

Koç Holding A.Ş.

Board of Director's Report

Dear shareholders,

Welcome to the 46th General Assembly Meeting of Koç Holding.

We hereby present for your evaluation the Koç Holding Annual Report for 2009. The first section of the report provides general information about Koç Holding, its goals, strategies and operations in 2009, while the succeeding pages detail developments in our core business segments. The second part of the report contains audited financial statements and accompanying notes as of December 31, 2009 and other disclosures required by the Capital Markets Board (CMB).

The consolidated financial statements presented in this report have been prepared on a consolidated basis in compliance with International Financial Reporting Standards and CMB Decree Serial XI, No. 29 and related announcements. However, in accordance with the CMB decree dated March 17, 2005, inflation accounting has not been applied since 2005. Other than amounts originating in foreign currencies such as export revenues, convenience translation of the items of the income statement in TL (including net income for the period) into foreign currency have been converted using the average annual exchange rates, while the balance sheet items have been converted using the year-end exchange rates.

Dear shareholders,

I would now like to share our main assessments on the fiscal year ending 31 December 2009 on behalf of Koç Holding Board of Directors.

Overview of 2009

2009 was a year where the impact of the crisis was felt heavily both at home and in the world. Despite measures introduced by governments around the world in an effort to incentivize the markets, demand for almost all products and markets contracted.

We had shared with you in last year's meeting that Koç Group entered the crisis with an extremely strong standing in terms of its cash position, portfolio structure and other operational indicators. Proactive risk management, stringent cost-cutting and efficiency focus and diversification of export markets in an effort to minimize revenue contraction were diligent measures that we continued to implement during the year. As a result of these measures, despite the inevitable decline in our revenues, our profitability, when adjusted for the one-off capital gains recorded from the sale of our subsidiaries in 2008, increased significantly and there has not been any negative impact on our financial standing.

Our consolidated revenues declined by 19% compared to 2008, and reached TL44.8 billion. In addition to the contraction in the domestic and international markets which I previously mentioned, the decline in the prices of oil and fuel products were the main culprits behind this decline. Despite the fall in our revenues, our operating profit, when adjusted for the one-off capital gains recorded from the sale of our subsidiaries in 2008, increased by 3% to TL3.5 billion. Our profit before tax from continuing operations, when adjusted for the one-off capital gains recorded from the sale of our subsidiaries in 2008, increased by 125% to TL3.2 billion. Net income attributable to equity holders of the parent was TL1.4 billion. The decline in our net income was caused by the one-off capital gains recorded from the sale of our subsidiaries.

Developments in Koç Holding and Koç Group in 2009

Koç Holding continued to fortify its domestic and international standing, and continued to rise in Fortune Global 500 to 172nd place with its 2008 results. The main activities of 2009 were as follows:

- Our energy companies completed the year with high profitability despite the challenging market conditions. In the face of contracting market demand, Tüpraş was one of the first refineries in the world to pursue an optimal production policy and as a result of the effective measures taken, Tüpraş generated the highest operating profit per barrel among the global refineries in the last three quarters of the year. Aygaz continued its leadership of the domestic LPG market while consolidating all companies in Koç Group Energy Segment, except refining and fuel businesses, under its roof. Opet continued to increase its market share and strengthened its 3rd position in white products and 2nd position in black products.
- Our automotive companies continued to augment their undisputable market leadership. Our companies manufactured 443,000 vehicles in 2009, equal to 50% of Turkey's total production. Our total market share in domestic sales reached 31%, with Ford Otosan and Tofaş sharing the leadership position. Our exports fell by 30% to 306,000 units as a reflection of the contraction in our main export markets, especially in the light commercial vehicles segment. Our share in Turkey's total automotive exports increased to 48%. Ford Otosan, which is celebrating its 50th year, started exporting the Transit Connect model, which is developed by Turkish engineers and manufactured at the Kocaeli plant, to North America in May. Transit Connect was Turkey's first automobile export to the USA and a landmark achievement. Tofaş, which celebrated its 50th year in 2009 became the first factory in the Fiat universe to reach the silver level for safety and quality in production.
- Arçelik continued its strong leadership in the domestic market while also strengthening its market share and brand positioning in the international markets. Arçelik recorded one of the highest market share growth rates in Europe by entering new export markets and securing new distribution channels. Beko increased its unit sales by 50% in a contracting market while also becoming the brand that recorded the highest growth in France. Beko was among the top ten best household appliances brands in the world in 2009. In line with the restructuring efforts to increase the competitive power and profitability of the consumer electronics segment, Grundig Elektronik was merged into Arçelik in June.
- Yapı Kredi increased its profitability thanks to solid revenue growth and cost containment efforts, coupled with proactive credit risk management and focus on innovation. Throughout this period, Yapı Kredi invested in projects aimed at increasing commercial effectiveness and developing innovative new products and services so as to be best positioned for rapid growth when macroeconomic conditions normalize.

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Koç Holding Consolidated Financial Results

(TL million)	2009	2008	Change %
Revenues (net)	44,832	55,548	-19
Operating profit	3,471	5,038	-31
Operating profit (adjusted) ¹	3,471	3,363	3
Profit before tax from continuing operations	3,159	3,081	3
Profit before tax from continuing operations (adjusted) ¹	3,159	1,406	125
Profit for the year	2,641	2,578	2
Profit for the year - attributable to equity holders of the parent	1,429	2,024	-29
Earnings per share (TL)	0.592	0.838	-29
Earnings before interest, taxes and amortization - EBITDA	4,396	5,853	-25
EBITDA (adjusted) ²	4,396	4,178	5
Operating profit / Revenues (%)	7.7	9.1	-1.3 ₃
Operating profit (adjusted) / Revenues (%)	7.7	6.1	1.7 ₃
Total assets	66,386	64,890	2
Total liabilities	47,604	48,758	-2
Total equity	18,782	16,132	16
Shareholders' equity	11,170	9,749	15
Capital expenditures	1,444	1,633	-12
Depreciation and amortization	925	815	13
Revenues / Total assets	0.68	0.86	-0.18 ₃
Operating profit / Total assets (%)	5.2	7.8	-2.5 ₃
Operating profit (adjusted) / Total assets (%)	5.2	5.2	0.0 ₃
Current ratio	0.88	0.86	0.02 ₃
Total liabilities / Equity	2.5	3.0	-0.5 ₃

1) Operating profit excluding one-off capital gains from the sale of subsidiaries

2) EBITDA excluding one-off capital gains from the sale of subsidiaries

3) The changes in ratios are given as percentage point differences

Koç Holding A.Ş.

Board of Director's Report

Financial and Operational Results

Koç Group continued to achieve successful results in all business lines.

Koç Holding's combined revenues reached TL68,116 million in 2009. After TL16,739 million is deducted for proportional consolidation of joint ventures according to International Financial Reporting Standards and a further TL6,545 million is deducted in lieu of consolidation eliminations and adjustments, the net consolidated revenue of Koç Holding amounted to TL44,832 million.

Koç Holding's operating profit declined by 31% from a year ago to TL3,471 million. However the operating profit for 2008 included TL1,675 million one-off capital gains from the sale of our subsidiaries. When adjusted for these one-off gains, our normalized operating profit actually increased by 3% in 2009.

Profit before tax from continuing operations increased by 3% compared to 2008 and reached TL3,159 million. When adjusted for the one-off capital gains recorded from the sale of our subsidiaries in 2008, our profit before tax from continuing operations increased by 125%.

Consolidated net income for 2009 was TL2,641 million of which TL 1,429 million was attributable to equity holders of the parent.

Koç Holding's total assets increased by 2% to TL66.4 billion. Total shareholders' equity increased by TL1,420 million during the year with the net profit for the period and other capital movements, reaching TL11,170 million.

Capital expenditures for the year reached TL1,444 million. The highest capital expenditures were made in the energy sector for the refinery modernization, spec improvements and environmental investments as well as station investments, followed by new product investments in automotive and consumer durables.

Combined international sales reached \$9.2 billion, declining by 38% compared to 2008. The main reasons behind the decline in our international sales figures are the contraction in the European automotive and consumer durables markets as well as the decline in export of fuel products.

Employment and labor relations

The total number of employees of Koç Holding, its subsidiaries and joint ventures was 68,057 as of the end of 2009.

On a sectoral basis, the highest number of employees was in the automotive sector with 27% of total Group employees, followed by consumer durables with 26% and finance with 25%.

In our 6 companies (Tüpraş, Aygaz, Ditaş, Tat Konserve, RMK Marine and Yapı Kredi) where the collective employment agreements expired in 2009, the agreements covering approximately 14,500 unionized workers were renewed amicably conserving the work peace.

Dividend proposal

According to the financial reports for the fiscal year January 1, 2009 to December 31, 2009, prepared in accordance with International Financial Reporting Standards by Koç Holding A.Ş. and audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers), after a deduction of 5% as legal reserve fund (a sum equal to TL12,600,008.55) in line with Article 466 of the Turkish Commercial Code, a distributable profit of TL1,416,609,991.45 was generated according to the Capital Markets Board's regulations. After addition of TL182,592.00 granted to tax-exempt foundations and associations, a first level dividend base of TL1,416,792,583.45 was generated.

On the basis of the financial reports prepared in line with the legal records, after deduction of 5% as legal reserve fund (TL12,600,008.55), in accordance with Article 466 of the Turkish Commercial Code the distributable profit amounted to TL239,400,162.46. Furthermore, with the addition of TL1,319,274,730.00 extraordinary legal reserves that may be subject to distribution, the total amount of distributable profit as per the legal records reached TL1,558,674,892.46.

In line with Capital Markets Board regulations and the provisions of the Company's Articles of Association, it has been decided to allocate the distributable profit as follows:

TL 283,358,516.69	As first level dividend to shareholders
TL 10,838,360.99	To Koç Holding Pension and Assistance Foundation, in accordance with article 32/c of our Articles of Association (1% with the payment made during the year)
TL 38,875,588.24	To holders of dividend right certificates, in accordance with article 32/d of our Articles of Association,
TL 26,641,483.31	As second dividend to shareholders.

We propose the following to the General Assembly's approval:

- Payment of total TL310,000,000.00 gross=net cash dividends (TL283,358,516.69 first dividend and TL26,641,483.31 second dividend),
- TL113,621,705.33 to be expended from exceptional current year profits
- TL196,378,294.67 to be expended from exceptional earnings of extraordinary legal reserves
- Expend the payment for holders of dividend right certificates from the exceptional current year profits
- Expend the payments for Koç Holding Pension and Assistance Foundation from the other current year profits
- To allocate TL76,064,507.89 remaining from current year legal profit after the payment of dividends to shareholders, holders of dividend right certificates and Koç Holding Pension and Assistance Foundation as extraordinary legal reserves
- And the dividend distribution to begin on May 3, 2010.

Dear Shareholders,

On behalf of our Board of Directors, I thank you, our valued shareholders and customers for their continued trust and support, and our employees, for their dedication and outstanding contribution.

Chairman of the Board of Directors

Mustafa V. Koç