KOÇ HOLDİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2020
TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT

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

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Koç Holding A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Koç Holding A.Ş. ("Koç Holding" or the "Company"), its subsidiaries and its joint ventures (collectively referred to as the "Group"), which comprise the consolidated statement of balance sheet as at 31 December 2020 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

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

3. Key Audit Matters

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

Key audit matters	***How our audit addressed the key audit matter***
Accounting for step acquisition As a result of the share transfer on 5 February 2020 ("closing date"), the Group obtained the power to control Koç Finansal Hizmetler A.Ş. ("KFS") and its subsidiary, Yapı ve Kredi Bankası A.Ş. ("YKB"), which were previously accounted for as joint ventures . Consequently, these companies became subsidiaries of the Group and are accounted for as such since then. Transaction is accounted for as a step acquisition within the framework of TFRS 3 "Business Combinations". The fair values of identifiable assets and liabilities in the balance sheet of YKB and the resulting negative goodwill are material to the consolidated financial statements. In addition, significant judgments and estimates are used in the calculation of fair value of previously held equity interest and the purchase price allocation exercise, which were performed by the Group management by using valuation experts. Fair value calculations based on these judgements and estimates, had a significant impact on the consolidated financial statements. Therefore, accounting for this step acquisition is a key matter for our audit. Please refer to notes 2.4 and 3 to the consolidated financial statements for the relevant disclosures, and the accounting policy related to the accounting for step acquisition.	We performed the following procedures in relation to the accounting for step acquisition: • Evaluating the impacts of sale and purchase agreements on the accounting of the transaction, • Through involvement of our TFRS experts, assessing the accounting conclusions reached by the Group management considering the relevant standard's requirements, • Performing audit procedures on YKB's closing date balance sheet which was the basis of the purchase and price allocation exercise, • Through involvement of our internal valuation experts, assessing the fair value calculation method for remeasurement of the previously held equity interest based on the requirements of TFRS 3, • Through involvement of our internal valuation experts, assessing the completeness of the intangible assets identified as part of the business combination in the purchase and price allocation exercise by comparing to similar domestic and international transactions,

3. Key Audit Matters (Continued)

Key audit matters	*How our audit addressed the key audit matter*
	• Through involvement of our internal valuation experts, testing significant judgements used in purchase and price allocation exercise including return on equity, multiplier value, control premium discount rate, discount rate used to calculate net present value of dividend payments and growth rates and benchmarking these against the rates used in the industry, • Inquiries with Group management for analyzing their future cash flow estimates in light of macroeconomic forecasts, • Through involvement of our internal valuation experts, testing the sensitivity of the assumptions used in the purchase and price allocation exercise to changes in market conditions, • Through involvement of our internal valuation experts, assessing the appropriateness of the fair value adjustments and intangible assets recognized as a result of the purchase and price allocation exercise performed by the Group, • Testing the mathematical accuracy of the calculations and the appropriateness of the final accounting entries, • Testing the disclosures in the consolidated financial statements in relation to the accounting for step acquisition and evaluating the adequacy of such disclosures for TFRS requirements. We had no material findings related to the accounting for step acquisition as a result of these procedures.

3. Key Audit Matters (Continued)

Key audit matters	*How our audit addressed the key audit matter*
Impairment tests of tangible and indefinite-life intangible assets The consolidated financial statements as of and for the year ending 31 December 2020 include goodwill and brands under intangible assets, with carrying values of TL 3.725.523 thousand and TL 3.628.278 thousand, respectively. While TL 2.736.463 thousand of the total goodwill is related to the energy segment, TL 2.013.259 thousand of the total goodwill is related to financial services segment, the rest of the goodwill and the brands are related to the durable goods industry. These indefinite-life intangible assets should be tested for impairment annually, as required by TFRS. In addition, Türkiye Petrol Rafinerileri A.Ş. ("Tüpraş") management performed impairment tests on their tangible assets amounting to TL 8.010.829 thousand in accordance with the requirements of TAS 36 "Impairment of assets", upon the indications of impairment on the relevant assets due to the negative conditions resulting from Covid 19 pandemic. Relevant tangible and indefinite-life intangible assets are material to the consolidated financial statements. In addition, significant judgments and estimates are used in the impairment tests performed by management. For goodwill and brand impairment tests; these are earnings before interest, tax, depreciation and amortization growth forecasts, long term growth rates and discount rates. In addition, royalty rates used in the relief from royalty method for the brand impairment tests are also key estimates. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, these impairment tests are key matters for our audit. Please refer to notes 2.4, 2.5, 2.6, 15 and 16 to the consolidated financial statements for the relevant disclosures, including the accounting policy and sensitivity analysis.	We performed the following procedures in relation to the impairment tests of tangible and indefinite-life intangible assets: • Evaluating the appropriateness of the Cash Generating Units ("CGUs") determined by management, • Understanding management's future plans and cash flow forecasts for relevant segments while taking into account the impacts of Covid 19 pandemic and evaluating these in light of available macroeconomic data, • Challenging the future plans of energy segment, which is affected negatively from Covid 19 pandemic, by considering different recovery scenarios, • Assessing reasonableness of forecasted cash flows for each CGU by comparing them against their historical financial performance, • Through involvement of our internal valuation experts, assessing and challenging key assumptions, including long term growth rates, discount rates and royalty rates and benchmarking these against rates used in the relevant industries, • Testing the setup of the discounted cash flow models and their mathematical accuracy, • Testing management's sensitivity analysis for key assumptions, • Testing the disclosures in the consolidated financial statements in relation to the impairment tests of tangible and indefinite-life intangible assets and evaluating the adequacy of such disclosures for TFRS' requirements. We had no material findings related to the impairment tests of relevant assets as a result of these procedures.

3. Key Audit Matters (Continued)

Key audit matters	*How our audit addressed the key audit matter*
Yapı ve Kredi Bankası A.Ş. ("YKB") - Impairment of loans and receivables Consolidated financial statements as of 31 December 2020 include an impairment provision of TL 24.656.779 thousand in relation to loans and receivables of YKB amounting TL 318.666.771 thousand. Aforementioned amounts represent a significant portion of the YKB's and Koç Holding's total assets. Due to (1) complexity of estimates and information used in the impairment assessment such as historical loss experiences, current conditions, forward looking macro-economic expectations; (2) significance of loans and receivables in the consolidated financial statements; (3) level of judgments and estimations made by the management used in classification of loans as per their credit risk (staging) and (4) timely and correct identification of default event, significant increase in credit risk and level of judgements and estimations made by the management, impairment of loans and receivables is considered as a key matter for audit of the consolidated financial statements. In addition, the negative conditions of Covid 19 pandemic increased the significance of the judgements and assumptions used in the determination of the expected credit loss by the Group management in the current year. Please refer to notes 2.4, 2.5, 10, 32 and 35 to the consolidated financial statements for the accounting policy and the relevant disclosures.	We performed the following procedures in relation to the impairment of loans and receivables: • Understanding the policies, procedures and principles of management with respect to staging of loans and calculation of expected credit losses in accordance with TFRS 9 and testing design and operating effectiveness of controls in these processes implemented by management, • Inquiries with YKB's management about their forward-looking assumptions which also includes the impacts of Covid 19 pandemic in the expected credit loss calculations, and evaluation of those assumptions by using publicly available information, • Through involvement of our financial risk experts, assessment and testing of the appropriateness of segmentation used in the models, lifetime probability of default model, loss given default model, and approaches in relation to projection of macroeconomic expectations, • Through involvement of our macroeconomic experts, assessing appropriateness and supportability of forward-looking expectations (including macroeconomic factors), • Through involvement of financial risk experts, testing selected models used in determination of provisions for various credit portfolios on a sample selection basis, • Testing the appropriateness of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flows and the arithmetical calculations for a sample of exposures,

3. Key Audit Matters (Continued)

Key audit matters	***How our audit addressed the key audit matter***
	• Testing the calculation of the loss given default (LGD) used by YKB in the expected credit losses calculations, as well as testing of collaterals, recovery and costs, • Testing the expected credit losses for individual loans based on YKB's policy through assessing the reasonableness of provisions in light available data and inquiring with management by considering the areas that are impacted by the Covid 19 pandemic uncertainties, • Through involvement of our information technology specialists, testing key source data used in YKB's expected credit losses calculations; and testing the reliability and completeness of the data used in expected credit losses calculations, • Testing the mathematical accuracy of expected credit losses calculations, • Performing loan review procedures based on a selected sample in order to assess the appropriateness of the determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment, • Testing the adequacy of the disclosures in the consolidated financial statements in relation to the impairment of loans and receivables. We had no material findings related to the impairment tests of impairment of loans and receivables as a result of these procedures.

3. Key Audit Matters (Continued)

Key audit matters	*How our audit addressed the key audit matter*
Yapı ve Kredi Bankası A.Ş. ("YKB") - Valuation of Pension Fund ("Pension Fund") obligations The consolidated financial statements as of 31 December 2020 include a provision for Pension Fund liabilities of YKB in amounting to TL 1.461.542 thousand under non-current liabilities. Pension Fund liabilities of YKB are material to YKB's and Koç Holding's consolidated financial statements. In addition, the total obligation of the fund is estimated using separate methods and assumptions for benefits to be transferred and for non-transferrable benefits. These assumptions include transferrable social benefits, discount rates, salary increases, economic and demographic assumptions. These assumptions and estimates are very sensitive to changes in market conditions. In addition, the uncertainty of the transfer date, the fact that technical interest rate is determined by law and the significance of possible deviations from these assumptions, accounting of Pension Fund liabilities is a key matter for our audit. Please refer to notes 2.4, 2.5 and 20 to the consolidated financial statements for the accounting policy and the relevant disclosures.	We performed the following procedures in relation to the relevant obligations: • Testing, on a sample basis, the accuracy of the employee data supplied by the Group management to the external actuary firm for the purpose of evaluation pension obligation, • Verifying the existence and values of the Pension Fund assets, • Examining whether there are significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities or regulations related to valuations, and testing such significant changes, • Through use of our actuarial specialist, assessing the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability, • Testing the adequacy of the disclosures in the consolidated financial statements in relation to the Pension Fund obligations. We had no material findings related to the valuation of Pension Fund obligations as a result of these procedures.

4. Other Matter

As explained in Note 2.1.3 to the consolidated financial statements, EUR and USD amounts shown in the accompanying consolidated financial statements have been translated from Turkish Lira ("TL") , as a matter of arithmetic computation only, at the official EUR and USD bid rates announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2020 for the consolidated balance sheet; and the official EUR and USD average CBRT bid rates of the year 2020 for the consolidated statement of profit or loss, consolidated statement of other comprehensive income and consolidated statement of cash flows, and they do not form part of the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

B. Other Responsibilities Arising from Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 15 February 2021.

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

Halûk Yalçın, SMMM
Partner

Istanbul, 15 February 2021

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KOÇ HOLDİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 1 JANUARY- 31 DECEMBER 2020

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CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KOÇ HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2020 AND 2019
(Amounts on tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2020 (*) EUR'000	2020 (*) USD'000	*Audited* 2020 TL'000	*Audited* 2019 TL'000
ASSETS					
Current assets:					
Cash and cash equivalents	5	6.700.874	8.222.982	60.360.801	37.816.360
Balances with the Central Bank of the Republic of Turkey	6	5.436.591	6.671.517	48.972.272	-
Financial assets	7	680.141	834.636	6.126.643	-
Trade receivables	9	2.273.419	2.789.828	20.478.731	19.272.813
- Related parties	*9*	*137.605*	*168.862*	*1.239.528*	*1.596.412*
- Third parties	*9*	*2.135.814*	*2.620.966*	*19.239.203*	*17.676.401*
Receivables from finance sector operations	10	17.480.468	21.451.170	157.462.310	1.371.816
Derivative instruments	11	257.225	315.654	2.317.060	401.156
Inventories	12	2.070.610	2.540.950	18.651.844	17.430.843
Other receivables	22	243.556	298.879	2.193.924	3.151.809
Other current assets	23	2.754.201	3.379.820	24.809.568	2.742.046
		37.897.085	46.505.436	341.373.153	82.186.843
Assets held for sale	25	22.349	27.426	201.321	41.919
Total current assets		**37.919.434**	**46.532.862**	**341.574.474**	**82.228.762**
Non-current assets:					
Financial assets	7	8.123.060	9.968.219	73.171.712	1.579.942
Investments accounted for using the equity method	8	928.867	1.139.860	8.367.140	19.955.652
Trade receivables	9	57.932	71.091	521.842	389.699
- Third parties	*9*	*57.932*	*71.091*	*521.842*	*389.699*
Receivables from finance sector operations	10	15.294.441	18.768.584	137.770.791	935.471
Derivative instruments	11	433.184	531.583	3.902.082	125.265
Investment properties	13	42.712	52.414	384.742	394.783
Property, plant and equipment	14	4.276.337	5.247.710	38.520.817	30.153.905
Intangible assets		1.435.630	1.761.735	12.932.015	7.658.671
- Goodwill	*15*	*413.584*	*507.530*	*3.725.523*	*3.545.249*
- Other intangible assets	*16*	*1.022.046*	*1.254.205*	*9.206.492*	*4.113.422*
Deferred tax assets	19	1.089.290	1.336.723	9.812.215	5.483.674
Other non-current assets	23	348.884	428.134	3.142.714	2.437.764
Total non-current assets		**32.030.337**	**39.306.053**	**288.526.070**	**69.114.826**
Total assets		**69.949.771**	**85.838.915**	**630.100.544**	**151.343.588**

(*) 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 2020, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

These consolidated financial statements as of and for the year ended 31 December 2020 have been approved for issue by the Board of Directors ("BOD") on 15 February 2021. These consolidated financial statements will be finalised following their approval in the General Assembly.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KOÇ HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2020 AND 2019

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

	Notes	2020 (*) EUR'000	2020 (*) USD'000	*Audited* 2020 TL'000	*Audited* 2019 TL'000
LIABILITIES					
Current liabilities:					
Short term borrowings	17	2.638.423	3.237.743	23.766.653	13.641.034
Short term portion of long term borrowings	17	5.323.946	6.533.285	47.957.577	7.644.733
Trade payables	9	3.223.792	3.956.078	29.039.594	26.727.432
- Related parties	*9*	*292.897*	*359.429*	*2.638.387*	*1.118.902*
- Third parties	*9*	*2.930.895*	*3.596.649*	*26.401.207*	*25.608.530*
Payables of finance sector operations	18	30.428.997	37.340.966	274.101.362	-
Derivative instruments	11	520.491	638.721	4.688.529	124.311
Current income tax liabilities	19	176.199	216.222	1.587.179	96.602
Short term provisions	21	208.554	255.927	1.878.630	1.418.190
Other payables	22	452.459	555.235	4.075.701	3.812.230
Other current liabilities	23	3.039.955	3.730.486	27.383.629	5.560.146
		46.012.816	56.464.663	414.478.854	59.024.678
Liabilities related to assets held for sale	25	1.566	1.922	14.110	1.443
Total current liabilities		**46.014.382**	**56.466.585**	**414.492.964**	**59.026.121**
Non-current liabilities:					
Long term borrowings	17	12.220.719	14.996.664	110.083.014	39.010.324
Payables of finance sector operations	18	340.765	418.170	3.069.577	-
Derivative instruments	11	749.125	919.290	6.748.047	142.587
Other payables	22	23.019	28.247	207.350	414.700
Deferred tax liabilities	19	139.723	171.461	1.258.612	1.023.651
Long term provisions		553.567	679.310	4.986.473	1.074.546
- Long term provisions for employee benefits	*20*	*381.303*	*467.916*	*3.434.738*	*935.265*
- Other long term provisions	*21*	*172.264*	*211.394*	*1.551.735*	*139.281*
Other non-current liabilities	23	131.380	161.223	1.183.455	999.624
Total non-current liabilities		**14.158.298**	**17.374.365**	**127.536.528**	**42.665.432**
Total liabilities		**60.172.680**	**73.840.950**	**542.029.492**	**101.691.553**
Equity:					
Paid-in share capital	24	281.519	345.467	2.535.898	2.535.898
Adjustment to share capital	24	107.382	131.774	967.288	967.288
Share premium		1.031	1.265	9.286	9.286
Other comprehensive income/expense not to be reclassified to profit or loss	24	(30.942)	(37.970)	(278.721)	(297.850)
Other comprehensive income/expense to be reclassified to profit or loss	24	129.580	159.014	1.167.240	(405.009)
Restricted reserves	24	58.145	71.353	523.765	523.765
Prior years' income		3.568.514	4.379.104	32.144.813	28.557.523
Profit for the period		1.029.382	1.263.207	9.272.570	4.391.159
Equity holders of the parent		5.144.611	6.313.214	46.342.139	36.282.060
Non-controlling interests		4.632.480	5.684.751	41.728.913	13.369.975
Total equity		**9.777.091**	**11.997.965**	**88.071.052**	**49.652.035**
Total liabilities and equity		**69.949.771**	**85.838.915**	**630.100.544**	**151.343.588**
Commitments and contingent liabilities	**34**				

(*) EUR and USD amounts presented above have been translated from TL for convenience purposes only, at the official TL bid rate announced by the CBRT at 31 December 2020, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KOÇ HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

	Notes	2020 (*) EUR'000	2020 (*) USD'000	*Audited* 2020 TL'000	*Audited* 2019 TL'000
Revenue	26	17.755.286	20.336.123	142.535.886	152.906.954
Revenue from finance sector operations	26	5.137.322	5.884.062	41.241.390	609.053
Total revenue	**4**	**22.892.608**	**26.220.185**	**183.777.276**	**153.516.007**
Cost of sales	27	(14.940.006)	(17.111.625)	(119.935.381)	(131.551.404)
Cost of finance sector operations	27	(2.430.429)	(2.783.707)	(19.511.001)	(379.844)
Total costs		**(17.370.435)**	**(19.895.332)**	**(139.446.382)**	**(131.931.248)**
Gross profit (non-finance)		2.815.280	3.224.498	22.600.505	21.355.550
Gross profit (finance)		2.706.893	3.100.355	21.730.389	229.209
Gross profit		**5.522.173**	**6.324.853**	**44.330.894**	**21.584.759**
Marketing expenses	27	(1.214.184)	(1.390.673)	(9.747.230)	(8.150.011)
General administrative expenses	27	(1.594.423)	(1.826.182)	(12.799.708)	(5.158.955)
Research and development expenses	27	(56.606)	(64.834)	(454.419)	(344.697)
Other operating income	28	607.698	696.030	4.878.475	3.626.010
Other operating expenses	28	(1.537.503)	(1.760.988)	(12.342.768)	(4.086.379)
Share of profit/loss of investments accounted for using the equity method	8	369.550	423.266	2.966.673	2.902.947
Operating profit	**4**	**2.096.705**	**2.401.472**	**16.831.917**	**10.373.674**
Gains from investment activities	29	468.838	536.986	3.763.736	133.224
Losses from investment activities	29	(23.614)	(27.047)	(189.569)	(33.464)
Operating profit before financial income/(expense)		**2.541.929**	**2.911.411**	**20.406.084**	**10.473.434**
Financial income	30	2.038.422	2.334.719	16.364.045	11.039.996
Financial expense	30	(2.856.365)	(3.271.555)	(22.930.327)	(15.966.207)
Profit before tax	**4**	**1.723.986**	**1.974.575**	**13.839.802**	**5.547.223**
Tax income/(expense)		**(150.291)**	**(172.136)**	**(1.206.505)**	**374.061**
- Current income tax expense	19	(475.783)	(544.941)	(3.819.493)	(578.211)
- Deferred tax income	19	325.492	372.805	2.612.988	952.272
Profit for the period		**1.573.695**	**1.802.439**	**12.633.297**	**5.921.284**
Attributable to:					
Non-controlling interests	**4**	418.636	479.487	3.360.727	1.530.125
Equity holders of the parent	**4**	**1.155.059**	**1.322.952**	**9.272.570**	**4.391.159**
Earnings per share (Kr)	**37**			**3,657**	**1,732**

(*) EUR and USD amounts presented above have been translated from TL for convenience purposes only, at the EUR and USD average CBRT bid rates for the year ended 31 December 2020, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KOÇ HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

	2020 (*) EUR'000	2020 (*) USD'000	*Audited* 2020 TL'000	*Audited* 2019 TL'000
Profit for the period	**1.573.695**	**1.802.439**	**12.633.297**	**5.921.284**
Other comprehensive income:				
Items not to be reclassified to profit/loss	**(28.910)**	**(33.112)**	**(232.083)**	**(141.071)**
Gains/(losses) on remeasurements of defined benefit plans	(28.725)	(32.900)	(230.595)	(103.727)
Share of other comprehensive income/(expenses) of investments accounted for using the equity method	(185)	(212)	(1.488)	(37.344)
Taxes relating to other comprehensive income not to be reclassified to profit/loss	**5.740**	**6.575**	**46.081**	**20.158**
Gains/(losses) on remeasurements of defined benefit plans, tax effect	5.740	6.575	46.081	20.158
Items to be reclassified to profit/loss	**438.309**	**502.020**	**3.518.663**	**178.110**
Currency translation differences	387.441	443.758	3.110.305	800.908
Gains/(losses) on financial assets measured at fair value through other comprehensive income	54.768	62.729	439.667	51.606
Gains/(losses) on hedges of net investments in foreign operations	(191.438)	(219.265)	(1.536.827)	(115.909)
Gains/(losses) on cash flow hedges	225.950	258.793	1.813.878	(137.513)
Share of other comprehensive income/(expenses) of investments accounted for using the equity method	(38.412)	(43.995)	(308.360)	(420.982)
Taxes relating to other comprehensive income to be reclassified to profit/loss	**(32.352)**	**(37.053)**	**(259.713)**	**55.042**
Gains/(losses) on financial assets measured at fair value through other comprehensive income, tax effect	(5.605)	(6.419)	(44.994)	(2.594)
Gains/(losses) on hedges of net investments in foreign operations, tax effect	33.942	38.876	272.480	25.501
Gains/(losses) on cash flow hedges, tax effect	(60.689)	(69.510)	(487.199)	32.135
Other comprehensive income	**382.787**	**438.430**	**3.072.948**	**112.239**
Total comprehensive income	**1.956.482**	**2.240.869**	**15.706.245**	**6.033.523**
Attributable to:				
Non-controlling interest	663.904	760.407	5.329.690	1.839.807
Equity holders of the parent	**1.292.578**	**1.480.462**	**10.376.555**	**4.193.716**

(*) EUR and USD amounts presented above have been translated from TL for convenience purposes only, at the EUR and USD average CBRT bid rates for the year ended 31 December 2020, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KOÇ HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

				Items not to be reclassified to profit/loss	Items to be reclassified to profit/loss				Retained earnings				
	Paid-in share capital	Adjustment to share capital	Share premium	Gains/(losses) on remeasurement of defined benefit plans	Currency translation differences	Gains/(losses) on hedge	Gains/(losses) on financial assets measured at fair value through other comprehensive income	Restricted reserves	Prior years' income	Profit for the period	Equity holders of the parent	Non-controlling interests	Total equity
Balances at 1 January 2019	**2.535.898**	**967.288**	**9.286**	**(225.146)**	**2.035.535**	**(1.745.920)**	**(569.885)**	**523.765**	**24.216.413**	**5.537.028**	**33.284.262**	**13.674.148**	**46.958.410**
Transfers	-	-	-	-	-	-	-	-	5.537.028	(5.537.028)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(1.183.094)	-	(1.183.094)	(2.250.332)	(3.433.426)
Capital increases	-	-	-	-	-	-	-	-	-	-	-	10.383	10.383
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	83.002	83.002
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	(12.824)	-	(12.824)	12.967	143
Total comprehensive income/(expense)	-	-	-	(72.704)	494.164	(1.246.403)	627.500	-	-	4.391.159	4.193.716	1.839.807	6.033.523
Balances at 31 December 2019	**2.535.898**	**967.288**	**9.286**	**(297.850)**	**2.529.699**	**(2.992.323)**	**57.615**	**523.765**	**28.557.523**	**4.391.159**	**36.282.060**	**13.369.975**	**49.652.035**
Balances at 1 January 2020	**2.535.898**	**967.288**	**9.286**	**(297.850)**	**2.529.699**	**(2.992.323)**	**57.615**	**523.765**	**28.557.523**	**4.391.159**	**36.282.060**	**13.369.975**	**49.652.035**
Transfers	-	-	-	-	-	-	-	-	4.391.159	(4.391.159)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(670.701)	-	(670.701)	(327.393)	(998.094)
Acquisition of a subsidiary due to change of control (Note 3)	-	-	-	101.032	(886.526)	1.345.234	(68.948)	-	(101.032)	-	389.760	23.186.226	23.575.986
Transactions with non-controlling interests	-	-	-	12	-	(3.411)	-	-	(32.136)	-	(35.535)	170.415	134.880
Total comprehensive income/(expense)	-	-	-	(81.915)	1.530.296	(744.825)	400.429	-		9.272.570	10.376.555	5.329.690	15.706.245
Balances at 31 December 2020	**2.535.898**	**967.288**	**9.286**	**(278.721)**	**3.173.469**	**(2.395.325)**	**389.096**	**523.765**	**32.144.813**	**9.272.570**	**46.342.139**	**41.728.913**	**88.071.052**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KOÇ HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

	Notes	2020 (*) EUR'000	2020 (*) USD'000	*Audited* 2020 TL '000	*Audited* 2019 TL '000
A. Cash Flows From Operating Activities:					
Profit for the period		1.573.695	1.802.439	12.633.297	5.921.284
Adjustments to reconcile profit for the period to cash generated from operating activities:					
Tax expense/(income)	19	150.291	172.136	1.206.505	(374.061)
Undistributed profits of investments account for using the equity method	8	(369.550)	(423.266)	(2.966.673)	(2.902.947)
Depreciation and amortisation	4	506.186	579.763	4.063.559	2.765.255
Adjustments for provisions	38	134.497	154.047	1.079.712	302.726
Adjustments for impairment loss/(reversal of impairment loss)	38	984.291	1.127.363	7.901.688	113.587
Adjustments for non-finance sector interest (income)/expenses, net	30	484.418	554.832	3.888.815	3.510.695
Adjustments for finance sector interest (income)/expenses		(371.687)	(425.714)	(2.983.832)	-
Fair value losses/(gains) on financial assets	30	-	-	-	(161.764)
Fair value losses/(gains) on derivative instruments		412.072	471.969	3.308.028	495.758
Unrealised foreign exchange losses/(gains)		(934.618)	(1.070.470)	(7.502.929)	1.082.111
- Exchange (gains)/losses on borrowings, net		*2.359.759*	*2.702.764*	*18.943.670*	*3.870.568*
- Exchange (gains)/losses on cash and cash equivalents, net		*(3.294.377)*	*(3.773.234)*	*(26.446.599)*	*(2.702.477)*
- Exchange (gains)/losses related to financial assets, net		-	-	-	*(85.980)*
Losses/(gains) on disposal of non-current assets	29	(19.552)	(22.394)	(156.962)	(45.504)
Other adjustments related to reconciliation of profit/(loss)		(436.809)	(500.301)	(3.506.614)	(627)
- Income arising from change of control	*29*	*(373.121)*	*(427.356)*	*(2.995.339)*	-
- Termination fee income	*29*	*(63.688)*	*(72.945)*	*(511.275)*	-
- Gain on bargain purchase	*29*	-	-	-	*(627)*
Losses/(gains) on sale of interest in a subsidiary	29	-	-	-	4.320
		2.113.234	**2.420.404**	**16.964.594**	**10.710.833**
Changes in working capital	38	629.585	721.098	5.054.179	8.053.909
Income taxes refund/(paid)		(363.496)	(416.332)	(2.918.074)	(655.536)
Dividend payments received from Joint Ventures, net	8	138.159	158.242	1.109.116	908.780
Total cash flows from operating activities		**2.517.482**	**2.883.412**	**20.209.815**	**19.017.986**
B. Cash Flows From Investing Activities:					
Cash outflows from purchases of property, plant and equipment and intangible assets	4	(999.883)	(1.145.222)	(8.026.864)	(5.765.261)
Cash inflows from sale of property, plant and equipment and intangible assets		184.444	211.254	1.480.676	1.566.723
Cash inflows from sale of Subsidiaries without loss of control		17.728	20.305	142.316	-
Cash outflows from acquisition of additional interest in Subsidiaries		(923)	(1.057)	(7.412)	-
Cash outflows from acquisition of interest/capital increase of Joint Ventures	8	(11.931)	(13.665)	(95.776)	(169.358)
Cash outflows from acquisition of interest/capital increase in financial assets		(6.323)	(7.242)	(50.758)	(31.254)
Cash outflows from purchase of debt instruments		-	-	-	(1.102.060)
Other cash inflows/(outflows)		2.415.932	2.767.102	19.394.621	(454.123)
- Cash inflows/outflows due to business combinations, net	*3*	*4.649.103*	*5.324.878*	*37.322.072*	*(454.123)*
- Cash inflows from termination fee	*29*	*63.688*	*72.945*	*511.275*	-
- Cash outflows from purchase/sale of financial assets measured at fair value through other comprehensive income and measured at amortisted cost, net		*(2.296.859)*	*(2.630.721)*	*(18.438.726)*	-
Total cash flows from investing activities		**1.599.044**	**1.831.475**	**12.836.803**	**(5.955.333)**
C. Cash Flows From Financing Activities:					
Dividends paid		(124.330)	(142.402)	(998.094)	(3.433.426)
Cash inflows from borrowings	17	11.626.631	13.316.632	93.336.271	69.495.184
Cash outflows from repayments of borrowings	17	(12.190.783)	(13.962.786)	(97.865.167)	(64.749.365)
Cash inflows/(outflows) from derivative instruments, net		(92.299)	(105.716)	(740.961)	(525.474)
Cash outflows from payments of lease liabilities	17	(98.454)	(112.765)	(790.372)	(436.480)
Non-finance sectors interest paid		(584.861)	(669.874)	(4.695.147)	(5.355.343)
Non-finance sectors interest received		112.598	128.965	903.917	1.977.648
Other cash inflows/(outflows)		-	-	-	10.526
- Contribution of non-controlling interests to capital increases		-	-	-	10.383
- Transactions with non-controlling interests		-	-	-	143
Total cash flows from financing activities		**(1.351.498)**	**(1.547.946)**	**(10.849.553)**	**(3.016.730)**
Effect of exchange rate changes on cash and cash equivalents		3.294.377	3.773.234	26.446.599	2.702.477
Net increase/(decrease) in cash and cash equivalents		6.059.405	6.940.175	48.643.664	12.748.400
Cash and cash equivalents at the beginning of the period		4.478.825	5.129.849	35.955.112	23.206.712
Cash and cash equivalents at the end of the period	**38**	**10.538.230**	**12.070.024**	**84.598.776**	**35.955.112**

(*) EUR and USD amounts presented above have been translated from TL for convenience purposes only, at the EUR and USD average CBRT bid rates for the year ended 31 December 2020, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

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

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

	End of period		Average	
	2020	**2019**	**2020**	**2019**
Monthly paid	45.091	46.189	45.814	46.239
Hourly paid	55.550	46.801	50.288	48.439
Total number of personnel	**100.641**	**92.990**	**96.102**	**94.678**

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

Koç Holding is subject to regulations of the Capital Markets Board ("CMB") and its shares have been quoted on the Borsa İstanbul ("BIST") since 10 January 1986. As of 31 December 2020, the principal shareholders and their respective shareholding rates in Koç Holding are as follows:

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

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

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

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

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

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

Energy Sector

Subsidiaries	Country of incorporation	Nature of business
Aygaz Aykargo Dağıtım Hizmetleri A.Ş. ("Aygaz Aykargo") (1)	Turkey	Cargo Transport/Distribution
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ("Akpa")	Turkey	Marketing
Anadoluhisarı Tankercilik A.Ş. ("Anadoluhisarı Tankercilik")	Turkey	Petroleum Shipping
Aygaz A.Ş. ("Aygaz")	Turkey	LPG
Aygaz Doğal Gaz İletim A.Ş. ("Aygaz İletim")	Turkey	Natural Gas
Aygaz Doğal Gaz Toptan Satış A.Ş. ("Aygaz Toptan Satış")	Turkey	Natural Gas
Bakırköy Tankercilik A.Ş. ("Bakırköy Tankercilik")	Turkey	Petroleum Shipping
Bal Kaynak Su İhracat İthalat San. ve Tic. A.Ş. ("Bal Kaynak Su")	Turkey	Trading of Water Products
Beykoz Tankercilik A.Ş. ("Beykoz Tankercilik")	Turkey	Petroleum Shipping
Çengelköy Tankercilik A.Ş. ("Çengelköy Tankercilik")	Turkey	Petroleum Shipping
Ditaş Deniz İşletmeciliği ve Tic. A.Ş. ("Ditaş")	Turkey	Petroleum Shipping
Enerji Yatırımları A.Ş. ("Enerji Yatırımları")	Turkey	Investment
Eltek Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş. ("Eltek")	Turkey	Power Generation
Entek Elektrik Üretimi A.Ş. ("Entek")	Turkey	Power Generation
Göztepe Tankercilik A.Ş. ("Göztepe Tankercilik")	Turkey	Petroleum Shipping
Kadıköy Tankercilik A.Ş. ("Kadıköy Tankercilik")	Turkey	Petroleum Shipping
Kandilli Tankercilik A.Ş. ("Kandilli Tankercilik")	Turkey	Petroleum Shipping
Karaköy Tankercilik A.Ş. ("Karaköy Tankercilik")	Turkey	Petroleum Shipping
Karşıyaka Tankercilik A.Ş. ("Karşıyaka Tankercilik")	Turkey	Petroleum Shipping
Kartal Tankercilik A.Ş. ("Kartal Tankercilik")	Turkey	Petroleum Shipping
Körfez Ulaştırma A.Ş. ("Körfez")	Turkey	Air, Sea, Road and Railway Transportation
Kuleli Tankercilik A.Ş. ("Kuleli Tankercilik")	Turkey	Petroleum Shipping
Kuzguncuk Tankercilik A.Ş. ("Kuzguncuk Tankercilik")	Turkey	Petroleum Shipping
Maltepe Tankercilik A.Ş. ("Maltepe Tankercilik")	Turkey	Petroleum Shipping
Menzelet Kılavuzlu Elektrik Üretimi A.Ş. ("Menzelet Kılavuzlu Elektrik")	Turkey	Power Generation
Pendik Tankercilik A.Ş. ("Pendik Tankercilik")	Turkey	Petroleum Shipping
Salacak Tankercilik A.Ş. ("Salacak Tankercilik")	Turkey	Petroleum Shipping
Sarıyer Tankercilik A.Ş. ("Sarıyer Tankercilik")	Turkey	Petroleum Shipping
T Damla Denizcilik A.Ş. ("T Damla Denizcilik")	Turkey	Mooring and Tug Service
Tuzla Tankercilik A.Ş. ("Tuzla Tankercilik")	Turkey	Petroleum Shipping
Türkiye Petrol Rafinerileri A.Ş. ("Tüpraş")	Turkey	Production and Trading of Petroleum Products
Tüpraş Trading Ltd. ("Tüpraş Trading") (2)	The UK	Petroleum Products Trading
Üsküdar Tankercilik A.Ş. ("Üsküdar Tankercilik")	Turkey	Petroleum Shipping

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Ayas Enerji Üretim ve Ticaret A.Ş. ("Ayas Enerji")	Oyak Birleşik Enerji A.Ş.	Turkey	Power Generation
Güney Tankercilik A.Ş. ("Güney Tankercilik")	Türk Hava Yolları	Turkey	Petroleum Shipping
Kuzey Tankercilik A.Ş. ("Kuzey Tankercilik")	Türk Hava Yolları	Turkey	Petroleum Shipping
Opet Aygaz Gayrimenkul A.Ş. ("Opet Aygaz Gayrimenkul")	Öztürk Family	Turkey	Real Estate
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. ("Opet Fuchs")	Fuchs Petrolub SE	Turkey	Lubricant Trading
Opet International Limited ("Opet International")	Öztürk Family	The UK	Petroleum Products Trading
Opet Market ve Akaryakıt İstasyon İşletmeciliği A.Ş. ("Opet Market ve Akaryakıt")	Öztürk Family	Turkey	Petroleum Products Trading and Retail
Opet Petrolcülük A.Ş. ("Opet")	Öztürk Family	Turkey	Petroleum Products Trading
Opet Trade B.V. ("Opet Trade BV")	Öztürk Family	Netherlands	Petroleum Products Trading
Tasfiye Halinde Opet Trade (Singapore) Pte. Ltd. ("Opet Singapore") (3)	Öztürk Family	Singapore	Petroleum Products Trading
THY Opet Havacılık Yakıtları A.Ş. ("THY Opet")	Türk Hava Yolları	Turkey	Petroleum Products Trading

(1) In accordance with the decision of the Extraordinary General Assembly dated 11 August 2020, the business title of ADG Enerji Yatırımları A.Ş. has been changed to Aygaz Aykargo Dağıtım Hizmetleri A.Ş. and nature of business has been redefined as Cargo Transport/Distribution.

(2) Established in 2020 as part of transformation of Tüpraş Trading branch into a limited company.

(3) In the process of liquidation.

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

Automotive Sector

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

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Al Jasoor Heavy Vehicle Industry LLC ("Al Jasoor")	Tawazun	UAE	Sales and Marketing
Fer Mas Oto Ticaret A.Ş. ("Fer-Mas")	Fiat Auto S.p.A.	Turkey	Trading
Ford Otomotiv Sanayi A.Ş. ("Ford Otosan")	Ford Deutschland Holding Gmbh	Turkey	Production
Koç Fiat Kredi Finansman A.Ş. ("Fiat Finans")	Fiat Auto S.p.A.	Turkey	Consumer Finance
Tofaş Türk Otomobil Fabrikası A.Ş. ("Tofaş")	Fiat Auto S.p.A.	Turkey	Production
Türk Traktör ve Ziraat Makinaları A.Ş. ("Türk Traktör")	CNH Osterreich Gmbh	Turkey	Production

(1) The liquidation process was completed on 20 January 2021.

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

Consumer Durables Sector

Subsidiaries	Country of incorporation	Nature of business
Arçelik A.Ş. ("Arçelik")	Turkey	Production/Sales
Arçelik Pazarlama A.Ş. ("Arçelik Pazarlama")	Turkey	Service/Sales/Marketing
Arch R&D Co. Ltd. ("Arch R&D")	China	R&D
Ardutch B.V. ("Ardutch")	The Netherlands	Holding
Ardutch B.V. Taiwan ("Ardutch Taiwan")	Taiwan	Procurement
Beko A and NZ Pty Ltd. ("Beko Australia")	Australia, New Zealand	Sales
Beko APAC IBC Co. ("Beko APAC")	Thailand	Services
Beko Appliances Indonesia, PT ("Beko Indonesia")	Indonesia	Sales
Beko Appliances Malaysia Sdn Bhd. ("Beko Malaysia")	Malaysia	Sales
Beko Balkans D.O.O ("Beko Balkans")	Serbia	Sales
Beko Cesko ("Beko Cesko") (1)	Czechia	-
Beko Egypt Trading LLC ("Beko Egypt")	Egypt	Sales
Beko Electronics Espãna S.L. ("Beko Espana")	Spain	Sales
Beko France S.A.S. ("Beko France")	France	Sales
Beko Grundig Deutschland GmbH ("Beko Deutschland") (2)	Germany	Sales
Beko Grundig Schweiz GmbH ("Beko Grundig Schweiz") (3)	Switzerland	Sales
Beko Gulf FZE ("Beko Gulf")	UAE	Sales
Beko Home Appliances Portugal ("Beko Portugal") (3)	Portugal	Sales
Beko Hong Kong Ltd. ("Beko Hong Kong")	Hong Kong, China	Procurement
Beko Israel Household Appliances Ltd. ("Beko Israel")	Israel	Sales
Beko Italy SRL ("Beko Italy")	Italy	Sales
Beko LLC. ("Beko Russia")	Russia	Production/Sales
Beko Morocco Household Appliances SARL ("Beko Morocco")	Morocco	Sales
Beko Pilipinas Corporation ("Beko Philippines")	Philippines	Sales
Beko Plc. ("Beko UK")	The UK, Ireland	Sales
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales
Beko S.A. ("Beko Polska")	Poland	Sales
Beko S.A. Czech Republic ("Beko Czech")	Czechia	Sales
Beko Thai Co.Ltd. ("Beko Thailand")	Thailand	Production/Sales
Beko Ukraine LLC ("Beko Ukraine")	Ukraine	Sales
Beko US INC. ("Beko US")	United States of America	Sales
Bilkom Bilişim Hizmetleri A.Ş. ("Bilkom")	Turkey	Trading
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales
Dawlance (Private) Ltd. ("DPL")	Pakistan	Production/Sales
Defy Appliances (Proprietary) Limited ("Defy")	Republic of South Africa	Production/Sales
Defy (Botswana) (Proprietary) Limited ("Defy Botswana")	Botswana	Sales
Defy (Namibia) (Proprietary) Limited ("Defy Namibia")	Namibia	Sales
Defy (Swaziland) (Proprietary) Limited ("Defy Swaziland")	Swaziland	Sales
DEL Electronics (Pvt.) Ltd. ("DEL")	Pakistan	Sales
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales
Grundig Intermedia Ges.m.b.H ("Grundig Austria") (1)	Austria	-
Grundig Multimedia A.G. ("Grundig Switzerland")	Switzerland	Sales
Grundig Multimedia B.V. ("Grundig Multimedia")	The Netherlands	Holding
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Sales
Grundig Nordic No AS ("Grundig Norway")	Norway	Sales
Grundig Portuguesa Lda ("Grundig Portugal") (1)	Portugal	-
International Appliances Limited ("International Appliances")	Bangladesh	Production/Sales
Pan Asia Private Equity Ltd. ("Pan Asia")	British Virgin Islands	Holding
PT Home Appliances Indonesia ("PT Home") (3)	Indonesia	Sales
Retail Holdings Bhold B.V. ("Retail Holdings")	The Netherlands	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales
Singer Bangladesh Limited ("Singer Bangladesh")	Bangladesh	Production/Sales
United Refrigeration Industries Ltd. ("United Refrigeration")	Pakistan	Production/Sales
Vietbeko Limited Liability Company ("Vietbeko")	Vietnam	Sales
Wat Motor San. ve Tic. A.Ş. ("Wat Motor")	Turkey	Production/Sales

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Arçelik-LG Klima San. ve Tic. A.Ş. ("Arçelik LG")	LG Electronics Inc.	Turkey	Air Conditioner Production
VoltBek Home Appliances Private Limited ("VoltBek")	Tata Group	India	Production/Sales

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

(2) Beko Deutschland GmbH ("Beko Deutschland") and Grundig Intermedia GmbH ("Grundig Intermedia") merged under the name of "Beko Grundig Deutschland GmbH".

(3) Established in 2020.

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

Finance Sector

Subsidiaries	Country of incorporation	Nature of business
Koç Finansal Hizmetler A.Ş. ("Koç Finansal Hizmetler" or "KFS") (1)	Turkey	Holding
Koç Finansman A.Ş. ("Koç Finansman")	Turkey	Consumer Finance
Stiching Custody Services YKB ("Stiching Custody") (1)	The Netherlands	Custody
Yapı Kredi Azerbaijan C.J.S.C. ("Yapı Kredi Azerbaycan") (1)	Azerbaijan	Banking
Yapı Kredi Bank Nederland N.V. ("Yapı Kredi Nederland") (1)	The Netherlands	Banking
Yapı Kredi Bank Malta Ltd. ("Yapı Kredi Malta") (1,2)	Malta	Banking
Yapı Kredi Diversified Payment Rights Finance Company ("Yapı Kredi SPC") (1,3)	Cayman Islands	Special Purpose Company
Yapı Kredi Faktoring A.Ş. ("Yapı Kredi Faktoring") (1)	Turkey	Factoring
Yapı Kredi Finansal Kiralama A.O. ("Yapı Kredi Finansal Kiralama") (1)	Turkey	Leasing
Yapı Kredi Holding B.V. ("Yapı Kredi Holding") (1)	The Netherlands	Financial Consulting
Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy") (1)	Turkey	Portfolio Management
Yapı Kredi Yatırım Menkul Değerler A.Ş. ("Yapı Kredi Menkul") (1)	Turkey	Brokerage
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi Bankası") (1)	Turkey	Banking

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. ("Yapı Kredi Koray")	Koray Group Companies	Turkey	Real Estate

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

(1) Became a subsidiary following the change of control in 2020 (Note 3).

(2) In the process of liquidation.

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

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

Other Sectors

Subsidiaries	Country of incorporation	Nature of business
Ayvalık Marina ve Yat İşletmeciliği San. ve Tic. A.Ş. ("Ayvalık Marina")	Turkey	Tourism
Divan Turizm İşletmeleri A.Ş. ("Divan")	Turkey	Tourism
Düzey Tüketim Malları Sanayi Pazarlama A.Ş. ("Düzey")	Turkey	Trading
Entegart Teknoloji Çözüm ve Hizmetleri A.Ş. ("Entegart") (1)	Turkey	Technology
Koç Bilgi ve Savunma Teknolojileri A.Ş. ("Koç Bilgi ve Savunma")	Turkey	Technology
KoçDigital Çözümler A.Ş. ("KoçDigital")	Turkey	Technology
KoçSistem Bilgi ve İletişim Hizmetleri A.Ş. ("Koç Sistem")	Turkey	Technology
KoçSistem Azerbaijan LLC ("Koç Sistem Azerbaycan")	Azerbaijan	Technology
Koç Yapı Malzemeleri Ticaret A.Ş. ("Koç Yapı Malzeme")	Turkey	Trading
Marmaris Altınyunus Turistik Tesisleri A.Ş. ("Mares")	Turkey	Tourism
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	Turkey	Foreign Trade
RMK Marine Gemi Yapım Sanayi ve Deniz Taş. İşl. A.Ş. ("RMK Marine")	Turkey	Ship Construction
Setur Antalya Marina İşletmeciliği A.Ş. ("Antalya Marina")	Turkey	Tourism
Setur Servis Turistik A.Ş. ("Setur")	Turkey	Tourism
Setur Yalova Marina İşletmeciliği A.Ş. ("Yalova Marina")	Turkey	Tourism
Tat Gıda Sanayi A.Ş. ("Tat Gıda")	Turkey	Food
Tek-Art Kalamış ve Fenerbahçe Marmara Turizm Tesisleri A.Ş. ("Tek-Art Marina")	Turkey	Tourism
Token Finansal Teknolojiler A.Ş. ("Token") (2)	Turkey	Information Technologies
Token Ödeme Hizmetleri ve Elektronik Para A.Ş. ("Token Ödeme Hizmetleri") (3)	Turkey	Payment Services
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer Ticaret")	Turkey	Trading

Joint Ventures	Joint Venture Partner	Country of incorporation	Nature of business
Ingage Dijital Pazarlama Hizmetleri A.Ş. ("Ingage")	Russell Square Holding	Turkey	Digital Marketing
Koçtaş Yapı Marketleri Ticaret A.Ş. ("Koçtaş Yapı Market")	Kingfisher Plc	Turkey	Retail
Makmarin Kaş Marina İşl. Turizm ve Tic. A.Ş. ("Kaş Marina")	Makyol İnşaat	Turkey	Tourism
Netsel Turizm Yatırımları A.Ş. ("Netsel")	Torunlar GYO A.Ş.	Turkey	Tourism

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

(1) Included in the scope of consolidation in 2020.

(2) Token, which was followed under "Consumer Durables" in 2019 has been classified to "Other" segment in 2020.

(3) Established in 2020.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

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

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

Koç Holding, its Subsidiaries and Joint Ventures registered in Turkey maintain their books of account and prepare their statutory financial statements in TL in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Treasury and Finance, banking law, accounting principles and instructions promulgated by the Banking Regulation and the Supervision Agency ("BRSA") and TFRS together with notes and explanations related to the accounting and financial reporting standards issued by POA in case of no specific regulations have been introduced by these institutions. Foreign Subsidiaries, Joint Ventures and Associates maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements have been prepared under the historical cost conversion except for the financial assets and liabilities presented at fair values, and the revaluations related to the differences between the carrying value and fair value of the non-current assets recognised in business combinations. Adjustments and restatements, required for the fair presentation of the consolidated financial statements in conformity with the TFRS, have been accounted for in the statutory financial statements, which are prepared in accordance with the historical cost principle.

2.1.2 Comparatives and adjustment of prior periods' financial statements

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

2.1.3 EUR and USD amounts presented in the financial statements

EUR and USD amounts shown in the consolidated balance sheet prepared in accordance with the TFRS have been translated from TL, as a matter of arithmetic computation only, at the official EUR and USD bid rates announced by the CBRT on 31 December 2020 of TL9,0079 = EUR1 and TL7,3405 = 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 2020 of TL8,0278 = EUR1 and TL7,0090 = USD1, respectively, and do not form part of these consolidated financial statements.

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

2.2 Amendments in International Financial Reporting Standards

The accounting policies applied in the preparation of the consolidated financial statements as of 1 January - 31 December 2020 are consistent with those applied in the preparation of the consolidated financial statements as of 31 December 2019, except for the new and amended TFRS standards which are valid as of 1 January 2020 and Turkey Financial Reporting Interpretations Committee's ("TFRIC") interpretations summarised below.

Standards, amendments and interpretations effective as of 1 January 2020:

- TAS 1 and TAS 8 - "Definition of Materiality (Amendments)"
- TFRS 3 - "Business Combinations (Amendments)",
- TFRS 16 - "Leases - COVID 19 Related Rent Concessions (Amendments)"

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

- TFRS 9, TAS 39, TFRS 7 - "Interest Rate Benchmark Reform (Amendments)"

The impacts of these amendments on the financial position and performance of the Group is being assessed.

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

- TAS 1 - "Presentation of Financial Statements on Classification of Liabilities (Amendments)"
- TFRS 17 and TFRS 4 - "Insurance Contracts" and "Deferral of TFRS 9"
- TFRS 17 - "Insurance Contracts (Amendments)"
- TFRS 3 - "Business Combinations (Amendments)"
- TAS 16 - "Property, Plant and Equipment (Amendments)"
- TAS 37 - "Provisions, Contingent Liabilities and Contingent Assets (Amendments)"
- Annual Improvements on TFRSs - TFRS 1, TFRS 9, TAS 41 and TFRS 16
- TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 - "Interest Rate Benchmark Reform Phase 2"

The impacts of the new standards, amendments and improvements on the financial position and performance of the Group is being assessed.

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

- Annual Improvements on TFRSs - TFRS 3, TAS 16, TAS 37, TFRS 1, TFRS 9, TAS 41 and TFRS 16
- TFRS 17 and TFRS 4 - "Insurance Contracts" and "Deferral of TFRS 9"

2.3 Changes in Accounting Policies, Estimates and Errors

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

If changes in accounting estimates are related to only one period, they are recognised in the period when the changes are applied; if changes in estimates are related to future periods, they are recognised both in the period where the change is applied and in future periods prospectively. The Group doesn't have any significant changes in accounting policy or accounting estimates in the current period.

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

2.4 Summary of Significant Accounting Policies

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

2.4.1 Group accounting

a) The consolidated financial statements include the accounts of the parent company, Koç Holding, its Subsidiaries, its Joint Ventures and its Associates on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with "TFRS" and the application of uniform accounting policies and presentation.

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

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

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

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

	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
Subsidiaries	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Akpa	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Anadoluhisarı Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Antalya Marina	61,06	61,06	100,00	100,00	-	-	100,00	100,00
Arch R&D [(1)]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Arctic [(1)]	39,23	39,18	96,72	96,72	-	-	96,72	96,72
Arçelik [(1)]	40,56	40,51	40,56	40,51	11,42	11,42	51,98	51,93
Arçelik Pazarlama [(1)]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Ardutch [(1)]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Ardutch Taiwan [(1)]	40,56	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 Aykargo	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Aygaz İletim	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Aygaz Toptan Satış	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Ayvalık Marina	48,73	48,73	95,57	95,57	4,43	4,43	100,00	100,00
Bakırköy Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00

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

	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
Subsidiaries	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Bal Kaynak Su	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Beko APAC [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Australia [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Balkans [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Cesko [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko China [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Czech [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Deutschland [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Egypt [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Espana [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko France [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Grundig Schweiz [2]	40,56	-	100,00	-	-	-	100,00	-
Beko Gulf [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Hong Kong [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Indonesia [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Israel [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Italy [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Malaysia [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Morocco [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko UK [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Philippines [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Polska [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Portugal [2]	40,56	-	100,00	-	-	-	100,00	-
Beko Russia [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Shanghai [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Slovakia [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Thailand [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko Ukraine [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beko US [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Beykoz Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Bilkom	82,28	82,28	99,94	99,94	0,06	0,06	100,00	100,00
Çengelköy Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
DEL [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
DPL [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Defy [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Defy Botswana [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Defy Namibia [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Defy Swaziland [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Ditaş	34,95	34,95	80,00	80,00	-	-	80,00	80,00
Divan	30,15	30,15	43,73	43,73	56,27	56,27	100,00	100,00
Düzey [3]	31,73	31,71	32,36	32,34	61,33	61,33	93,68	93,66
Elektra Bregenz [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Eltek	69,80	69,80	100,00	100,00	-	-	100,00	100,00
Enerji Yatırımları	85,68	85,68	98,50	98,50	-	-	98,50	98,50
Entegart [4]	70,34	70,34	100,00	100,00	-	-	100,00	100,00
Entek	69,80	69,80	99,23	99,23	-	-	99,23	99,23
Göztepe Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Grundig Austria [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Intermedia [5]	-	40,51	-	100,00	-	-	-	100,00
Grundig Multimedia [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Norway [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Portugal [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Sweden [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Grundig Switzerland [1]	40,56	40,51	100,00	100,00	-	-	100,00	100,00
International Appliances [1]	23,11	23,09	100,00	100,00	-	-	100,00	100,00

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

	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
Subsidiaries	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Kadıköy Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Kandilli Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Karaköy Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Karşıyaka Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Kartal Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Koç Bilgi ve Savunma	60,00	60,00	92,24	92,24	7,76	7,76	100,00	100,00
KoçDigital	41,14	41,14	100,00	100,00	-	-	100,00	100,00
Koç Finansal Hizmetler (6)	86,62	43,31	89,70	44,85	5,96	2,98	95,66	47,83
Koç Finansman (1)	64,75	64,73	94,50	94,50	5,50	5,50	100,00	100,00
Koç Sistem	41,14	41,14	41,18	41,18	53,17	53,17	94,35	94,35
Koç Sistem Azerbaycan	41,14	41,14	100,00	100,00	-	-	100,00	100,00
Koç Yapı Malzeme	45,18	45,18	45,18	45,18	47,62	47,62	92,81	92,81
Körfez	43,70	43,70	100,00	100,00	-	-	100,00	100,00
Kuleli Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Kuzguncuk Tankercilik	40,68	40,68	100,00	100,00	-	-	100,00	100,00
Maltepe Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Mares	38,64	38,64	41,54	41,54	33,46	33,46	75,00	75,00
Menzelet Kılavuzlu Elektrik	69,80	69,80	100,00	100,00	-	-	100,00	100,00
Olympic	57,30	57,30	100,00	100,00	-	-	100,00	100,00
Otokar (7)	44,90	44,90	44,92	44,92	2,70	2,70	47,62	47,62
Otokar Europe	44,90	44,90	100,00	100,00	-	-	100,00	100,00
Otokar Europe Filiala	44,90	44,90	100,00	100,00	-	-	100,00	100,00
Otokar Land Systems	44,90	44,90	100,00	100,00	-	-	100,00	100,00
Otokoç	96,42	96,42	96,57	96,57	3,43	3,43	100,00	100,00
Otokoç Azerbaycan	96,42	96,42	100,00	100,00	-	-	100,00	100,00
Otokoç Holland	57,30	57,30	59,43	59,43	-	-	59,43	59,43
Otokoç Hungary	96,42	96,42	100,00	100,00	-	-	100,00	100,00
Otokoç Sigorta	48,22	48,22	50,02	50,02	49,98	49,98	100,00	100,00
Otoyol	53,95	53,95	53,95	53,95	10,18	10,18	64,13	64,13
Pan Asia (1)	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Pendik Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
PT Home (2)	27,17	-	67,00	-	-	-	67,00	-
Ram Dış Ticaret (1)	57,72	57,71	83,45	83,45	14,66	14,66	98,11	98,11
Retail Holdings (1)	40,56	40,51	100,00	100,00	-	-	100,00	100,00
RMK Marine	56,59	56,59	66,84	66,84	33,16	33,16	100,00	100,00
Salacak Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Sarıyer Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Setur	46,68	46,38	81,13	81,13	18,87	18,87	100,00	100,00
Singer Bangladesh (1)	23,11	23,09	56,99	56,99	-	-	56,99	56,99
Stiching Custody (6)	44,49	35,47	100,00	50,00	-	-	100,00	50,00
T Damla Denizcilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Tat Gıda	43,82	43,82	44,07	44,07	7,12	7,12	51,19	51,19
Tek-Art Marina	61,06	61,06	88,16	88,16	11,84	11,84	100,00	100,00
Token (8)	54,44	40,51	54,44	100,00	45,56	-	100,00	100,00
Token Ödeme Hizmetleri (2)	54,44	-	100,00	-	-	-	100,00	-
Tuzla Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Tüpraş	43,70	43,70	51,00	51,00	-	-	51,00	51,00
Tüpraş Trading (9)	43,70	-	100,00	-	-	-	100,00	-
United Refrigeration (1)	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Üsküdar Tankercilik	34,95	34,95	100,00	100,00	-	-	100,00	100,00
Vietbeko (1)	40,56	40,51	100,00	100,00	-	-	100,00	100,00
Wat Motor (1)	40,56	40,51	100,00	100,00	-	-	100,00	100,00

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

	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total ownership interest	
Subsidiaries	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Yalova Marina	47,50	47,50	100,00	100,00	0,00	0,00	100,00	100,00
Yapı Kredi Azerbaycan (6)	44,49	35,47	100,00	50,00	-	-	100,00	50,00
Yapı Kredi Bankası (6) (7)	44,49	35,47	49,97	40,95	-	-	49,97	40,95
Yapı Kredi Faktoring (6)	44,48	35,46	100,00	50,00	-	-	100,00	50,00
Yapı Kredi Fin.Kiralama (6)	44,49	35,47	99,99	50,00	-	-	99,99	50,00
Yapı Kredi Holding (6)	44,49	35,47	100,00	50,00	-	-	100,00	50,00
Yapı Kredi Malta (6)	44,49	35,47	100,00	50,00	-	-	100,00	50,00
Yapı Kredi Menkul (6)	44,48	35,46	100,00	50,00	-	-	100,00	50,00
Yapı Kredi Nederland (6)	44,49	35,47	100,00	50,00	-	-	100,00	50,00
Yapı Kredi Portföy (6)	44,47	35,45	100,00	50,00	-	-	100,00	50,00
Zer Ticaret	39,54	39,54	39,54	39,54	60,11	60,11	99,65	99,65

(1) Koç Holding's effective ownership interest rate has changed following the acquisition of 0,05% of Arçelik shares from Vehbi Koç Vakfı.

(2) Established in 2020.

(3) Koç Holding's effective ownership interest rate has changed following the acquisition of 0,02% of Düzey shares from non-controlling interests.

(4) Included in the scope of consolidation in 2020.

(5) Beko Deutschland GmbH ("Beko Deutschland") and Grundig Intermedia GmbH ("Grundig Intermedia") companies merged under the name of "Beko Grundig Deutschland GmbH".

(6) Koç Holding's effective ownership interest rate has changed following the acquisition of additional 9,02% Yapı Kredi Bankası shares and the change of control realised in 2020 (Note 3).

(7) Although the total ownership interest of Koç Holding in the relevant companies are less than 50%, considering the dispersed capital structures of the related companies, exposure of Koç Holding to variable returns from its involvement in those companies and Koç Holding's power to affect these returns through its power; Koç Holding has the power to exercise control over these companies and consolidates them.

(8) Koç Holding's effective ownership interest rate has changed following the acquisition of 54,44% of Token shares by Koç Holding and 45,56% of Token shares by Temel Ticaret Yatırım A.Ş. on 30 April 2020, which were previously held by Arçelik.

(9) Established in 2020, as part of transformation of Tüpraş Trading branch into a limited company.

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

"TFRS 11 Joint Arrangements", requires the application of the equity method for the consolidation of interests in joint ventures in accordance with "TAS 28 Investments in Associates and Joint Ventures".

Under the equity method, the investment in a joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of the acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss. Distributions (dividends etc.) received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount are necessary for the change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. For changes in the equity of an investee that do not go through the investee's profit or loss or other comprehensive income, the Group adjusts the carrying value of its investment with a corresponding change in its own equity.

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

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

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	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Al Jasoor	22,00	22,00	49,00	49,00	-	-	49,00	49,00
Arçelik LG Klima (1)	23,25	23,23	50,00	50,00	-	-	50,00	50,00
Ayas Enerji	34,90	34,90	50,00	50,00	-	-	50,00	50,00
Fer-Mas	37,59	37,59	37,86	37,86	-	-	37,86	37,86
Fiat Finans	37,59	37,59	37,86	37,86	-	-	37,86	37,86
Ford Otosan (2)	38,65	38,46	38,65	38,46	0,67	0,67	39,32	39,13
Güney Tankercilik	9,00	9,00	50,00	50,00	-	-	50,00	50,00
Ingage (3)	19,70	19,91	19,70	19,91	30,07	30,07	49,77	49,98
Kaş Marina	30,53	30,53	50,00	50,00	-	-	50,00	50,00
Koçtaş Yapı Market	42,90	42,90	49,92	49,92	0,08	0,08	50,00	50,00
Kuzey Tankercilik	9,00	9,00	50,00	50,00	-	-	50,00	50,00
Netsel	33,58	33,58	55,00	55,00	-	-	55,00	55,00
Opet	18,00	18,00	41,33	41,33	8,67	8,67	50,00	50,00
Opet Aygaz Gayrimenkul	29,34	29,34	50,00	50,00	-	-	50,00	50,00
Opet Fuchs	9,00	9,00	50,00	50,00	-	-	50,00	50,00
Opet International	18,00	18,00	50,00	50,00	-	-	50,00	50,00
Opet Market ve Akaryakıt	18,00	18,00	50,00	50,00	-	-	50,00	50,00
Opet Trade BV	18,00	18,00	50,00	50,00	-	-	50,00	50,00
Opet Trade Singapore	18,00	18,00	50,00	50,00	-	-	50,00	50,00
THY Opet	9,00	9,00	50,00	50,00	-	-	50,00	50,00
Tofaş	37,59	37,59	37,59	37,59	0,27	0,27	37,86	37,86
Türk Traktör	37,50	37,50	37,50	37,50	-	-	37,50	37,50
VoltBek (1)	20,87	20,85	50,00	50,00	-	-	50,00	50,00
Yapı Kredi Koray (4)	13,55	10,80	30,45	30,45	-	-	30,45	30,45

(1) Koç Holding's effective ownership interest rate has changed following the acquisition of 0,05% of Arçelik shares from Vehbi Koç Vakfı.

(2) Koç Holding's effective ownership interest rate has changed following the acquisition of 0,19% of Ford Otosan shares from Vehbi Koç Vakfı.

(3) Koç Holding's effective ownership interest rate has changed following the transfer of half of the shares belonging to non-controlling interests, which were purchased by Koç Holding in 2019 and constituting 0,42% of Ingage capital, to Russell Square Holding in 2020.

(4) Koç Holding's effective ownership interest rate has changed following the acquisition of additional 9,02% Yapı Kredi Bankası shares and the change of control realised in 2020 (Note 3).

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.

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

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	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Allianz Emeklilik (1)	8,90	7,09	20,00	20,00	-	-	20,00	20,00
Banque de Commerce (1)	13,64	10,88	30,67	30,67	-	-	30,67	30,67

(1) Koç Holding's effective ownership interest rate has changed following the acquisition of additional 9,02% Yapı Kredi Bankası shares and the change of control realised in 2020 (Note 3).

e) Financial assets in which the Group together with Koç Family members, has ownership interests below 20%, or over 20% but which the Group and Koç family members does not exercise a significant influence or which are not exposed to significant influence of variable returns or which are immaterial are classified as financial assets measured at fair value through profit or loss or financial assets measured at fair value through other comprehensive income in the consolidated financial statements.

f) Non-controlling shares in the net assets and operating results of Subsidiaries are separately classified in the consolidated financial statements as "non-controlling interests". Certain Koç Family members and companies controlled by them have interests in the share capital of certain subsidiaries. In the consolidated financial statements, these interests of Koç Family members and companies controlled by them are treated as non-controlling interests and are not included in the Group's net assets and profits attributable to the equity holders of the parent.

2.4.2 Segment reporting

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The sectors reported under "Other" do not meet the required minimum quantitative thresholds to be a reportable segment; hence they have been merged for the purpose of segment reporting.

For an operating segment to be identified as a reportable segment, its reported revenue, including both sales to external customers and intersegment sales or transfers, should be 10 percent or more of the combined revenue, internal and external, of all internal and external operating segments; the absolute amount of its reported profit or loss should be 10 percent or more of the combined profit or loss or its total assets should be 10 percent or more of the combined assets of all operating segments. Operating segments that do not meet any of the quantitative thresholds may be considered as reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

The financial information of the Group's Joint Ventures shall not be consolidated by using the proportionate consolidation method in accordance with "TFRS 11, Joint Arrangements". Therefore, in the case that segment reporting is prepared based on the equity method set in "TFRS 11, Joint Arrangements", major financial information of Joint Ventures, except for net profit for the period, such as revenue, operating profit and profit before tax shall not be included in the related segment results.

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

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

2.4.3 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

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

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

Financial statements of foreign subsidiaries, joint ventures and associates

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

2.4.4 Assets and liabilities held for sale

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

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

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

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

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

2.4.5 Related parties

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

2.4.6 Financial assets

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

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

Assessment of the business model

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

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

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

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

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

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

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

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

Other business models:

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

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

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

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

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

Financial asset categories

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

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

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

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

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

2.4.7 Repurchase and resale transactions

Funds attributed to financial assets as reverse repo are recorded as receivables from reverse repo under cash and cash equivalents in the consolidated financial statements. A rediscount income is calculated by using the internal discount rate method for the current year portion of the difference between the sale and purchase price of these reverse repo agreements and accounted by adding to the cost of the reverse repo.

2.4.8 Cash and cash equivalents

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

2.4.9 Trade receivables

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

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

Impairment

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

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

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

2.4.10 Receivables from finance sector operations

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

Impairment

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

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

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

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

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

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

2.4.11 Credit finance income/expenses

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

2.4.12 Inventories

Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads. The cost of inventories is determined by the weighted average method. Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

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

2.4.13 Assets used in operational lease

Assets used in operational lease include the motor vehicles of Otokoç, a Subsidiary of the Group, resourced in rent a car service. The Group classifies the assets, used in operating leases and owned to be leased for over one year, as "property, plant and equipment"; and classifies the assets owned to be leased for shorter than one year and expected to be disposed at the end of related leasing period in the ordinary business of Otokoç, as "other current assets". The difference between the cost and the estimated second-hand sales price of the related assets is depreciated on a straight-line basis over the duration of rent contracts. The assets used in operating lease are transferred to inventories based on their remaining net carrying values when they are decided to be sold at the end of their leasing period.

2.4.14 Investment property

Land and buildings that are held for rental yields or for capital appreciation or both rather than held in the production or supply of goods or services or for administrative purposes or for the sale in the ordinary course of business are classified as "investment property". Investment properties are carried at cost less accumulated depreciation. Depreciation is provided for investment properties on a straight-line basis over their estimated useful lives, ranging from 3-50 years.

Investment properties are reviewed for possible impairment losses and where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. Recoverable amount of the investment property is the higher of future net cash flows from the utilisation of this investment property or fair value less cost to sell.

2.4.15 Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided for property, plant and equipment on a straight-line basis over their estimated useful lives. Land is not depreciated as it is deemed to have an indefinite useful life.

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

Buildings	5 - 50 years
Land improvements	3 - 50 years
Machinery and equipment	3 - 50 years
Furniture and fixtures	2 - 50 years
Motor vehicles	3 - 25 years
Leasehold improvements	3 - 10 years

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

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

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

Machinery and equipment are capitalised and amortised when their capacity is fully available for use.

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

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

2.4.16 Intangible assets and related amortisation

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

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

Rights	4 - 15 years
Brands	Indefinite useful life
Development costs	2 - 10 years
Customer relationships	8 - 50 years
Other intangible assets	5 - 40 years

2.4.17 Leases

Group - as a lessee

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

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

- The contract includes an identified asset (contract includes a definition of a specified asset explicitly or implicitly),
- A capacity portion of an asset is physically distinct or represents substantially all of the capacity of an asset (if the supplier has a substantive right to substitute the asset and obtain economic benefits from use of the asset, then the asset is not an identified asset),
- Group has the right to obtain substantially all of the economic benefits from use of the identified asset,
- Group has the right to direct the use of an identified asset.
  Group has the right to direct the use of the asset throughout the period of use only if either:

  a) Group has the right to direct how and for what purpose the asset is used throughout the period of use or
  b) Relevant decisions about how and for what purpose the asset is used are predetermined:
     i. Group has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
     ii. Group designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

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

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

Right-of-use asset

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

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

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

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

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

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

Lease liability

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

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

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

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

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

Options to extend and terminate

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

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

Variable lease payments

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

Practical expedients

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

Group - as a lessor

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

2.4.18 Business combinations and goodwill

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

Under this method, the cost of an acquisition is measured over the fair value of cash and other assets given as of the acquisition date, equity instruments issued or liabilities incurred. If a business combination contract includes clauses that enable adjustments in the cost of business combination depending on events after the acquisition date; in case the adjustment is measurable and more probable than not, than the cost of business combination at acquisition date is adjusted.

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

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

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

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

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

Transactions with non-controlling interests

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

2.4.19 Taxes on income

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

Deferred income tax is provided for in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax.

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

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

- The temporary difference will reverse in the foreseeable future; and
- Taxable profit will be available against which the temporary difference can be utilised.

The parent company Koç Holding recognises deferred tax liability for all taxable temporary differences associated with investments in Subsidiaries except to the extent that both of the following conditions are satisfied:

- The parent is able to control the timing of the reversal of the temporary difference; and
- It is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

2.4.20 Financial liabilities

Financial liabilities are measured initially at fair value. Any transaction costs directly attributable to the undertaking of a financial liability are added on the fair value of the financial liability. These financial liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities are excluded from the balance sheet when the obligation specified in the contract is fulfilled, canceled or expired. When the terms of a financial liability are renegotiated or transferred to another party, the difference between the carrying value of the financial liability and the amount paid, including the transferred non-cash assets and liabilities, is recognised in the income statement as profit or loss.

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

2.4.21 Trade payables

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.4.22 Provisions for employee benefits

a) Provision for employment termination benefits

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

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

b) Pension rights

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

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

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

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

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

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

Yapı Kredi Bankası accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

c) Defined contribution plans

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

d) Unused vacation rights

Liabilities arising from unused vacations of the employees are accrued in the period when the unused vacations are qualified.

2.4.23 Provisions, contingent assets and liabilities

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

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

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

2.4.24 Revenue recognition

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

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

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

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

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

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

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

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

If Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted. On the other hand, when the contract effectively constitutes a financing component, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as other operating income.

Finance sector:

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

2.4.25 Offsetting

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.4.26 Dividends

Dividend income is recognised by the Group at the date the right to collect the dividend is realised. Dividend payables are recognised as liability in the consolidated financial statements following the approval of the general assembly.

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

2.4.27 Research and development costs

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

2.4.28 Warranty provisions

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

2.4.29 Government grants

Government grants along with investment, research and development grants are accounted on accrual basis with their fair values when the application of grants is approved. These grants are accounted for as deferred income in the consolidated balance sheet and are credited to consolidated income statement on a straight-line basis over the expected lives of related assets. Government grants allowing reduced corporate tax practice are evaluated within the scope of TAS 12 "Income Taxes" standard (Note 2.4.19).

2.4.30 Borrowing costs

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

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

2.4.31 Derivative instruments and hedging activities

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

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

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

Fair value hedge

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

Cash flow hedge

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

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

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

Foreign currency hedge of net investments in foreign operations

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

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

2.4.32 Earnings per share

Earnings per share disclosed in the consolidated income statement are determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported.

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

2.4.33 Events after the balance sheet date

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

2.4.34 Statement of cash flows

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

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

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

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

2.5 Significant Accounting Estimates and Assumptions

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

Impairment tests of intangible assets with indefinite useful lives

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

Impairment tests for goodwill are performed by comparing the amount calculated according to the discounted cash flows of each cash generating unit based on long term projections, with the carrying value of the goodwill; whereas impairment tests for brands are performed by comparing the amount calculated by the royalty relief method, with the carrying value of the brand. No impairment was identified as a result of the impairment tests performed as of 31 December 2020 (Note 15 and 16).

Recoverability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available in the foreseeable future. The recoverable amount of deferred tax assets, partially or fully, is estimated under the current conditions. During the assessment of the recoverability of deferred tax assets, future taxable profit forecasts and expiration dates of government grants, carry forward tax losses and other tax advantages were considered (Note 19).

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

Pension Fund

Within the scope of pension fund provision of Yapı Kredi Bankası, a Subsidiary of the Group, which is detailed in Note 2.4.22, the present value of funded obligations is calculated by taking into account the discount rate, mortality rate and medical benefits stated in the New Law and related assumptions are explained in Note 20.

Impairment on receivables from finance sector operations

The Group reviews its financial assets classified as measured at fair value through other comprehensive income and measured at amortised cost at each balance sheet date in terms of impairment in line with the accounting policies set out in Note 2.4.10.

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

Significant increase in credit risk

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

Quantitative assessment:

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

As of reporting date;

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

Qualitative Assessment:

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

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

Forward-looking macroeconomic information

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

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

In cases where macroeconomic scenarios do not cover the long term, a process called convergence to the mean is applied for beyond the estimated period of macroeconomic variables.

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

2.6 Significant Developments Regarding the Current Period

Due to Covid-19 pandemic, which has been affecting the whole world, there have been disruptions in the supply and sales processes, temporary shutdowns in the production processes and decline in the capacity utilisations of the Group, in parallel with the developments/slowdown in the sectors in which the Group operates and in general economic activity. Necessary actions were taken by the Group management to minimise the possible impacts of Covid-19 on the Group's operations and financial position. With the reduction of restrictions to prevent the spread of the pandemic, production and sales activities continue uninterruptedly as of the balance sheet date.

Predictions are not precise about how long Covid-19 effects will continue and how far it will spread, in the world and Turkey. As the severity and duration of the effects become clearer, it will be possible to make a more clear and healthy assessment for the medium and long term. However, while preparing the consolidated financial statements as of 31 December 2020, possible effects of Covid-19 pandemic were evaluated and estimates and assumptions used in the preparation of the financial statements were reviewed. In this context, impairment tests were performed by the Group and necessary adjustments have been made.

Yapı Kredi Bankası, a Subsidiary of the Group, has revised its macroeconomic expectations due to the possible effects of the Covid-19 pandemic and calculations taking into account the probabilities of default and default loss were reflected in the financial statements. In this context, Yapı Kredi Bankası has measured the effect of the change in macroeconomic data used in the calculation of expected credit loss such as gross domestic product, unemployment rate and foreign trade deficit, on the non-performing loans ("NPL") under different scenarios and reflected the increase coefficient, which was considered to be the most accurate, to its provision calculations by projecting it on the loan parameters within the range of NPL ratio obtained throughout the calculations. Yapı Kredi Bankası has reflected possible effects of Covid-19 to cash flow estimations which are used in expected loan loss provision calculations for the loans that are subject to individual assessment. This approach will be revised in the coming reporting periods by reconsidering the impacts of the pandemic, loan portfolio and changes in future expectations.

Tüpraş, a Subsidiary of the Group, has suspended the production at the İzmir Refinery as of 5 May 2020 in order to minimise the negative effects of the decrease in demand due to the Covid-19 pandemic. With the signs of recovery in demand, Tüpraş gradually started production as of 1 July 2020. Although the course of the pandemic is not yet clear, Tüpraş continues to implement the liquidity and operational actions rigorously.

2.7 Convenience Translation into English of Consolidated Financial Statements

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

NOTE 3 - BUSINESS COMBINATIONS

On 30 November 2019, in relation to the shares of Koç Finansal Hizmetler A.Ş. (KFS) and Yapı ve Kredi Bankası A.Ş. (YKB) jointly controlled by Koç Holding and UniCredit S.P.A. (UniCredit),

a. YKB Share Sale and Purchase Agreement was signed between Koç Holding, UniCredit and KFS, in relation to the purchase of YKB shares representing 31,93% of YKB's share capital by UniCredit in exchange for a consideration of TL5.722.755 thousand and the purchase of YKB shares representing 9,02% of YKB's share capital by Koç Holding in exchange for a consideration of TL1.617.383 thousand,

b. KFS Share Sale and Purchase Agreement was signed between Koç Holding, UniCredit and other shareholders of KFS in relation to the purchase of KFS shares representing 50% of KFS' share capital from UniCredit by Koç Holding and other shareholders of KFS pro-rata their respective shareholdings for a total consideration of TL6.420.000 thousand,

c. Termination Protocol was signed to terminate the shareholders agreements relating to KFS executed among Koç Holding, UniCredit and other parties in 2002, which also includes a termination fee payment by Unicredit at an amount of TL570.000 thousand to Koç Holding and other shareholders of KFS pro-rata their respective shareholdings in KFS (Note 29).

Parties have acknowledged that conditions defined in the agreements have been fulfilled and share transfers have been realised on 5 February 2020 (closing date). Upon completion, Koç Holding's direct shares in KFS increased from 42,26% to 84,53% and Koç Holding, which did not hold any direct shares in YKB before the transaction, currently holds 9,02% of YKB share capital. Following the transaction, Koç Holding's direct and indirect shares in YKB increased to 49,97%.

KFS, YKB and subsidiaries of YKB, which have been joint ventures and have been accounted for using the equity method in the consolidated financial statements until the closing date, became subsidiaries after the transaction and accounted for using the full consolidation method in the consolidated financial statements.

The consideration for YKB shares (9,02%) have been determined based on the negotiations in line with the strategic goals of UniCredit.

Additional share purchase transaction is considered as a "change of control" within the framework of TFRS 3 "Business Combinations". Therefore, the income resulting from the bargain purchase of additional 9,02% YKB shares and the impairment resulting from the fair value measurement of the existing shares before the share purchase are associated with the income statement. Net income amounting to TL2.995.339 thousand resulting from the change of control has been accounted for under "gains from investment activities" account (Note 29).

The details of the net assets controlled and profit/loss calculation arising from the change of control are as follows:

Consideration for additional YKB share purchase (9,02%)	1.617.383
Fair value of YKB shares held by the Group (effective rate) before the acquisition (35,47%)	11.811.321
Fair value of non-controlling interests (55,51%) (1)	23.685.371
	37.114.075
Fair value of net assets controlled (100%)	42.670.708
Gain on bargain purchase	**5.556.633**
Carrying value of YKB shares held by the Group (effective rate) before the acquisition (35,47%)	13.982.855
Carrying value - Before non-controlling interests (Note 8)	*14.482.000*
Carrying value - Non-controlling interests	*(499.145)*
Fair value of YKB shares held by the Group (effective rate) before the acquisition (35,47%) (2)	11.811.321
	(2.171.534)
Other accumulated comprehensive expense reclassified to profit/loss	(389.760)
Impairment on existing shares before acquisition	**(2.561.294)**
Net income resulting from the change of control (Note 29)	**2.995.339**

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

(2) The fair value of 35,47% shares previously held by the Group at the closing date has been determined using the "BIST Market Value Approach", "Income Approach" and "Market Approach" by an independent valuation company by assigning 50%, 25% and 25% weight to the aforementioned three valuation methods, respectively.

NOTE 3 - BUSINESS COMBINATIONS (Continued)

The fair values of identifiable assets and liabilities controlled (100%) at the closing date in accordance with TFRS 3 are as follows:

Cash and cash equivalents	29.529.595
Balances with the Central Bank of the Republic of Turkey	40.828.496
- Reserve deposits	*16.022.623*
- Free balances	*24.805.873*
Financial assets	56.693.993
Receivables from finance sector operations (1)	249.166.831
Investments accounted for using the equity method (Note 8)	1.249.107
Property, plant and equipment (Note 14)	4.363.139
Intangible assets (Note 16)	4.389.666
- Core deposit	*1.451.971*
- Brand	*2.013.259*
- Other intangible assets	*924.436*
Deferred tax assets (net) (Note 19)	1.825.190
Borrowings (Note 17)	(104.433.891)
Payables of finance sector operations	(228.798.230)
Provisions for employee benefits	(1.947.498)
Derivative instruments (net)	(3.550.238)
Provisions	(1.691.678)
Other assets and liabilities (net)	(4.953.774)
Net assets controlled	**42.670.708**

The details of the cash outflow arising from the change of control are as follows:

Consideration for the additional share purchase	(1.617.383)
Cash and cash equivalents - controlled	29.529.595
Free balances with the Central Bank of the Republic of Turkey - controlled	24.805.873
Cash and cash equivalents controlled following the change of control (net)	52.718.085
Consolidation eliminations (2)	(15.396.013)
Consolidated cash inflow arising from the change of control (net)	**37.322.072**

(1) Contractual cash flows of receivables from finance sector operations amount to TL287.940.013 thousand and expected credit losses related to those receivables amount to TL18.557.211 thousand (Note 10).

(2) Represent cash and cash equivalent balances of the Group's Subsidiaries held at Yapı Kredi Bankası, which are eliminated during the preparation of consolidated financial statements as of 31 December 2020.

Had the additional share purchase transaction of YKB shares been realised as of 1 January 2020, additional contribution to consolidated revenue from finance sector operations and net profit attributable to equity holders of the parent would have amounted to TL3.688.999 thousand and TL49.496 thousand, respectively.

NOTE 4 - SEGMENT REPORTING

The financial information of the Joint Ventures has been included in the segment results, prepared within the framework of the Group's managerial approach, by full consolidation method (as 100%). The segment reporting information prepared in conformity with this approach is defined as "combined financial information".

"Combined revenue" reported below is before intra and inter segment revenue eliminations. Other financial information except for "combined revenue" represents the amounts after the related consolidation adjustments and profit eliminations.

The reconciliations of the combined financial information to the amounts reported in the consolidated financial statements for the years ended 31 December 2020 and 2019 are presented separately.

1 January - 31 December 2020	Energy	Automotive	Consumer durables	Finance	Other	Total
External revenue	101.117.683	88.709.024	45.740.814	44.841.289	9.247.159	289.655.969
Intra segment revenue	14.278.203	9.182.720	1.154.497	61.346	1.614.874	26.291.640
Inter segment revenue	444.103	446.654	275.412	280.589	7.503.697	8.950.455
Combined revenue	**115.839.989**	**98.338.398**	**47.170.723**	**45.183.224**	**18.365.730**	**324.898.064**
Combined gross profit	**5.265.049**	**14.483.728**	**14.248.413**	**22.651.523**	**3.154.294**	**59.803.007**
Operating expenses	(4.139.469)	(4.591.957)	(10.236.678)	(7.604.021)	(2.709.788)	(29.281.913)
Other operating income/(expenses) (net) [(1)]	(141.556)	108.098	339.392	(8.778.098)	101.584	(8.370.580)
Exchange gains/(losses) and credit finance income/(charges) from operating activities (net) [(2)]	(654.163)	178.633	696.037	-	(34.189)	186.318
Combined operating profit	**329.861**	**10.178.502**	**5.047.164**	**6.269.404**	**511.901**	**22.336.832**
Gains/(losses) from investment activities (net) [(3)]	1.749	23.456	(47.687)	23.039	3.602.215	3.602.772
Financial income/(expenses) (net)	(3.780.666)	(1.648.839)	(1.613.372)	-	(160.410)	(7.203.287)
Combined profit/(loss) before tax	**(3.449.056)**	**8.553.119**	**3.386.105**	**6.292.443**	**3.953.706**	**18.736.317**
Tax income/(expense) (net)	1.257.039	(264.833)	(651.064)	(1.635.581)	(193.594)	(1.488.033)
Combined net profit/(loss) for the period	**(2.192.017)**	**8.288.286**	**2.735.041**	**4.656.862**	**3.760.112**	**17.248.284**
Net profit/(loss) for the period [(4)]	**(955.633)**	**3.607.036**	**1.124.277**	**2.062.676**	**3.434.214**	**9.272.570**

(1) Provisions for loan impairment in Finance sector have been accounted for under "Other operating income/expenses" account.

(2) Includes the foreign exchange gains/losses and credit finance income/charges arising from trading activities (trade receivables and payables) of Non-Finance sectors.

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

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

NOTE 4 - SEGMENT REPORTING (Continued)

1 January - 31 December 2019	Energy	Automotive	Consumer durables	Finance	Other	Total
External revenue	130.990.865	70.039.293	35.537.869	47.463.644	8.996.294	293.027.965
Intra segment revenue	22.014.100	3.971.373	635.454	84.491	1.440.837	28.146.255
Inter segment revenue	421.399	436.935	137.440	295.408	6.577.064	7.868.246
Combined revenue	**153.426.364**	**74.447.601**	**36.310.763**	**47.843.543**	**17.014.195**	**329.042.466**
Combined gross profit	**8.689.510**	**9.871.943**	**10.598.427**	**18.910.414**	**3.007.020**	**51.077.314**
Operating expenses	(3.827.349)	(3.860.833)	(8.227.901)	(6.098.968)	(2.677.465)	(24.692.516)
Other operating income/(expenses) (net) [(1)]	60.405	109.800	10.099	(8.235.590)	68.766	(7.986.520)
Exchange gains/(losses) and credit finance income/(charges) from operating activities (net) [(2)]	(1.080.078)	(203.351)	378.560	-	(7.493)	(912.362)
Combined operating profit	**3.842.488**	**5.917.559**	**2.759.185**	**4.575.856**	**390.828**	**17.485.916**
Gains/(losses) from investment activities (net)	35.161	7.070	(1.740)	137.077	101.479	279.047
Financial income/(expenses) (net)	(3.435.889)	(1.656.124)	(1.595.166)	-	440.502	(6.246.677)
Combined profit before tax	**441.760**	**4.268.505**	**1.162.279**	**4.712.933**	**932.809**	**11.518.286**
Tax income/(expense) (net)	703.600	(41.382)	(184.847)	(974.767)	(209.161)	(706.557)
Combined net profit for the period	**1.145.360**	**4.227.123**	**977.432**	**3.738.166**	**723.648**	**10.811.729**
Net profit for the period [(3)]	**345.939**	**1.724.006**	**429.682**	**1.351.619**	**539.913**	**4.391.159**

(1) Provisions for loan impairment in Finance sector have been accounted for under "Other operating income/expenses" account.

(2) Includes the foreign exchange gains/losses and credit finance income/charges arising from trading activities (trade receivables and payables) of Non-Finance sectors.

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

NOTE 4 - SEGMENT REPORTING (Continued)

	2020	2019
a) Revenue		
Energy	115.839.989	153.426.364
Automotive	98.338.398	74.447.601
Consumer durables	47.170.723	36.310.763
Finance	45.183.224	47.843.543
Other	18.365.730	17.014.195
Combined	**324.898.064**	**329.042.466**
Less: Joint Ventures (Note 8.d)	(130.156.469)	(166.125.519)
Less: Consolidation eliminations and adjustments	(10.964.319)	(9.400.940)
Consolidated	**183.777.276**	**153.516.007**
b) Operating profit		
Energy	329.861	3.842.488
Automotive	10.178.502	5.917.559
Consumer durables	5.047.164	2.759.185
Finance	6.269.404	4.575.856
Other	511.901	390.828
Combined	**22.336.832**	**17.485.916**
Less: Joint Ventures (Note 8.d)	(9.308.949)	(10.015.189)
Less: Consolidation eliminations and adjustments	837.361	-
Add: Net profit shares of Joint Ventures and associates (Note 8.c)	2.966.673	2.902.947
Consolidated	**16.831.917**	**10.373.674**
c) Depreciation and amortisation (*)		
Energy	1.310.139	1.199.691
Automotive	2.584.900	2.282.413
Consumer durables	1.244.498	1.075.382
Finance	940.200	642.151
Other	359.777	323.425
Combined	**6.439.514**	**5.523.062**
Less: Joint Ventures (Note 8.d)	(2.275.748)	(2.663.096)
Less: Consolidation eliminations and adjustments	(100.207)	(94.711)
Consolidated	**4.063.559**	**2.765.255**

(*) Includes the depreciation expenses of right-of-use assets. As of 31 December 2020, combined depreciation expense of the right-of-use assets amounted to TL1.030.478 thousand (31 December 2019: TL959.692 thousand) and consolidated depreciation expense amounted to TL728.569 thousand (31 December 2019: TL382.164 thousand).

NOTE 4 - SEGMENT REPORTING (Continued)

	2020	2019
d) Profit before tax		
Energy	(3.449.056)	441.760
Automotive	8.553.119	4.268.505
Consumer durables	3.386.105	1.162.279
Finance	6.292.443	4.712.933
Other	3.953.706	932.809
Combined	**18.736.317**	**11.518.286**
Less: Joint Ventures (Note 8.d)	(7.863.188)	(8.874.010)
Add: Net profit shares of Joint Ventures and associates (Note 8.c)	2.966.673	2.902.947
Consolidated	**13.839.802**	**5.547.223**
e) Net profit for the period		
Energy	(2.192.017)	1.145.360
Automotive	8.288.286	4.227.123
Consumer durables	2.735.041	977.432
Finance	4.656.862	3.738.166
Other	3.760.112	723.648
Combined	**17.248.284**	**10.811.729**
Less: Joint Ventures (Note 8.d)	(7.581.660)	(7.793.392)
Add: Net profit shares of Joint Ventures and associates (Note 8.c)	2.966.673	2.902.947
Less: Non-controlling interests	(3.360.727)	(1.530.125)
Consolidated (attributable to the equity holders of the parent)	**9.272.570**	**4.391.159**
f) Capital expenditures (*)		
Energy	1.964.485	1.963.842
Automotive	5.982.429	4.655.574
Consumer durables	1.769.433	1.409.807
Finance	600.252	574.967
Other	354.609	257.809
Combined	**10.671.208**	**8.861.999**
Less: Joint Ventures	(2.644.344)	(3.096.738)
Consolidated	**8.026.864**	**5.765.261**

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

NOTE 4 - SEGMENT REPORTING (Continued)

	31 December 2020	31 December 2019
g) Total assets		
Energy	73.353.329	69.103.170
Automotive	67.565.730	45.752.619
Consumer durables	48.705.248	36.237.260
Finance	494.544.203	411.919.288
Other	32.607.126	36.301.296
Combined	**716.775.636**	**599.313.633**
Less: Joint Ventures (Note 8.d)	(62.560.872)	(455.038.242)
Add: Carrying values of Joint Ventures and associates (Note 8.a)	8.367.140	19.955.652
Less: Eliminations	(32.481.360)	(12.887.455)
Consolidated	**630.100.544**	**151.343.588**

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2020			31 December 2019		
	Finance	**Non-Finance**	**Total**	**Finance**	**Non-Finance**	**Total**
Cash in hand	6.056.965	5.955	6.062.920	-	10.304	10.304
Cheques received	31	83.672	83.703	-	39.632	39.632
Banks						
- Demand deposits	10.848.518	2.170.692	13.019.210	17.127	684.994	702.121
- Time deposits	8.364.924	30.893.850	39.258.774	301.059	36.515.389	36.816.448
- Reverse repo receivables	1.696.865	-	1.696.865	-	-	-
Other	-	239.329	239.329	-	247.855	247.855
	26.967.303	**33.393.498**	**60.360.801**	**318.186**	**37.498.174**	**37.816.360**

As of 31 December 2020, total blocked deposits amounted to TL2.214.489 thousand (31 December 2019: TL1.861.248 thousand). As of 31 December 2020 and 2019, the related amount consists of the revenue shares collected by Tüpraş, a Subsidiary of the Group, as indicated in the Petroleum Market License Regulation.

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

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

	31 December 2020	31 December 2019
Balances with the Central Bank of the Republic of Turkey	48.972.272	-
- Reserve deposits (*)	22.519.808	-
- Free balances	26.452.464	-
	48.972.272	**-**

(*) In accordance with the legislation of the CBRT numbered 2013/15 "Decree on Reserve Deposits", banks operating in Turkey must place TL, USD, EUR and gold reserves for their liabilities. As of 31 December 2020, the ratios for TL reserves are between 1% and 6% and the ratios for foreign currency reserves are between 5% and 21% for deposits and other liabilities depending on their maturity structures.

NOTE 7 - FINANCIAL ASSETS

	31 December 2020			31 December 2019		
	Short-term	**Long-term**	**Total**	**Short-term**	**Long-term**	**Total**
Financial assets measured at fair value through profit or loss	676.762	130.378	807.140	-	1.505.017	1.505.017
Financial assets measured at fair value through other comprehensive income	4.000.489	21.478.197	25.478.686	-	74.925	74.925
Financial assets measured at amortised cost	1.449.392	51.563.137	53.012.529	-	-	-
	6.126.643	**73.171.712**	**79.298.355**	**-**	**1.579.942**	**1.579.942**

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

	31 December 2020			31 December 2019		
	Finance	**Non-Finance**	**Total**	**Finance**	**Non-Finance**	**Total**
Debt securities:						
Government bonds	276.735	-	276.735	-	-	-
Private sector bonds (*)	-	-	-	-	1.425.357	1.425.357
	276.735	-	276.735		1.425.357	1.425.357
Equity securities:						
Listed	171.581	-	171.581	-	-	-
Unlisted	228.446	130.378	358.824	-	79.660	79.660
	400.027	130.378	530.405	-	79.660	79.660
	676.762	**130.378**	**807.140**	**-**	**1.505.017**	**1.505.017**

(*) Includes Koç Holding's investment amounting to USD200 million of Additional Tier 1 Capital (AT1) issued by Yapı Kredi Bankası on 15 January 2019 with a total amount of USD650 million, with no specified maturity, with an annual interest rate of 13,875% for the first five years and having coupon payments in every 6 months. The related amount has been subject to elimination in the consolidated financal statements after Yapı Kredi Bankası became a subsidiary in 2020.

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

	31 December 2020			31 December 2019		
	Finance	**Non-Finance**	**Total**	**Finance**	**Non-Finance**	**Total**
Debt securities:						
Eurobonds	3.737.019	-	3.737.019	-	-	-
Government bonds	19.883.898	-	19.883.898	-	-	-
Private sector bonds	1.391.365	-	1.391.365	-	-	-
Other	77	-	77	-	-	-
	25.012.359		25.012.359	-	-	-
Equity securities:						
Listed	-	374.700	374.700	-	74.925	74.925
Unlisted	91.627	-	91.627	-	-	-
	91.627	374.700	466.327	-	74.925	74.925
	25.103.986	**374.700**	**25.478.686**	**-**	**74.925**	**74.925**

NOTE 7 - FINANCIAL ASSETS (Continued)

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

	2020	2019
Beginning of the period - 1 January	**74.925**	**20.862**
Additions through business combinations	26.422.076	-
Additions	15.375.500	-
Disposals / redemptions	(18.659.124)	-
Currency translation differences	1.449.108	-
Change in interest accruals	516.426	-
Fair value gains / impairment losses (net)	299.775	54.063
End of the period - 31 December	**25.478.686**	**74.925**

c) Financial assets measured at amortised cost

	31 December 2020			31 December 2019		
	Finance	**Non-Finance**	**Total**	**Finance**	**Non-Finance**	**Total**
Debt securities:						
Government bonds	30.852.439	-	30.852.439	-	-	-
Eurobonds	20.079.499	-	20.079.499	-	-	-
Other	2.080.591	-	2.080.591	-	-	-
	53.012.529	**-**	**53.012.529**	**-**	**-**	**-**

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

	2020
Beginning of the period - 1 January	**-**
Additions through business combinations	29.985.074
Additions	20.555.734
Disposals / redemptions	(2.550.719)
Currency translation differences	2.584.719
Change in interest accruals	2.437.721
End of the period - 31 December	**53.012.529**

NOTE 8 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	31 December 2020		31 December 2019	
	%	Amount	%	Amount
Koç Finansal Hizmetler	-	-	44,85	14.541.041
Ford Otosan	38,65	2.756.689	38,46	1.785.798
Tofaş	37,59	1.666.373	37,59	1.614.058
Banque de Commerce	30,67	1.203.097	-	-
Opet	41,33	725.036	41,33	871.089
Türk Traktör	37,50	540.438	37,50	286.506
Allianz Emeklilik	20,00	359.544	-	-
Other		1.115.963		857.160
		8.367.140		**19.955.652**
Joint Ventures		6.804.499		19.955.652
Associates		1.562.641		-
		8.367.140		**19.955.652**

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

	31 December 2020	31 December 2019
Yapı Kredi Bankası	-	20.948.687
Ford Otosan	44.214.660	24.861.974
Tofaş	16.960.000	13.430.000
Türk Traktör	9.750.516	2.956.643

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

	2020	2019
Beginning of the period - 1 January	**19.955.652**	**18.256.952**
Shares of profit/(loss)	2.966.673	2.902.947
Shares of other comprehensive income/(loss)	(309.848)	(458.326)
Disposal through business combinations (Note 3)	(14.482.000)	-
Addition through business combinations (Note 3)	1.249.107	-
Dividend received	(1.117.006)	(990.779)
Dividend paid	7.890	81.999
Transactions with non-controlling interests (*)	59.829	-
Contribution to capital increases	35.947	169.358
Profit eliminations	896	(6.499)
End of the period - 31 December	**8.367.140**	**19.955.652**

(*) Related to the purchase of shares from non-controlling interests constituting 0,19% of Ford Otosan capital (Note 2.4).

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

Shares of profit/(loss) of Joint Ventures and associates:	**2020**	**2019**
Koç Finansal Hizmetler [(1)]	200.579	1.341.034
Ford Otosan	1.616.556	753.417
Tofaş	670.536	556.782
Opet	(63.323)	128.859
Türk Traktör	291.166	41.960
Other	251.159	80.895
	2.966.673	**2.902.947**
Joint Ventures	2.883.882	2.902.947
Associates	82.791	-
	2.966.673	**2.902.947**

(1) Koç Finansal Hizmetler has been accounted for using the equity method in the consolidated financial statements until the change of control/closing date (Note 3), and therefore related amounts include Company's profit/(loss) and other comprehensive income balances for the relevant period.

Shares of other comprehensive income/(loss) of Joint Ventures and associates:	**2020**	**2019**
Koç Finansal Hizmetler [(1)]	(259.619)	(520.297)
Ford Otosan	(284.890)	33.489
Tofaş	(167.169)	7.864
Banque de Commerce	312.970	-
Opet	33.823	9.072
Türk Traktör	266	99
Other	54.771	11.447
	(309.848)	**(458.326)**
Joint Ventures	(623.286)	(458.326)
Associates	313.438	-
	(309.848)	**(458.326)**

(1) Koç Finansal Hizmetler has been accounted for using the equity method in the consolidated financial statements until the change of control/closing date (Note 3), and therefore related amounts include Company's profit/(loss) and other comprehensive income balances for the relevant period.

Dividend income/(capital increases) from Joint Ventures and associates:	**2020**	**2019**
Ford Otosan	421.054	493.929
Tofaş	451.051	330.771
Banque de Commerce	19.433	-
Opet	123.990	99.192
Allianz Emeklilik	40.850	-
Türk Traktör	37.500	-
Other	(12.819)	(102.471)
	1.081.059	**821.421**

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

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

Condensed balance sheet information of Joint Ventures:

31 December 2020	Ford Otosan	Tofaş	Opet	Türk Traktör	Other	Total
Cash and cash equivalents	8.124.073	4.249.809	335.720	1.890.431	1.802.918	16.402.951
Other current assets	9.480.449	7.191.189	4.726.782	1.756.649	2.986.767	26.141.836
Receivables from finance sector operations	-	2.859.868	-	-	-	2.859.868
Other non-current assets	6.699.889	5.139.445	2.227.600	923.256	2.166.027	17.156.217
Total assets	**24.304.411**	**19.440.311**	**7.290.102**	**4.570.336**	**6.955.712**	**62.560.872**
Short-term borrowings	3.932.881	2.827.079	1.019.217	252.478	1.225.177	9.256.832
Other current liabilities	8.547.900	8.053.655	1.717.098	1.750.872	2.685.732	22.755.257
Long-term borrowings	4.147.993	3.862.706	3.054.357	1.041.813	366.731	12.473.600
Other non-current liabilities	674.459	263.570	81.447	84.006	169.709	1.273.191
Total liabilities	**17.303.233**	**15.007.010**	**5.872.119**	**3.129.169**	**4.447.349**	**45.758.880**
Net assets:	**7.001.178**	**4.433.301**	**1.417.983**	**1.441.167**	**2.508.363**	**16.801.992**
Allocation of net assets:						
Non-controlling interests	-	-	-	-	-	-
Equity holders of the parent	**7.001.178**	**4.433.301**	**1.417.983**	**1.441.167**	**2.508.363**	**16.801.992**
Reconciliation of carrying value:						
Ownership of the Group	*38,65%*	*37,59%*	*41,33%*	*37,50%*		
Net asset share of the Group	2.706.047	1.666.373	586.052	540.438	1.103.742	6.602.652
Goodwill carried at Group level	-	-	138.984	-	-	138.984
Impact of additional share purchase	50.642	-	-	-	12.221	62.863
Carrying value	**2.756.689**	**1.666.373**	**725.036**	**540.438**	**1.115.963**	**6.804.499**

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

31 December 2019	KFS	Ford Otosan	Tofaş	Opet	Türk Traktör	Other	Total
Cash and cash equivalents	81.339.651	3.202.952	2.825.487	593.998	746.807	2.021.771	90.730.666
Other current assets	19.097.225	6.953.846	3.056.304	4.830.920	1.189.025	2.522.592	37.649.912
Receivables from finance sector operations	244.535.002	-	2.016.429	-	-	-	246.551.431
Goodwill	1.297.102	-	-	-	-	12.687	1.309.789
Other non-current assets	62.990.309	6.227.215	4.875.978	2.117.471	979.940	1.605.531	78.796.444
Total assets	**409.259.289**	**16.384.013**	**12.774.198**	**7.542.389**	**2.915.772**	**6.162.581**	**455.038.242**
Short-term borrowings	53.260.379	3.648.110	1.846.507	1.425.051	389.418	1.430.960	62.000.425
Other current liabilities	23.449.022	4.997.261	4.279.970	2.073.564	697.940	2.241.495	37.739.252
Payables to finance sector operations	234.788.610	-	-	-	-	-	234.788.610
Long-term borrowings	52.336.086	2.559.936	2.104.213	2.195.797	1.007.092	375.795	60.578.919
Other non-current liabilities	5.779.340	535.220	249.388	76.612	57.307	135.049	6.832.916
Total liabilities	**369.613.437**	**11.740.527**	**8.480.078**	**5.771.024**	**2.151.757**	**4.183.299**	**401.940.122**
Net assets:	**39.645.852**	**4.643.486**	**4.294.120**	**1.771.365**	**764.015**	**1.979.282**	**53.098.120**
Allocation of net assets:							
Non-controlling interests	7.111.820	-	-	-	-	-	7.111.820
Equity holders of the parent	**32.534.032**	**4.643.486**	**4.294.120**	**1.771.365**	**764.015**	**1.979.282**	**45.986.300**
Reconciliation of carrying value:							
Ownership of the Group	*44,85%*	*38,46%*	*37,59%*	*41,33%*	*37,50%*		
Net asset share of the Group	14.591.091	1.785.798	1.614.058	732.105	286.506	844.939	19.854.497
Goodwill carried at Group level	-	-	-	138.984	-	-	138.984
Impact of additional share purchase	(50.050)	-	-	-	-	12.221	(37.829)
Carrying value	**14.541.041**	**1.785.798**	**1.614.058**	**871.089**	**286.506**	**857.160**	**19.955.652**

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

Condensed income statement information of Joint Ventures:

1 January - 31 December 2020	KFS [1]	Ford Otosan	Tofaş	Opet [2]	Türk Traktör	Other	Total
Revenue	3.688.956	49.451.407	23.982.332	38.623.155	6.243.308	8.167.311	130.156.469
Depreciation and amortisation	58.618	916.575	758.755	228.090	129.088	184.622	2.275.748
Operating profit	681.616	4.805.661	2.066.163	311.988	934.895	508.626	9.308.949
Net financial income/(expenses)	-	(698.521)	(245.945)	(410.150)	(62.730)	(57.560)	(1.474.906)
Profit before tax	687.495	4.107.156	1.830.776	(101.448)	873.711	465.498	7.863.188
Net profit for the period	548.683	4.193.739	1.783.928	(153.214)	776.443	432.081	7.581.660
Non-controlling interests	99.294	-	-	-	-	-	99.294
Equity holders of the parents	**449.389**	**4.193.739**	**1.783.928**	**(153.214)**	**776.443**	**432.081**	**7.482.366**
Ownership of the Group	*44,85%*	*38,65%*	*37,59%*	*41,33%*	*37,50%*		
Net profit share of the Group	**200.579**	**1.616.556**	**670.536**	**(63.323)**	**291.166**	**168.368**	**2.883.882**

1 January - 31 December 2019	KFS	Ford Otosan	Tofaş	Opet	Türk Traktör	Other	Total
Revenue	47.259.255	39.209.019	19.362.676	46.380.766	3.806.475	10.107.328	166.125.519
Depreciation and amortisation	637.262	775.988	760.248	192.591	125.106	171.901	2.663.096
Operating profit	4.463.085	2.422.028	1.660.103	833.472	288.093	348.408	10.015.189
Net financial income/(expenses)	-	(470.630)	(216.206)	(428.654)	(181.150)	(23.830)	(1.320.470)
Profit before tax	4.600.157	1.949.750	1.456.555	408.766	109.258	349.524	8.874.010
Net profit for the period	3.650.649	1.959.060	1.481.291	311.780	111.894	278.718	7.793.392
Non-controlling interests	660.519	-	-	-	-	-	660.519
Equity holders of the parents	**2.990.130**	**1.959.060**	**1.481.291**	**311.780**	**111.894**	**278.718**	**7.132.873**
Ownership of the Group	*44,85%*	*38,46%*	*37,59%*	*41,33%*	*37,50%*		
Net profit share of the Group	**1.341.034**	**753.417**	**556.782**	**128.859**	**41.960**	**80.895**	**2.902.947**

(1) Koç Finansal Hizmetler has been accounted for using the equity method in the consolidated financial statements until the change of control/closing date (Note 3), and therefore related amounts include Company's profit/(loss) balances for the relevant period.

(2) The operational results of Opet, a Joint Venture of the Group, for the period January-December 2020 include TL325 million (impact in the consolidated financial statements: TL135 million) administrative penalty, which was notified to Opet by the Competition Board and was paid to Major Taxpayers Office on 22 October 2020, without prejudice to all legal rights of Opet regarding the relevant decision.

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

Trade receivables	**31 December 2020**	**31 December 2019**
Trade receivables	18.730.557	16.183.306
Notes and cheques receivable	2.212.791	2.652.912
Less: Provision for expected credit loss	(876.978)	(670.932)
Less: Unearned finance income	(305.325)	(99.186)
	19.761.045	18.066.100
Due from related parties (Note 31)	1.239.528	1.596.412
	21.000.573	**19.662.512**
Short-term trade receivables	20.478.731	19.272.813
Long-term trade receivables	521.842	389.699
	21.000.573	**19.662.512**

Tüpraş and Arçelik, the Subsidiaries of the Group, offset TL2.976.335 thousand (31 December 2019: TL2.059.000 thousand) and TL1.238.538 thousand (31 December 2019: TL1.258.312 thousand) respectively, from their trade receivables that were collected from factoring companies as a part of irrevocable factoring agreements as of 31 December 2020.

Tüpraş, a Subsidiary of the Group, offset the supplier financing transaction amounting to TL1.127.270 thousand from its trade receivables as of 31 December 2020 (31 December 2019: None).

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

	2020	**2019**
Beginning of the period - 1 January	**670.932**	**602.469**
Increases during the period	112.539	86.797
Collections	(18.070)	(19.233)
Write-offs (*)	(26.555)	(36.196)
Currency translation differences	138.132	33.857
Acquisitions	-	3.238
End of the period - 31 December	**876.978**	**670.932**

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

Trade payables	**31 December 2020**	**31 December 2019**
Trade payables	26.594.467	25.682.449
Less: Unearned finance expense	(193.260)	(73.919)
	26.401.207	25.608.530
Due to related parties (Note 31)	2.638.387	1.118.902
	29.039.594	**26.727.432**

NOTE 10 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	31 December 2020	31 December 2019
Short-term receivables from finance sector operations	157.462.310	1.371.816
Long-term receivables from finance sector operations	137.770.791	935.471
	295.233.101	**2.307.287**

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

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

Movement of the expected credit losses is as follows:

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

NOTE 10 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

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

NOTE 11 - DERIVATIVE INSTRUMENTS

The breakdown of derivative instruments as of 31 December 2020 and 2019 is as follows:

	31 December 2020		31 December 2019	
	Asset	Liability	Asset	Liability
Derivatives held for trading	5.157.922	8.003.188	173.440	34.682
Derivatives held for hedging	1.061.220	3.433.388	352.981	232.216
	6.219.142	**11.436.576**	**526.421**	**266.898**

Finance:

	31 December 2020			31 December 2019		
	Contract amount (*)	Fair Values		Contract amount (*)	Fair Values	
		Asset	Liability		Asset	Liability
Derivatives held for trading:						
Interest rate swaps	142.948.898	1.561.092	1.558.805	-	-	-
Currency swaps	120.257.352	1.148.739	3.525.425	-	-	-
Cross-currency fixed interest rate swaps	18.047.429	1.690.236	2.050.505	-	-	-
Currency forwards	16.119.910	553.243	155.258	-	-	-
Option agreements	14.215.807	96.988	47.523	-	-	-
Other derivative instruments	39.918.012	42.368	5.891	-	-	-
	351.507.408	**5.092.666**	**7.343.407**	-	-	-
Derivatives held for hedging:						
Interest rate swaps	90.213.314	581.692	2.625.136	-	-	-
Cross-currency fixed interest rate swaps	6.010.024	-	620.018	-	-	-
	96.223.338	**581.692**	**3.245.154**	**-**	**-**	**-**

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

NOTE 11 - DERIVATIVE INSTRUMENTS (Continued)

Derivatives held for trading:

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

Hedge accounting:

a. Fair value hedges:

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

b. Cash flow hedges:

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

Koç Finansman, a Subsidiary of the Group, has entered into interest rate swap transactions, in order to hedge the cash flow risk of installment payments of its long-term bond issues with floating interest rate. Within the scope of aforementioned transactions, TL11.504 thousand net interest income after tax has been accounted for under "gains/(losses) on cash flow hedges" in the statement of other comprehensive income of 2020 (2019: TL24.704 thousand net interest expense after tax).

c. Net investment hedges in a foreign operation:

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

NOTE 11 - DERIVATIVE INSTRUMENTS (Continued)

Non-finance:

	31 December 2020			31 December 2019		
	Contract amount (*)	Fair values		Contract amount (*)	Fair values	
		Asset	Liability		Asset	Liability
Derivatives held for trading:						
Currency forwards	33.550.381	51.960	629.390	24.585.826	164.828	10.007
Currency swaps	8.764.898	12.279	4.774	8.482.663	1.842	5.297
Interest rate swaps	1.500.000	1.017	6.879	-	-	-
Commodity futures	784.752	-	18.738	906.547	6.770	19.378
	44.600.031	**65.256**	**659.781**	**33.975.036**	**173.440**	**34.682**
Derivatives held for hedging:						
Interest rate swaps	5.367.408	-	128.574	7.422.499	-	203.746
Cross-currency fixed interest rate swaps	3.083.347	405.690	18.222	-	-	-
Currency swaps	55.325	20.590	-	3.906.838	260.974	28.470
Currency forwards	691.263	16.354	-	-	-	-
Receivables from operating leases	101.525	15.955	-	274.896	78.305	-
Commodity futures	817.920	20.939	41.438	204.425	13.702	-
	10.116.788	**479.528**	**188.234**	**11.808.658**	**352.981**	**232.216**

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

Derivatives held for trading:

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

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

Hedge accounting:

a. Fair value hedge:

Otokoç, a Subsidiary of the Group, hedges its foreign exchange risk on commitments to provide operational leasing services resulting from off-balance sheet foreign currency denominated operating lease receivables (hedged item) with foreign currency denominated loans (hedging instrument). Fair value changes resulting from the exchange risk of the hedged item has been accounted for under "derivatives held for hedging" as an asset or liability on the balance sheet and as "financial income/expenses" in the statement of income. As of 31 December 2020, net foreign exchange loss related to the hedged item accounted for under "financial income/expenses" amounted to TL62.350 thousand (2019: TL81.890 thousand net foreign exchange loss).

NOTE 11 - DERIVATIVE INSTRUMENTS (Continued)

b. Cash flow hedges:

Tüpraş, a Subsidiary of the Group, has entered into interest rate swap transactions, in order to hedge the cash flow risk of installment payments of its USD229 million (31 December 2019: USD306 million) long-term loan issue with floating interest rate. Within the scope of aforementioned transactions, TL29.963 thousand net interest expense after tax has been accounted for under "gains/(losses) on cash flow hedges" in the statement of other comprehensive income of 2020 (2019: TL31.016 thousand net interest expense after tax).

Tüpraş has entered into interest rate swap transactions, in order to hedge the cash flow risk of installment payments of its TL650 million long-term bond issue with floating interest rate. Within the scope of aforementioned transactions, TL32.179 thousand net interest income after tax has been accounted for under "gains/(losses) on cash flow hedges" in the statement of other comprehensive income of 2020 (2019: TL33.453 thousand net interest expense after tax).

Tüpraş has entered into currency swap transactions in order to mitigate the foreign exchange risk arising from principal and interest payments of its USD66,8 million (2019: USD141,6 million) and EUR52,3 million (2019: TL156,9 million) borrowings. Total net financial income after tax recognised under the "gains/(losses) on cash flow hedges" in the statement of other comprehensive income of 2020 within the scope of aforementioned currency swap transactions amounted to TL44.105 thousand (2019: TL48.336 thousand net financial expense after tax).

Tüpraş' Residuum Upgrade Project (RUP) financing loans are designated as hedging instruments against the spot foreign exchange rate risk (USD/TL) associated with highly probable export revenues. In this context, Tüpraş started to apply cash flow hedge accounting effective from 1 March 2015. The amount of loans associated within this scope amounted to USD576 million as of 31 December 2020 (2019: USD693 million). The after tax foreign exchange loss recognised under "gains/(losses) on cash flow hedges" in the statement of other comprehensive income of 2020 in the scope of cash flow hedge amounted to TL123.115 thousand (2019: TL31.667 thousand foreign exchange gain after tax).

Arçelik, a Subsidiary of the Group, has entered into interest rate swap transactions, in order to hedge the cash flow risk of installment payments of its TL1.000 million long-term bond issue with floating interest rate. Within the scope of aforementioned transactions, TL51.622 thousand net interest income after tax has been accounted for under "gains/(losses) on cash flow hedges" in the statement of other comprehensive income of 2020 (2019: TL53.896 thousand net interest expense after tax).

Aygaz, a Subsidiary of the Group, has entered into interest rate swap transactions, in order to hedge the cash flow risk of installment payments of its TL170 million long-term bond issue with floating interest rate. Within the scope of aforementioned transactions, TL8.188 thousand net interest income after tax has been accounted for under "gains/(losses) on cash flow hedges" in the statement of other comprehensive income of 2020 (2019: TL10.582 thousand net interest expense after tax).

Aygaz has entered into currency swap transactions in order to mitigate the foreign exchange and interest risk arising from USD4,5 million (2019: USD13.5 million) of principal and floating interest payments of borrowings. Total net financial expense after tax recognised under the "gains/(losses) on cash flow hedges" in the statement of other comprehensive income of 2020 within the scope of aforementioned currency swap transactions amounted to TL1.992 thousand (2019: TL5.884 thousand net financial expense after tax).

Ditaş, a Subsidiary of the Group, has designated its loans borrowed for financing of ship investments as hedging instruments against the spot foreign exchange risk (USD/TL) associated with highly probable export revenues. In this context, Ditaş started to apply cash flow hedge accounting effective from 1 July 2016. The amount of loans associated within this scope amounted to USD60 million as of 31 December 2020 (2019: USD120 million). The after tax foreign exchange loss recognised under "gains/(losses) on cash flow hedges" in the statement of other comprehensive income of 2020 in the scope of cash flow hedge amounted to TL75.160 thousand (2019: TL19.554 thousand foreign exchange loss after tax).

NOTE 11 - DERIVATIVE INSTRUMENTS (Continued)

Ditaş, has entered into currency swap transactions in order to mitigate the foreign exchange risk arising from EUR8,9 million (2019: EUR17,7 million) of principal and interest payments of borrowings. The total net financial income after tax recognised under the "gains/(losses) on cash flow hedges" in the statement of other comprehensive income of 2020 within the scope of aforementioned currency swap transactions amounted to TL25.574 thousand (2019: TL4.110 thousand net financial expense after tax).

Setur, a Subsidiary of the Group, has designated its loans borrowed for financing of Duty-Free investments as hedging instruments against the spot foreign exchange risk (EUR/TL) associated with highly probable export revenues. In this context, Setur started to apply cash flow hedge accounting effective from 1 January 2017. The amount of loans associated within this scope amounted to EUR3,3 million as of 31 December 2020 (31 December 2019: EUR9,9 million). The after tax foreign exchange gain recognised under "gains/(losses) on cash flow hedges" in the statement of other comprehensive income of 2020 in the scope of cash flow hedge amounted to TL861 thousand (2019: TL1.138 thousand foreign exchange loss after tax).

Entek, Ditaş and Tat Gıda, the Subsidiaries of the Group, have entered into interest rate swap transactions, in order to hedge the cash flow risk of installment payments of long-term borrowings with floating rate. The after tax net interest expense of the aforementioned swap transactions recognised under "gains/(losses) on cash flow hedges" in the statement of other comprehensive income of 2020 amounted to TL23.577 thousand (2019: TL6.949 thousand net interest expense after tax).

"Commodity derivatives" classified under derivative instruments held for hedging include derivative transactions of Tüpraş and Aygaz, the Subsidiaries of the Group, realised for the purpose of hedging against price risk of inventories. The after tax net foreign exchange loss recognised under "gains/(losses) on cash flow hedges" in the statement of comprehensive income of 2020 within the scope of related derivative transactions amounted to TL8.898 thousand (2019: Includes product margin (crack margin) fixing derivative transactions of Tüpraş and TL102.577 thousand foreign exchange gain after tax has been recognised under "gains/(losses) on cash flow hedges" in the statement of other comprehensive income).

c. Net investment hedges in a foreign operation:

Arçelik, a Subsidiary of the Group, designated some portion of its EUR denominated bank loans as hedging instrument in order to hedge the foreign currency risk arising from the translation of net assets of some of its subsidiaries operating in Europe from EUR to Turkish Lira. As of 31 December 2020, EUR154 million of debt securities in issue was designated as net investment hedging instrument (31 December 2019: EUR154 million). Net foreign exchange loss after tax accounted for under "gains/(losses) on hedges of net investments in foreign operations" in the statement of other comprehensive income of 2020 amounted to TL290.126 thousand (2019: TL74.712 thousand foreign exchange loss after tax).

Otokoç, a Subsidiary of the Group, designated EUR25,7 million (31 December 2019: EUR34,2 million) of its loans as hedging instrument in order to hedge the foreign currency risk arising from the translation of net assets of some of its subsidiaries operating in Europe from EUR to Turkish Lira. Net foreign exchange loss after tax accounted for under "gains/(losses) on hedges of net investments in foreign operations" in the statement of other comprehensive income of 2020 amounted to TL51.211 thousand (2019: TL15.696 thousand foreign exchange loss after tax).

NOTE 12 - INVENTORIES

	31 December 2020	31 December 2019
Raw materials and supplies	4.651.008	3.842.070
Work in progress	2.023.063	1.834.032
Finished goods	6.393.546	5.545.761
Merchandise	2.842.834	1.761.269
Goods in transit	2.847.526	4.483.109
Other inventories	81.775	83.080
Less: Provision for impairment	(187.908)	(118.478)
	18.651.844	**17.430.843**

Movement of provision for impairment on inventories is as follows:

	2020	2019
The beginning of the period - 1 January	**118.478**	**215.350**
Increase during the period	117.746	55.877
Reversal of provisions	(66.813)	(169.372)
Currency translation differences	18.497	8.531
Acquisitions	-	8.092
End of the period - 31 December	**187.908**	**118.478**

NOTE 13 - INVESTMENT PROPERTIES

	2020	2019
As of 1 January		
Cost	512.854	578.895
Accumulated depreciation	(118.071)	(111.584)
Net book value	**394.783**	**467.311**
Net book value at the beginning of the period	**394.783**	**467.311**
Additions	14	-
Disposals	-	(24.180)
Transfers	-	(38.117)
Current period depreciation	(10.055)	(10.231)
Net book value at the end of the period	**384.742**	**394.783**
As of 31 December		
Cost	512.830	512.854
Accumulated depreciation	(128.088)	(118.071)
Net book value	**384.742**	**394.783**

The fair value of the investment property, with TL384.742 thousand net book value (2019: TL394.783 thousand), is TL617.642 thousand (2019: TL467.556 thousand) as of 31 December 2020.

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Constructions in progress	Leasehold improvements	Total
As of 1 January 2020								
Cost	5.847.424	4.281.569	21.849.879	8.692.732	1.703.116	1.725.287	675.521	44.775.528
Accumulated depreciation	(1.281.900)	(1.168.684)	(9.097.300)	(1.629.611)	(1.074.668)	-	(369.460)	(14.621.623)
Net book value	**4.565.524**	**3.112.885**	**12.752.579**	**7.063.121**	**628.448**	**1.725.287**	**306.061**	**30.153.905**
Net book value at the beginning of the period	**4.565.524**	**3.112.885**	**12.752.579**	**7.063.121**	**628.448**	**1.725.287**	**306.061**	**30.153.905**
Additions	148.095	824.070	722.086	2.938.140	609.753	1.444.842	64.189	6.751.175
Business combinations (Note 3)	111.098	3.436.133	-	189	688.623	-	127.096	4.363.139
Disposals	(3.033)	(142.489)	(126.383)	(114.578)	(18.789)	(8.856)	(27.573)	(441.701)
Transfers [(1)]	(9.033)	427.320	220.734	(515.846)	(52.572)	(904.335)	(27.893)	(861.625)
Provision for impairment [(2)]	-	-	(22.065)	-	-	-	-	(22.065)
Currency translation differences	80.218	291.176	558.501	769.555	(20.501)	37.898	15.771	1.732.618
Current period depreciation	(182.668)	(715.910)	(1.118.854)	(700.679)	(349.148)	-	(87.370)	(3.154.629)
Net book value at the end of the period	**4.710.201**	**7.233.185**	**12.986.598**	**9.439.902**	**1.485.814**	**2.294.836**	**370.281**	**38.520.817**
31 December 2020								
Cost	6.153.338	10.797.815	23.048.572	11.730.555	3.984.996	2.294.836	934.905	58.945.017
Accumulated depreciation	(1.443.137)	(3.564.630)	(10.061.974)	(2.290.653)	(2.499.182)	-	(564.624)	(20.424.200)
Net book value	**4.710.201**	**7.233.185**	**12.986.598**	**9.439.902**	**1.485.814**	**2.294.836**	**370.281**	**38.520.817**

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

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Constructions in progress	Leasehold improvements	Total
As of 1 January 2019								
Cost	5.515.526	2.613.605	20.684.201	6.879.077	1.458.320	1.324.746	566.496	39.041.971
Accumulated depreciation	(1.098.130)	(777.438)	(8.140.044)	(1.426.606)	(908.496)	-	(294.438)	(12.645.152)
Net book value	**4.417.396**	**1.836.167**	**12.544.157**	**5.452.471**	**549.824**	**1.324.746**	**272.058**	**26.396.819**
Initial recognition of right-of-use assets within the scope of TFRS 16 (1)	180.356	958.185	57.639	21.332	3.029	-	-	1.220.541
Net book value at the beginning of the period	**4.597.752**	**2.794.352**	**12.601.796**	**5.473.803**	**552.853**	**1.324.746**	**272.058**	**27.617.360**
Additions	13.408	296.714	247.634	2.589.571	207.804	1.475.695	58.098	4.888.924
Disposals	(354)	(7.932)	(61.230)	(129.897)	(10.723)	(544)	(3.725)	(214.405)
Acquisitions (2)	43.901	88.031	62.859	2	3.279	-	12.342	210.414
Transfers (3)	81.840	160.325	827.743	(545.302)	43.048	(1.101.092)	7.850	(525.588)
Currency translation differences	11.050	136.241	148.986	172.220	9.728	26.482	7.768	512.475
Impairment	-	-	(58.091)	-	-	-	-	(58.091)
Current period depreciation	(182.073)	(354.846)	(1.017.118)	(497.276)	(177.541)	-	(48.330)	(2.277.184)
Net book value at the end of the period	**4.565.524**	**3.112.885**	**12.752.579**	**7.063.121**	**628.448**	**1.725.287**	**306.061**	**30.153.905**
31 December 2019								
Cost	5.847.424	4.281.569	21.849.879	8.692.732	1.703.116	1.725.287	675.521	44.775.528
Accumulated depreciation	(1.281.900)	(1.168.684)	(9.097.300)	(1.629.611)	(1.074.668)	-	(369.460)	(14.621.623)
Net book value	**4.565.524**	**3.112.885**	**12.752.579**	**7.063.121**	**628.448**	**1.725.287**	**306.061**	**30.153.905**

(1) Net book value of the right-of-use assets classified under property, plant and equipment is TL1.431.047 thousand as of 31 December 2019. For the year ended 31 December 2019, additions to the right-of-use assets amounted to TL394.622 thousand and depreciation expenses amounted to TL382.164 thousand.

(2) Related to the acquisition of Singer Bangladesh by Arçelik and acquisition of Bal Kaynak Su by Aygaz.

(3) Includes transfers amounting to TL573.657 thousand from non-current assets used in operational lease classified under property, plant and equipment to inventories, transfers amounting to TL10.525 thousand from property, plant and equipment to other intangible assets (Note 16), transfers amounting to TL20.477 thousand from other non-current assets to property, plant and equipment and transfers amounting to TL38.117 thousand from investment properties to property, plant and equipment.

NOTE 15 - GOODWILL

	2020	2019
Net book value at the beginning of the period - 1 January	**3.545.249**	**3.244.429**
Currency translation differences	180.274	55.722
Acquisitions	-	251.149
Disposals	-	(6.051)
Net book value at the end of the period - 31 December	**3.725.523**	**3.545.249**

The allocation of the goodwill is as follows:

	31 December 2020	31 December 2019
Tüpraş	2.736.463	2.736.463
Defy Group	408.708	343.316
Singer Bangladesh	330.498	256.563
Dawlance Group	236.468	198.340
Other	13.386	10.567
	3.725.523	**3.545.249**

Goodwill impairment tests:

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

As specified below in details, no impairment has been identified as of 31 December 2020 as a result of the impairment tests realised on the basis of cash generating units.

a) Tüpraş

The recoverable amount of the cash generating unit has been determined using discounted cash flow analyses based on fair value less costs to sell calculations. These fair value calculations include shareholders cash flow projections denominated in USD and are based on the financial plans approved by Tüpraş management covering ten years period. The Group considers that, the analysis covering a period longer than five years is more appropriate to evaluate operating results and prospective assumptions in the sector and therefore impairment test is based on longer term plans. The cash flows for the periods beyond ten years are extrapolated using the long term growth rate of 2,1%. The discount rate (cost of equity) used to discount the related cash flows is 11%.

b) Defy Group

The recoverable amount of the goodwill has been determined based on value in use calculations. Value in use is determined by discounting the expected future cash flows to be generated by the cash generating unit. Goodwill impairment test is based on the projections denominated in South African Rand, approved by Arçelik management covering five years period between 1 January 2021 and 31 December 2025. Cash flows for further periods were extrapolated using a constant growth rate of 5,3% which does not exceed the estimated average growth rate of economy of the country. Weighted average cost of capital rate of 13,9% 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 - GOODWILL (Continued)

c) Dawlance Group

The recoverable amount of the goodwill has been determined based on value in use calculations. Value in use is determined by discounting the expected future cash flows to be generated by the cash generating unit. Goodwill impairment test is based on the projections denominated in Pakistan Rupee, approved by Arçelik management covering five years period between 1 January 2021 and 31 December 2025. Cash flows for further periods were extrapolated using a constant growth rate of 5% which does not exceed the estimated average growth rate of economy of the country. Weighted average cost of capital rate of 14,7% is used as after tax discount rate in order to calculate the recoverable amount of the unit. The post-tax rate was adjusted considering the tax cash outflows, other future tax cash flows and differences between the cost of the assets and their tax bases.

d) Singer Bangladesh

In order to test for the impairment of the goodwill generated during the acquisition of Singer Bangladesh, the listed subsidiary of Arçelik, the market value of the Company has been used which was calculated over the share price at Bangladesh Stock Exchange as of 31 December 2020.

Sensitivity analysis:

The effects of 1% negative deviation on the significant assumptions used in the base scenario of impairment tests have been analysed for each cash generating unit. Positive deviations on recoverable amounts with respect to the carrying amounts including goodwill as a result of the sensitivity analysis performed as of 31 December 2020 are summarised in the following table:

	Tüpraş	Defy Group	Dawlance Group	Singer Bangladesh
Base scenario	402%	22%	95%	67%
Sensitivity analysis:				
Long-term growth rate: 1% decrease	370%	13%	79%	-
Discount rate: 1% increase	339%	6%	70%	-
20% decrease in market value	-	-	-	34%

NOTE 16 - OTHER INTANGIBLE ASSETS

	Rights	Brand	Core Deposit	Development Costs	Customer Relations	Other	Total
1 January 2020							
Cost	1.485.975	1.316.953	-	2.594.839	547.676	477.354	6.422.797
Accumulated amortisation	(804.334)	-	-	(1.290.663)	(80.287)	(134.091)	(2.309.375)
Net book value	**681.641**	**1.316.953**	**-**	**1.304.176**	**467.389**	**343.263**	**4.113.422**
Additions	178.028	-	-	767.178	-	156.849	1.102.055
Business combinations (Note 3)	11.243	2.013.259	1.451.971	215.965	-	697.228	4.389.666
Disposals	(13.687)	-	-	(418)	-	(43)	(14.148)
Provision for impairment	-	-	-	-	-	(75.214)	(75.214)
Transfers (*)	21.221	-	-	15.481		4.022	40.724
Currency translation differences	46.455	348.066	-	-	93.195	19.473	507.189
Current period amortisation	(160.157)	-	(190.139)	(287.480)	(29.571)	(189.855)	(857.202)
Net book value at the end of the period	**764.744**	**3.678.278**	**1.261.832**	**2.014.902**	**531.013**	**955.723**	**9.206.492**
31 December 2020							
Cost	1.796.367	3.678.278	1.615.055	3.641.305	640.871	1.659.501	13.031.377
Accumulated amortisation	(1.031.623)	-	(353.223)	(1.626.403)	(109.858)	(703.778)	(3.824.885)
Net book value	**764.744**	**3.678.278**	**1.261.832**	**2.014.902**	**531.013**	**955.723**	**9.206.492**

	Rights	Brand	Development Costs	Customer Relations	Other	Total
1 January 2019						
Cost	1.307.435	1.195.285	1.985.289	538.419	493.502	5.519.930
Accumulated amortisation	(685.187)	-	(1.050.426)	(54.479)	(109.102)	(1.899.194)
Net book value	**622.248**	**1.195.285**	**934.863**	**483.940**	**384.400**	**3.620.736**
Additions	126.924	-	527.980	-	7.212	662.116
Acquisitions	2.728	-	-	-	65.882	68.610
Disposals	(87)	-	(753)	-	-	(840)
Transfers (*)	25.218	-	77.747	-	(92.440)	10.525
Currency translation differences	18.117	121.668	-	9.257	(3.851)	145.191
Current period amortisation	(113.507)	-	(235.661)	(25.808)	(17.940)	(392.916)
Net book value at the end of the period	**681.641**	**1.316.953**	**1.304.176**	**467.389**	**343.263**	**4.113.422**
31 December 2019						
Cost	1.485.975	1.316.953	2.594.839	547.676	477.354	6.422.797
Accumulated amortisation	(804.334)	-	(1.290.663)	(80.287)	(134.091)	(2.309.375)
Net book value	**681.641**	**1.316.953**	**1.304.176**	**467.389**	**343.263**	**4.113.422**

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

NOTE 16 - OTHER INTANGIBLE ASSETS (Continued)

Total research and development expenditures incurred in 2020 excluding amortisation amounts to TL941.830 thousand (2019: TL661.754 thousand).

As of 31 December 2020, net book value of intangible assets with indefinite useful lives amounted to TL3.678.278 thousand (2019: TL1.316.953 thousand) and consists of brands. The useful lives of the related brands are assessed as indefinite, since there is no foreseeable limit to the period over which they are expected to generate net cash inflows for the Group.

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

	31 December 2020	**31 December 2019**
Yapı Kredi Bankası	2.013.259	-
Arçelik		
Grundig	*775.239*	*572.364*
Defy	*524.105*	*440.249*
Dawlance	*323.933*	*271.702*
Other	*41.742*	*32.638*
	3.678.278	**1.316.953**

Brand impairment test

Yapı Kredi Bankası brand

As of 31 December 2020, Yapı Kredi Bankası brand has been tested for impairment using the royalty relief method. Revenue forecasts, considered in the determination of the brand value, are based on the financial plans approved by the management covering a five year period. Beyond the five year period, revenue forecasts have been extrapolated by 9,3% expected growth rate. The royalty income was estimated by applying 1% royalty rate to these revenue forecasts. Estimated royalty income determined with the aforementioned method has been discounted by using 19,5% discount rate after tax. Value in use of the brand was calculated 5% above its carrying value and no impairment has been identified.

According to the sensitivity scenario in which 0,5% higher after tax discount rate is used, the value in use of the brand approximates to its carrying value.

Arçelik brands

As of 31 December 2020, Arçelik brands have been tested for impairment using the royalty relief method. Sales forecasts, considered in the determination of the brand value, are based on the financial plans approved by the management covering a five year period. Beyond the five year period, sales forecasts have been extrapolated by 3% to 5,3% expected growth rates. The royalty income was estimated by applying 2% to 3% royalty rates to these sales forecasts. Estimated royalty income determined with the aforementioned method has been discounted using 7,6% to 14,7% discount rates after tax. Value in use of the brands has been calculated as 10,6 times of their carrying values and no impairment has been identified.

According to the sensitivity scenario in which 1% higher after tax discount rate is used, value in use of the brands is calculated as 8,8 times of their carrying values.

NOTE 17 - BORROWINGS

	31 December 2020			31 December 2019		
	Finance	**Non-Finance**	**Total**	**Finance**	**Non-Finance**	**Total**
Short-term borrowings (*):						
Bank borrowings	37.881.282	16.818.409	54.699.691	1.049.889	14.644.239	15.694.128
Debt securities in issue	10.398.036	5.926.812	16.324.848	108.029	5.040.725	5.148.754
Factoring payables	-	120.716	120.716	-	125.967	125.967
Lease liabilities	232.704	346.271	578.975	926	315.992	316.918
	48.512.022	**23.212.208**	**71.724.230**	**1.158.844**	**20.126.923**	**21.285.767**
Long-term borrowings:						
Bank borrowings	19.424.990	23.553.516	42.978.506	850.000	16.226.248	17.076.248
Debt securities in issue	43.602.359	21.429.708	65.032.067	170.000	20.678.281	20.848.281
Lease liabilities	861.826	1.210.615	2.072.441	4.227	1.081.568	1.085.795
	63.889.175	**46.193.839**	**110.083.014**	**1.024.227**	**37.986.097**	**39.010.324**
Total borrowings	**112.401.197**	**69.406.047**	**181.807.244**	**2.183.071**	**58.113.020**	**60.296.091**

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

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

Long-term debt securities issued:

2020:

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

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

Koç Finansman, a Subsidiary of the Group, completed bond issues with a total nominal value of TL240 million and maturities between 10 and 18 months, principal and coupon payments at the end of maturity and annual interest rates between 9,50% and 14,25% in 2020.

Other major long term borrowings:

Finance:

Yapı Kredi Bankası, a Subsidiary of the Group, issued a perpetual debt instrument abroad on 15 January 2019 with a nominal value of USD650 million, annual interest rate of 13,875% for the first five years and mid-swap +11,24% for the next five years, coupon payment every 6 months and early redeemable in every five years after the issuance with the BRSA approval.

NOTE 17 - BORROWINGS (Continued)

On 8 March 2016, Yapı Kredi Bankası launched a Basel III compliant subordinated note with an amount of USD500 million, 10 year 1 day maturity and an early payment option at the end of the 5th year. The note has 8,5% coupon rate and if the notes are not redeemed at the fifth year, the coupon will be reset as 5 year mid-swap +7,40% for the remaining 5 years.

Yapı Kredi Bankası obtained a loan from Unicredit Bank Austria AG on 18 December 2013 amounting to USD470 million with 10 years maturity and a repayment option at the end of 5 years. The interest rate was determined as 6,35% for the first 5 years and mid-swap +4,68% for the remaining 5 years. On 30 January 2015, loan agreement has been amended in accordance with Article 8 of the "Regulation Regarding the Equity of Banks" and the interest rate has been revised as 6,55% for the first 5 years and mid-swap +7,71% for the remaining 5 years. Yapı Kredi Bankası prepaid USD200 million of the related loan on 16 January 2019.

On 29 November 2012, Yapı Kredi Bankası issued a Basel II compliant 10 year bullet subordinated note with an amount of USD1 billion and maturity of 10 years. The note has 5,5% coupon rate and was counted towards capital at 5% as of 31 December 2020.

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

Non-finance:

Arçelik, a Subsidiary of the Group, completed the bond issue with a nominal value of TL500 million, maturity of 723 days, coupon payments in every 3 months, principal and coupon payments at the end of maturity and 50 bps additional return over 3MTRLIBOR reference ratio on 24 July 2019.

Otokoç, a Subsidiary of the Group, completed the bond issue with a nominal value of TL300 million, maturity of 728 days, coupon payments in every 3 months, principal and coupon payments at the end of maturity and 90 bps additional return over 3MTRLIBOR reference ratio on 15 March 2019.

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

Arçelik, a Subsidiary of the Group, completed the bond issue with a nominal value of TL500 million, maturity of 728 days, coupon payments in every 3 months, principal and coupon payments at the end of maturity and 75 bps additional return over 3MTRLIBOR reference ratio on 15 February 2019.

Tüpraş, a Subsidiary of the Group, completed the bond issue with a nominal value of TL400 million, maturity of 728 days, coupon payments in every 3 months, principal and coupon payments at the end of maturity and 75 bps additional return over 3MTRLIBOR reference ratio on 8 February 2019.

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

NOTE 17 - BORROWINGS (Continued)

Koç Holding completed the bond issue, quoted on the Irish Stock Exchange, with a nominal value of USD750 million, maturity of 7 years, coupon payments in every 6 months, principal and coupon payments at the end of maturity and an annual interest rate of 5,40% on 15 March 2016.

Arçelik, a Subsidiary of the Group, completed the bond issue, quoted on the Irish Stock Exchange, with a nominal value of EUR350 million, maturity of 7 years, coupon payments in each year, principal and coupon payments at the end of maturity and an annual interest rate of 4% on 16 September 2014.

Arçelik, a Subsidiary of the Group, completed the bond issue, quoted on the Irish Stock Exchange, with a nominal value of USD500 million, maturity of 10 years, coupon payments in every 6 months, principal and coupon payments at the end of maturity and an annual interest rate of 5,125% on 3 April 2013.

Tüpraş, a Subsidiary of the Group, signed three different loan agreements to finance the Fuel Oil Conversion Project in 2011. Within the scope of these loan agreements, USD1.998 million of loans are utilised for the insurance payments and capital expenditures between 2011 - 2015. The loans insured by the Spanish Export Credit Agency (CESCE) and the Italian Export Credit Agency (SACE) within the scope of financing package are non-recourse loans for 4 years and with a maximum 12 years maturity date. The third tranche is also a non-recourse loan for 4 years with a maximum 7 years maturity date. The repayment of these loans started in 2015 and the remaining balance of the mentioned loans is USD576 million as of 31 December 2020 (31 December 2019: USD765 million).

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

	31 December 2020	**31 December 2019**
1-2 years	17.419.787	14.905.218
2-3 years	13.344.659	2.990.214
3-4 years	4.839.334	9.580.120
4-5 years	55.945.723	4.960.534
5 years and over	18.533.511	6.574.238
	110.083.014	**39.010.324**

Movement of the financial liabilities as of 31 December 2020 and 2019 is as follows:

	2020	**2019**
Beginning of the period - 1 January	**60.296.091**	**49.813.677**
Additions	93.336.271	69.495.184
Repayments of borrowings	(97.865.167)	(64.749.365)
Business combinations (Note 3)	104.433.891	320.359
Initial recognition of lease liabilities within the scope of TFRS 16	-	1.220.541
New lease contracts / impact of lease modifications	622.560	358.255
Cash outflows from payments of lease liabilities	(790.372)	(436.480)
Change in exchange rates	18.395.718	3.788.295
Change in interest accruals	5.731.309	235.196
Currency translation differences	857.186	250.429
Consolidation eliminations and adjustments	(3.210.243)	-
End of the period - 31 December	**181.807.244**	**60.296.091**

NOTE 18 - PAYABLES OF FINANCE SECTOR OPERATIONS

	31 December 2020	31 December 2019
Short-term payables of finance sector operations	274.101.362	-
Long-term payables of finance sector operations	3.069.577	-
	277.170.939	**-**

Breakdown of payables of finance sector operations is as follows:

	31 December 2020			31 December 2019		
	Demand	**Time**	**Total**	**Demand**	**Time**	**Total**
TL deposits						
Saving deposits	14.237.372	45.300.790	59.538.162	-	-	-
Commercial deposits	11.075.227	21.263.847	32.339.074	-	-	-
Interbank deposits	279.641	49.464	329.105	-	-	-
Funds deposited under repurchase agreements	-	25.215.811	25.215.811	-	-	-
Public sector deposits	1.235.151	22.227	1.257.378	-	-	-
	26.827.391	**91.852.139**	**118.679.530**	**-**	**-**	**-**
Foreign currency deposits						
Saving deposits	37.024.581	54.666.486	91.691.067	-	-	-
Commercial deposits	30.749.719	28.482.008	59.231.727	-	-	-
Interbank deposits	340.710	4.413.447	4.754.157	-	-	-
Funds deposited under repurchase agreements	-	2.814.458	2.814.458			
	68.115.010	**90.376.399**	**158.491.409**	**-**	**-**	**-**
	94.942.401	**182.228.538**	**277.170.939**	**-**	**-**	**-**

NOTE 19 - TAX ASSETS AND LIABILITIES

	31 December 2020	31 December 2019
Current income tax liabilities	3.762.667	506.665
Less: Prepaid income tax	(2.175.488)	(410.063)
Current income tax liabilities (net)	**1.587.179**	**96.602**
Deferred tax assets	9.812.215	5.483.674
Deferred tax liabilities	(1.258.612)	(1.023.651)
Deferred tax assets (net)	**8.553.603**	**4.460.023**

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

The corporation tax rate is 22% in Turkey in 2020 (2019: 22%). Corporation tax is payable on the total income of the company after adjusting for certain disallowable expenses, income not subject to tax and allowances.

In accordance with the "Law on the Amendment of Certain Tax Acts and Some Other Laws" numbered 7061 and published in Official Gazette on 5 December 2017; the corporate tax rate for the years 2018, 2019 and 2020 has been increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2020 were calculated with 22% tax rate for the temporary differences that would be realised in 2019 and 2020; and with 20% tax rate for the temporary differences that will be realised after 2021 and onwards.

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

	2020	2019
Current period tax expense	(3.819.493)	(578.211)
Deferred tax income (net)	2.612.988	952.272
	(1.206.505)	**374.061**
Profit before tax	**13.839.802**	**5.547.223**
Less: Share of profit/loss of Joint Ventures	(2.966.673)	(2.902.947)
Profit before tax (excluding share of profit/loss of Joint Ventures)	**10.873.129**	**2.644.276**
Domestic tax rate	22%	22%
Tax calculated at domestic tax rate	(2.392.088)	(581.741)
Investment tax credits	847.222	823.361
Tax allowances/exemptions	780.122	279.179
Tax rate differences/changes	(284.042)	13.329
Tax losses and other tax advantages (net effect)	(104.953)	(52.639)
Additions	(75.614)	(52.393)
Other	22.848	(55.035)
Tax income/(expense)	**(1.206.505)**	**374.061**

Koç Holding, its Subsidiaries and Joint Ventures, recognise deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with TFRS and the Turkish tax legislations.

NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

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 2020	31 December 2019	31 December 2020	31 December 2019
Property, plant and equipment and intangible assets	13.065.961	5.938.593	(2.600.563)	(1.349.333)
Investment incentives (1)	-	-	4.988.546	4.606.440
Impairment provision for loans and receivables	(12.520.303)	(184.443)	2.528.641	47.227
Deductible tax losses and other tax advantages (2)	(4.874.269)	(2.621.379)	1.157.950	616.237
Derivative instruments	(4.614.842)	255.687	928.242	(56.186)
Provision for employment termination benefits	(1.539.193)	(733.713)	314.667	152.966
Provision for the Pension Fund	(1.461.542)	-	292.308	-
Warranty and assembly provisions	(1.193.179)	(841.343)	251.663	190.475
Inventories	(852.948)	(370.751)	228.559	105.356
Provisions for unused vacations	(276.496)	(99.810)	56.913	21.681
Deferred income	(135.590)	(138.155)	31.253	22.730
Expense accruals (net)	(90.999)	(65.864)	19.825	14.529
Unearned finance income (net)	(79.033)	(58.917)	16.312	12.960
Provisions for lawsuits	(41.165)	(36.865)	9.004	8.064
Other (net)	(1.508.121)	(379.884)	330.283	66.877
Deferred tax assets (net)			**8.553.603**	**4.460.023**

(1) Tüpraş, a Subsidiary of the Group, was granted a large-scaled investment incentive for the Residuum Upgrade Project (RUP), in the first quarter of 2011, within the scope of the decree of the Council of Ministers dated 14 July 2009 and numbered 2009/15199. In accordance with the related legislation, Tüpraş can deduct 30% of its capital expenditures related with RUP, with a rate of 50% from tax base in accordance with the legislation provisions, at the time investment is completed and the revenue is started to be recognised. As of 7 October 2013, RUP was granted Strategic Investment Incentive by Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey that would be applicable after 19 October 2012. Within the scope of the Strategic Investment, Tüpraş can deduct 50% of its capital expenditures related with RUP, with a rate of 90% from tax base in accordance with the legislation provisions. In accordance with the related investment incentives, tax credits of TL4.546.105 thousand as of 31 December 2020 (31 December 2019: TL3.957.291 thousand) that Tüpraş will benefit in the foreseeable future have been recognised as deferred tax asset in the consolidated financial statements.

Gains of Arçelik, arising from investments under incentive certificate are subject to corporate income tax at reduced rates being effective from the financial year which the investment starts to be operated partially or entirely till the period that the investment reaches to the contribution amount. In accordance with the related investment incentives, tax credits of TL409.654 thousand as of 31 December 2020 (31 December 2019: TL649.149 thousand) that Arçelik will benefit in the foreseeable future have been recognised as deferred tax asset in the consolidated financial statements.

Otokar, a Subsidiary of the Group, was granted an investment certificate by the Incentive Implementation and Foreign Investment Department of Ministry of Industry and Technology of Republic of Turkey for its modernisation investment which is intended to be completed in four-year period. In accordance with the related investment certificate, tax credits of TL32.787 thousand as of 31 December 2020 that Otokar will benefit in the foreseeable future have been recognised as deferred tax asset in the consolidated financial statements.

(2) Tax losses at Tüpraş, a Subsidiary of the Group, which are to be used within the next five years, have been recognised as deferred tax asset in the consolidated financial statements amounted to TL835.278 thousand as of 31 December 2020 (31 December 2019: TL 248.268 thousand).

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

NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

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

	31 December 2020	31 December 2019
Up to 1 year	211.148	146.275
Up to 2 years	67.569	103.812
Up to 3 years	101.960	71.244
Up to 4 years	201.016	142.611
5 years and above	790.087	1.038.653
	1.371.780	**1.502.595**

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

	2020	2019
Beginning of the period - 1 January	**4.460.023**	**3.504.977**
Charge to the income statement	2.612.988	952.272
Charge to the equity:		
- Gains/(losses) on financial assets measured at fair value through other comprehensive income	(44.994)	(2.594)
- Gains/(losses) on cash flow hedges	(487.199)	32.135
- Gains/(losses) on hedges of net investments in foreign operation	199.948	4.428
- Gains/(losses) on remeasurements of defined benefit plans	46.081	20.158
Business combinations (Note 3)	1.825.190	(15.486)
Currency translation differences	(58.434)	(35.867)
End of the period - 31 December	**8.553.603**	**4.460.023**

NOTE 20 - PROVISIONS FOR EMPLOYEE BENEFITS

	31 December 2020	31 December 2019
Provision for employment termination benefits	1.639.770	776.735
Provision for the Pension Fund	1.461.542	-
Provision for unused vacations	333.426	158.530
	3.434.738	**935.265**

Provision for employment termination benefits:

- Domestic	1.603.804	757.141
- Foreign	35.966	19.594
	1.639.770	**776.735**

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).

NOTE 20 - PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

As of 31 December 2020, the amount payable consists of one month's salary limited to a maximum of TL7.117,17 (31 December 2019: TL6.379,86) for each year of service.

The liability is not funded as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of Koç Holding and its Subsidiaries registered in Turkey arising from the retirement of employees.

The principal assumption is that the maximum liability for each year of service will increase in line with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL7.638,96 effective from 1 January 2021 (1 January 2020: TL6.730,15) has been taken into consideration in calculating the consolidated reserve for employment.

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

	31 December 2020	31 December 2019
Net discount rate (%)	4,63	4,67
Turnover rate to estimate the probability of retirement (%)	94,74	94,80

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

	2020	2019
Beginning of the period - 1 January	**776.735**	**631.511**
Interest expense	60.125	54.689
Increases during the period	205.648	110.964
Losses on remeasurement of defined benefit plans	230.595	103.727
Payments during the period	(169.348)	(126.181)
Acquisitions	528.279	-
Currency translation differences	7.736	2.025
End of the period - 31 December	**1.639.770**	**776.735**

NOTE 20 - PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

Provision for the Pension Fund:

Yapı Kredi Bankası, a Subsidiary of the Group, accounted for a provision amounting to TL1.461.542 thousand as of 31 December 2020 for the technical deficit based on the report prepared by a registered actuary in accordance with the technical interest rate of 9,80% determined by the New Law and CSO 1980 mortality table (Note 2.4.22). The following disclosures reflect the actuarial parameters and results in accordance with the New Law.

	31 December 2020	**31 December 2019**
Present value of funded obligations	4.255.790	-
- Pension benefits transferable to SSI	*4.564.310*	-
- Post-employment medical benefits transferable to SSI	*(308.520)*	-
Fair value of plan assets	(2.794.248)	-
	1.461.542	**-**

The fair value of plan assets are comprised as follows:

	31 December 2020	**%**
Bank placements	1.620.269	58,00
Government bonds and treasury bills	754.788	27,00
Property, plant and equipment	290.223	10,00
Other	128.968	5,00
	2.794.248	**100,00**

The principal actuarial assumptions used are as follows:

	31 December 2020
Discount rates (%):	
- Pension benefits transferable to SSI	9,80
- Post-employment medical benefits transferable to SSI	9,80

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

The sensitivity analysis of provision for the Pension Fund is as follows:

% change in defined benefit obligation	%
Discount rate +1%	(14,3)
Discount rate -1%	18,5
Price inflation +1%	22,9
Price inflation -1%	(17,2)

NOTE 21 - PROVISIONS

a) Short-term provisions	31 December 2020	31 December 2019
Provisions for warranty and assembly	854.016	620.003
Provision for price revision (*)	249.205	201.666
Expense accruals of construction contracts	189.553	162.996
Provisions for transportation	96.963	55.148
Provisions for lawsuits	90.362	71.376
Provision for Energy Market Regulation Authority participation share	46.692	42.927
Other	351.839	264.074
	1.878.630	**1.418.190**

(*) As communicated to Aygaz Doğal Gaz Toptan Satış A.Ş., a Subsidiary of the Group, by Akfel Gaz Sanayi ve Ticaret A.Ş. ("Akfel"), from which natural gas is supplied; the price revision arbitration process initiated by Gazprom Export LLC ("Gazprom"), which Akfel has imported natural gas, was concluded against Akfel and, effective from 1 January 2017, the import price would be adjusted in favor of Gazprom, and in this context, it was decided to abolish the discount applied to Akfel and to reflect the change in import price to natural gas price applied to Aygaz Doğal Gaz Toptan Satış A.Ş. in accordance with the contract signed between Akfel and Aygaz Doğal Gaz Toptan Satış A.Ş. It was also notified that, the price determination mechanism in the contract will be revised according to the arbitration decision and the related amount of the debt and related invoices will be sent separately to Aygaz Doğal Gaz Toptan Satış A.Ş. as the contract price is updated retrospectively as of 1 January 2017. The amount of total debt was conveyed to Aygaz Doğal Gaz Toptan Satış A.Ş. by Akfel, however related invoices were not delivered yet as of the date of this report. As of 31 December 2020, total provision of USD33.949 thousand (TL249.205 thousand (31 December 2019: TL201.666 thousand)), USD15.368 thousand for 2017, USD18.582 thousand for 2018, has been recognised in the consolidated financial statements.

b) Other long-term provisions	31 December 2020	31 December 2019
Provisions for non-cash loans	1.062.888	-
Provisions for warranty	289.640	139.281
Provisions for lawsuits	134.514	-
Provisions for credit card points	64.693	-
	1.551.735	**139.281**

The movements of provision for non-cash loans, provisions for warranty and assembly, expense accruals of construction contracts and provision for lawsuits for the years ended 31 December 2020 and 2019 are as follows:

	Provision for non-cash loans	Provisions for warranty and assembly	Expense accruals of construction contracts	Provision for lawsuits
As of 1 January 2020	**-**	**759.284**	**162.996**	**71.376**
Business combinations	925.841	-	-	130.765
Additions	178.584	448.150	26.557	50.861
Disposals/(Payments)	(41.301)	(66.029)	-	(28.261)
Currency translation differences	(236)	2.251	-	135
As of 31 December 2020	**1.062.888**	**1.143.656**	**189.553**	**224.876**

	Provisions for warranty and assembly	Expense accruals of construction contracts	Provision for lawsuits
As of 1 January 2019	**646.787**	**182.409**	**66.569**
Additions	1.372.993	-	12.650
Disposals/(Payments)	(1.296.490)	(19.413)	(7.843)
Business combinations	4.768	-	-
Currency translation differences	31.226	-	-
As of 31 December 2019	**759.284**	**162.996**	**71.376**

NOTE 22 - OTHER RECEIVABLES AND PAYABLES

a) Other receivables	31 December 2020	31 December 2019
VAT and SCT receivables	1.336.388	2.439.965
Taxes and funds deductible	857.536	711.844
	2.193.924	**3.151.809**

b) Other short-term payables		
Taxes and duties payable	3.567.023	3.290.787
Payables to the Privatisation Administration (*)	244.656	263.027
Social security premiums payable	231.370	258.416
Dividend payables to shareholders	32.652	-
	4.075.701	**3.812.230**

c) Other long-term payables		
Payables to the Privatisation Administration (*)	207.350	414.700
	207.350	**414.700**

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

NOTE 23 - OTHER ASSETS AND LIABILITIES

a) Other current assets	31 December 2020	31 December 2019
Pledged assets (*)	13.446.737	-
Prepaid expenses	2.945.613	600.457
Interbank cheque clearing accounts	2.668.690	-
Short-term assets used in operational lease	1.649.508	1.175.462
Advances given	1.162.363	376.222
Income accruals	1.082.312	259.875
Assets received for commitments of loans and receivables	724.207	-
Gold reserves	633.044	-
Deposits and guarantees given	178.792	66.224
Income accrual on commodity hedge	22.746	90.007
Other	295.556	173.799
	24.809.568	**2.742.046**

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

NOTE 23 - OTHER ASSETS AND LIABILITIES (Continued)

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

	2020	2019
Beginning of the period - 1 January	**1.175.462**	**1.245.396**
Additions	1.060.931	608.843
Transfers (*)	(551.816)	(593.631)
Currency translation differences	63.665	23.092
Current period depreciation	(98.734)	(108.238)
End of the period - 31 December	**1.649.508**	**1.175.462**

(*) Includes transfers to inventories.

b) Other non-current assets	**31 December 2020**	**31 December 2019**
Spare parts and other materials	1.780.871	1.596.697
Advances given	1.181.465	605.487
Prepaid expenses	91.183	122.053
Other	89.195	113.527
	3.142.714	**2.437.764**

c) Other current liabilities

Credit card payables	12.785.096	-
Interbank/customer clearing accounts	2.826.822	-
Revenue share (*)	2.210.451	1.866.833
Accruals for sales and incentive bonus	1.632.061	1.076.069
Deferred income	1.093.320	352.758
Advances received	1.067.752	633.382
Payables to personnel and premium accruals	881.103	704.973
Miscellaneous payables to bank customers	808.603	-
Deposits and guarantees received	590.783	86.990
Import deposits and transfer orders	457.953	-
Expense accrual on commodity hedge	247.432	200.167
Accruals for rent and advertising expenses	157.263	115.312
Saving deposit insurance fund payable	121.348	-
License fee expense accruals	105.931	87.127
Blocked accounts	93.766	-
Other	2.303.945	436.535
	27.383.629	**5.560.146**

(*) In accordance with the Petroleum Market License Regulation and Liquefied Petroleum Gas ("LPG") Market Regulation, revenue shares collected by Tüpraş, but not recognised in the statement of comprehensive income, have been recorded as revenue share within "Other current liabilities" and blocked in banks as overnight deposits according to the decision of National Petroleum Reserves Commission. Deposits related to the revenue share are classified as time deposits under "Cash and cash equivalents" (Note 5).

d) Other non-current liabilities

Deferred income	778.194	485.169
Deposits and guarantees received	236.905	186.241
Advances received	-	273.347
Other	168.356	54.867
	1.183.455	**999.624**

NOTE 24 - EQUITY

Share Capital

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

	31 December 2020
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 2020		**31 December 2019**	
	Share %	**Amount**	**Share %**	**Amount**
Temel Ticaret ve Yatırım A.Ş.	43,65	1.106.970	43,65	1.106.970
Koç Family Members	19,24	487.895	19,24	487.895
Rahmi M. Koç ve Mahdumları Maden, İnşaat, Turizm, Ulaştırma, Yatırım ve Ticaret A.Ş.	1,40	35.386	1,40	35.386
Total Koç Family members and companies owned by Koç Family members	**64,29**	**1.630.251**	**64,29**	**1.630.251**
Vehbi Koç Vakfı	7,26	184.172	7,26	184.172
Koç Holding Emekli ve Yardım Sandığı Vakfı	1,99	50.452	1,99	50.452
Other	26,46	671.023	26,46	671.023
Paid-in share capital	**100,00**	**2.535.898**	**100,00**	**2.535.898**
Adjustment to share capital (*)		967.288		967.288
Total share capital		**3.503.186**		**3.503.186**

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

NOTE 24 - EQUITY (Continued)

The analysis of shares by group is as follows:

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

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

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

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

Other Comprehensive Income/Expense

	31 December 2020	31 December 2019
Items not to be reclassified to profit/loss:		
Gains/(losses) on remeasurement of defined benefit plans	(278.721)	(297.850)
	(278.721)	**(297.850)**
Items to be reclassified to profit/loss:		
Currency translation differences	3.173.469	2.529.699
Gains/(losses) on hedge	(2.395.325)	(2.992.323)
- Cash flow hedge	*(1.492.778)*	*(2.162.028)*
- Net investment hedge	*(902.547)*	*(830.295)*
Gains/(losses) on financial assets measured at fair value through other comprehensive income	389.096	57.615
	1.167.240	**(405.009)**

The movements in other comprehensive income/expenses are presented in the statement of comprehensive income and statement of changes in equity.

Restricted Reserves

The details of the restricted reserves are as follows:

	31 December 2020	31 December 2019
Legal reserves	507.179	507.179
Special reserves	16.586	16.586
	523.765	**523.765**

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

NOTE 24 - EQUITY (Continued)

Dividend Distribution

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

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

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

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

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

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

In accordance with Article 32 of the Company's Articles of Association, a contribution of a maximum 2% (according to the decision of the General Assembly) of the amount remaining after the first legal reserves set aside over income before tax, financial obligations and first level dividends, is paid to Koç Holding Emekli ve Yardım Sandığı Vakfı. In addition, save for the first level dividend determined according to the Capital Markets Law, 3% of the amount remaining after the first legal reserves, financial obligations and 5% of the paid-in capital are deducted from the income before tax, is allocated to holders of dividend-right certificates. However, the amount to be paid to the holders of dividend-right certificates may not exceed 1/10 of the amount remaining after the first legal reserves and first level dividend calculated according to CMB regulations are deducted from the net profit.

As of 31 December 2020, total amount of reserves that can be subject to dividend distribution without creating additional corporate tax burden is TL9.515.273 thousand.

At the Ordinary General Assembly Meeting of Koç Holding held on 2 April 2020, it was decided to distribute TL531.270.641,50 dividend to shareholders, TL127.930.922,93 dividend to usufruct shareholders and TL11.500.000 dividend to Koç Holding Emekli ve Yardım Sandığı Vakfı from taxable earnings of 2019. Cash dividend payments were completed as of 6-8 April 2020.

NOTE 25 - ASSETS HELD FOR SALE

i) Tat Gıda, a Subsidiary of the Group, signed an asset sales agreement with CLA Süt ve Süt Ürünleri Gıda Sanayi Ticaret A.Ş. (Buyer) and Çallı Gıda Sanayi ve Ticaret A.Ş. (Guarantor) on 6 January 2021, regarding the transfer of its assets operating in milk and dairy products business, with a total amount of TL240.000 thousand + VAT (subject to price adjustment at the closing date). In this context, since the production and sales activities of SEK business operating in milk and dairy products are planned to be terminated following the completion of the transfer, the aforementioned assets and liabilities of Tat Gıda have been classified as held for sale in accordance with TFRS 5 in the consolidated financial statements as of 31 December 2020.

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

iii) Due to the ongoing liquidation process as of the balance sheet date, the assets and liabilities of Otoyol Sanayi, a Subsidiary of the Group, have been classified as held for sale in accordance with TFRS 5 in the consolidated financial statements as of 31 December 2020 and 2019. Liquidation procedures was completed on 20 January 2021.

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

Assets held for sale	**31 December 2020**	**31 December 2019**
Cash and cash equivalents	3.976	5.836
Inventories	57.867	-
Property, plant and equipment	101.213	-
Intangible assets	1.232	-
Investment properties	35.320	35.320
Other assets	1.713	763
	201.321	**41.919**
Liabilities related to assets held for sale		
Provision for employment termination benefits	7.745	214
Other liabilities	6.365	1.229
	14.110	**1.443**

NOTE 26 - REVENUE

Non-finance revenue

	2020	**2019**
Domestic revenue	95.152.987	107.390.157
Foreign revenue	47.382.899	45.516.797
Revenue	**142.535.886**	**152.906.954**
Sales of goods	137.900.950	147.665.836
Sales of services	4.634.936	5.241.118
Revenue	**142.535.886**	**152.906.954**

The Group has accounted for non-finance revenue amounting to TL141.829.624 thousand (2019: TL151.912.587 thousand) related to performance obligation at a point in time and TL706.262 thousand non-finance revenue (2019: TL994.367 thousand) related to performance obligation over time.

NOTE 26 - REVENUE (Continued)

Revenue from finance sector operations

	2020	2019
Interest income	32.367.348	575.861
Fee and commissions income	6.452.744	13.512
Other operating income	2.421.298	19.680
Revenue from finance sector operations	**41.241.390**	**609.053**

NOTE 27 - EXPENSES BY NATURE

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

	2020	2019
Raw materials and supplies	87.253.297	107.448.989
Changes in work in progress and finished goods	(1.036.816)	(776.273)
Cost of merchandise sold	22.350.581	13.432.902
Personnel expenses	12.108.854	7.495.480
Depreciation and amortisation charges	4.063.559	2.765.255
Transportation, distribution and storage expenses	3.523.619	2.804.412
Energy and utility expenses	2.645.132	3.031.492
Warranty and assembly costs	1.831.815	1.363.956
Advertisement and promotion expenses	1.398.157	1.287.371
Maintenance and repair expenses	1.208.751	1.269.121
Outsourcing expenses	922.544	755.689
Information systems and communication expenses	838.031	305.485
Rent expenses (*)	674.959	1.017.233
Litigation and consultancy expenses	607.877	240.378
Insurance expenses	573.668	439.915
Taxes, duties and charges	538.884	350.850
SDIF expenses	476.990	-
Sales, incentives and premium expenses	320.877	252.088
Travel expenses	231.431	250.067
Royalty and license expenses	184.878	104.436
Grants and donations	137.375	52.236
Other	2.082.275	1.313.985
	142.936.738	**145.205.067**

(*) In 2020, TL568.134 thousand (2019: TL894.570 thousand) of the rent expenses is related to variable leases, TL76.553 thousand (2019: TL100.170 thousand) is related to short-term leases and TL30.272 thousand (2019: TL22.493 thousand) is related to low-value leases.

NOTE 27 - EXPENSES BY NATURE (Continued)

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

	2020	2019
Depreciation and amortisation charges		
Cost of sales	1.905.453	1.761.317
Marketing expenses	546.631	395.971
General administrative expenses	1.329.137	394.560
Research and development expenses	282.338	213.407
	4.063.559	**2.765.255**

Total depreciation charges capitalised in 2020 amounted to TL57.061 thousand (2019: TL23.314 thousand).

Personnel expenses		
Cost of sales	3.569.347	3.036.461
Marketing expenses	1.882.332	1.653.172
General administrative expenses	6.546.361	2.720.562
Research and development expenses	110.814	85.285
	12.108.854	**7.495.480**

Cost of finance sector operations

	2020	2019
Interest expenses	17.364.626	368.989
Fee, commissions and other expenses	2.146.375	10.855
Cost of finance sector operations	**19.511.001**	**379.844**

NOTE 28 - OTHER OPERATING INCOME/(EXPENSES)

	2020	2019
Other operating income		
Foreign exchange gains arising from trading activities	3.369.022	2.091.173
Credit finance income arising from trading activities	617.502	1.087.723
Income from claims and grants (*)	409.201	86.594
Reversals of provisions	65.548	66.748
Other	417.202	293.772
	4.878.475	**3.626.010**

(*) Upon European Commission's decision to apply penalty to a group of CRT producers due to violation of competition, Arçelik, a Subsidiary of the Group, has filed a lawsuit against related suppliers for the compensation of the losses incurred. Total compensation income of TL284 million was obtained from related CRT suppliers through the settlement process pursued in the course of the lawsuit.

NOTE 28 - OTHER OPERATING INCOME/(EXPENSES) (Continued)

	2020	2019
Other operating expenses		
Expected credit losses for loans and receivables	(8.128.253)	(153.824)
Foreign exchange losses arising from trading activities	(3.071.439)	(2.544.808)
Credit finance charges arising from trading activities	(667.990)	(1.101.015)
Provisions for lawsuits and penalties	(380.789)	(122.633)
Other	(94.297)	(164.099)
	(12.342.768)	**(4.086.379)**

NOTE 29 - GAINS/(LOSSES) FROM INVESTMENT ACTIVITIES

	2020	2019
Gains from investment activities		
Income arising from the change of control (Note 3)	2.995.339	-
Termination fee income [(1)]	511.275	-
Gain on sale of property, plant and equipment and scraps [(2)]	199.858	74.648
Rent income	57.264	57.949
Gain on bargain purchase	-	627
	3.763.736	**133.224**
Losses from investment activities		
Provision for impairment on property, plant and equipment and other intangible assets (Note 14 and Note 15)	(97.279)	-
Loss on sale of property, plant and equipment	(42.896)	(29.144)
Provision for impairment on assets held for sale [(3)]	(26.638)	-
Provision for impairment on subsidiaries	(22.756)	-
Loss on sale of a subsidiary	-	(4.320)
	(189.569)	**(33.464)**

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

(2) Includes TL84,5 million of property sales gain of Tat Gıda, a Subsidiary of the Group, regarding to its pasta and bakery products business.

(3) Related to the provision for impairment on assets of Arçelik, a Subsidiary of the Group, which were transferred from property, plant and equipment to assets held for sale. The sale of related property, plant and equipment has been completed as of the balance sheet date.

NOTE 30 - FINANCIAL INCOME/(EXPENSES)

	2020	2019
Financial income		
Foreign exchange gains (1)	13.024.563	6.469.830
Interest income	962.548	2.133.339
Gains on derivative instruments	2.356.581	2.267.438
Fair value gains on financial assets	-	161.764
Other financial income	20.353	7.625
	16.364.045	**11.039.996**
Financial expenses		
Foreign exchange losses (1)	(14.113.583)	(7.659.735)
Interest expenses (2)	(4.851.363)	(5.644.034)
Losses on derivative instruments	(3.866.350)	(2.529.985)
Other financial expenses	(99.031)	(132.453)
	(22.930.327)	**(15.966.207)**

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

(2) TL158.809 thousand of interest expense is related to lease liabilities in 2020 (2019: TL163.965).

NOTE 31 - RELATED PARTY DISCLOSURES

a) Related party balances

	31 December 2020			31 December 2019		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Trade receivables	1.082.960	156.568	1.239.528	1.517.388	79.024	1.596.412
Trade payables	2.482.663	155.724	2.638.387	1.039.202	79.700	1.118.902
Loans and advances given	1.852.765	602.977	2.455.742	-	-	-
Deposits	4.387.722	9.568.162	13.955.884	-	-	-
Borrowings	-	127.688	127.688	566.226	146.963	713.189
Cash and cash equivalents	-	-	-	15.567.635	-	15.567.635
Financial assets	-	-	-	1.425.357	-	1.425.357

b) Related party transactions

	2020			2019		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Sales of goods and services	15.761.882	288.031	16.049.913	22.737.386	294.220	23.031.606
Purchases of goods and services	10.937.876	656.539	11.594.415	5.400.138	488.352	5.888.490
Interest income	-	-	-	1.227.925	-	1.227.925
Interest expense (-)	-	(31.078)	(31.078)	(88.438)	(26.774)	(115.212)

The Joint Ventures of the Group have been accounted for using the equity method in the consolidated financial statements. Accordingly, the transactions of Group's Subsidiaries with Joint Ventures and the balances from Joint Ventures are not subject to elimination.

NOTE 31 - RELATED PARTY DISCLOSURES (Continued)

As of 31 December 2020, TL273.932 thousand (31 December 2019: TL903.238 thousand) of trade receivables is composed of Tüpraş balances against Opet and THY Opet, TL259.790 thousand (31 December 2019: TL195.619 thousand) of trade receivables is composed of balances of Zer Ticaret and TL148.675 thousand (31 December 2019: TL101.708 thousand) of trade receivables is composed of balances of Ram Dış Ticaret arising from the sales transactions with Joint Ventures and other related parties not included in the scope of consolidation. TL2.201.432 thousand (31 December 2019: TL829.656 thousand) of trade payables is composed of balances due to vehicle purchases of Otokoç from Ford Otosan and Tofaş, and TL198.207 thousand (31 December 2019: TL98.455 thousand) of trade payables is composed of balances due to air conditioner purchases of Arçelik from Arçelik LG. Loans and advances given and deposit balances arise from loan and deposit transactions of Yapı Kredi Bankası, a Subsidiary of the Group, with Joint Ventures and other related parties.

TL12.233.684 thousand (31 December 2019: TL19.349.651 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 2020. TL9.280.322 thousand (31 December 2019: TL3.987.212 thousand) of purchases of goods and services is composed of balances due to Otokoç's vehicle purchases from Ford Otosan and Tofaş, and TL714.128 thousand (31 December 2019: TL463.123 thousand) of purchases of goods and service is composed of transactions due to air conditioner purchases of Arçelik from Arçelik LG.

c) Key management compensation

The key management of Koç Holding is identified as the members of the Board of Directors (including the President), CEO and the Group Presidents. Total key management compensation incurred by Koç Holding in 2020 amounted to TL313.334 thousand (31 December 2019: TL296.159 thousand). The entire amount is comprised of short-term employee benefits (31 December 2019: TL48.400 thousand of the respective amount is related to the payments made for employee leaves and the remaining portion is comprised of short-term employee benefits).

After charging the costs to Koç Group companies to whom services are provided, the cost incurred by Koç Holding A.Ş. amounted to TL132.359 thousand (31 December 2019: TL134.143 thousand. TL19.034 thousand of this amount for 2019 is related to the payments made for employee leaves).

NOTE 32 - DISCLOSURES ON INTERESTS IN OTHER ENTITIES

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

	31 December 2020			
Subsidiary	Non-controlling interest %	Gains/(losses) attributable to non-controlling interests	Accumulated non-controlling interests	Dividend paid to non-controlling interests
Yapı Kredi Bankası	55,51%	2.293.643	27.087.917	-
Tüpraş	56,30%	(1.311.779)	2.864.818	5.606
Arçelik	59,44%	1.649.960	8.221.973	27.086
Aygaz	59,32%	100.655	834.138	88.973

	31 December 2019			
Subsidiary	Non-controlling interest %	Gains/(losses) attributable to non-controlling interests	Accumulated non-controlling interests	Dividend paid to non-controlling interests
Tüpraş	56,30%	213.658	4.228.491	1.858.987
Arçelik	59,49%	523.530	5.786.274	-
Aygaz	59,32%	310.496	910.174	228.958

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

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

Condensed balance sheet information:

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

	31 December 2019		
	Tüpraş	**Arçelik**	**Aygaz**
Cash and cash equivalents	10.652.009	6.937.060	665.391
Other current assets	17.266.946	16.245.586	923.725
Deferred tax assets	4.314.155	1.012.290	393
Other non-current assets	17.517.111	10.296.435	2.409.879
Total assets	**49.750.221**	**34.491.371**	**3.999.388**
Short-term borrowings	5.177.702	6.151.755	483.337
Other current liabilities	22.942.564	8.531.898	1.011.700
Long-term borrowings	13.898.092	8.803.381	764.426
Other non-current liabilities	356.660	1.385.141	205.462
Total liabilities	**42.375.018**	**24.872.175**	**2.464.925**
Total equity	**7.375.203**	**9.619.196**	**1.534.463**

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

Condensed income statement information:

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

	2019		
	Tüpraş	**Arçelik**	**Aygaz**
Revenue	89.600.776	31.941.773	10.211.013
Depreciation and amortisation	775.095	1.054.934	127.068
Operating profit	2.153.506	2.625.497	359.749
Net financial expense	(2.738.726)	(1.558.113)	(206.676)
Profit before tax	(578.556)	1.017.275	555.545
Net profit for the period	333.298	860.842	523.466

(*) Yapı Kredi Bankası has been accounted for using the equity method in the consolidated financial statements until the change of control/closing date (Note 3), and therefore related amounts include Company's profit/(loss) balances regarding the period which the Company is subject to full consolidation.

NOTE 33 - GOVERNMENT GRANTS

The Group is entitled to the following incentives and rights:

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 19),
j) Brand supporting government grants given by the Ministry of Economy of Turkey (Turquality),
k) Patent incentives.

NOTE 34 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Guarantees given:

Finance:

Non-cash loans:

	31 December 2020	31 December 2019
Letters of guarantee	81.314.767	-
- *TL*	*31.993.113*	-
- *Foreign currency*	*49.321.654*	-
Letter of credits	9.340.321	-
Acceptance credits	238.025	-
Other	9.982.292	-
	100.875.405	**-**
Less: Provisions (Note 21.b)	(1.062.888)	-
	99.812.517	**-**

Non-Finance:

	31 December 2020	31 December 2019
Letters of guarantee	8.566.966	7.715.024
Letters of credit	3.953.337	2.496.440
Guarantees given to banks	1.113.948	1.405.564
Other	50	19.063
	13.634.301	**11.636.091**

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

Collaterals/pledges/mortgages/bill of guarantees ("CPMB") of Subsidiaries of the Group as of 31 December 2020 and 2019 are as follows (foreign currency CPMBs are presented by their TL equivalents):

	31 December 2020	31 December 2019
A. Total amount of CPMB's given in the name of its own legal personality	10.383.712	8.239.205
-TL	3.968.860	3.923.871
-USD	5.417.499	3.629.657
-EUR	839.855	644.771
-Other	157.498	40.906
B. Total amount of CPMB's given on behalf of the fully consolidated companies (1)	3.250.589	3.396.886
-TL	134.422	54.402
-USD	987.448	1.326.519
-EUR	1.207.093	859.518
-Other	921.626	1.156.447
C. Total amount of CPMB's given on behalf of third parties for ordinary course of business (2)	100.875.405	-
-TL	32.512.148	-
-USD	27.889.758	-
-EUR	35.840.641	-
-Other	4.632.858	-
D. Total amount of other CPMB's given		
i) Total amount of CPMB's given on behalf of the majority shareholder	-	-
ii) Total amount of CPMB's given to on behalf of other group companies which are not in scope of B and C	-	-
-TL	-	-
-USD	-	-
-EUR	-	-
-Other	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-
	114.509.706	**11.636.091**

(1) As of 31 December 2020, the total amount of incurred commission expenses for the CPMBs of the Subsidiaries of the Group, except for 'A. CPMB's given in the name of its own legal personality', is TL9.558 thousand (31 December 2019: TL8.455 thousand).

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

Finance:

Financial assets pledged as collateral:

As of 31 December 2020, financial assets measured at fair value through other comprehensive income, measured at amortised cost and measured at fair value through profit and loss whose total carrying amount is TL29.672.528 thousand are pledged to banks and other financial institutions against funds obtained under repurchase agreements, borrowed funds and total return swap transactions.

In addition, as of 31 December 2020, financial assets amounting to TL21.435.802 thousand are also pledged to regulatory authorities for legal requirements and other financial institutions as a guarantee for stock exchange and money market operations. These are mainly the CBRT, Borsa İstanbul, Settlement and Custody Bank and other various banks.

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

Guarantees received:

Non-Finance:

	31 December 2020	31 December 2019
Letters of guarantee	5.365.051	4.065.567
Mortgages	2.780.688	2.729.704
Direct crediting limit	1.174.041	1.094.203
Bill of guarantees	281.616	267.366
Guarantee notes	65.321	57.936
Other	1.311.980	1.019.413
	10.978.697	**9.234.189**

NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments and Financial Risk Management

Financial Risk Management

The Group is exposed to variety of financial risks due to its operations. These risks include credit risk, market risk (foreign exchange risk, interest rate risk, commodity price risk and product profit margin/crack margin risk) and liquidity risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and targets to minimise potential adverse effects on the Group's financial performance. The Group also uses derivative instruments to hedge risk exposures.

A) Credit Risk

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

Credit risk management procedures

Finance:

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

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

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

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

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

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

Non-Finance:

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

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

Credit risk details

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

31 December 2020	Trade receivables	Receivables from finance sector operations	Cash and cash equivalents	Financial assets	Derivative instruments
Maximum exposure to credit risk as of reporting date (A+B+C+D)	**21.000.573**	**295.233.101**	**54.297.881**	**78.301.623**	**6.219.142**
A. Book value of neither past due nor impaired financial assets [(1)]	19.098.364	297.534.818	54.297.881	78.301.623	6.219.142
B. Book value of past due but not impaired financial assets	1.838.173	2.860.665	-	-	-
C. Net book value of impaired assets	87.210	5.977.353	-	-	-
- Past due	87.210	5.977.353	-	-	-
- Gross amount	941.014	19.618.014	-	-	-
- Impairment	(853.804)	(13.640.661)	-	-	-
- *Secured with guarantees*	*83.651*	*5.886.135*	-	-	-
- Not past due	-	-	-	-	-
- Gross amount	-	-	-	-	-
- Impairment	-	-	-	-	-
- *Secured with guarantees*	-	-	-	-	-
D. Expected credit losses (-) [(2)]	(23.174)	(11.139.735)	-	-	-

(1) Trade receivables and receivables from finance sector operations include related party balances amounting to TL1.239.528 thousand and TL2.455.742 thousand, respectively.

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

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

As of 31 December 2020, Finance sector is exposed to credit risk arising from non-cash loans in the amount of TL100.875.405 thousand (Note 34). By taking the related risk into consideration, the maximum credit risk amount, to which the Group is exposed, is TL555.927.725 thousand.

31 December 2019	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)	**19.662.512**	**2.307.287**	**37.806.056**	**1.425.357**	**526.421**
A. Book value of neither past due nor impaired financial assets (*)	18.080.077	2.254.079	37.806.056	1.425.357	526.421
B. Book value of past due but not impaired financial assets	1.508.845	49.538	-	-	-
C. Net book value of impaired assets	84.366	61.060	-	-	-
- Past due	84.366	61.060	-	-	-
- Gross amount	744.522	140.442	-	-	-
- Impairment	(660.156)	(79.382)	-	-	-
- *Secured with guarantees*	*82.259*	*61.223*	-	-	-
- Not past due	-	-	-	-	-
- Gross amount	-	-	-	-	-
- Impairment	-	-	-	-	-
- *Secured with guarantees*	-	-	-	-	-
D. Expected credit losses (-)	(10.776)	(57.390)	-	-	-

(*) Trade receivables includes related party balances amounting to TL1.596.412 thousand.

Trade receivables

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

	2020	2019
Customers with no payment defaults	15.997.890	13.975.901
Customers with collection delays	1.422.708	1.294.676
Public institutions and corporations	1.277.934	2.658.134
New customers (less than 3 months)	399.832	151.366
	19.098.364	**18.080.077**

As of 31 December 2020, trade receivables that are not due and not impaired amounting to TL10.191.758 thousand are secured by guarantees (2019: TL8.409.144 thousand).

b) Analysis of past due trade receivables:

Not impaired	2020	2019
Past due up to 1 month	1.005.348	715.943
Past due 1-3 months	209.546	256.588
Past due 3-12 months	176.145	262.920
Past due more than 1 year	447.134	273.394
	1.838.173	**1.508.845**

As of 31 December 2020, past due but not impaired trade receivables amounting to TL949.162 thousand are secured by guarantees (2019: TL817.189 thousand).

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

Impaired	**2020**	**2019**
Past due up to 3 months	114.964	81.252
Past due 3-6 months	13.789	15.322
Past due 6-12 months	210.701	155.067
Past due more than 1 year	601.560	492.881
Less: Provision for impairment	(853.804)	(660.156)
	87.210	**84.366**

As of 31 December 2020, impaired receivables amounting to TL83.651 thousand are secured by guarantees (2019: TL82.259 thousand).

c) Expected credit losses:

31 December 2020	**Not past due**	**0 - 1 month past due**	**1 - 3 months past due**	**More than 3 months past due**	**Total**
Expected loss rate (%)	0,02	0,02	2,97	0,73	
Period end balance (*)	17.858.836	1.048.487	281.371	1.449.329	20.638.023
Expected credit losses	3.986	206	8.365	10.617	23.174
31 December 2019					
Expected loss rate (%)	0,03	0,05	0,26	0,42	
Period end balance (*)	16.483.665	736.578	317.205	1.199.584	18.737.032
Expected credit losses	4.487	396	813	5.080	10.776

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

Receivables from finance sector operations

a) As of 31 December 2020, the rating concentration of undue corporate and commercial loans of Yapı Kredi Bankası is as follows:

	Rating class	**Concentration level**
Above average	1 - 4	59,2%
Average	5+ - 6	34,8%
Below average	7+ - 9	6,0%

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

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

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

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

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

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

	31 December 2020	%
Public sector	79.171.148	27
Production	77.674.255	26
Financial institutions	52.277.229	18
Food and retail	15.820.743	5
Real estate	8.208.649	3
Consumer loans	2.871.890	1
Other sectors	59.209.187	20
	295.233.101	**100**

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

B) Market Risk

a) Foreign Exchange Risk

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

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

Assets and liabilities denominated in foreign currency are as follows:

	31 December 2020	31 December 2019
Assets	256.050.015	30.755.998
Liabilities	(318.456.873)	(54.302.946)
Net balance sheet position	**(62.406.858)**	**(23.546.948)**
Derivative instruments net position	49.952.359	8.461.599
Net foreign currency position	**(12.454.499)**	**(15.085.349)**
Loans designated as hedging instruments (1)	5.977.809	6.078.931
Net foreign currency position after hedging instruments	**(6.476.690)**	**(9.006.418)**
Inventories under the natural hedge (2)	7.532.609	9.326.402
Net foreign currency position after hedging instruments and natural hedge	**1.055.919**	**319.984**

(1) The loans of Tüpraş related to financing the Residuum Upgrade Project (RUP) are designated as hedging instruments against the spot foreign exchange rate risk (USD/TL) associated with highly probable USD denominated export revenues. The loans of Tüpraş which are subject to cash flow hedge amounted to USD594 million (TL4.360 million) as of 31 December 2020 (31 December 2019: USD813 million).

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

Arçelik and Otokoç Hollanda, Subsidiaries of the Group, designated EUR154 million (TL1.386 million) and EUR25,7 million (TL232 million) of bank loans, respectively, as hedging instruments in order to hedge the foreign currency risk arising from the translation of net assets of the subsidiaries operating in Europe from EUR to Turkish Lira (31 December 2019: Arçelik: EUR154 million - Otokoç: EUR34,2 million). Foreign exchange gains/losses of the related loans are recognised under equity as "gains/(losses) on net investment hedges" in order to offset the foreign exchange gains/(losses) arising from the translation of the net assets of investments in foreign operations to Turkish Lira.

(2) Tüpraş and Aygaz manage their foreign currency risk resulting from their net financial liabilities by reflecting the effects of the changes in foreign currencies to their selling prices of petroleum products ("natural hedge"). As of 31 December 2020, Tüpraş and Aygaz have raw materials and petroleum products amounting to TL7.220.776 thousand (31 December 2019: TL9.129.592 thousand) and TL311.833 thousand (31 December 2019: TL196.810 thousand), respectively.

Excluding the loans designated as hedging instruments and the inventories under the natural hedge, the Group has TL1.055.919 thousand (USD144 million) foreign exchange net long position as of 31 December 2020.

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

As of 31 December 2020, if EUR and USD had appreciated by 10% against TL with all other variables held constant, profit before tax would have been TL634.674 thousand lower, mainly as a result of foreign exchange losses on the translation of the foreign exchange position as presented in detail in the table below. The net effect of the related foreign exchange losses on the net profit (attributable to equity holders) is approximately TL164 million.

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

	USD	EUR	Other	Total
31 December 2020				
Net foreign currency position after hedging instruments (*)	(866.306)	80.096	151.536	(634.674)

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

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

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

	USD	EUR	Other	Total
31 December 2020				
Hedged items (*)	(436.012)	(601.302)	-	(1.037.314)

(*) 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.

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

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

(1) Presented in original currencies.
(2) Represents balances before consolidation eliminations.
(3) Includes loans of Tüpraş, Arçelik and Otokoç designated as hedging instruments.

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

	31 December 2019			
	USD (1)	**EUR (1)**	**Other (TL Equivalent)**	**Total (TL Equivalent)**
Assets:				
Trade receivables (2)	413.039	626.103	1.859.264	8.476.762
Monetary financial assets	2.612.522	357.037	2.110.555	20.003.967
Non-monetary assets	1.140	539	16.526	26.884
Other assets	49.998	19.508	5.034	431.778
Current assets	**3.076.699**	**1.003.187**	**3.991.379**	**28.939.391**
Monetary financial assets	239.962	4.337	-	1.454.266
Other assets	4.473	50.158	2.189	362.341
Non-current assets	**244.435**	**54.495**	**2.189**	**1.816.607**
Total assets	**3.321.134**	**1.057.682**	**3.993.568**	**30.755.998**
Liabilities:				
Trade payables (2)	2.504.105	379.347	175.061	17.572.832
Borrowings	1.413.795	233.594	2.201	9.953.965
Other liabilities	135.097	23.832	47.765	1.008.769
Short-term liabilities	**4.052.997**	**636.773**	**225.027**	**28.535.566**
Borrowings	3.649.599	584.064	7.300	25.571.029
Other liabilities	33.016	34	-	196.351
Long-term liabilities	**3.682.615**	**584.098**	**7.300**	**25.767.380**
Total liabilities	**7.735.612**	**1.220.871**	**232.327**	**54.302.946**
Net balance sheet position	**(4.414.478)**	**(163.189)**	**3.761.241**	**(23.546.948)**
Derivative assets	2.537.722	299.345	80.381	17.145.781
Derivative liabilities	(400.946)	(364.304)	(3.879.643)	(8.684.182)
Derivative instruments net position	**2.136.776**	**(64.959)**	**(3.799.262)**	**8.461.599**
Net foreign currency position	**(2.277.702)**	**(228.148)**	**(38.021)**	**(15.085.349)**
Loans designated as hedging instruments (3)	812.776	188.085	-	6.078.931
Net foreign currency position after hedging instruments	**(1.464.926)**	**(40.063)**	**(38.021)**	**(9.006.418)**
Net foreign currency position of monetary items	(2.278.842)	(228.687)	(54.547)	(15.112.233)
Fair value of derivative instruments held for hedging	21.563	11.774	-	206.392

(1) Presented in original currencies.
(2) Represents balances before consolidation eliminations.
(3) Includes loans of Tüpraş, Arçelik and Otokoç designated as hedging instruments.

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

Export and import details (TL Equivalent)

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

Export	**2020**	**2019**
USD	19.825.669	24.908.152
EUR	9.751.440	9.142.145
Other	4.354.691	3.810.956
	33.931.800	**37.861.253**
Import		
USD	59.233.120	79.791.622
EUR	3.637.497	3.233.699
Other	37.278	20.833
	62.907.895	**83.046.154**

b) Interest Rate Risk

The Group is exposed to interest rate risk arising from the rate changes on interest-bearing liabilities and assets. The Group manages this risk by balancing the repricing terms of interest-bearing assets and liabilities with fixed-floating interest and short-long term nature of borrowings as well as using derivative instruments for hedging purposes.

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

The weighted average effective annual interest rates (%) for the consolidated financial assets and liabilities outstanding as of 31 December 2020 and 2019 are as follows:

	31 December 2020			**31 December 2019**		
	USD	**EUR**	**TL**	**USD**	**EUR**	**TL**
Assets						
Cash and cash equivalents	1,81	0,54	17,44	3,18	0,33	20,96
Financial assets						
- Measured at fair value through profit or loss	6,17	3,54	15,59	-	-	-
- Measured ar fair value through other comprehensive income	5,64	3,26	15,72	-	-	-
- Measured at amortised cost	6,42	1,74	15,92	-	-	-
Receivables from finance sector operations	6,09	4,45	15,11	7,80	7,47	19,77
Liabilities						
Borrowings	3,54	2,43	11,89	4,77	2,84	18,76
Payables of finance sector operations	1,50	0,87	15,95	-	-	-

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

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

31 December 2020	Up to 3 months	3 months - 1 year	1 year - 5 years	5 years and over	Non-interest bearing	Total
Assets						
Cash and cash equivalents	39.221.831	1.637.032	-	-	19.501.938	60.360.801
Balances with the CBRT	28.859.367	-	-	-	20.112.905	48.972.272
Financial assets						
- Measured at fair value through profit or loss	1.214	737	60.955	212.848	531.386	807.140
- Measured at fair value through other comprehensive income	9.235.370	8.600.443	5.169.968	2.015.706	457.199	25.478.686
- Measured at amortised cost	20.254.650	8.203.299	6.837.645	17.716.935	-	53.012.529
Receivables from finance sector operations	80.004.059	101.901.836	96.883.477	16.405.302	38.427	295.233.101
	177.576.491	**120.343.347**	**108.952.045**	**36.350.791**	**40.641.855**	**483.864.529**
Liabilities						
Borrowings	93.346.051	40.715.479	41.913.848	3.683.952	2.147.914	181.807.244
Payables of finance sector operations	174.459.436	9.630.715	2.839.072	230.816	90.010.900	277.170.939
	267.805.487	**50.346.194**	**44.752.920**	**3.914.768**	**92.158.814**	**458.978.183**

31 December 2019	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	36.850.169	95.053	-	-	871.138	37.816.360
Financial assets						
- Measured at fair value through profit or loss	-	-	1.425.357	-	79.660	1.505.017
- Measured at fair value through other comprehensive income	-	-	-	-	74.925	74.925
Receivables from finance sector operations	473.762	898.054	934.520	951	-	2.307.287
	37.323.931	**993.107**	**2.359.877**	**951**	**1.025.723**	**41.703.589**
Liabilities						
Borrowings	11.373.577	14.667.083	26.759.383	7.283.016	213.032	60.296.091
	11.373.577	**14.667.083**	**26.759.383**	**7.283.016**	**213.032**	**60.296.091**

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

Sensitivity to interest rate risk

The sensitivity analysis of Yapı Kredi Bankası, a Subsidiary of the Group operating in the finance sector, regarding the fluctuations in interest rates was carried out for all interest-bearing assets and liabilities. In the case of 100 bps rise in the annual interests in TL, USD and EUR currencies, the negative impact on the Group's consolidated equity holders of the parent is around TL540 million (In the case of 100 bps decrease in the annual interests, the positive impact on the Group's consolidated equity holders of the parent is around TL600 million).

In the case of 100 bps rise in the annual interests, the additional annual consolidated interest expense resulting from the repricing of borrowings within 1-year period is around TL190 million for the subsidiaries of the Group operating in non-finance sectors. It is expected that this interest expense will be substantially offset by the additional interest income resulting from the repricing of cash and cash equivalents due to their short term maturities and therefore, 100 bps rise in interest rates is not expected to have a material net interest income/(expense) effect at the Group's non-finance sector operations' results within one year period.

The interest rate position is as follows:

	31 December 2020	31 December 2019
Fixed interest rate financial instruments		
Assets		
Cash and cash equivalents	37.885.630	35.606.193
Balances with the CBRT	28.337.458	-
Financial assets		
- Measured at fair value through profit or loss	275.754	1.425.357
- Measured at fair value through other comprehensive income	9.839.156	-
- Measured at amortised cost	23.206.047	-
Receivables from finance sector operations	223.343.061	2.307.287
	322.887.106	**39.338.837**
Liabilities		
Borrowings	113.208.221	49.090.598
Payables of finance sector operations	187.142.190	-
	300.350.411	**49.090.598**
Floating interest rate financial instruments		
Assets		
Cash and cash equivalents	2.973.233	1.339.029
Balances with the CBRT	521.909	-
Financial assets		
- Measured at fair value through other comprehensive income	15.182.331	-
- Measured at amortised cost	29.806.482	-
Receivables from finance sector operations	71.851.613	-
	120.335.568	**1.339.029**
Liabilities		
Borrowings	66.451.109	10.992.461
Payables of finance sector operations	17.849	-
	66.468.958	**10.992.461**

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

c) Commodity price risk

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

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

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

d) Product Profit Margin (Crack Margin) Risk

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

C) Liquidity Risk

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

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

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

Undiscounted contractual cash flows of the consolidated financial liabilities as of 31 December 2020 and 2019 are as follows:

31 December 2020	Carrying value	Total contractual cash outflow	Demand or up to 3 months	3 months - 1 year	1 - 5 years	5 years and over
Financial liabilities						
Borrowings	181.807.244	198.353.535	21.285.347	51.806.931	107.527.376	17.733.881
Borrowings, debt instruments and factoring liabilities	*179.155.828*	*194.631.290*	*21.065.640*	*51.170.817*	*105.680.485*	*16.714.348*
Lease liabilities	*2.651.416*	*3.722.245*	*219.707*	*636.114*	*1.846.891*	*1.019.533*
Trade payables	29.039.594	30.726.439	29.618.906	1.107.533	-	-
Payables of finance sector operations	277.170.939	293.307.696	280.951.174	10.216.408	1.908.308	231.806
Derivative instruments (*)						
Cash inflows	6.219.142	140.257.073	96.212.233	14.441.774	26.156.644	3.446.422
Cash outflows	(11.436.576)	(135.569.302)	(94.150.959)	(14.656.728)	(23.408.482)	(3.353.133)

31 December 2019	Carrying value	Total contractual cash outflow	Demand or up to 3 months	3 months - 1 year	1 - 5 years	5 years and over
Financial liabilities						
Borrowings	60.296.091	68.598.703	6.246.804	12.454.215	38.299.925	11.597.759
Borrowings, debt instruments and factoring liabilities	*58.893.378*	*66.798.310*	*6.166.820*	*12.185.558*	*37.488.039*	*10.957.893*
Lease liabilities	*1.402.713*	*1.800.393*	*79.984*	*268.657*	*811.886*	*639.866*
Trade payables	26.727.432	27.061.616	26.798.032	263.584	-	-
Derivative instruments (*)						
Cash inflows	526.421	18.914.730	12.652.800	3.233.997	3.024.926	3.007
Cash outflows	(266.898)	(18.698.515)	(12.602.236)	(3.273.310)	(2.819.352)	(3.617)

(*) Derivative instruments do not include the carrying value (Note 11) of changes in the fair value changes arising from the off-balance sheet operating lease transactions of Otokoç, a Subsidiary of the Group, denominated in foreign currency.

The distribution of non-cash loans (Note 34) of Yapı Kredi Bankası, a Subsidiary of the Group, by original maturity is as follows:

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

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

Capital Risk Management

The Group's main objectives for capital management are to keep the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may decide on the amount of dividends paid to shareholders, issue of new shares or sell assets to decrease net financial debt.

The Group monitors capital on the basis of the net financial debt/invested capital ratio. Net financial debt is calculated as total financial liabilities less cash and cash equivalents (excluding blocked deposits) and invested capital is calculated as net financial debt plus total equity. Consolidated net financial debt/invested capital ratios as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Total borrowings	181.807.244	60.296.091
Less: Cash and cash equivalents	(58.146.312)	(35.955.112)
Net financial debt	123.660.932	24.340.979
Equity	88.071.052	49.652.035
Invested capital	211.731.984	73.993.014
Net financial debt/invested capital ratio	**0,58**	**0,33**

NOTE 36 - FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

Estimated fair values of financial instruments have been determined by the Group by using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data. Accordingly, estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

The following methods and assumptions are used to estimate the fair values of financial instruments:

Financial assets

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

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

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

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

Financial liabilities

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

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

Within the framework of the methods and assumptions explained above, the carrying values and estimated fair values of financial assets and liabilities as of 31 December 2020 and 2019 are presented in the table below:

	31 December 2020		31 December 2019	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Assets				
Cash and cash equivalents	60.360.801	58.594.910	37.816.360	37.816.360
Receivables from finance sector operations	295.233.101	296.632.401	2.307.287	2.235.602
Financial assets measured at amortised cost	53.012.529	54.582.472	-	-
Liabilities				
Borrowings	181.807.244	182.684.452	60.296.091	60.930.813
Payables of finance sector operations	277.170.939	277.342.697	-	-

Fair value estimation

The classification of the Group's consolidated financial assets and liabilities at fair value is as follows:

Level 1: *Quoted prices (unadjusted) in active markets for identical assets or liabilities:* The fair value of financial assets and financial liabilities are determined with reference to quoted market prices.

Level 2: *Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices):* The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other variables used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

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

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

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

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit/(loss)				
- Equity securities	-	-	79.660	79.660
- Debt instruments	1.425.357	-	-	1.425.357
Financial assets measured at fair value through other comprehensive income				
- Equity securities	74.925	-	-	74.925
Derivative instruments	-	526.421	-	526.421
Total assets	**1.500.282**	**526.421**	**79.660**	**2.106.363**
Derivative instruments	-	266.898	-	266.898
Total liabilities	**-**	**266.898**	**-**	**266.898**

NOTE 37 - EARNINGS PER SHARE

	2020	2019
Earnings per share:		
Profit for the period	12.633.297	5.921.284
Profit attributable to non-controlling interests	3.360.727	1.530.125
Profit attributable to equity holders of the parent	9.272.570	4.391.159
Weighted average number of shares with nominal value of Kr 1 each	253.589.805.000	253.589.805.000
Earnings per share (Kr)	**3,657**	**1,732**

NOTE 38 - SUPPLEMENTARY CASH FLOW INFORMATION

Supplementary information for the details included in the consolidated cash flow statements as of 31 December 2020 and 2019 is as follows:

	31 December 2020	31 December 2019
Changes in provisions:		
Provisions for warranty and assembly	384.372	112.497
Provisions for employee benefits	321.380	67.428
Provisions for non-cash loans	137.043	-
Provision for price revisions	47.539	23.056
Cost accruals for construction contracts	26.557	(19.413)
Provisions for lawsuits	24.026	4.807
Provisions for credit card points	7.421	-
Other provisions	131.374	114.351
	1.079.712	**302.726**
Adjustments for impairment loss/ (reversal of impairment loss):		
Provisions for impairment on loans	7.595.802	73.663
Provisions for impairment on trade receivables	112.539	86.797
Provisions for impairment on property, plant and equipment	97.279	58.091
Provisions for impairment on inventories	69.430	(104.964)
Provisions for impairment on assets held for sale	26.638	-
	7.901.688	**113.587**
Net changes in the operating assets and liabilities:		
Finance:		
Receivables from finance sector operations	(51.354.785)	778.539
Balances with Central Bank of the Republic of Turkey - required reserves	(6.497.185)	-
Payables of finance sector operations	63.768.722	-
Other assets and liabilities, net	(4.032.403)	-
	1.884.349	**778.539**
Non-Finance:		
Inventories	(1.233.370)	(2.753.069)
Trade receivables	(1.450.600)	(1.723.612)
Trade payables	2.312.162	11.058.218
Other assets and liabilities, net	928.131	881.267
Other payables and receivables, net	1.239.455	(287.731)
Currency translation differences	1.374.052	100.297
	5.054.179	**8.053.909**
Cash and cash equivalents:		
Cash and cash equivalents (Note 5)	60.360.801	37.816.360
Add: Balances with the CBRT - free balances (Note 6)	26.452.464	-
Less: Blocked deposits (Note 5)	(2.214.489)	(1.861.248)
	84.598.776	**35.955.112**

NOTE 39 - EVENTS AFTER THE BALANCE SHEET DATE

- On 10 February 2021, Arçelik, a Subsidiary of the Group, completed the sale transaction of bonds to qualified domestic investors, with 728 days term, 3 months coupon payments, floating interest with 140 bps over TLREF reference rate and principal payment at maturity date of 10 February 2023. The final issuance amount was realised as TL1.200.000 thousand. Settlement date of the issuance was 12 February 2021 and the issuance was advised by Yapı Kredi Yatırım Menkul Değerler A.Ş.

- A share purchase agreement was signed on 16 December 2020 between Arçelik and Hitachi Global Life Solutions Inc. ("Hitachi GLS") in order to establish a partnership that Arçelik will control with the majority interest, to operate in the global home appliances market outside the Japanese market. Following the fulfilment of closing conditions stated in the said agreement, Partnership Agreement, Master Brand Agreement and other related agreements will be signed between the parties in 2021. In this context, Hitachi GLS will incorporate a new company in the Netherlands and transfer all the assets of home appliances business owned by its 12 subsidiaries to the new company of which 60% of the shares will be bought by Arçelik. Transaction value for 60% of the shares is determined as USD 300 million on a cash-free and debt-free basis, including all the minority interests. The transaction value is subject to price adjustment based on the balance of net debt and net working capital of the new company as of the closing date. The transaction is subject to fulfilment of the closing conditions in the aforementioned agreements including the approvals to be granted by the regulatory authorities. The transaction is expected to be closed by 1 April 2021.

- Yapı Kredi Bankası, a Subsidiary of the Group, issued fixed rate subordinated bond (Tier 2) abroad on 22 January 2021, with a nominal amount of USD 500 million, coupon rate of 7,875% and semi-annual interest payments, maturity of 22 January 2031 and having an early redemption call option on 22 January 2026. In addition, it was resolved by the Yapı Kredi Bank's Board of Directors to redeem the subordinated bond on 9 March 2021, which was issued abroad on 8 March 2016, with a notional amount of USD 500 million, a maturity of 9 March 2026 and structured to be repaid in the fifth year.

- Tüpraş, a Subsidiary of the Group, issued bonds with nominal values of TL290 million and TL1.100 million, maturity of 728 days, coupon payments in every 3 months, principal and coupon payments at the end of maturity and additional return of 140 bps over TLREF reference rate on 22 January 2021 and 3 February 2021, respectively.

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