Project Anchor

A partnership opportunity in the Turkish power market

Raiffeisen INVESTMENT
Member of RZB Group

Strictly private and confidential

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Description of the opportunity and transaction

Investment Highlights of the integrated portfolio

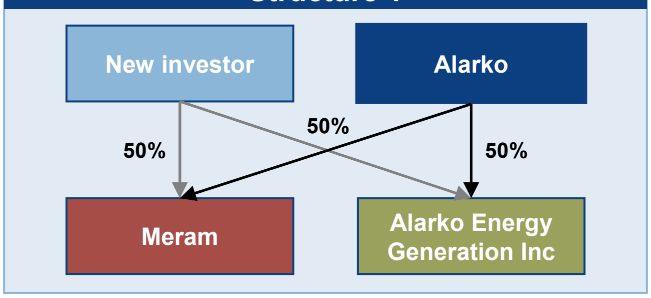
- Opportunity to establish an **equal-governance partnership** in the field of electricity generation and distribution with one of the leading Turkish holding companies
- The structure of the transaction offers the unparalleled opportunity to establish **an integrated position** in the Turkish electricity market (distribution + generation projects) via a private-to-private transaction
- Establishing a partnership with Alarko, which has strong experience in the electricity sector as well as unique capabilities in the construction business, will pave the way for **further expansion on the Turkish power market**
- **Constantly high demand growth rates and favourable price dynamics** make the Turkish power market an attractive investment environment
- **Favourable valuation** of the distribution business in comparison to other transactions, plus a high quality generation portfolio with attractive economics offer a very good return potential
- **Full market liberalisation will be especially beneficial for the vertically integrated groups** such as the Alarko Energy business due to the ability to hedge it's power position, optimally use the opportunities arising in the wholesale trading business and benefit from vertical synergies
- Alarko has a strong track-record and **excellent experience from cooperating with international parties** through asset level or strategic level partnerships (e.g. Partnership with UTC-Carrier (USA) in the HVAC business, with Leroy (Norway) in the seafood business, or with Deyaar (UAE) in real-estate development)

Envisaged partnership structure

- Alarko intends to explore a long-term strategic partnership in the form of an equal-share and equal-governance partnership with a reputable international partner with an interest in and commitment to the Turkish electricity market
- The partner will enter the current energy assets of Alarko (excluding Altek Alarko Inc.) and pursue further opportunities together
- The envisaged transaction structure allows the bidder to pursue an integrated portfolio with currently three generation projects and the Meram distribution asset or bid for the Genco-holding company and Meram separately
- It is foreseen that a 50% equity stake in Meram as well as a 50% stake in the Genco-Holding will be sold
- For the avoidance of doubt, Alarko's other generation company Altek Alarko Inc. is out of the scope of this transaction

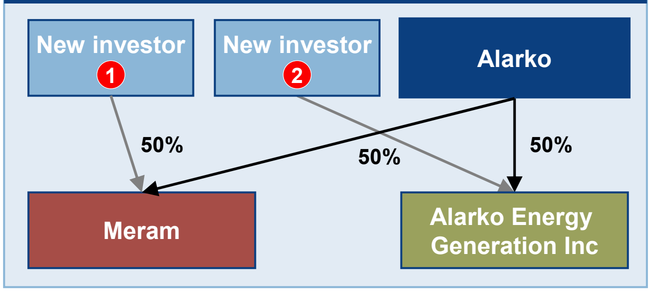
Envisaged transaction structure …

Structure 1



… with the chance to also acquire single stakes

Structure 2



Turkish power market at a glance

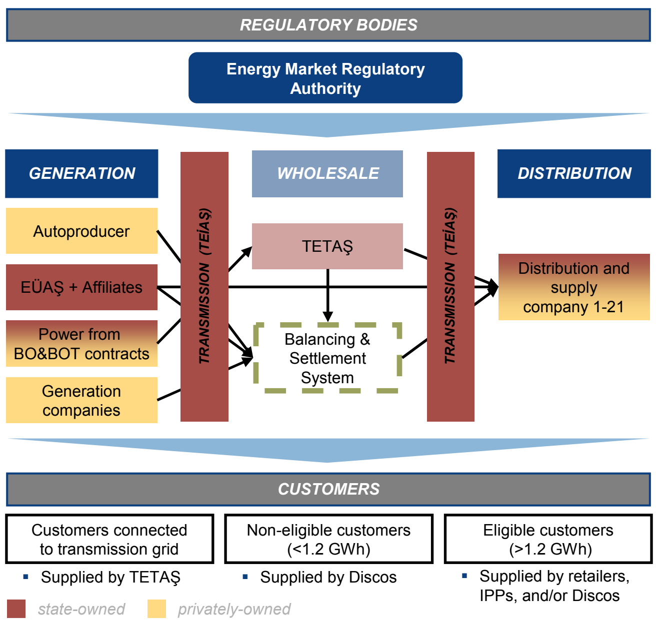
Key investment highlights of the Turkish power market

- Continued **strong demand growth** for electricity due to expected GDP and population growth - significantly above other emerging markets – provides superb long-term growth prospects
- Given tightening reserve margins, the security of supply situation, environmental considerations and a structural need for investments into power generation, the Turkish market has a very **favourable wholesale power market environment**
- Strong demand growth coupled with improving asset qualities, decreasing loss/theft ratios as well as increasing collection ratios together with a stable regulatory environment **provide a solid basis for the operation of electricity distribution companies**
- Scheduled **market liberalisation** of the wholesale and retail market provide strong growth prospects in the trading as well as the supply business and increase the benefits of vertical integration
- The **strong government commitment towards privatisations** in the electricity generation and distribution sector is witnessed by five successful privatisations in 2008 and a clear strategy towards further large-scale privatisations

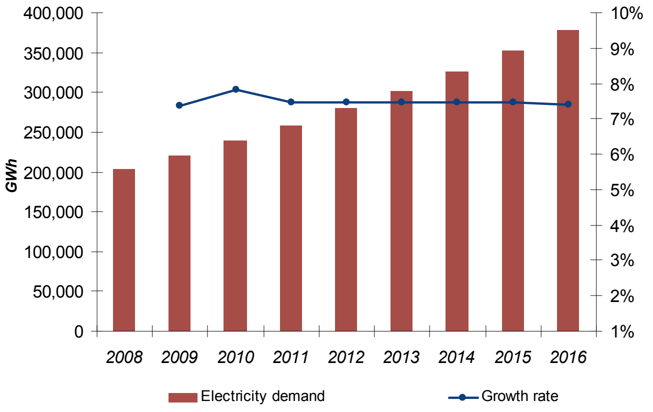
Electricity Market Environment

- The Turkish electricity market is still mostly under state control, however is going through a period where the state dominance in the electricity sector is gradually diminishing through a series of privatisations and liberalisations
- So far the generation segment of the market is the most liberalised with over half of the capacity owned by private sector companies. The transmission system will remain state-owned (TEİAŞ) while the privatisation of the distribution system is progressing and is envisaged to be fully liberalised
- Turkey relies on imported natural gas and domestic as well as imported coal for electricity generation with gas providing 50% and coal 28% of its generated electricity. Other fuel sources like hydro, wind and potentially also nuclear will likely gain an increasing share of the generation mix

Market structure

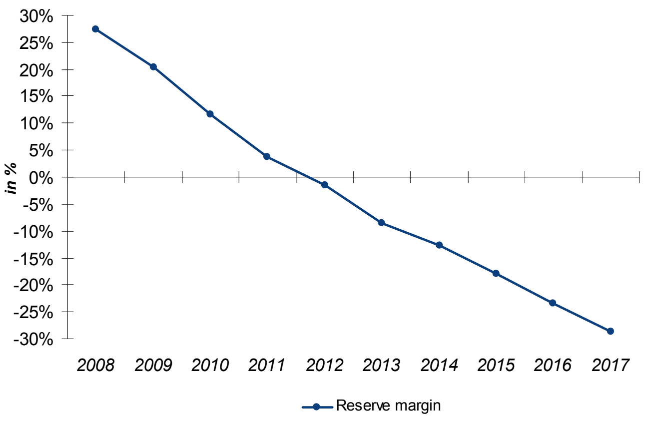


Strong demand forecast



Source: TEİAŞ – Base case demand forecast (July 2008 forecast)

Tightening reserve margins



Covering of peak demand with existing and under construction power plants; TEİAŞ Base Demand Scenario 1 (Case 1 –A) of peak demand balance (July 2008 forecast)

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Overview of Alarko Group of Companies

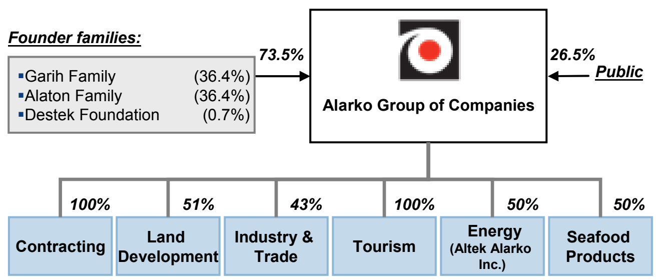
General

- Alarko, founded in 1954, is one of the leading conglomerates in Turkey with combined revenues of USD 1.05bn (in 2007), total assets of USD 1.1bn (in 2007) and total headcount of 5,982 as of September 2008
- Today, Alarko Group of Companies operates in six main areas. These are Contracting, Land Development, Industry & Trade, Tourism, Energy and Seafood Products
- Alarko Group of Companies as well as two of its subsidiaries are listed on the Istanbul stock exchange
- The company is controlled by the founding families Garih and Alaton
- Despite its family ownership, Alarko Group of Companies' governance and management have an institutional structure and are led by professional managers

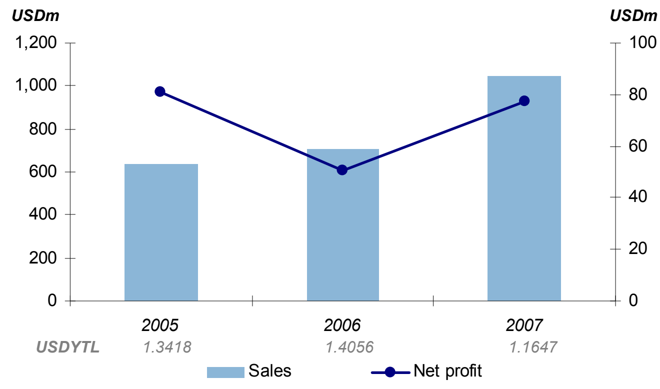
Listed group companies

Name *as of 21st January, 2009*	Alarko's share	Free float
Alarko Holding Inc.	73.5%	26.50%
Alarko Carrier Industry & Trade	43%	15.90%
Alarko Real Estate Investment Trust	51%	49.00%

Group structure



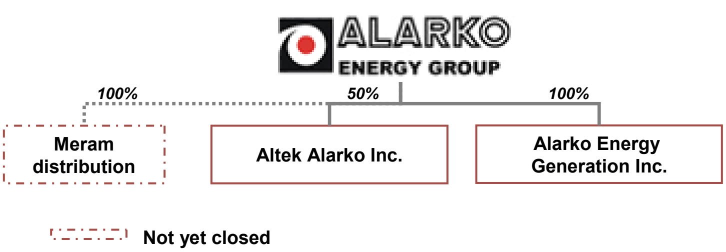
Key Figures of Alarko Group of Companies



Source: Company information

Alarko Group of Companies' Energy Business

- In the energy segment, Alarko Group of Companies currently operates through Altek Alarko Inc. and Alarko Energy Generation Inc. and has won the tender for the Meram distribution region in September 2008
- Alarko Energy Generation Inc. aims to establish a power generation capacity of ca. 3,000 MW by 2015
- Altek Alarko Inc. (not in the scope of this transaction) is a 50/50 partnership with Société Nationale d'Electricité et de Thermique (SNET) whose majority shares are acquired by E.ON and generates electrical energy, with 4 production units; 3 hydroelectric and 1 natural gas power plant, with a total of 114 MW generation capacity. Alarko will not pursue any projects other than the current ones within the Altek Alarko Inc. partnership in order to give full attention to the new partnership in power generation
- On the electricity distribution side Alarko is in the process of acquiring shares of Meram Elektrik Dağıtım A.Ş., one of the largest Turkish electricity distribution companies and intends to further grow by acquiring one more distribution region



Alarko Energy Generation Inc.

Name	Planned installed capacity (MW)	Fuel source	COD	Licence period (years)	Notes
Çanakkale-Karabiga	1,210	Imported coal	2013	49	licence applied
Çanakkale-Karabiga	500	Natural gas	2012	49	licence applied
Samsun	485	Natural gas	2012	49	licence applied
Total	***2,195***				

Altek Alarko Inc.

Name	Installed capacity (MW)	Fuel source	COD	Licence period (years)	Notes
Hasanlar-Duzce	9	Hydro	1991	20	operational
Berdan-Tarsus	10	Hydro	1996	15	operational
Tohma-Malatya	13	Hydro	1998	20	operational
Kirklareli	82	Natural gas	2006	49	operational
Total operational	***114***				
Karakuz-Adana	87	Hydro	2009	49	licence obtained
Kirklareli	82	Natural gas	2012	49	licence obtained
Total planned	***169***				

Electricity distribution asset at a glance

Investment Highlights of Meram

- High-quality network with a **low loss/theft ratio** and significant investments made into improvements of network infrastructure in the past years
- **Qualitative and diversified customer base with one of the highest collection ratios** in Turkey and a low share of large industrial customers
- **Attractive valuation** relative to other tendered distribution regions
- **Strong overall economics** and significant cash flow coming from TOR value in the next two years
- **Significant operational as well as valuation upside** potential which is not yet reflected in the tender price

Profile

- Meram distribution region is located in central Anatolia and consists of 6 provinces which are Konya, Karaman, Aksaray, Kırşehir, Nevşehir and Niğde with more than 3.4 million inhabitants*
- Meram serves the region with distribution infrastructure which is composed of 23,209 Km of MV (Medium Voltage) and 35,417 Km of LV (Low Voltage) distribution lines
- Meram region's share in Turkey's economy is c. 4% (based on GDP) and its share in Turkish electricity distribution is c. 4% based on electricity sales and c. 5% based on number of customers
- Meram holds "electricity distribution" and "retail sales" licences in its region which have been issued on 01.09.2006 and are valid for 30 years
- In September 2008 Alarko won the tender for Meram for a price of USD 440m (USD 296.7/customer)

* 2007 estimate, last official population census in 2000 states 3.39m

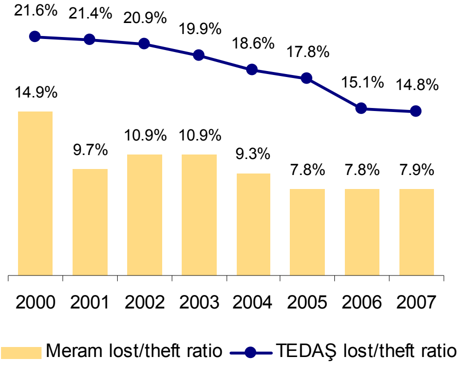
Location of Meram

8 *Meram Elektrik Dağıtım A.Ş. ("MERAM"), Region 8*

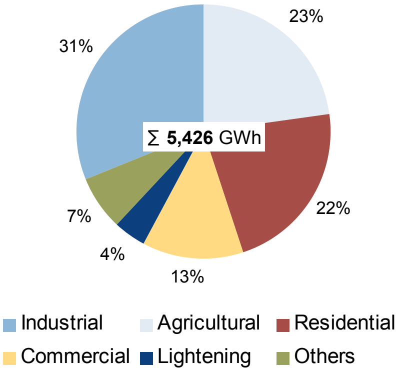
Key Highlights of Meram

MERAM *data (2007)*

Distribution area (km²): 76,935
Distribution network (km): 58,627
Customers ('000): 1,483
Sales volume (GWh): 5,426
Overall collection ratio*: 82%
Loss/theft ratio: 7.9%
Employees: 1,696
Licence period: 30 years



Electr. consumption per customer group:



(*): Collection ratio reaches upto 98.3% for residential, industrial and commercial customers' domain

Generation project portfolio at a glance

Investment Highlights of the Genco Portfolio

- Unique opportunity to get exposure to **large-scale thermal base-load** and mid-merit generation projects
- **Unique long-term partnership opportunity** to rapidly grow generation capacity with the support of an experienced player in the Turkish energy market with a large construction group with power plant construction expertise in the background
- **Attractive economics** of power plant projects under development
- Alarko's **relations with government** institutions, suppliers and it's strong track-record in the construction of power plants offer the strategic partner the necessary platform to grow in power generation in Turkey

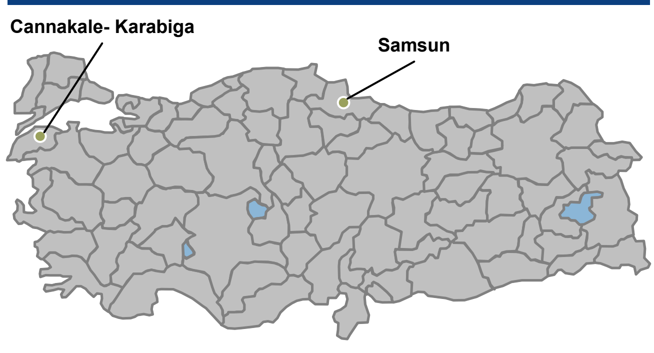
Profile

- Alarko Energy Generation Inc. is currently developing three thermal power generation projects and is exploring several further opportunities
- Two of the projects are located on the Company's own land in Canakkale-Karabiga on a 700,000 sqm spot by the sea which is suitable for the port facility
  - A 1,210 MW import coal-fired project
  - A 500 MW CCGT project
- The third project is located in Samsun (Black Sea Cost) and is envisaged to have a capacity of 485MW (CCGT)

Power plant projects under development

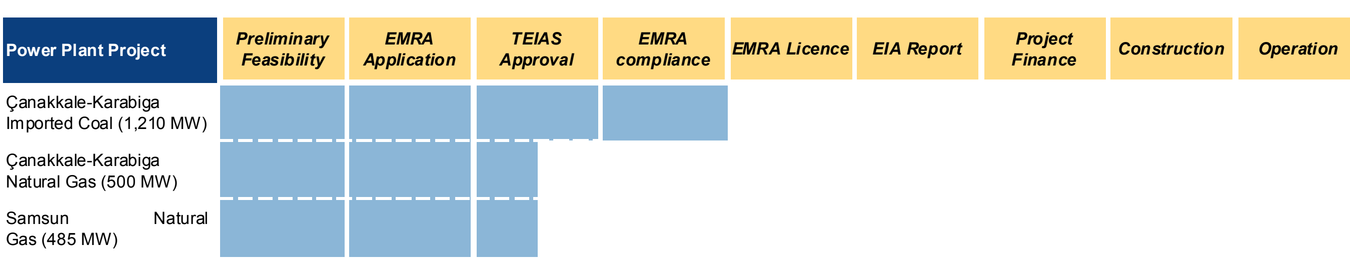
Name	Planned installed capacity	Fuel source	COD	Licence period	Licensed generation
	(MW)			*(years)*	*GWh*
Çanakkale-Karabiga	1,210	Imported coal	2013	49	7,312
Çanakkale-Karabiga	500	Natural gas	2012	49	3,377
Samsun	485	Natural gas	2012	49	3,276
Total	***2,195***				***13,965***

Location of Genco projects



Generation projects of Alarko Energy Generation Inc.

Development status of the power generation projects



Envisaged process

Registration of interest

- Raiffeisen Investment has been appointed as the financial advisor to the shareholders of the Company to evaluate the interest in the acquisition of a 50% stake in Meram and a 50% stake in Alarko Energy Generation Inc.
- After submission of an Expression of Interest ("EOI") and signing of a Non-Disclosure Agreement ("NDA"), selected parties will receive further information material and will have the opportunity for management and shareholder meetings
- Written expressions of interest (per e-mail) in English language should be submitted to Raiffeisen Investment, Aydın Özol (a.ozol@raiffeisen-investment.com) and Richard König (r.koenig@raiffeisen-investment.com) in order to participate in the process. Expressions of interest must include the corporate name and registered office address as well as the name of a direct contact person
- The Shareholders reserve the right to change, alter or terminate the contemplated process at any moment at their sole discretion and shall not be responsible to compensate any potential investor for the costs incurred in connection with the evaluation of this opportunity
- For further inquiries, potential investors should contact Raiffeisen Investment (Aydın Özol or Richard König). Direct contact with employees of the Company should be avoided under all circumstances

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