

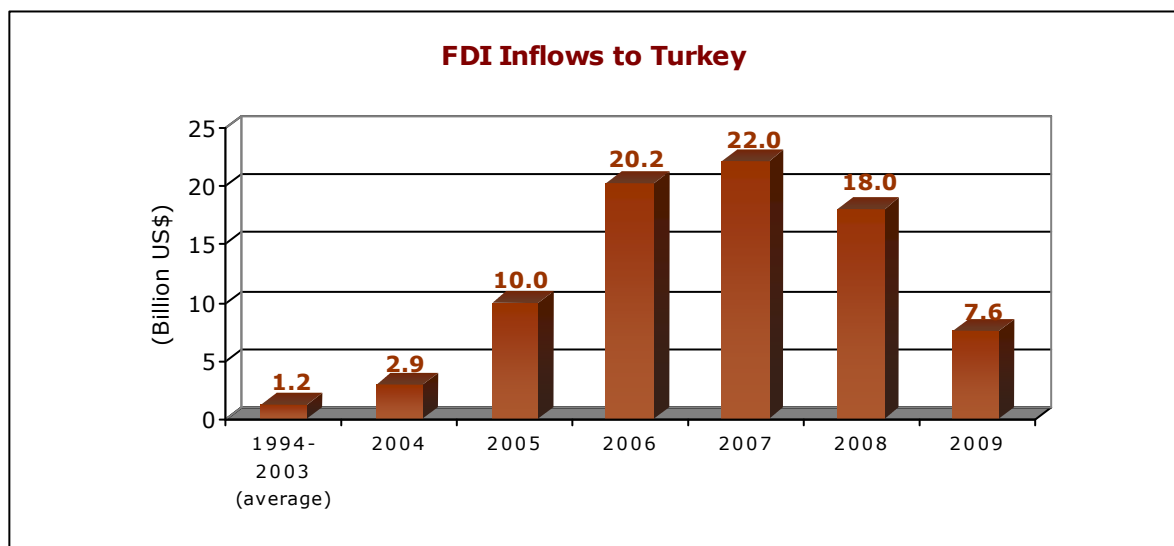


FOREIGN DIRECT INVESTMENTS 2009 YEAR-END EVALUATION REPORT

(February 2010)

IN 2009, FDI FLOWS TO TURKEY REACHED TO 7.6 BILLION \$

By the end of 2009, foreign direct investment (FDI) inflows to Turkey have reached to **7.6 billion US\$**. In 2009, FDI inflows fell down by 58% compared to 2008. In 2008, the decrease had been limited to 17% because the effects of the crisis had only been felt towards the end of the year. As the crisis was more deeply felt, a sharper decrease followed in 2009.



Source: Central Bank of Turkey

(including real estate purchases by foreigners)

The preliminary FDI **stock value*** in Turkey, as of the end of 2009, is **132.2 billion US\$**. By the end of 2009, total number of **companies with international capital** in Turkey has aggregated to **23,376**.

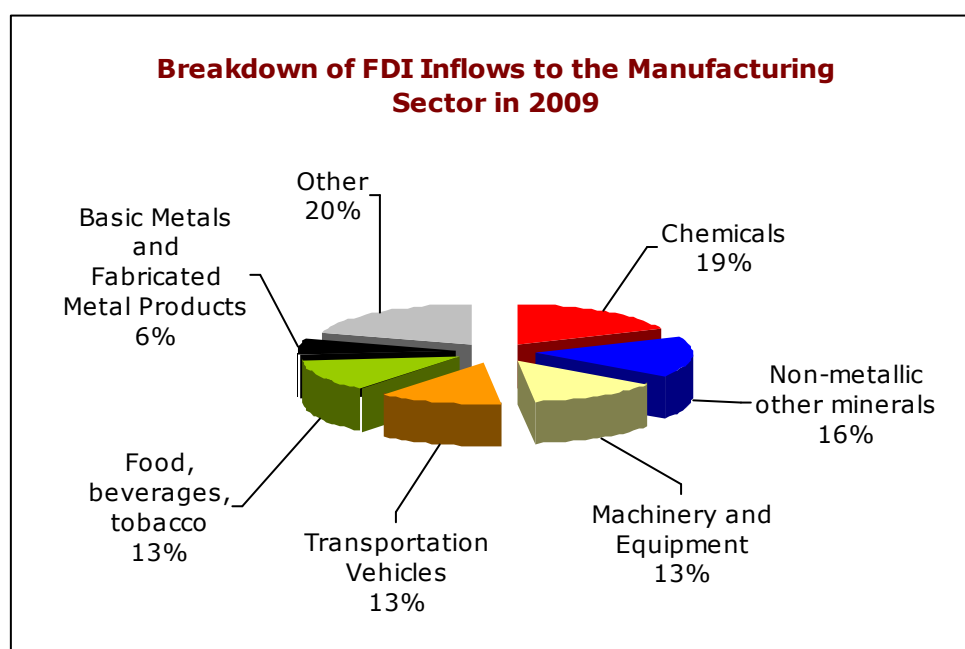
FDI inflows to industrial sector accounted for 61% of the total inflows in 2009, while the services sector had 38% share. In 2009, **energy and manufacturing sectors** got the primary share in FDI inflows each with 29% share in total inflows.

* Monthly inward FDI stocks disseminated as an indicator are calculated by adding inward FDI flow figures to the preceding year-end stocks and by revaluating the preceding year-end FDI stocks based on FX rate and market value changes of foreign direct investment enterprises.

Sectoral Breakdown of FDI Inflows to Turkey						
Sectors (Million US\$)	2004	2005	2006	2007	2008	2009
Agriculture, Forestry, Fishing	6	7	6	8	41	42
Industry	329	829	2,100	5,116	5,151	3,485
Mining	73	40	122	337	152	194
Manufacturing	190	785	1,866	4,211	3,931	1,645
Electricity, Gas, Water	66	4	112	568	1,068	1,646
Services	855	7,699	15,533	14,012	9,541	2,167
Real Estate Brokerage Services	3	29	99	560	656	486
Construction	3	80	222	285	331	460
Finance	69	4,018	6,957	11,662	6,069	432
Wholesale and Retail Trade	72	68	1,166	165	2,084	366
Transportation, Warehousing and Communication	639	3,285	6,696	1,117	170	308
Other Services	69	219	393	223	231	115
Total	1,190	8,535	17,639	19,137	14,733	5,694

Source: Central Bank of Turkey

FDI inflows to the **industrial sectors** have decreased from 5.1 billion US\$ in 2007 and 2008, to 3.5 billion US\$ in 2009. **Chemical products** is the leading sector in the manufacturing industry receiving 19% of total inflows to manufacturing sectors and manufacturing of **non-metallic minerals** sector followed with 16% share.

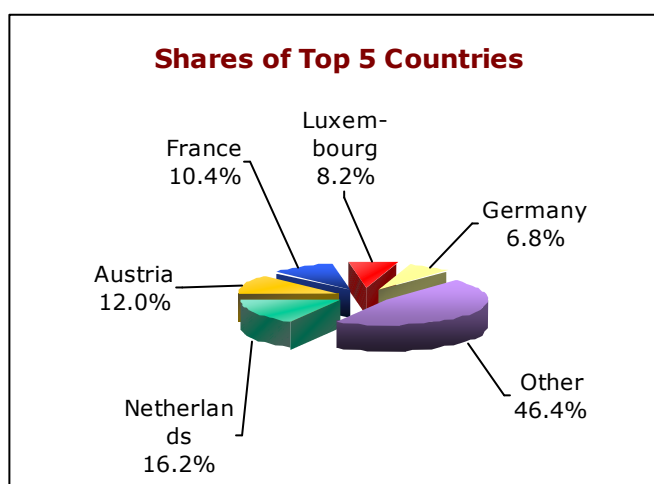


Source: Central Bank of Turkey

In 2009, the major source countries for FDI inflows to Turkey were **Netherlands, Austria, France, Luxemburg** and **Germany**. Continuing payments resulting from deals made in previous years -especially in energy sector- were among the major sources of inflows in 2009.

FDI Inflows to Turkey and Shares by Source Countries in 2009

Top 10 Countries	FDI Inflows (million US\$)
1 Netherlands	921
2 Austria	681
3 France	593
4 Luxembourg	466
5 Germany	389
6 Czech Rep.	386
7 UK	332
8 Italy	291
9 USA	236
10 Belgium	221
Other	1,178
Total	5,694



Source: Central Bank of Turkey

Looking at the FDI inflows by regions, it can be observed that the European countries, having the major share in FDI inflows to Turkey, had 85% share in 2009 rising again compared to a relative fall in previous two years.

Breakdown of FDI Inflows to Turkey by Regions

(Million US\$)	2004	2005	2006	2007	2008	2009
Europe	1,033	6,652	14,574	12,974	11,342	4,834
Share (%)	86.8	77.9	82.6	67.8	77.0	84.9
North America	97	114	969	4,223	886	271
Share (%)	8.2	1.3	5.5	22.1	6.0	4.8
Asia/Near & Middle East	54	1,678	1,910	608	2,199	262
Share (%)	4.5	19.7	10.8	3.2	14.9	4.6
Asia / Other	6	78	17	797	162	299
Share (%)	0.5	0.9	0.1	4.2	1.1	5.3
Other regions	-	13	169	535	144	28
Share (%)	0.0	0.2	1.0	2.8	1.0	0.5
TOTAL	1,190	8,535	17,639	19,137	14,733	5,694

Source: Central Bank of Turkey

The year 2009 was almost at a standstill in terms of merger and acquisitions (M&A) in Turkey in line with the global trend. According to *Annual Turkish M&A Review 2009* Report by Deloitte, an annual decline of almost 65% was observed. A total of 102 deals having a total estimated value of 5.8 billion US\$ were realized and half of these deals took place in the last quarter of the year. The share of international deals in total deals in Turkey declined to 38% in 2009. The ratio was 75% in 2008 and 77% in 2007.

Large-volume M&A deals were not observed in Turkey in 2009. Among the deals with a disclosed value, only one deal has a value over 500 million US\$. Energy and food (due to privatization deal of 6 sugar factories) sectors had the highest share in total deal value. In terms of the number of deals, there was high level of activity in ICT sector along with the energy sector.

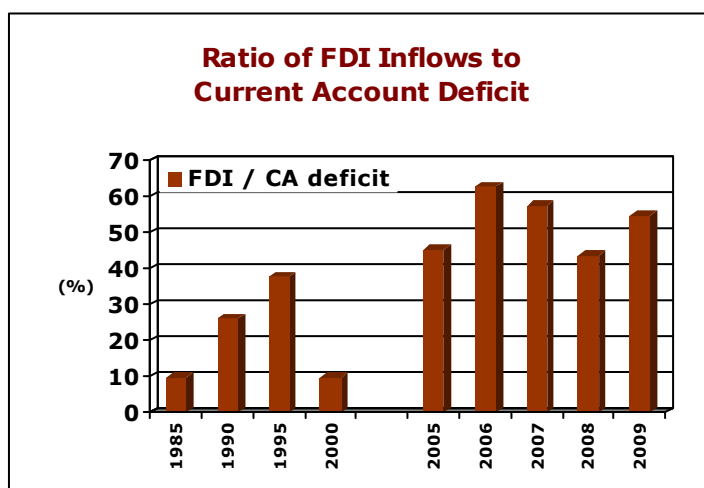
According to Ernst&Young 2009 M&A Deals Report (Birleşme ve Satınalma İşlemleri 2009 Raporu), 44% of the deal volume in 2009 originated from public sector.

The planned privatizations of electricity distribution and generation facilities, natural gas distribution companies, highways, sugar factories, Halkbank and the national lottery along with the İstanbul Ferry Lines (İDO) can be a source of FDI in 2010 as well. In 2010, the dominance of M&A transactions in the energy sector along with privatizations is expected to continue in Turkey.

Taking into account the below-mentioned global trends as well, in 2010, an FDI inflow in the 8-10 billion US\$ range to Turkey with a limited increase in comparison to the year 2009 is expected.

Another remarkable expectation related to the balance of payments is the expectation that the current account deficit may double in 2010. The ratio of FDI inflows to current account deficit in Turkey had increased notably in the last 5 years compared to the previous periods and had been 53% on average during 2005-2009. The expectation that current account deficit may double in 2010 points out that this ratio will be around 30% in 2010.

(Million US\$)	Current Account Balance	FDI Inflow
1985	-1,013	99
1990	-2,625	684
1995	-2,339	885
2000	-9,920	982
2005	-22,198	10,031
2006	-32,193	20,185
2007	-38,311	22,047
2008	-41,947	18,269
2009	-13,854	7,597



Source: Central Bank of Turkey

GLOBAL TRENDS

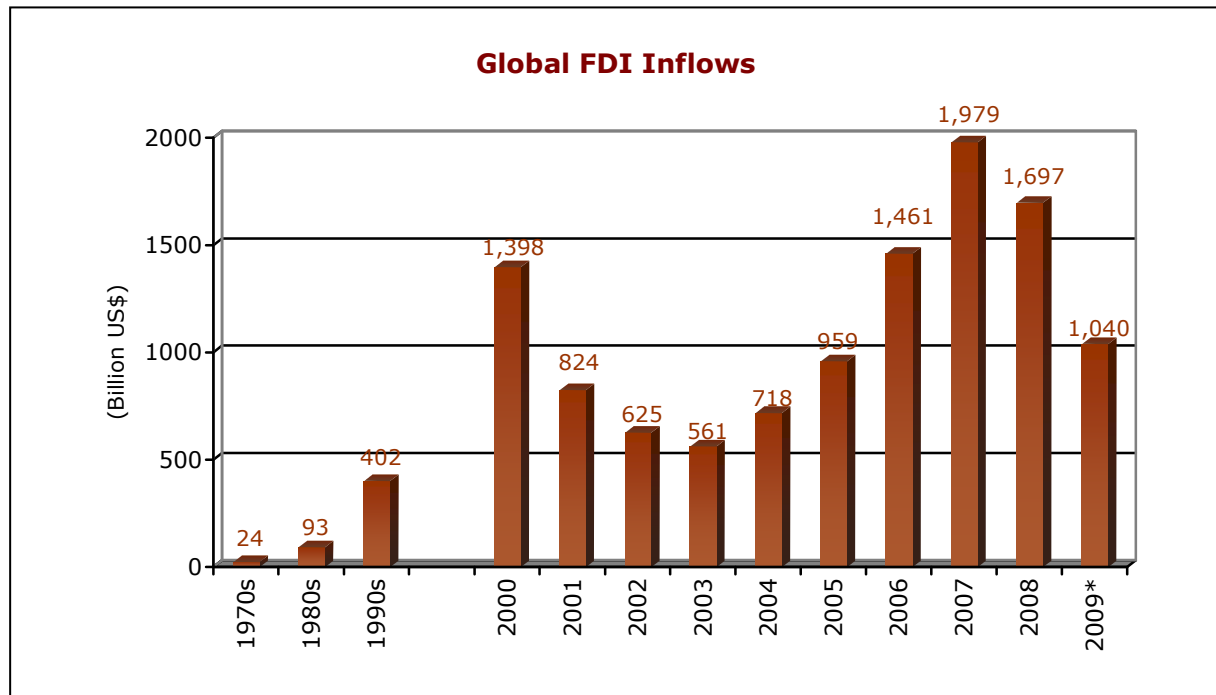
Global FDI flows had contracted by a limited 14% in 2008 and the effects of the crisis have been more deeply reflected in 2009. Global FDI flows decreased by 39% in 2009 to about 1 trillion US\$, according to preliminary data released by UNCTAD.

Developing and transition economies had experienced not a decline but a rise (35%) in FDI inflows in 2008. In 2009, these group of countries also experienced a fall of 39% after 6 years of uninterrupted growth.

Among the developed countries, more than 50% of decline in FDI inflows were observed in UK, Sweden, Spain, USA and Japan.

The fall in global cross-border M&A transactions, which was 35% in 2008, deepened to 66% in 2009, according to preliminary data.

In 2010, the pre-crisis volume of FDI inflows is not expected to be reached at, yet a limited level of recovery is anticipated.



Source: UNCTAD

* preliminary data

TURKEY IN INTERNATIONAL INDICES

INDEX	RANKINGS OF TURKEY BY YEARS								DIRECTION OF CHANGE
	2003	2004	2005	2006	2007	2008	2009	2010	
World Bank Ease of Doing Business Index	-	-	-	84	91	60	63	73	↓
UNCTAD World Investment Report FDI Inflow Ranking	52	37	22	17	25	20			↑
UNCTAD World Investment Prospects Survey - Most Attractive FDI Locations	-	-	-	-	22	15	outside top 15		↓
AT Kearney FDI Confidence Index	24	-	13	-	20	-	-	23	↓
WEF Global Competitiveness Index	65	66	66	58	53	63	61		↑
IMD Global Competitiveness Index	48	46	39	43	48	48	47		↑
Transparency International Corruption Perceptions Index	77	77	65	60	64	58	61		↓

Among the above indices, A.T. Kearney FDI Confidence Index is the most recently released (on January 25, 2010). Turkey ranked 23rd country[†] in this index. The trend of *flight to safety*, which gained dominance with the effect of the crisis environment, was reflected on this index in the form of developed countries climbing up in the rankings. Nevertheless, the outlook for the developing countries is positive.

[†] † Top 22 countries: 1.China, 2.USA, 3.India, 4.Brazil, 5.Germany, 6.Poland, 7.Australia, 8.Mexico, 9.Canada, 10.UK, 11.UAE, 12.Vietnam, 13.France, 14.Hong Kong, 15.Other Gulf Countries (Bahrain, Kuwait, Oman, Qatar), 16.Romania, 17.Czech Rep., 18.Russia, 19.Saudi Arabia, 20.Indonesia, 21.Malaysia, 22.Chili

Sources

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