

FOREIGN MARKET CONSULTING



Danismanlik ve Tic. Ltd. Sti.

Today you are receiving our latest newsletter about recent economic and political developments in Turkey.

We would like to hear your opinions about our newsletter and about any important issues that you would like to draw our attention to. In addition, we will be pleased to inform you about the services of Foreign Market Consulting.

If you know any other people that would be interested in this free service, please forward this newsletter to him/her or provide us with the e-mail address of the interested person (to newsletter@fmconsulting.info), so that we can include him/her in our distribution list.

Best regards,

Your FMConsulting Team

Newsletter January 2007

Economy

Overview of Monthly Data

| YTL-Rates | 29.12.2006 | 31.01.2007 | Change in % |
|--------------|------------|------------|-------------|
| YTL per Euro | 1.8676 | 1.8521 | -0.83 |
| YTL per USD | 1.4199 | 1.4290 | 0.64 |

| Stock exchange index | 39,138.18 | 41,357.49 | 5.67 |
|----------------------|-----------|-----------|------|
| | | | |

| Inflation in % | Monthly inflation | Annual inflation |
|-----------------|-------------------|------------------|
| Producer prices | -0.05 | 9.73 |
| Consumer prices | 1.00 | 9.93 |

| Economic Growth Rates (%) | | | | | |
|---------------------------|-------------|-------------|-------------|-------------|--------|
| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Yearly |
| 2000 | 4.2 | 5.4 | 7.2 | 7.8 | 6.3 |
| 2001 | -3.3 | -12.3 | -9.1 | -12.3 | -9.5 |
| 2002 | 0.6 | 10.4 | 8.0 | 11.8 | 7.9 |
| 2003 | 7.4 | 3.6 | 5.6 | 7.2 | 5.9 |
| 2004 | 13.9 | 15.7 | 5.7 | 6.6 | 9.9 |
| 2005 | 7.5 | 4.7 | 8.0 | 10.02 | 7.6 |
| 2006 | 6.3 | 8.5 | 3.0 | | |

Severance Payments Fund To Be Established

AKP government has initiated studies to establish Severance Payments Fund (KTF).

According to the new draft, a share is equal to 4.5% of the wages shall be transferred to KTF

which will be operated under state guarantee. This figure shall be taken as; 3% from the employer, 1% from the unemployment fund and 0.5% from the state. KTF deductions will be collected by Social Security Institution. Fund revenues shall be audited every 3 months and the results will be published in the Official Newspaper. KTF shall pay an indemnity to the employee who quits their job, for 30 days of every each year of the employment. Indemnity shall be calculated according to the employee's average wage in the last 1 year period.

This Year, USD 9 Billion Support will Come From The Eximbank

Mr. Kursat Tuzmen who is the Minister of the State has announced that Turkish Eximbank shall give support of USD 9 billion to the exporters in 2007. USD 4.1 billion loan in cash and USD 4.9 billion as insurance and a guarantee. Mr. Tuzmen stated that Turkish Eximbank plays a very effective role in financing exportation. He also added that KOBİ's have 34% share in Eximbank loans.

Turkey is in the Mid Ranks Regarding Economic Freedom

According to the Economic Freedom Index 2007 which is prepared by USA Think Tank Institution Heritage Foundation and American Wall Street Journal, Turkey ranks the 83rd among 157 countries in respect to economic independency. Within this ranking; Hong Kong is the most independent country and Turkey has advanced 2 steps up in comparison to last year.

Yalcindag is Elected as the First Female TUSIAD President

First time in 37 years of the Turkish Industrialists and Businessmen's Associations (TUSIAD) history, a female member has been attended as the president. During General Assembly meeting with elections held in the end of January, Arzuhan Dogan Yalcindag has been elected as the first chairwoman of the group's executive board. Yalcindag said that; "I have taken over the flag, I shall carry it in a manner appropriate for TUSIAD. Being the first female president ever has doubled my responsibility".

Tax Exemption is on the Way For Female Entrepreneurs

A draft law including "tax support for female entrepreneurs", which is led by Aynur Bektas-the President of Turkish Clothing Industrialists Association (TGSD) will be activated. By means of code planned to be enacted; the tax exemption shall be applied in order to increase the number of female entrepreneurs and to encourage the housewives who earn their lives by hand work, to take place in business life. Women shall be able to realize productions at home, under a cooperative structure and at sites to be allocated by municipalities, provincial private administrations or village corporate bodies, at collective work places of certain institutions, such as; foundations, associations, community centers.

USD 38 billion Capital Source of the Inflow was Realized in Year 2006

Last year, USD 38.1 billion source of the inflow was achieved for the economy through newly established companies and companies with an increased capital. USD 6.7 billion of this capital flow was ensured through the money invested in newly established 52,699 companies and USD 22 billion was ensured through capital increase of 38,260 companies. The average capital volume of the new established companies was USD 121,000 in 2005 and increased up to USD 126,000 in 2006. The average capital increase for per company was raised from USD 636,000 up to USD 646,000. The highest capital injection to the economy came through immovable leasing and business activities together with the production industries.

| | New Established Company | Companies with an Increased Capital | TOTAL |
|------|-------------------------------|-------------------------------------|-------------------------------|
| | Number / Amount (million USD) | Number / Amount (million USD) | Number / Amount (million USD) |
| 2000 | 33,161 / 4,091 | 13,815 / 13,326 | 46,976 / 17,417 |
| 2001 | 29,665 / 1,983 | 12,295 / 10,523 | 41,960 / 12,506 |
| 2002 | 30,842 / 1,407 | 42,354 / 15,638 | 73,196 / 17,045 |
| 2003 | 32,259 / 1,924 | 43,637 / 19,836 | 75,896 / 21,760 |

| | | | |
|---------------------|----------------|-----------------|------------------|
| 2004 | 40,919 / 3,391 | 41,326 / 21,541 | 82,245 / 24,931 |
| 2005 | 47,401 / 5,754 | 34,587 / 21,997 | 81,988 / 27,751 |
| 2006 | 52,699 / 6,663 | 48,888 / 31,391 | 101,587 / 38,053 |
| Value (2006/2005 %) | 11.2 / 15.8 | 41.3 / 42.7 | 23.9 / 37.1 |

Wolfowitz : Turkish economy is A Success Story

Mr. Paul Wolfowitz, the President of the World Bank has said that Turkey's economic development is a success story by all means. Wolfowitz also said that Turkey's membership shall add a lot to the European Union. The Minister of the State and Chief Negotiator Mr. Ali Babacan attended the meeting and made a speech. He informed that the studies with World Bank shall continue within the coming period to be carried out in a wide range of areas such as; social security, public finance management, investment in media, manpower market, loan and capital markets, innovation, information and technology utilization.

Italian Prime Minister in Turkey

Following Italian Prime Minister Mr. Romano Prodi's visit to Turkey at the end of January, it is expected that there will be a possibility for Turkish-Italian mutual investment in Turkey, totaling to Euro 300 million. Mr. Prodi gave information about the sectors where Italians prefer to invest. By means of a mutual agreement to be reached on this subject that there will be an Italian investment inflow of Euro 300 million for Anatolia through cooperation projects in textile, clothing, chemistry, mechanics and food sectors. Italians are also interested in energy and urban transformation investments.

USD 19.2 Billion was Realized in Mergings and Acquisitions in 2006

154 merging and acquisition transactions were realized within last year in Turkey, , with the amount of USD 19,2 billion. USD 17,3 billion of this amount belongs to the foreign companies. The biggest acquisition transaction in 2006 was the sales of Finansbank to Greek NBG for USD 4 billion.

| Acquired Company | Country | Target Company | Sector | Value (USD Billion) |
|---------------------------|----------|----------------------------|--------------------|---------------------|
| 1-National Bank of Greece | Greece | Finansbank | Financial Services | 3,95 |
| 2-Dexia | Belgium | Denizbank | Financial Services | 3,228 |
| 3-Citigroup | USA | Akbank | Financial Services | 3,100 |
| 4-OMV | Austria | Petrol Ofisi | Energy | 1,054 |
| 5-Texas Pacific Group | USA | Mey Icki | Food and Beverage | 810 |
| 6-Cimpor | Portugal | Yibits Lafarge | Cement | 702 |
| 7-Türk Telekom | Turkey | Avea | Telecommunication | 500 |
| 8-Axel Springer | Germany | Dogan TV | Media | 480 |
| 9-St.Martin's Prtoperty | England | Cevahir Alisveris Merkezi | Shopping Mall | 422 |
| 10-Groupama | France | Basak Emeklilik ve Sigorta | Financial Services | 268 |

Unemployment Rate is 9.3%

Contribution to manpower has remained at 48.4%.

| In Thousand | 2005 October | 2006 October |
|---|--------------|--------------|
| Civil population, uncorporate | 71,915 | 72,879 |
| Population for 15 years of age and over | 51,050 | 51,922 |
| Manpower | 24,683 | 25,148 |
| -Employed | 22,197 | 22,805 |
| -Unemployed | 2,487 | 2,344 |
| Rate of contribution to manpower | 48.4 | 48.4 |
| Rate of employment | 43.5 | 43.9 |
| Rate of unemployment | 10.1 | 9.3 |
| -Rate of unemployment other than agriculture | 13.1 | 11.9 |
| -Rate of unemployment for young population | 18.8 | 18.8 |
| Rate of underemployment | 3.2 | 3.4 |
| -Rate of underemployment for young population | 4.2 | 4.9 |
| People who are not included in manpower | 26,366 | 26,774 |

Politics

Hrant Dink was Murdered

23.01.2007 was the farewell day for Hrant Dink who lost his life on 19.01.2007 in Sisli through an armed attack in front of The Daily Agos Newspaper building, where he used to work as The Chief Editor.

In the extent of the funeral ceremony that took place on 23.01.2007, a convoy walked for 8 km from Sisli to Yenikapi in silence without any slogans. Regarding the event which was at the center of Turkey's agenda, thousands of people have attended the funeral. Also, presidents of some political parties and the deputy prime minister were at present during the walk.

Reactions and condemns related to the assassination continued both in Turkey and also from abroad. Writer Yasar Kemal made a speech and has objected to the definition addressed for Hrant Dink just as an Armenian. He said that his "human" identification should not be forgotten. Mr. Kemal stated that Dink believed that bad people might also be good and that he was also a "terrific passionate lover for Anatolia".

Turkey-EU Joint Parliament Commission Fellow President Joost Lagendijk also made a speech and stated the following on behalf of European Parliament; "Everybody but everybody who is responsible for this murder should be caught, their identities should be designated and they should be interrogated. Moreover, in this event we see how important tolerance is. We always suffer from the refusal of certain ideas in a society and we should be aware of this".

Also, UNESCO General Manager Koichiro Matsuura has condemned assassination of journalist Hrant Dink.

On the other hand, Chief of Istanbul Police Mr. Celalettin Cerrah has stated that interrogation of 7 people continues who are caught as perpetrators of the crime and further stated that accused Ogun Samast is under cross-examination in Istanbul Branch Directorate of Fight Against Terrorism, has a relation with Yasin Hayal, who was active in Mc Donald's bombing 2 years ago. Cerrah also added that political side of the event and organizational structure relations are also under investigation.

Further Topics

Foreign Companies have Invested YTL 3.3 Billion in Bursa

It is determined that 104 firms are established after 2000 and 29 of them have started to be active in Bursa last year where 197 foreign capital companies from 28 different countries are active in 18 different sectors. It is informed that the firms employed 33,703 people and invested a total of YTL 3.3 billion until 2005. Total revenues of foreign capital firms in the province; from the point of the production was equal to 2.5% of Turkey's Gross National Product with an amount of YTL 356.7 billion at the end of year 2004.

USD 20 Billion Income Target for Tourism in 2007

New tourism investments continue with full speed in Turkey which attracts foreign investors. Investors shall try to achieve 24 million tourists and 20 billion dollars income through more than 50 touristic facilities in Antalya, Izmir and Istanbul. 'Touristic Hotel-Keepers, Operators

and Investors Union's President Timur Bayindir has stated that investors are also looking for new places to invest in several other provinces. However, Mr. Bayindir has pointed out that competitive advantage of people operating in tourism shall decrease, in case 3% overnight stay tax comes into realization which is added in Code for Local Managements and added that there is no such high tax in other countries located in Mediterranean region.

Turkey Shall Get Acquainted with Micro Credit

'Community Volunteers Foundation' with 12.000 members from all sections of the community, including businessmen, young people, academicians following its activities predominantly in education has initiated fight against destitution. President of the Foundation Mr. Ibrahim Betil stated that they will start micro credit application to fight against destitution. Betil stated that they will disseminate this in entire country and that first application shall take start in Samsun in the upcoming days.

Foreign Coffee Brands in Turkey

Foreign coffee brands interest for Turkish market continues. The number of the brand Café chains increasing continuously and the number of the cafés reached over 100 branches today, Gloria Jeans Coffees entered the Turkish market as the first chain in 1999 and it was followed by Starbucks, Coffee and Chocolate, Johns, Schiller, Tchibo and Illy.

Waste Paper will be No Longer a Litter

A cooperation agreement was signed between International Finance Corporation (IFC) and Modern Karton which is a subsidiary of Eren Holding for recycling of waste paper. By means of the project, recycling of waste paper and reduced litter volume are aimed. President of the World Bank Paul Wolfowitz visited Eren Holding which develops waste paper collection and recycling project with Istanbul UFC credit. Eren Holding with the help of World Bank support shall increase paper production capacity from 100,000 tons to 700,000 tons.

German Remondis Shall Establish a Facility for Hazardous Wastes

Remondis as a one of world's biggest groups in environmental management has decided to establish a facility for hazardous waste removal as related to increased environmental consciousness in Turkey. Remondis Regional Responsible Head Mr. Joarch Albrecht has indicated that one facility is active although it can not meet the demand, and that Turkey is among the biggest markets of Europe regarding waste removal issue.

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FOREIGN MARKET CONSULTING Ltd. Sti. is a German-Turkish consulting company. We specialize in providing competent consultancy services for foreign companies towards opening up to Turkish market, lastingly consolidating the market position and concluding strategic alliances between foreign and Turkish companies. If you need further information, please do not hesitate to contact Mr. Peter Heidinger.

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Foreign Market Consulting Ltd. Sti.

Partners:

Peter J. Heidinger

Yesim F. Tektasli

Uta Beyer

Address:

Köybasi Cad. Keresteci Z. Sok. No. 28

34464 Yeniköy/Istanbul, Turkey

Telefon:+90-212-363 8050

Fax: +90-212-363 8056
