

# We endeavor to maximize Koç Group synergies and demonstrate solidarity at the highest level.

## CHAIRMAN'S STATEMENT

As Koç Holding we were able to emerge from the 2008-2009 crisis as a stronger entity because of our focused strategy, preventative measures, innovation and creativity. In 2010, we achieved a significant 20% growth, with consolidated revenues reaching TL54 billion and net profit of TL1.8 billion.

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

In 2010 we emerged from the aftermath of an unprecedented global crisis and entered into a new period of economic activity. At the beginning of the year, anxiety regarding the speed and depth of the recovery continued to prevail. However, it soon became apparent that the measures taken had prevented the widely feared contraction in global commerce, production, and capital movements. Nevertheless, there is still a need for serious measures to make the present system more resistant to the factors that precipitated the crisis.

### Remarkable growth in the Turkish economy

The Turkish economy has maintained its positive outlook despite global developments, in particular the difficulties experienced in the European Union. Turkey achieved remarkable growth of nearly 8% in 2010, emerging from the crisis at an acclaimed pace that gained international recognition. Without a doubt, focus on stronger balance sheets in both banks and the real sector and increasing productivity and flexibility played a crucial role in this success. The Turkish economy recovered quickly at the beginning of the year as the global economy began to show signs of emerging from the crisis. The stock market mirrored this success: The Istanbul Stock Exchange main index increased by nearly 25%, ranking among the world's top-earning exchanges in 2010.

This economic energy is pushing Turkey into a new period of high growth momentum. Indicators point to a continued growth trend, particularly in the first half of 2011. While 2010 was marked by low inflation and high growth, developing countries may well witness higher inflation and decelerating growth in 2011. Still, we believe that even if the pace of Turkey's economic growth slows down relatively, it will be able to maintain a level of growth above the global average.

Finding ways to minimize the impact of adverse developments in global markets on the Turkish economy will be of critical importance in the upcoming period. Turkey must open the way to rapid, sound and sustainable growth in the intermediate and long-term by emphasizing advanced technology and high value-added sectors, giving priority to R&D and innovation and increasing market diversity.

As Turkey's largest private sector company, Koç Holding has vital responsibilities in attaining these goals.

### Koç Group in 2010

As Koç Holding we were able to emerge from the 2008-2009 crisis as a stronger entity because of our focused strategy, preventative measures, innovation and creativity. In 2010, we achieved a significant 20% growth, with consolidated revenues reaching TL54 billion and net profit of TL1.8 billion. We created 5,000 new jobs through new investments and increases in capacity utilization, increasing the number of employees to 73,000 people, while we maintained our successful financial and operational performance. We invested TL2 billion in 2010, reaching a total of TL11 billion in five years, excluding acquisitions.

### Our 2011 targets

In 2011, our aim is to strengthen our global standing and enhance our success. Accordingly, if the right conditions are achieved, we will seek to enter new areas through partnerships and investment opportunities in the domestic and international markets. We formed a new partnership in the energy sector in 2010 with the ambitious goal of replicating the leadership we enjoy in petroleum and LPG products in electricity. We will closely monitor energy generation opportunities, especially privatizations, in 2011 in order to reach these goals. We will continue to work on new projects to boost our production and exports in automotive. We will accelerate our international acquisition efforts in consumer durables. We will also endeavor to sustain our strong growth in banking.



In order to secure sustainable increases in competitiveness, we place great importance on R&D investments and are fully committed to preserving natural resources in all our processes. In 2010, our companies invested TL74 million to reduce the environmental impact. A significant portion of our TL450 million R&D expenditure was spent on research to make our products more efficient and environment friendly. Last year, our companies increased their energy efficiency by nearly 5%. By recycling waste water, we achieved water savings of close to 14 million m<sup>3</sup>, a figure equivalent to one years' water consumption of 100,000 people at European standards.

#### **Koç Group as a good corporate citizen**

Koç Holding continues to be an exemplary corporate citizen. Our nationwide Vocational Education project - initiated in collaboration with the Ministry of Education and with the support of the Vehbi Koç Foundation - has reached 8,000 students in 264 schools and 81 provinces across Turkey in five years. We are rightly proud that our first scholars are graduating and the employment component

of the project has begun. "For My Country" project focused on health in 2010. In a joint campaign with the Turkish Red Crescent, we raised awareness on the importance of donating blood and spread voluntary blood donation in Turkey. Through the synergy of our 46 companies and 128 dealers countrywide, we obtained 33,000 units of donated blood-which was the highest amount on record donated to the Turkish Red Crescent by a corporation. Our expression of social responsibility is based on a concept enshrined by our founder, the late Vehbi Koç, "If my country exists, I exist". With this motto as our guiding light, we will continue to support our commercial achievements with comprehensive projects that address social problems.

#### **Being one...**

The theme we have chosen for our annual report this year is "Being one".

We understand "Being One" in two ways: being "Number One" in the sectors and businesses in which we operate, and as "Acting as one in Unity"-in other words, taking the Group's internal synergy to the highest level.

In the year ahead, we expect that we will need the favorable impact of these two concepts as global economic conditions deepen competition. To prevail, we must not only sustain but consolidate our position and demonstrate the highest level of mutual solidarity.

I express my heartfelt thanks to our shareholders, customers, dealers, suppliers, industry and business partners, labor unions, managers and employees for their unwavering support on our way to success.

**Mustafa V. Koç**  
Chairman