KOÇ SELLS KOÇ ALLIANZ SHARES TO THEIR PARTNER TO PREPARE FOR NEW INVESTMENTS

Koç Holding raised significant resources from their agreement with Allianz, it gaining ground for new investments in their industries of focus.

Koç has signed an agreement to handover their shares in Koç Allianz Sigorta A.Ş. and Koç Allianz Hayat ve Emeklilik A.Ş to their German partner, Allianz SE. This agreement enables Koç to take another important step towards focusing its investment strategy, while Allianz strengthen,its presence in the Turkish insurance industry.

The overall value of the two companies is estimated at €782 million ($1.243 million). With this agreement, Koç Holding will gain €354 million ($562 million) of capital resources.

According to the agreement, both Koç Holding's 43.4% shares and Temel Ticaret's 3.7% shares in Koç Allianz will be sold to Allianz SE for €248 million.

In addition, Koç Holding's 49% shares in Koç Allianz Life and Pensions will be transferred to Allianz SE for €125 million. As a result, Koç Holding will receive €354 million and will end its shareholder status in these companies while Allianz gains control of Koç Allianz Sigorta and Koç Allianz Life and Pensions with 87% shares and 84.2% shares, respectively.

The CEO of Koç Holding, Dr. Bülent Bulgurlu,issued a statement regarding the sale. Dr. Bulgurlu referred to the amicable and successful partnership which delivered state of the art practices in the insurance industry,yielding a strong position in the market.

"This agreement is the best example of the trust and positive expectations of international investors in both the Turkish economy and the Turkish insurance industry."

Bulgurlu thanked Koç Allianz employees for their extraordinary efforts and dedication, a significant contribution in bringing the company to the strong position it has today. He expressed that they are pleased to handover their shares to their partner, Allianz, whom they trust will continue with the successes achieved by this organization. Furthermore, Bulgurlu emphasized that this agreement was the best illustration of the trust and positive expectations of international investors in both the Turkish economy and the Turkish insurance industry.

Bulgurlu stated, as announced earlier, that Koç was implementing with determination their "strategy to focus on four core sectors contributing highest to the Group results." He also added that the agreement with Allianz was another important step towards achieving this goal. Dr. Bülent Bulgurlu said that Koç would continue advancing through active investments, creating high added-value for the Koç Group as well as for the Turkish economy. Furthermore, he asserted that Koç would grow rapidly and become an even stronger global corporation. Bulgurlu also expressed that the capital obtained in selling their shares in these companies would increase their competitive edge by allowing them to invest in the Group's industries of focus and would also create a better financial structure to avoid possible risks.

“Yapı Kredi Bank will open 160 new branches in 2008 and reach 1,000 branches by the end of 2009.”

Regarding new investments in the Group’s industries of focus, Bulgurlu said, “Our aggressive organic growth projects in the banking industry are ongoing. In expediting the ‘Branch Network Expansion Project’, which began in July 2007, Yapı Kredi opened 82 new branches in the last five months of 2007. They aim to open 160 more branches in 2008 and reach 1,000 branches by the end of 2009. Yapı Kredi continues to expand abroad with its operations in Russia, the Netherlands, and Switzerland. Our goal is to increase Yapı Kredi Bank’s prestige and value on a global scale and to bring it to a position where of national pride.We are following certain privatization projects in the banking industry, which we think will to come to the privatization agenda in the months ahead.

“We will become a global company in durable consumer goods. We are focusing on new investments abroad.”

“The durable consumer goods industry is one of the industries we focus on, where the Group continues to be a leader with the largest sales and after-sales services network in Turkey. We have 16 production plants, 16 brands, and 39 companies in this industry. We are forming a similar network in foreign countries, just as we have in Turkey. We have production facilities in Romania, Russia and China. This year, two years ahead of target, our Beko brand is becoming one of the top 10 brands in the world. These are concrete testimonies to the fact that our Arçelik company is taking fast, but steady, steps towards becoming a global company. Our activities for increasing production plants and sales network in foreign countries are ongoing.

“In 2008, Tofaş will invest $514 million, and Ford will invest $115 million.”

“Currently, our automotive companies, Ford Otosan and Tofaş, have the highest exports figures in the Turkish automotive industry and manufacture almost half of the overall production in Turkey. With a $514 million investment, Tofaş will increase exports to 283,000, almost doubling last year’s. As for Ford, with a $115 million investment, they will improve work processes and production facilities, increase capacity, and evaluate future product programs.

“We have planned an investment worth $1.6 million at Tüpraş. The return-on-investment is less than five years, and we will make an additional $500 million profit in operations.”

“Thanks to Tüpraş, we have transformed our bold initiatives into a leading position in the energy industry, the most strategic industry in the world, which is becoming even more so with every passing day. We have become one of the largest actors, not only in Turkey, but also in the region as well. With an annual production capacity of 28.1 million tons, Tüpraş is the eighth largest refining company in Europe. We will continue investing in Tüpraş. We have already invested a total of $628 million in the CCR projects at the Izmit and Kirikkale refineries; in the HDS projects at the Izmit and Kirikkale refineries; and in improvements of the gasoline specifications project at the Izmit and Izmir refineries ever since we have taken over Tüpraş. In addition to this investment, we decided to build the new processing units, using the existing infrastructure of the Körfez Petrokimya Facilities at the Izmit Refinery, for the Resid Upgrade (Fuel Oil Conversion) project worth $1.6 billion. The duration of the project is forecasted to be five years, from 2008 to 2012. We are expecting this project to increase Tüpraş’s operational profit by over $500 million annually. With that, the return-on-investment will be less than five years.

“As for our Aygaz company, the largest LPG distributor in Turkey, we have become an international seller of LPG, in addition to our national success. Our goal is to increase the international presence of Aygaz even more. With marketing activities as well as fuel station (retail network) investments, Opet is aggressively improving their market shares in both gasoline and diesel fuel. We are preparing to invest in new energy projects, arising from a growing energy demand in Turkey.

“Privitizations of thermal power plants are among the primary projects we are concentrating on.”

“As you know, we produce electricity through our Entek company. Privatization of thermal power plants is on the agenda of the energy industry. Currently, this is among the primary projects we are working on. As our interest in nuclear power plants continues, we plan to consider investing in this area should the conditions be suitable.

“We are committing the largest industrial and agricultural investment in Turkey and the GAP region.”

“In the next five years, we will invest $84 million in the region and will build our capacity to produce and process 1 million tons of tomatoes. We are aiming to produce 130,000 tons of tomatoes in 2008. We will carry our Harranova facility in Urfa to first place in Europe. We have sold 10% of the shares in Harranova A.Ş. to The Morning Star Packing Company in the U.S. Through this partnership, we are committing the largest industrial and agricultural investment in Turkey and the region. We will have the opportunity to benefit from our U.S. partner’s knowledge and experience in technology, agriculture, production, and sales and marketing. We will export tomato products worth $150 million annually from the region.”

“We are laying the foundation for future success. Our objective is to be an exemplary corporation, making the Turkish public proud of both our code of conduct and financial prowess in global markets.”

In addition, Koç Holding CEO Dr. Bülent Bulgurlu said they export to more than 100 countries and have operations established in 30 countries. Bulgurlu continued by saying, “Today, the combined turnover of our Group is equal to 9% of Turkey’s national income. Furthermore, our Group produces 11% of Turkey’s overall exports and pays 15% of all taxes paid in Turkey. Our objective is to be an exemplary corporation, making the Turkish public proud of both our code of conduct and financial prowess in global markets.”

Bulgurlu pointed out that they always aimed to supply the Turkish public with the newest and best quality products and services. He added that long-term strategies played a substantial role in their success. Furthermore, Bulgurlu explained that based on their forecasts, Koç Holding was laying the foundation for future success by determining the steps they have to take starting today. He stated that as a result of this, they were able to increase their contributions to the national economy every day.

Share transfer is expected upon completion of the required approvals.