

Private Equity Confidence Survey. (PECS)

Survey for the 1st half of 2008



Introduction

Welcome to the third edition of our Deloitte Turkey Private Equity Confidence Survey (PECS), covering the outlook for the first half of 2008.

After confidence hit all time highs in 2006-2007, this Private Equity Confidence Survey provides further evidence that we are entering a cautious period. Confidence indicators show the expected downturn with sentiments following activity and market conditions, in line with global developments.

Although respondents are influenced by the negative consequences of the current financial crisis internationally, the acquisition of Migros Türk by BC Partners-Turkven indicates that PE investors still have confidence in the Turkish market for the long term.

The results of this publication are based on a survey started in January 2008 and concluded in mid February 2008.

Key findings:

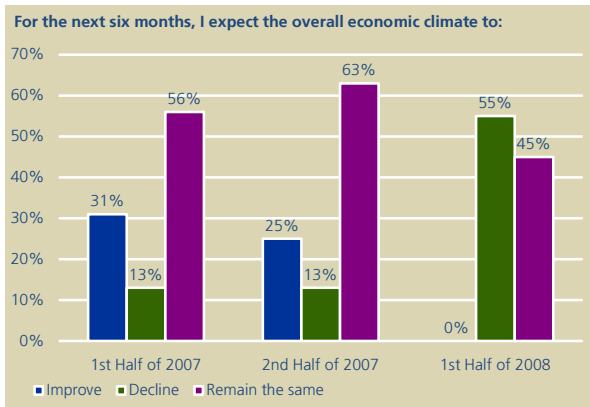
- Confidence declined in line with global markets.
- The economic climate and availability of debt finance are sharply lower than in previous surveys.
- Market activity, size of transactions and the focus of investors' expectations remain the same
- A lower amount of new funds and syndicated deals should be expected in the next six months

2007 in brief

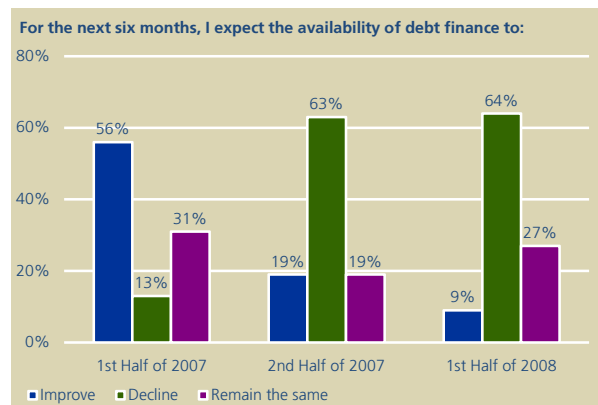
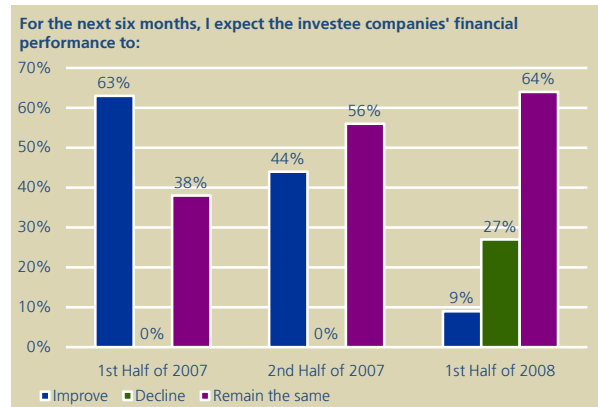
In 2007, Private Equity (PE) funds made an increasing level of investment (\$2.7 billion) in Turkey (2006: \$2.3 billion). Many global and regional PE funds have started to view Turkey as a key market.

Year 2007 – Total Investment \$2,698 million						
	Buyer	Target Company	Sector	Ownership	Estimated Invested Amount (USD mil.)	Exits
1	Global Environment Fund (GEF)	Dentistanbul	Health	Majority	n/a	No
2	Citigroup Venture Capital	Boyner Department Stores	Retail	Minority	46	No
3	Citigroup Venture Capital	Beymen	Retail	50-50	143	No
4	İs Venture Capital	Ode Yalitim	Building Materials	Minority	5	No
5	National Bank of Kuwait	Yudum	Edible Oil Production	Majority	15	No
6	Colony Capital	Mars Entertainment	Entertainment	Majority	7	No
7	Odien	Saran Holding	Media	Minority	12	No
8	Templeton Strategic Emerging Markets Fund	TAT Konserve AŞ	Food	Minority	18	No
9	Ahlström Capital	Elbi Elektrik	Electrical Accessories	50/50	10	No
10	Abraaj Capital	Acibadem Hospitals	Hospital	Minority	600	No
11	Citigroup Venture Capital	Opus Securities	Finance	Majority	1	No
12	KKR	U.N Ro-Ro	Marine Transportation	Majority	1240	No
13	Julius Baer	Şafak Hospitals	Hospital	Majority	60	No
14	Global Investment House	FFK Fon Leasing (Yıldız Holding)	Rental and Leasing Services	Majority	120	No
15	Great Circle Fund	Balnak Logistics	Transportation	Minority	50	No
16	Manara Investments	ACT Airlines	Cargo Carrier	Minority	15	No
17	Turkven	Provus	Payment Systems	Majority	20	No
18	HAL Investments	Fahri Kuz Optik	Eyewear	Majority	20	No
19	Bancroft Group	Eko Finans Faktoring	Faktoring	n/a	5	No
20	İs Venture Capital	Türkmed	Medical Equipment	Minority	3	No
21	İs Venture Capital	Ortopro Tibbi Aletler	Medical Equipment	Minority	6	No
22	Eastpharma	Saba İlaç	Pharmaciudical	Minority	10	
23	Velios	AFM	Entertainment	Majority	29	No
24	Actera	Mey İçki	Beverage	Minority	81	No
25	Deutsche Bank	Doğan Gazetecilik	Media	Minority	88	No
26	Bosphorus Real Estate Fund	Neo Shopping Center	Real Estate	Full	94	No

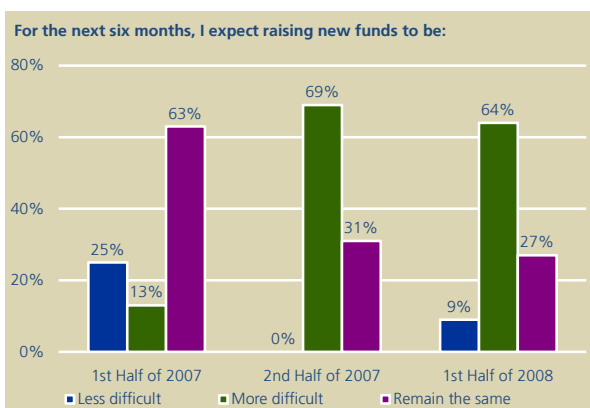
2008 survey results



55% of respondents expect a decline in the overall economic climate in the next six months (2nd Half of 2007: 3% expected decline) whereas 45% expect that it will remain the same.



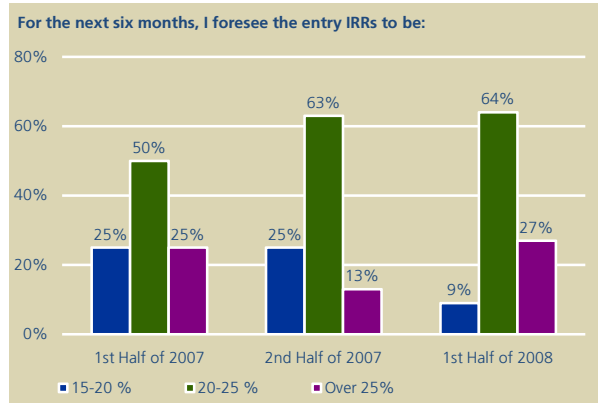
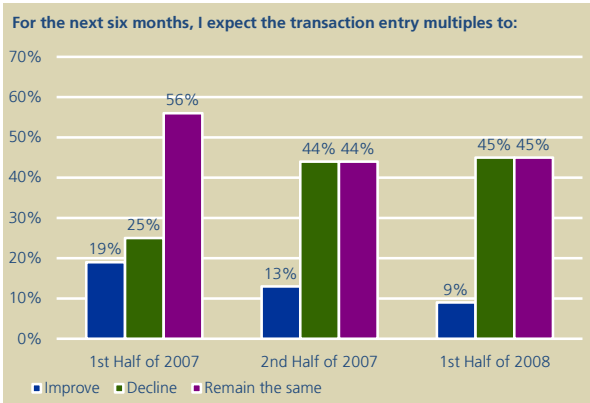
A sharp decline in expectations on the availability of debt finance suggests a strong link between the Turkish market and global developments.



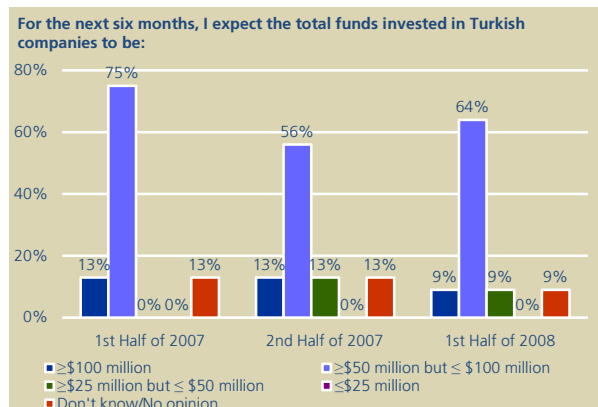
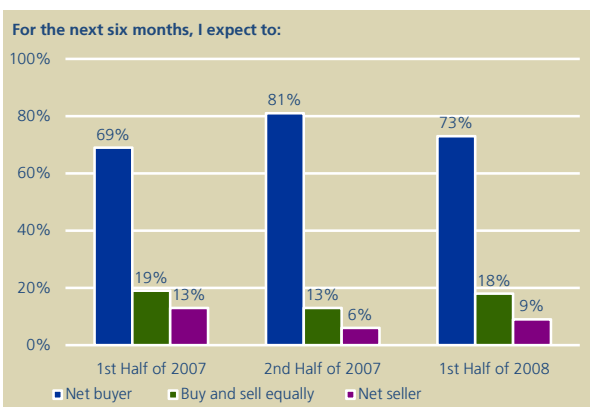
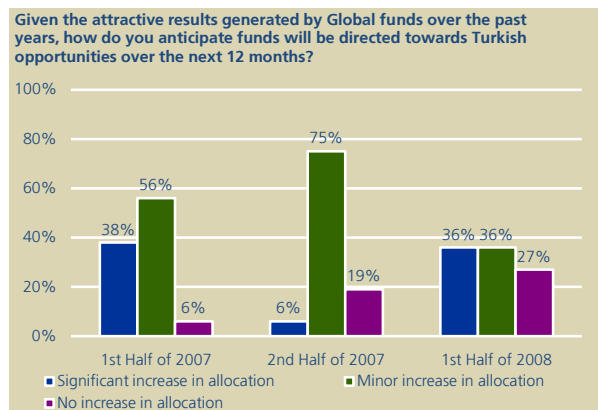
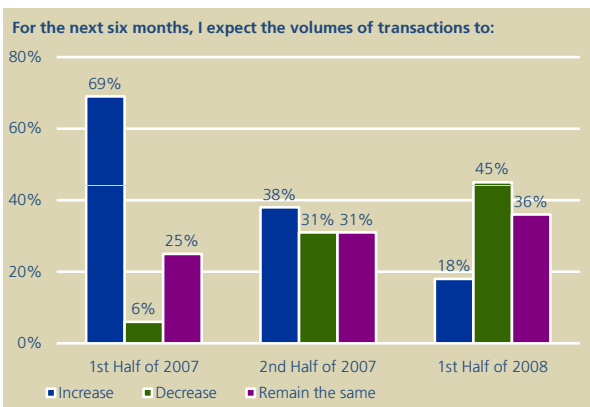
The majority of respondents (64%) still expect that companies' financial performance will remain the same in the next six months (2nd Half of 2007: 56%, 1st Half of 2008: 64%). However, there is a dramatic fall in those expecting improved performance and a corresponding rise in expectations of a decline in performance (2nd Half of 2007: 0%, 1st Half of 2008: 27%).

Key findings:

- 45% of Private Equity investors expect a decline in the volume of transactions over the next six months.
- Confidence decreased in line with global markets. Private Equity Investors continue to be cautious and the amount of new funds for investment for the next six months is expected to be lower than the previous period.
- However, PE investors anticipate an increase of new funds towards Turkey over the next 12 months.

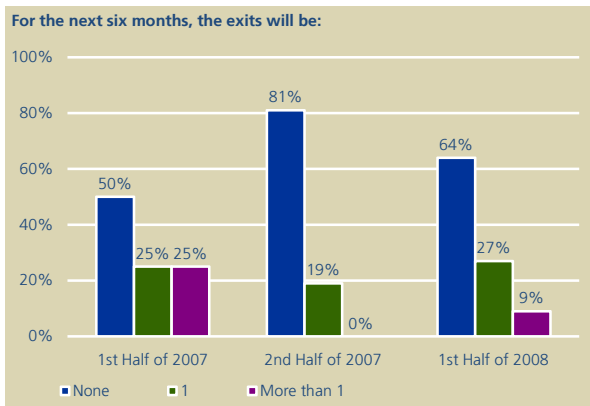


Similar to the previous survey, the majority of PE investors predict that multiples will either decline or that they will remain the same.



Despite PE investors' cautious expectations for the economic climate in the short term, they anticipate a significant increase in the allocation of new funds in the coming twelve months.

Although PE expectations on the volume of transactions over the next six months are negative, investors continue to search for investment opportunities - 73% of respondents expecting to be net buyers in the 1st Half of 2008 (2nd Half of 2007: 81%).



The majority of PE investors (64%) do not plan to exit over the next six months.

Although respondents are evidently influenced by the negative consequences of the current financial downturn internationally, we can state as a conclusion that they remain committed to Turkey for the long term.

Other key findings:

- Similar to the previous survey, respondents (64%) continue to foresee 20-25% entry IRRs to be a reasonable expectation for investing; but 27% foresee entry IRRs over 25% in the next six months.
- 64% of PE investors expect that their total funds invested in Turkish companies will exceed \$100 M.

About PECS

The Deloitte PECS provides a comprehensive snapshot of PE investors' expectations for the next six months and acts as an indicator of changing confidence levels in:

- economic climate
- deal activity
- availability of funding and investment focus.

The results produce a forward looking measure of the overall sentiment in the Turkish private equity community, which is extremely relevant to immediate deal flow.

This, our third survey, is modelled on similar quarterly surveys carried out by our colleagues in the United Kingdom, North America, Europe and elsewhere. In the course of time, this study will facilitate comparisons of trends and views expressed by the global venture capital community with our domestic marketplace.

This survey for the first half of 2008 was conducted in January 2008 amongst a population of approximately 30 PE investors investing in Turkish companies and includes projected views on the next six months. The next questionnaire is due to be distributed in April 2008.

Other countries and regions preparing PECS include:

- United Kingdom
- France
- Canada
- Czech Republic
- Israel
- Slovakia
- Germany / Austria / Switzerland
- Hong Kong / China
- Benelux

About our Corporate Finance Group

Deloitte Corporate Finance Group in Turkey is a highly specialised team that is dedicated to advising clients involved in private equity transactions. We advise both private equity investors and companies.

Our clients include large companies to SMEs and the private equity funds themselves.

Contacts

For further information about this survey or to find out more about our Corporate Finance team please contact our partners listed below. Suggestions for issues to be addressed in future Private Equity Confidence Surveys are welcome.

Corporate Finance

Anthony Wilson

Partner in Charge

Tel: +90 212 366 6350

anthwilson@deloitte.com

Bariş Öney

Partner

Tel: +90 212 366 6365

boney@deloitte.com

Başak Vardar

Partner

Tel: +90 212 366 6350

bvardar@deloitte.com

If you or one of your colleagues did not receive a copy of the Private Equity in Turkey report or the Private Equity Confidence Survey and would like to participate in next quarter's survey, please contact:

trresearch@deloitte.com

For more information

tr.prequity@deloitte.com

www.deloitte.com.tr

www.verginet.net

www.denetimnet.net

www.deloitteacademy.com.tr

Deloitte Danışmanlık A.Ş.

Sun Plaza

Dereboyu Sok. No:24

34398 Maslak, İstanbul

Tel: 90 (212) 366 60 00

Fax: 90 (212) 366 60 30

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