(1.070.182)	(372.706)
Provision for Competition Board penalty	(309.011)	-
Provision expenses for doubtful receivables and loans	(50.725)	(44.817)
Credit finance charges arising from trading activities	(39.406)	(57.077)
Product recall expenses	(19.194)	(14.734)
Provisions for lawsuits and penalties	(9.640)	(53.269)
Other	(70.686)	(41.568)
	(1.568.844)	**(584.171)**

NOTE 26-GAINS AND LOSSES FROM INVESTMENT ACTIVITIES

	2013	2012
Gains from investment activities		
Gain on sale of financial assets	31.707	-
Dividend income	26.094	1.752
Gain on sale of subsidiary	11.904	6.393
Gain on sale of property, plant and equipment and scraps	9.018	12.448
	78.723	**20.593**
Losses from investment activities		
Provision for impairment on assets held for sale	(18.764)	(15.187)
Loss on sale of property, plant and equipment	(5.202)	(15.470)
Loss on sale of financial asset	-	(2.093)
Provision for impairment on financial assets	-	(13.826)
	(23.966)	**(46.576)**

NOTE 27-FINANCIAL INCOME/EXPENSES

	2013	2012
Financial income		
Foreign exchange gains (*)	2.565.460	1.030.373
Interest income	402.196	365.256
Gains on derivative financial instruments	59.434	28.682
Other financial income	1.816	3.195
	3.028.906	**1.427.506**
Financial expenses		
Foreign exchange losses (*)	(2.909.013)	(842.463)
Interest expenses	(714.304)	(512.262)
Losses on derivative financial instruments	(112.260)	(55.916)
Other financial expenses	(19.646)	(23.656)
	(3.755.223)	**(1.434.297)**

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

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

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

NOTE 28-RELATED PARTY DISCLOSURES

a) Related party balances

	31 December 2013			31 December 2012		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Cash and cash equivalents	5.061.203	-	5.061.203	4.694.145	-	4.694.145
Trade receivables	433.729	70.050	503.779	326.021	40.503	366.524
Trade payables	815.854	35.010	850.864	410.082	45.525	455.607
Borrowings	626.097	-	626.097	623.735	-	623.735

b) Related party transactions

	2013			2012		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Sales of goods and services	8.775.568	153.192	8.928.760	7.580.640	63.218	7.643.858
Purchases of goods and services	3.259.427	252.636	3.512.063	2.999.130	259.749	3.258.879
Interest income	227.843	-	227.843	227.161	-	227.161
Interest expense (-)	(52.613)	-	(52.613)	(47.402)	-	(47.402)

As disclosed in detail in Note 2.3., the Joint Ventures of the Group have been accounted for using the equity method in the consolidated financial statement for the year ended 31 December 2013. 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 2013, cash and cash equivalents and financial liabilities balances include balances of the Group's Subsidiaries with Yapı Kredi Bankası. TL266.512 thousand of trade receivables is composed of balances due to the petroleum products sales of Tüpraş to Opet and THY Opet (31 December 2012: TL128.618 thousand). TL475.087 thousand of trade payables is composed of balances due to vehicle purchases of Otokoç from Ford Otosan and Tofaş (31 December 2012: TL295.895 thousand).

TL7.953.620 thousand (2012: TL6.771.886 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 2013. TL2.315.773 thousand (2012: TL2.164.383 thousand) of purchases of goods and services is composed of balances due to Otokoç's vehicle purchases from Ford Otosan and Tofaş.

c) Key management compensation

The key management of Koç Holding is identified as the members of the Board of Directors (including the President) and Group Presidents. Total compensation provided to key management personnel of Koç Holding in 2013 amounted to TL93.540 thousand (2012: TL66.097 thousand). The amount is comprised of short-term employee benefits.

NOTE 29-DISCLOSURES ON INTERESTS IN OTHER ENTITIES

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

	31 December 2013			
Subsidiary	Non-controlling interest %	Gains/losses attributable to non-controlling interests	Accumulated non-controlling interests	Dividend paid to non-controlling interests
Tüpraş	56,30%	658.185	3.852.524	472.416
Arçelik	59,49%	377.591	2.287.778	259.742
Aygaz	59,32%	85.773	955.422	177.946

	31 December 2012			
Subsidiary	Non-controlling interest %	Gains/losses attributable to non-controlling interests	Accumulated non-controlling interests	Dividend paid to non-controlling interests
Tüpraş	57,33%	775.397	3.813.960	482.552
Arçelik	59,49%	316.967	2.113.088	223.629
Aygaz	59,32%	101.448	1.046.983	88.973

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

NOT 29-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 2013		
	Tüpraş	Arçelik	Aygaz
Cash and cash equivalents	3.663.114	1.266.575	173.054
Other current assets	6.105.480	6.392.547	694.115
Non-current assets	13.043.744	3.314.116	1.679.115
Total assets	**22.812.338**	**10.973.238**	**2.546.284**
Short term borrowings	1.074.671	1.673.379	95.310
Other current liabilities	9.323.250	2.408.904	571.888
Long term borrowings	5.447.345	2.581.159	142.497
Other non-current liabilities	159.663	515.792	126.258
Total liabilities	**16.004.929**	**7.179.234**	**935.953**
Total equity	**6.807.409**	**3.794.004**	**1.610.331**

	31 December 2012		
	Tüpraş	Arçelik	Aygaz
Cash and cash equivalents	3.248.806	1.740.789	125.365
Other current assets	5.881.533	4.995.889	570.512
Non-current assets	9.379.717	2.963.872	1.635.027
Total assets	**18.510.056**	**9.700.550**	**2.330.904**
Short term borrowings	704.360	2.144.405	5.810
Other current liabilities	7.387.819	1.798.327	441.346
Long term borrowings	3.539.773	1.859.103	-
Other non-current liabilities	257.528	404.950	118.998
Total liabilities	**11.889.480**	**6.206.785**	**566.154**
Total equity	**6.620.576**	**3.493.765**	**1.764.750**

Condensed income statement information:

	2013		
	Tüpraş	Arçelik	Aygaz
Revenue	41.078.427	11.097.711	6.004.984
Depreciation and amortisation	303.387	302.181	80.986
Operating profit/(loss)	(22.093)	1.128.041	170.184
Net financial income/(expense)	(110.006)	(409.558)	2.509
Profit/(loss) before tax	(52.863)	740.827	176.240
Net profit for the period	1.146.578	617.799	144.548

	2012		
	Tüpraş	Arçelik	Aygaz
Revenue	42.436.908	10.556.861	5.586.059
Depreciation and amortisation	285.117	260.788	78.154
Operating profit/(loss)	1.067.501	709.398	205.875
Net financial income/(expense)	101.040	(135.512)	667
Profit/(loss) before tax	1.209.885	588.692	210.987
Net profit for the period	1.347.097	514.479	171.007

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

NOTE 30-GOVERNMENT GRANTS

The Group is entitled to the following incentives and rights:

a) 100% exemption from customs duty on machinery and equipment imported,
b) Exemption from VAT on investment goods supplied from home and abroad,
c) Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
d) Inward processing permission certificates,
e) Cash refund from Tübitak-Teydeb for research and development expenditures,
f) Exemption from taxes, duties and charges,
g) Discounted corporate tax incentive,
h) Insurance premium employer share incentive,
i) Corporate tax incentive within the scope of investment incentive exemption (Note 16),
j) Brand supporting government grants given by the Undersecretariat of Foreign Trade (Turquality),
k) Incentive of environmental costs support by law 9715,
l) Patent incentives.

NOTE 31-COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Contingent Liabilities:

The tax inspection on Tüpraş, a Subsidiary of the Group, started at 24 July 2013, by the Ministry of Finance Tax Audit Board is ongoing as of the reporting date.

b) Guarantees:

The summary of guarantees given regarding the non-finance sector companies is as follows:

Guarantees given:

	31 December 2013	31 December 2012
Letters of guarantee	3.078.781	1.964.120
Letters of credit	1.210.166	1.479.065
Letters of guarantee given to banks	222.879	187.083
Equity shares (*)	127.714	159.314
Guarantee notes	-	137.532
Other	4.984	3.543
	4.644.524	**3.930.657**

(*) The Group's equity shares in Arçelik and Tüpraş with a nominal value of TL127.714 thousand (2012: TL31.600 thousand Arçelik-TL127.714 thousand Tüpraş) are pledged as collateral (without prejudice to voting and dividend rights associated with these shares) against the loans obtained in 2006 to finance the cost of the Tüpraş acquisition and to refinance the Group's existing loans (Note 15).

Collaterals/pledges/mortgages ("CPM") of Subsidiaries of the Group, except finance sector, as of 31 December 2013 and 31 December 2012 are as follows (Total amounts in the table below also contains TL denominated CPM balances. Foreign currency CPMs are presented by their TL equivalents):

	31 December 2013	31 December 2012
A. Total amount of CPM's given in the name of its own legal personality	4.383.968	3.574.570
-TL	1.335.143	729.983
-USD	2.391.276	2.344.328
-EUR	632.541	490.475
-Other	25.008	9.784
B. Total amount of CPM's given on behalf of the fully consolidated companies (*)	260.556	245.565
-TL	-	149
-USD	151.285	207.156
-EUR	108.944	38.260
-Other	327	-
C. Total amount of CPM's given on behalf of third parties for ordinary course of business (*)	-	110.522
-USD	-	110.522
D. Total amount of other CPM's given	-	-
i) Total amount of CPM's given on behalf of the majority shareholder	-	-
ii) Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-
	4.644.524	**3.930.657**

(*) As of 31 December 2012, TL137.260 thousand of the total balance (as of 31 December 2013: None) is related with bills of guarantees provided for the loan obtained from a consortium including 21 financial institutions in 2010 to meet various financing needs of Koç Group companies (Subsidiaries and Joint Ventures) within the main operations of the parent company Koç Holding.

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

NOTE 31-COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The summary of guarantees received regarding the non-finance sector companies is as follows:

Guarantees received:

	31 December 2013	31 December 2012
Letter of guarantee	3.626.396	3.173.427
Mortgages	1.874.679	1.818.242
Bill of guarantees	509.710	326.522
Guarantee notes	158.900	204.688
Direct crediting limit	140.358	113.625
Other commitments	253.237	204.550
	6.563.280	**5.841.054**

Additionally, Koç Finansman, a Subsidiary of the Group operating in the finance sector has a lien amounting to TL1.739.652 thousand as of 31 December 2013 (31 December 2012: TL1.527.575 thousand) in favor of the company supplied from vehicle loans including non-performing loans.

NOTE 32-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 and interest rate 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 financial instruments to hedge risk exposures.

A) Credit Risk

Credit risk is the risk that a counterparty cannot fulfill its obligations in the agreements that the Group is party to. The Group monitors the credit risk by credit ratings and limitations to the total risk of a single counterparty. The credit risk is diversified as a result of large number of entities comprising the customer bases and the penetration to different business segments.

Credit risk management procedures

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

Major portion of trade receivables stem from the dealers over which the Group exerts a significant control mechanism. Credit risk by dealer is followed up by taking into account the relevant customers' financial position, past experience and other related factors; and guarantees are obtained to the greatest extent possible. Moreover, the risk management program (E-risk), which enables the follow-up of credit risk of trade receivables arising from the Group's activities, aims to minimise the potential adverse effects of market fluctuations.

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.

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

NOTE 32-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risk details

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

31 December 2013	Trade receivables	Receivables from finance sector operations	Cash and cash equivalents	Financial assets	Derivative instruments
Maximum exposure to credit risk as of reporting date (A+B+C+D+E)	**8.493.365**	**1.739.318**	**8.895.009**	**-**	**66.668**
A. Net book value of neither past due nor impaired financial assets [*]	7.526.306	1.602.162	8.895.009	-	66.668
B. Net book value of restructured financial assets	28.379	118.860	-	-	-
C. Net book value of past due but not impaired financial assets	884.647	9.643	-	-	-
D. Net book value of impaired assets	54.033	26.208	-	-	-
-Past due	54.033	26.208	-	-	-
-Gross amount	251.894	51.778	-	-	-
-Impairment	(197.861)	(25.570)	-	-	-
-Secured with guarantees	*53.217*	*17.108*	-	-	-
-Not past due	-	-	-	-	-
-Gross amount	-	-	-	-	-
-Impairment	-	-	-	-	-
-Secured with guarantees	-	-	-	-	-
E. Collective provision for impairment(-)	-	(17.555)	-	-	-

31 December 2012	Trade receivables	Receivables from finance sector operations	Cash and cash equivalents	Financial assets	Derivative instruments
Maximum exposure to credit risk as of reporting date (A+B+C+D+E)	**7.181.822**	**1.539.530**	**7.102.079**	**29.284**	**9.257**
A. Net book value of neither past duenor impaired financial assets [*]	6.199.616	1.409.023	7.102.079	29.284	9.257
B. Net book value of restructured financial assets	26.556	101.131	-	-	-
C. Net book value of past due but not impaired financial assets	902.940	9.995	-	-	-
D. Net book value of impaired assets	52.710	27.120	-	-	-
-Past due	52.710	27.120	-	-	-
-Gross amount	218.651	42.148	-	-	-
-Impairment	(165.941)	(15.028)	-	-	-
-Secured with guarantees	*54.089*	*18.289*	-	-	-
-Not past due	-	-	-	-	-
-Gross amount	-	-	-	-	-
-Impairment	-	-	-	-	-
-Secured with guarantees	-	-	-	-	-
E. Collective provision for impairment (-)	-	(7.739)	-	-	-

[*] Includes receivables from related parties.

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

NOTE 32-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	2013	2012
New customers (less than 3 months)	627.184	393.700
Public institutions and corporations	103.161	104.252
Other customers with no payment defaults	6.488.822	5.556.556
Customers with prior collection delays	307.139	145.108
	7.526.306	**6.199.616**

As of 31 December 2013, trade receivables that are not due and not impaired amounting to TL4.459.524 thousand are secured with guarantees (2012: TL3.640.958 thousand).

b) Analysis of past due trade receivables:

Not impaired	2013	2012
Past due up to 1 month	327.957	277.412
Past due 1-3 months	408.352	540.162
Past due 3-12 months	136.092	66.948
Past due over 1 year	12.246	18.418
	884.647	**902.940**

As of 31 December 2013, past due but not impaired trade receivables amounting to TL276.991 thousand are secured by guarantee (2012: TL526.603 thousand).

Major portion of overdue receivables that are past due but not impaired are related to Tüpraş, a Subsidiary of the Group. The Group management does not estimate a collection risk for these receivables as the significant portion of these receivables is due from government entities to which sales are made regularly.

Impaired	2013	2012
Past due up to 3 months	28.698	29.776
Past due 3-6 months	4.820	8.277
Past due 6-12 months	67.371	42.140
Past due over 1 year	151.005	138.458
Less: Impairment	(197.861)	(165.941)
	54.033	**52.710**

As of 31 December 2013, impaired receivables amounting to TL53.217 thousand are secured by guarantees (2012: TL54.089 thousand).

Cash and cash equivalents

As of 31 December 2013 and 2012, total cash and cash equivalents are neither past due nor impaired.

A significant portion of the bank deposits that are classified under cash and cash equivalents are held in banks operating in Turkey.

Financial assets

As of 31 December 2013, total debt securities classified under financial assets are neither past due nor impaired (31 December 2012: None)

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.

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

NOTE 32-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Assets and liabilities denominated in foreign currency are as follows:

	31 December 2013	31 December 2012
Assets	9.454.082	6.230.025
Liabilities	(17.809.459)	(12.683.717)
Net balance sheet position	**(8.355.377)**	**(6.453.692)**
Off-balance sheet derivative instruments net position	**880.843**	**970.958**
Net foreign currency position	**(7.474.534)**	**(5.482.734)**

Tüpraş, a Subsidiary of the Group, manages its foreign currency risk resulting from its net financial liabilities by reflecting the effects of the changes in foreign currencies to its selling prices of petroleum products. As of 31 December 2013, Tüpraş has raw materials and petroleum products amounting to TL3.377.035 thousand (31 December 2012: TL: 3.049.562 thousand).

In addition, Tüpraş has USD1.742,8 million outstanding borrowing regarding the financing of the ongoing Fuel Oil Conversion Project (Note 15), for which finance costs (including also foreign exchange losses to a certain extent) are capitalised

As of 31 December 2013, if EUR and USD had appreciated by 10% against TL with all other variables held constant, profit before tax would have been TL811.335 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 (equity holders) is approximately TL330 million.

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

	USD	EUR	Other	Total
31 December 2013				
Foreign currency net position (*)	(765.313)	(45.711)	(311)	(811.335)

(*) Related balances do not include the foreign exchange impacts of hedged items. Profit before tax impacts arising from foreign exchange positions of Joint Ventures have been included in the sensitivity analysis.

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

	USD	EUR	Other	Total
31 December 2013				
Hedged items (*)	(4.695)	(147.667)	-	(152.362)

(*) 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.

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

NOTE 32-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2013			
	USD [1]	EUR [1]	Other (TL Equivalent)	Total (TL Equivalent)
Assets:				
Trade receivables [2]	231.968	546.063	604.014	2.702.619
Monetary financial assets	2.435.160	153.230	15.479	5.662.799
Non-monetary financial assets	62.177	27.393	305	213.450
Other	53.980	7.786	219	138.293
Current assets	**2.783.285**	**734.472**	**620.017**	**8.717.161**
Trade receivables [2]	43.854	105.787	246.400	650.640
Financial assets	3.289	4.994	-	21.686
Other	529	21.582	90	64.595
Non-current assets	**47.672**	**132.363**	**246.490**	**736.921**
Total assets	**2.830.957**	**866.835**	**866.507**	**9.454.082**
Liabilities:				
Trade payables [2]	2.358.669	219.677	38.685	5.717.874
Borrowings	177.279	462.217	139.716	1.875.382
Other liabilities	186.024	25.827	4.288	477.160
Short term liabilities	**2.721.972**	**707.721**	**182.689**	**8.070.416**
Trade payables [2]	29.249	-	-	62.427
Borrowings	4.157.402	256.972	-	9.627.741
Other liabilities	-	16.644	-	48.875
Long term liabilities	**4.186.651**	**273.616**	**-**	**9.739.043**
Total liabilities	**6.908.623**	**981.337**	**182.689**	**17.809.459**
Net balance sheet position	**(4.077.666)**	**(114.502)**	**683.818**	**(8.355.377)**
Derivative assets	883.277	431.687	10.528	3.163.356
Derivative liabilities	(262.383)	(350.753)	(692.523)	(2.282.513)
Off-balance sheet derivative instruments net position	**620.894**	**80.934**	**(681.995)**	**880.843**
Net foreign currency position	**(3.456.772)**	**(33.568)**	**1.823**	**(7.474.534)**
Net foreign currency position of monetary items	(3.518.949)	(60.961)	1.518	(7.687.984)
Fair value of derivative instruments held for hedging	1.361	17.392	-	53.976

[1] Presented in original currencies.
[2] Represents balances before consolidation eliminations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

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

NOTE 32-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2012			
	USD [1]	EUR [1]	Other (TL Equivalent)	Total (TL Equivalent)
Assets:				
Trade receivables [2]	241.943	495.778	550.747	2.147.954
Monetary financial assets	1.571.245	192.853	6.812	3.261.246
Non-monetary financial assets	45.550	21.489	1.132	132.865
Other	99.815	6.236	69.845	262.440
Current assets	**1.958.553**	**716.356**	**628.536**	**5.804.505**
Trade receivables [2]	34.402	53.257	166.914	353.484
Monetary financial assets	297	5.235	-	12.840
Other	899	24.490	-	59.196
Non-current assets	**35.598**	**82.982**	**166.914**	**425.520**
Total assets	**1.994.151**	**799.338**	**795.450**	**6.230.025**
Liabilities:				
Trade payables [2]	1.819.410	183.593	15.161	3.690.198
Borrowings	708.809	440.133	287.982	2.586.565
Other liabilities	223.339	17.649	4.848	444.477
Short term liabilities	**2.751.558**	**641.375**	**307.991**	**6.721.240**
Trade payables [2]	33.401	-	-	59.540
Borrowings	2.580.252	547.546	-	5.887.221
Other liabilities	4.994	2.897	-	15.716
Long term liabilities	**2.618.647**	**550.443**	**-**	**5.962.477**
Total liabilities	**5.370.205**	**1.191.818**	**307.991**	**12.683.717**
Net balance sheet position	**(3.376.054)**	**(392.480)**	**487.459**	**(6.453.692)**
Derivative assets	621.341	423.038	22.398	2.124.858
Derivative liabilities	(308.752)	(99.151)	(370.345)	(1.153.900)
Off-balance sheet derivative instruments net position	**312.589**	**323.887**	**(347.947)**	**970.958**
Net foreign currency position	**(3.063.465)**	**(68.593)**	**139.512**	**(5.482.734)**
Net foreign currency position of monetary items	**(3.109.015)**	**(90.082)**	**138.380**	**(5.615.599)**
Fair value of derivative instruments held for hedging	(9.193)	2.294	-	(10.992)

(1) Presented in original currencies.
(2) Represents balances before consolidation eliminations.

FINANCIAL STATEMENTS

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

NOTE 32-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Import and export details (TL Equivalent)

Export	2013	2012
USD	9.390.739	10.650.996
EUR	3.195.505	3.093.632
Other	1.263.064	1.197.175
	13.849.308	**14.941.803**
Import		
USD	38.758.851	40.811.935
EUR	1.604.182	1.483.021
Other	32.246	23.318
	40.395.279	**42.318.274**

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 financial assets and liabilities are as follows:

	31 December 2013			31 December 2012		
	USD	**EUR**	**TL**	**USD**	**EUR**	**TL**
Assets						
Cash and cash equivalents	3,06	1,66	8,31	3,18	1,86	8,29
Financial assets						
-At fair value through profit or loss	-	-	-	6,00	-	-
-Time deposits						
(with a maturity over 3 months)	-	-	-	3,90	-	-
Receivables from finance sector operations	4,95	5,88	12,07	5,43	6,62	13,27
Liabilities						
Borrowings	2,98	3,00	9,01	2,61	2,73	8,39

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

31 December 2013	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	8.549.887	-	-	-	347.191	8.897.078
Financial assets						
-Available-for-sale financial assets	-	-	-	-	214.657	214.657
Receivables from finance sector operations	289.790	578.647	870.881	-	-	1.739.318
	8.839.677	**578.647**	**870.881**	**-**	**561.848**	**10.851.053**
Liabilities						
Borrowings	4.939.331	4.993.894	3.991.436	3.155.395	627	17.080.683
	4.939.331	**4.993.894**	**3.991.436**	**3.155.395**	**627**	**17.080.683**

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

NOTE 32-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2012	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	6.840.123	-	-	-	263.625	7.103.748
Financial assets						
-At fair value through profit or loss	16.520	-	-	-	-	16.520
-Available-for-sale financial assets	-	-	-	-	113.224	113.224
-Time Deposits						
	-	12.764	-	-	-	12.764
(with a maturity over 3 months) Receivables from finance sector operations	255.322	571.625	712.583	-	-	1.539.530
	7.111.965	**584.389**	**712.583**	**-**	**376.849**	**8.785.786**
Liabilities						
Borrowings	5.795.770	1.498.996	3.834.705	1.256.924	3.257	12.389.652
	5.795.770	**1.498.996**	**3.834.705**	**1.256.924**	**3.257**	**12.389.652**

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 TL74 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 expense effect at the Group level within 1-year period.

The interest rate position is as follows:

	2013	2012
Fixed interest rate financial instruments		
Financial assets		
Cash and cash equivalents	8.030.973	6.220.685
Financial assets at fair value through profit or loss	-	16.520
Receivables from finance sector operations	1.739.318	1.539.530
	9.770.291	7.776.735
Liabilities		
Borrowings	10.206.375	5.485.345
	10.206.375	5.485.345
Floating interest rate financial instruments		
Financial assets		
Cash and cash equivalents	518.914	619.438
	518.914	619.438
Financial liabilities		
Borrowings (*)	6.873.681	6.901.050
	6.873.681	**6.901.050**

(*) In order to hedge the risk resulting from the floating rate loan obtained for the acquisition of 51% of the shares of Tüpraş; EYAŞ, a Subsidiary of the Group, has entered into an interest rate swap agreement amounting to USD217.080 thousand (Note 9).

c) Commodity price risk

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

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.

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

NOTE 32-FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

d) Liquidity Risk

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

Undiscounted contractual cash flows of the financial liabilities as of 31 December 2013 and 2012 are as follows:

31 December 2013	Book value	Total contractual cash outflow	Up to 3 months	3 months-1 year	1-5 years	5 years and over
Financial liabilities						
Borrowings	17.080.683	19.436.713	2.153.334	2.940.706	9.145.866	5.196.807
Trade payables	9.978.208	9.988.422	9.505.771	482.651	-	-
Derivative instruments (*)						
Cash inflows	22.350	2.108.989	1.294.965	36.285	-	777.739
Cash outflows	(72.950)	(2.135.353)	(1.293.981)	(35.792)	-	(805.580)

31 December 2012	Book value	Total contractual cash outflow	Up to 3 months	3 months-1 year	1-5 years	5 years and over
Financial liabilities						
Borrowings	12.389.652	13.716.861	1.703.868	3.419.317	5.969.640	2.624.036
Trade payables	7.328.797	7.330.696	6.866.564	464.132	-	-
Derivative instruments (*)						
Cash inflows	2.176	911.277	755.131	85.011	71.135	-
Cash outflows	(24.081)	(937.614)	(759.989)	(96.384)	(81.241)	-

(*) Derivative instruments do not include the carrying value (Note 9) of changes in the fair value changes arising from the off-balance sheet operating lease transactions of Otokoç, a Subsidiary of the Group, denominated in foreign currency.

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).

Net financial debt/total equity ratio as of 31 December 2013 and 2012 is as follows:

	31 December 2013	31 December 2012
Total borrowings	17.080.683	12.389.652
Cash and cash equivalents	8.330.068	6.622.809
Net financial debt	8.750.615	5.766.843
Equity	26.190.593	24.261.257
Net financial debt/total equity ratio	**%33**	**%24**

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

NOT 33-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 2013, the carrying value of receivables from finance sector operations does not differ significantly from their fair value calculated through the current interest rates.

Financial liabilities

Fair values of short term borrowings and trade payables are assumed to approximate their carrying values due to their short term nature.

The carrying values of bonds issued by the Parent Company Koç Holding, Arçelik and Tüpraş, the Subsidiaries of the Group, in 2012 and 2013 with a nominal value of USD1.950 million and fixed interest rates (Note 15), are above by TL419 million from their fair values measured considering the prices in the active markets (Level 1).

Fair value estimation

The classification of the Group's 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 2013 and 2012 are as follows:

31 December 2013	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
-Equity securities	19.957	-	-	19.957
Derivative instruments	-	66.668	-	66.668
Total assets	19.957	66.668	-	86.625
Derivative instruments	-	72.950	-	72.950
Total liabilities	**-**	**72.950**	**-**	**72.950**

31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	16.520	-	-	16.520
Available-for-sale financial assets				
-Equity securities	35.792	-	-	35.792
Derivative instruments	-	9.257	-	9.257
Total assets	**52.312**	**9.257**	**-**	**61.569**
Derivative instruments	-	24.081	-	24.081
Total liabilities	**-**	**24.081**	**-**	**24.081**

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

NOTE 34-EARNINGS PER SHARE

	2013	2012
Earnings per share:		
Profit for the period	4.000.309	3.743.823
Profit attributable to non-controlling interest	1.320.596	1.419.673
Profit attributable to equity holders of the parent	2.679.713	2.324.150
Weighted average number of shares with nominal value Kr 1 each	253.589.800.000	253.589.800.000
Earnings per share (Kr)	**1,057**	**0,916**

NOTE 35-SUPPLEMENTARY CASH FLOW INFORMATION

Supplementary information for the details included in the consolidated cash flow statements as of 31 December 2013 and 2012 is as follows:

	2013	2012
Changes in provisions:		
Provision for Competition Board penalty	309.011	-
Provision for loans and doubtful receivables	54.192	48.978
Provision for warranty and assembly	42.538	3.647
Provisions for employee benefits	23.135	35.474
Provision for impairment on assets held for sale	18.764	15.187
Provision for impairment on inventories	(3.020)	(1.000)
Provision for lawsuits	(5.092)	24.937
Cost accruals for construction contracts	(126.018)	53.950
Impairment of financial assets	-	13.826
Other provisions	43.264	(13.639)
	356.774	**181.360**
Changes in net working capital:		
Inventories	(886.148)	168.317
Trade receivables	(1.347.533)	939.344
Trade payables	2.649.411	(460.912)
Other assets and liabilities, net	6.597	(134.472)
Receivables from finance sector operations	(223.212)	(246.061)
Currency translation differences	152.137	(25.975)
	351.252	**240.241**
Cash and cash equivalents:		
Cash and cash equivalents (Note 4)	8.897.078	7.103.748
Less: Blocked deposits (Note 4)	(567.010)	(480.939)
	8.330.068	**6.622.809**

NOT 36-EVENTS AFTER THE BALANCE SHEET DATE

i) The investigation of Competition Board against Tüpraş, a Subsidiary of the Group and Opet, a Joint Venture of the Group, started through the resolution of the Board dated 4 July 2012 and numbered 12-36/1040-M(2) for the identification of a possible breach of Article 4 and Article 6 of the Law No. 4054 on the Protection of Competition and declared through the letter dated 11 July 2012; was concluded with the announcement provided on the Competition Authority's website on 17 January 2014. The Competition Board has decided upon an administrative fine of TL412.015 thousand at the rate of 1% of the annual gross revenue of Tüpraş in 2013. The details of the criticism are unknown since the reasoned decision leading to the administrative fine has not released yet. Related penalty will be paid at 3/4 of the total amount as TL309.011 thousand within 30 days upon the communication of the reasoned decision in accordance with the provision of Article 17 of the Law of Misdemeanors No. 5326. All necessary legal actions will be taken with regard to the mentioned decision and penalty. As of 31 December 2013, Tüpraş has accounted for the provision for the penalty amounting to TL309.011 thousand under "short term provisions" account (Note 18).