

We are one with all of our stakeholders by acting with a team spirit.

CEO'S LETTER

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Dear Shareholders,

We have left behind a year that was scene to important developments for the world and for Turkey. The global crisis forced many countries to take new economic measures and to review the structural components of their economies, while Turkey's bright performance distinguished it among other countries. Koç Group, continued its successful financial and operational performance against this backdrop of strong growth.

Timely measures and correct strategies played a key role in Koç Group's success

Undoubtedly, the timely steps we have taken and the strategies we implemented in the previous years played a significant role in our achievements. The focused strategy that we initiated well before the financial crisis hit the markets in 2008 and our portfolio restructuring, which we completed when the asset prices were at their peak, enabled us to confront the crisis with a strong net cash position. We concentrated on increasing efficiency and applying stringent cost management throughout the crisis. While diversifying our export markets to minimize the impact of the contraction, we continued our investments to increase our competitive edge. As a result, we were able to weather even the darkest days of the crisis and responded with dynamism as the markets began to expand early in 2010.

Koç Holding's market capitalization reached \$12 billion

Koç Holding posted consolidated revenues of TL54 billion in 2010, representing an increase of 20%, while our profit before tax reached TL4 billion, increasing by 23%. Our consolidated international sales rose by 26% to \$8.3 billion. We continued to create shareholder value through our publicly traded companies. With a market capitalization of \$12 billion as of 2010-end, Koç Holding became the holding company with the highest market capitalization at the Istanbul Stock Exchange. Foreign ownership of Koç Holding's free float reached 78%, the highest in our history.

Koç Group synergies are an important part of our success

We owe this success to our employees, who aim to be the best in everything they do, our companies that endeavor to achieve excellence in their fields, and the collaboration of our staff, suppliers and dealers in the face of intense competition. As Koç Group, our top priority is to achieve and maintain continuous leadership in all of our businesses and in each sector where we operate, while maximizing intra-group synergies. These two priorities guide us and demonstrate the power inherent to our organization. Therefore, we chose "Being One" as our theme this year. Being one means being one with all of our stakeholders, maximizing synergies by acting with a team spirit, and coming first in our sectors, our products and our services. Leadership in our operations has been an indisputable fact of Koç Group for many years and in 2010 our companies continued to further reinforce their positions.

Koç Group is the unrivaled leader in petroleum and LPG products

We have an unrivaled superiority in petroleum and LPG products in the energy sector, which, given its enormous growth potential, is one of the world's most strategic sectors. Tüpraş, the seventh largest refinery in Europe, continued to outperform its international peers due to its operational flexibility, driven by its powerful infrastructure and strong financial standing. Tüpraş meets about 65% of Turkey's fuel demand and is working on the Residuum Upgrading Project, which is expected to be completed in 2014 with an estimated \$2 billion investment, to create added value. Aygaz Group continued to lead its market with around 30% market share. Opet, which owns Turkey's biggest storage capacity in the fuel distribution sector, raised its market share to 17% and remained the sector leader in customer satisfaction for the fifth consecutive year.



Our target in electricity generation is market leadership

We took an important step in electricity generation in 2010 by signing a partnership agreement with the American company AES to operate jointly in this field. Our target is to become one of this market's leading players by raising our installed generation capacity from 300MW to 3000MW through acquisitions and greenfield investments.

We are leading the automotive sector with our companies

Our automotive companies were once again the driving force of the sector, accounting for 52% of total automotive production and 50% of Turkish automotive exports. Ford Otosan, market leader for the ninth consecutive year with a market share of 15.6%, announced a \$630 million investment plan for the New Transit series. Tofaş, second in the light vehicle market with a 14.6% share, launched the New Fiat Doblo, for which it owns the full intellectual property rights. With the new agreements signed with Opel and Vauxhall, Tofaş is now producing its models for five different global brands. We are expecting an additional production of 40,000 units per annum within the scope of this agreement. Türk Traktör increased its sales in a rapidly growing market by 188%, thereby taking a 52% share and continuing its clear leadership. Otokar, the prime contractor of Turkey's first national tank project, has completed the first phase of the project that will last 6.5 years.

Arçelik: A global player

Arçelik is the indisputable leader of the Turkish consumer durables sector and was once again one of the best performing companies in its global peer group in 2010. The Company continued to grow, particularly in developing countries and raised its market share in many regions. Arçelik increased its UK market share to 16.4%, reinforcing its second market position, while continuing to lead the market in Romania with 34% market share. Arçelik has created many innovative products through its R&D emphasis and it launched the world's least water and energy consuming products in 2010. Beko was once again among the world's top ten best-selling consumer durables brands. Arçelik-LG celebrated its tenth year with a 51% market share, which it achieved through its innovation, strong technological infrastructure and extensive distribution and service network.

Yapı Kredi recorded the highest return on average equity in the sector

As a result of its strategy focused on growth, customer satisfaction, commercial effectiveness and profitability, Yapı Kredi increased its net income by 45%, despite the low interest rate environment, recording the highest increase among the four big private banks. Yapı Kredi outperformed the sector, achieving a 40% growth in loans and a 27% increase in deposits, without compromising its commitment to profitability and recording the highest growth among its peers. Yapı Kredi's return on average equity increased by 400 basis points to 27%, the highest level among private banks.

Koç Group leads the way in innovation and technology in its businesses and continues to focus on delivering innovative, environment friendly and energy-efficient products and services.

In 2010, Koç Group's R&D investments totaled TL450 million, more than any other group in Turkey. In an EU study on R&D investment, based on 2009 results, our consolidated €118 million R&D investment put us in 355th position among non-EU countries.

Koç Group is Turkey's patent leader with over 200 applications filed annually

Koç Group makes a significant contribution to industrial and technological development by applying for over 200 patents each year. In 2010, our companies' patent applications exceeded 250, constituting 8% of all the applications made by local companies and individuals.

Being one with our country and society

Fundamental to our success is the confidence we derive from being one big family with our country, customers, dealers, suppliers, stakeholders and shareholders. This is an attribute that gives us strength in a highly competitive setting.

This characteristic gives us, as one of Turkey's leading companies in social responsibility, the ability to positively change habits and values through our work. Leveraging this capacity and the impetus it creates for social change, we make significant contributions to solving problems in the country. We will continue to work in unity and develop synergies in support of social development with projects such as the "Vocational Education: A Crucial Matter for the Nation" project, which was selected as Turkey's best employee volunteer project and will represent Turkey at the Europe 2010 Awards, and "For my Country" project.

As we enter our 85th year, I have full confidence that, with our values, we will transform new developments around the world into opportunities, continue to be a driving force of the Turkish economy and strengthen our position among the companies that will shape the future of the world. The potential and knowledge our long history has created will continue to provide the strength and self-confidence we need.

Osman Turgay Durak
CEO & Member of the Board of Directors