



Chairman's Statement

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

The global crisis that gripped the economies of countries everywhere starting from the second half of 2008 was a harbinger of a new world. There is no consensus about to how the crisis will end, but end it will and a new geopolitical order will prevail in the world in the years to come. The center of economic power will move eastwards and the socioeconomic structure of the world will be reshaped.

Change usually gives rise to painful processes. It is possible to see the global crisis and the process of emerging out of the crisis in such a context. Overall, national economies experienced a significant recession, however there were important variations from country to country. Also within countries, the consequences of the crisis differed from sector to sector and company to company. This demonstrates the importance of making multidimensional assessments.

In Turkey, the economy dipped by 5% in 2009. Declining purchasing power in the EU, Turkey's largest trading partner, resulted in a steep decrease in foreign demand. Within the country, weak consumer confidence and the consequent decline in domestic demand had a lesser impact on the rate of growth. On a positive note, Turkey's banking sector remained unscathed. Experienced management teams used to dealing with crises rapidly developed alternative markets. Both private and public sector debt was successfully rolled over, as attested to by international rating agencies.

We will see what these favorable factors will bring in 2010. Turkey expects 4% growth this year. The more effective functioning of alternative markets, modest revivals of western economies, a relatively more dynamic domestic market, and a banking sector prepared to provide credit will have a positive impact on the Turkish economy.

Though global competition will bring some difficulty, we believe that Turkish companies' experience of doing business under challenging conditions will allow them to emerge triumphant from this test. In fact, 2009's financial indicators strongly demonstrate this. Going further, if Turkey's economic, social and political risks are managed well in the short term, it is possible that Turkey will become even stronger in the intermediate to long run.

International dynamics and geopolitical and regional economic necessities indicate the need to have Turkey and Turkish companies as long-term investment partners. Turkish companies are in a unique position because of their ability to work amicably with the West and East, and because of the gradually developing relationships with countries in Turkey's hinterland. Turkey will use its position to best effect in the post-crisis period. It will be no surprise if Turkey achieves an unprecedented growth rate in 2011 and thereafter, provided there is a sufficient injection of foreign resources and the reforms enacted within the framework of the EU process are continued.

We can identify even now the architects of this potential growth: They are the Turkish companies with global business experience, the entrepreneurial, knowledgeable and experienced managers of these companies, and the country's trained labor force.

As Koç Group, we are confident that we will be one of the companies that best assesses forthcoming risks and most effectively takes advantage of opportunities. We have differentiated ourselves by the focused strategy and crisis preparedness we have implemented in the past few years. Our vision, values, management principles, thriving partnerships, ability to correctly read the world and developments in it and many other distinctions have enabled us to succeed even under the conditions prevalent in 2009. We have not only realized our strategic targets but we have also reached unprecedented operating profitability rates.

We take distinct pride in having realized this achievement while continuing to make essential investments. Koç Group's distinctiveness is in its DNA and it is the strength behind our continued success. This strength, together with the effectiveness of our distribution network, our first-rate companies, excellent production and R&D capacity, dedicated employees, adherence to high standards of corporate governance, and sense of social responsibility make us one of the most successful companies.

As Koç Group, we believe that corporate governance increases the management quality, reduces risks, and earns confidence and respect of the financial and capital markets. Taking this belief as a starting point, we have voluntarily adopted a proactive approach toward corporate governance. We create value for our shareholders under the principles of transparency, fairness, responsibility and accountability, which comprise our understanding of corporate governance. Koç Holding is one of the rare Turkish companies that links the compensation of top level executives to economic profitability and stock performance. In addition, Koç Holding's Board of Directors has 4 members who meet the criteria of independent members. These features ensure clarity and transparency, and so safeguard effective corporate governance.

As Koç Group, the principles underlying our strategy are clear: to be a global actor, a regional power and a leader in sectors of strategic importance; to take control of change and increase productivity, competitive superiority and profitability; to use technology effectively in order to make our brands successful in global markets; to manage risks and take full advantage of opportunities.

Our sense of corporate social responsibility, which is a natural consequence of our approach to business and has been prominent throughout our more than 80-year history, ensures we will continue to add value to our country, society, employees and shareholders.

As Koç Group,
we are
confident that
we will be one
of the
companies that
best assesses
forthcoming
risks and most
effectively takes
advantage of
opportunities.

08
09

Mustafa V. Koç
Chairman