

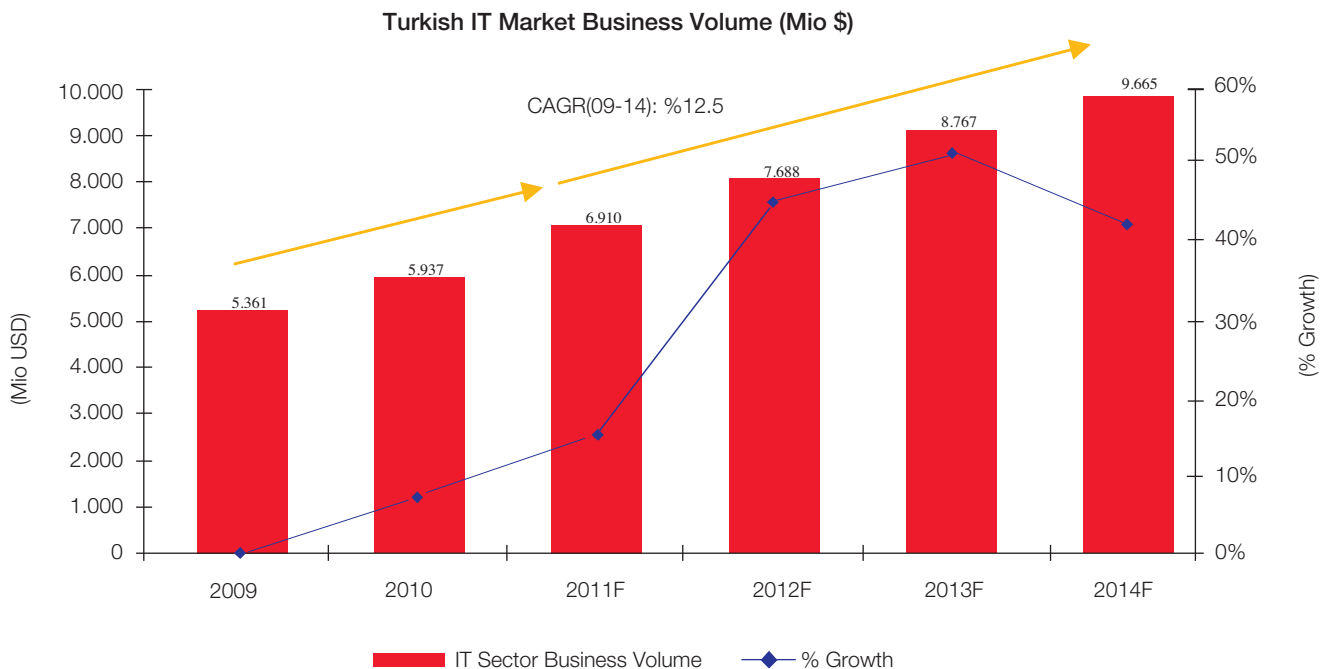
Sector of Operation

1 IT Sector

1.1 Turkish IT Sector

The usage of computers in Turkey started in the end of the 1980's. Although there was a very rapid development in the sector between the years of 1990 and 1995, usage of computers were limited to mostly financial sector, governmental units, big businesses and universities. In the second half of the 1990's, the increase in the usage of computers made the IT sector one of the most rapidly growing sectors in Turkey. According to the data issued by International Data Corporation ("IDC"), the Turkish Information and Communication Technologies ("IT") sector achieved a compound annual growth rate ("CAGR") of 20% between 1997 and 2000. In 2000, the Turkish IT sector has reached its greatest business volume thus far with 2.3 billion USD, whereas that figure reduced to 1.2 billion USD with 49% recession in 2001 because of the economical crisis that was encountered in the end of 2000 and the postponement of the demand of IT investments by public and private sectors. The figures achieved in 2000 were again caught only in 2004, with a business volume of 2.4 million USD. In other words, it took 4 years to eliminate the effects of the crises. However, one should also consider that one of the causes of the shrinkage of the business volume was the continuously price reduction of products, which is the structural feature of the IT Industry.

As a consequence of the realization of the postponed IT investments especially in the private sector in parallel with the improvement in the macroeconomic indicators after 2001, the IT sector continued its growth with a compound annual growth rate ("CAGR") of 27.9% between 2001 and 2007, which is higher than the growth rates in the period before the crisis. Particularly the increasing usage of internet in the recent years has made a great contribution to this development. With the contribution of the increasing interest and the continuing investments in the market for notebooks, Turkish IT Sector reached the value of 5.2 billion USD in 2007. However, in despite of the negative pressure of the global economic shrinkage on the consumption tendency and the appreciation of USD against TRL, contrary to the previous crisis periods, the Turkish IT Sector did not shrink, but has reached 5.3 billion USD in 2009. The contribution of tax stimulus packages of the government during 6 months cannot be underestimated for this growth. According to IDC's research, IT market achieved growth from 2009 to 2010 with 10,7 %.

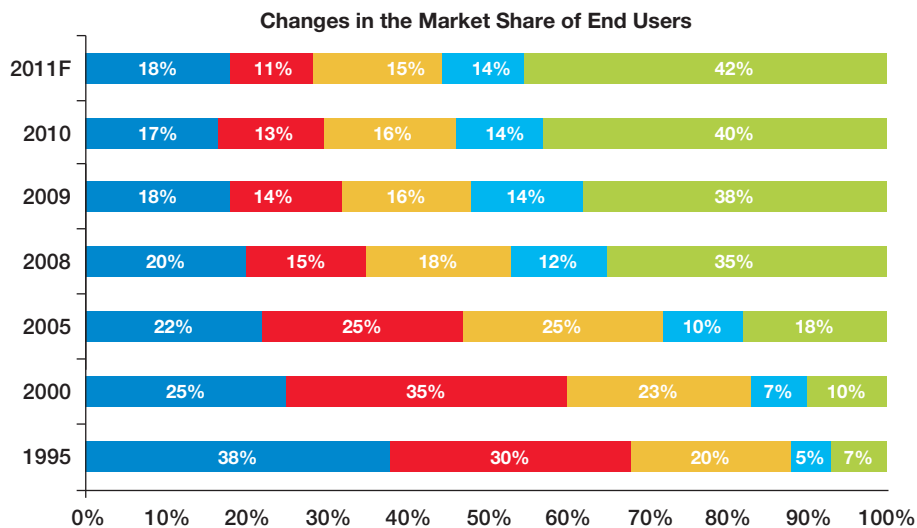


Source: IDC 2011

According to the 2011 Turkey IT Expenditures Research conducted by IDC, the Turkish IT market is expected to have a 12.5% compound annual growth rate (CAGR) in the period between 2009 and 2014, reaching 9.7 billion USD in 2014. IT investment demands deferred in the 2001 crisis period have been started to be realized with the appearance of the increasing stable outlook of the economy and these investment expenditures have been one of the most powerful dynamics of the market in the first 5 years following 2001. New investments that increased after merger and acquisition operations in all sectors, beginning in the finance and telecommunication sectors and spread to other sectors from 2005 on, technology replacement investments, increased IT investment made by the government as part of e-government projects, increase in the internet usage rates and finally, in the number of the users who follow up the rapidly developing technology became the driving forces of the market between 2005 and 2008. Although the first quarter of 2008 started very favourably, the sector started to lose its strength due to the suit brought to close AKP, a slowdown was experienced in the third quarter when not so many negative results were observed. However, with the last quarter, the sector was affected by the global financial crisis that started at the beginning of October, and thus, the quarter was closed with a double-digit shrinkage. 2009 was experienced as a year when the wounds of the crisis were bandaged; the effects of the crisis in the first quarter diminished with the effect of the VAT cut applied for 6 months, including the second and third quarters, and positive growth was recorded in the fourth quarter. In 2010, IT sector achieved quite gradual growth after constitutional referendum particularly static summer season.

Turkey has been one of the major developing countries due to the improving general economic conditions, increased per capita income and steps taken for globalization. In addition to highly qualified and cost effective human resources, majority of the young population is contributing to the attractiveness of our country. When the pressure of the diminished consumption tendency on the IT Market due to the crisis in 2008-2009 decreased, it is estimated that the IT sector will grow by 16.4 comparing to the previous year and with such growth, the sector will reach 6.9 billion USD by the end of 2011.

On the other hand, if the share of the end-users in the market is monitored in the period between 1995 and 2009, it would be clearly seen that the market structure has changed considerably. Accordingly, the IT market comprised governmental and public bodies (38%), finance sector companies (30%), private sector companies (20%), individual users (7%) and SMEs (5%) in 1995. However, the shares of government and public sector companies, finance sector companies and private sector companies in the market decreased while those of individual users and SMEs increased in the period between 1995 and 2009. As a result, as of 2010, the Turkish IT market comprises 40% individual users, 17% government and public sector companies, 16% private sector companies, 13% finance sector companies and 14% SMEs.

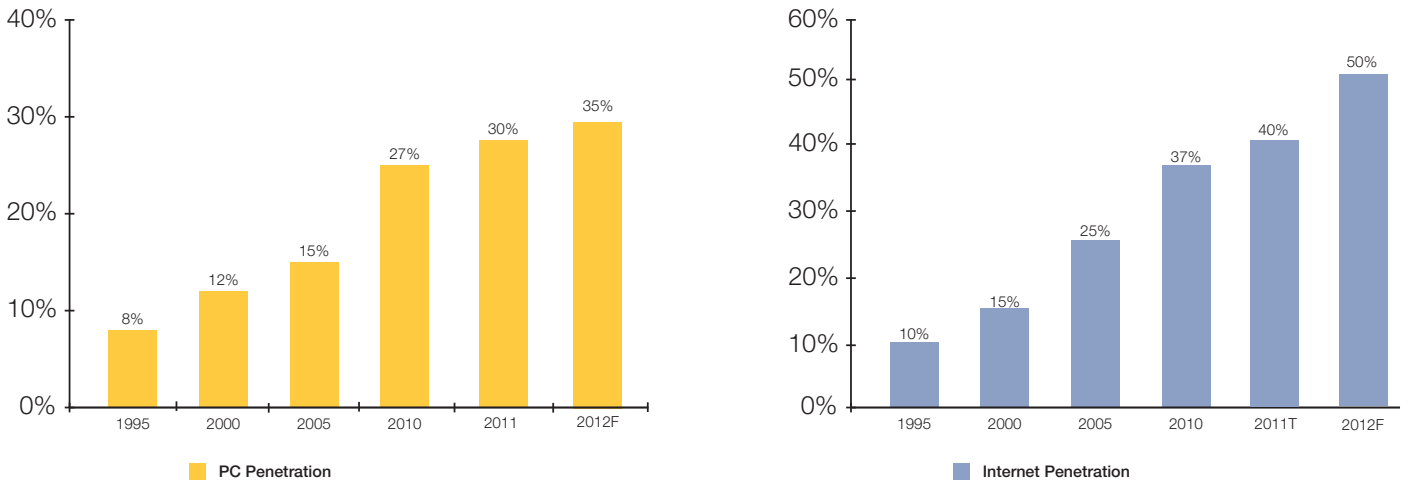


	1995	2000	2005	2008	2009	2010	2011T
Public Institutions	38%	25%	22%	20%	18%	17%	18%
Finance Sector	30%	35%	25%	15%	14%	13%	11%
Private Sector (Corporate)	20%	23%	25%	18%	16%	16%	15%
SME	5%	7%	10%	12%	14%	14%	14%
Individual Users	7%	10%	18%	35%	38%	40%	42%

Source: IDC 2011

According to the 2009 report of ITU (International Telecommunication Union) on the basis of 2007 data, the rate of PC ownership per household is 70% in the USA, 75% in England, 79% in Germany, 40% in Greece, 53% in Italy, 21% in Brazil and 29% in Turkey. The rate of internet users is 62% in the USA, 67% in England, 71% in Germany, 25% in Greece, 43% in Italy, 15% in Brazil and 19% in Turkey.

It is estimated that the rate of the number of PC in operating status to the total population has increased from 8% to 27% in the period between 1995 and end of 2010, and that the rate of the internet users to the total population has increased from 10% to 37% in the same period. This indicates that PC ownership and internet usage rates increased over 3 times in the last 15 years. PC ownership and internet usage rates have increased by 67% and 40%, respectively in the last 5 years. Comparing to the country data published by ITU above, it is clear that Turkey is far below the developed countries with respect to the PC ownership and internet users rate and that there is a long distance to be covered in this field. The PC and internet penetration in Turkey between 1995 and 2010 has developed as shown in the following graphics.



Source: IDC 2011

According to the results of "Households IT Usage Research" published by the Turkish Statistical Institute (TÜİK) in April 2010, the PC and internet usage rates of individuals are 40.1% and 38.1%, respectively. The survey indicates that computer and internet usage rates of people between 16 and 74 ages are 50.5% and 48.6% for men and 30.0% and 28.0% for women, respectively.

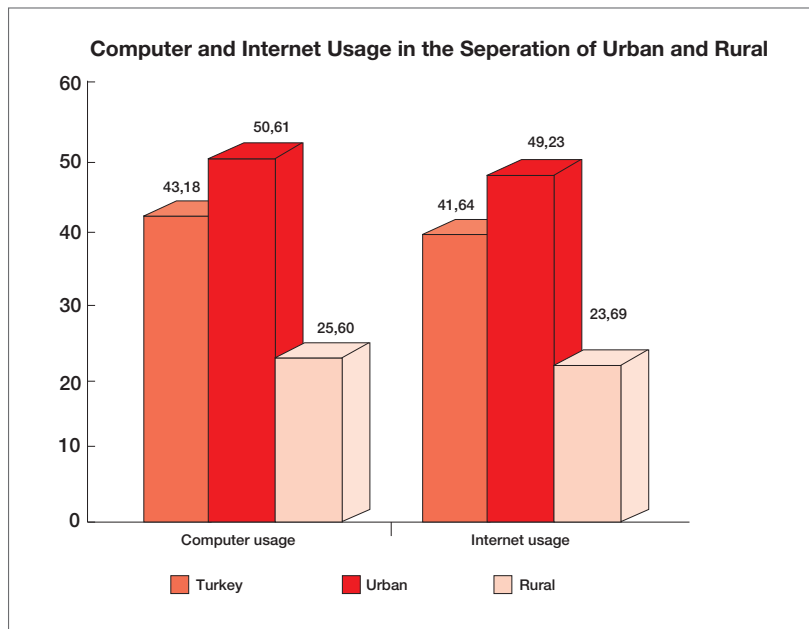
The age group in which the rate of computer and internet usage is highest is 16-24. These rates are higher in men than women in all age groups. By educational level, the population who use the computer and internet most are graduates of first degree and higher education levels. 11.8% of people place order for or purchase goods or service for personal use via internet.

According to the report results, PC and internet usage rates have increased by 8% and 9%, respectively in the period between 2009 and 2010. Another interesting feature of the report is that although the computer and internet usage rate of the rural population is lower than the urban population, the computer and internet usage rates increased by 16% and 15%, respectively, in the rural areas. Although the increasing rate is pleasing, it is clear that the computer and internet usage rate in the urban areas is over 2 times higher than the rural areas.

Comparison of computer and internet usage on area based (rural & urban) (%) (2009-2010)

		Computer usage rate		Change	Internet usage rate		Change
		2009	2010	%	2009	2010	%
Computer and internet users	Turkey	40,11	43,18	8%	38,14	41,64	9%
	Urban	47,70	50,61	6%	45,52	49,23	8%
	Rural	22,16	25,60	16%	20,68	23,69	15%
In the last there months	Turkey	35,60	39,08	10%	33,97	37,58	11%
	Urban	42,60	46,28	9%	40,87	44,72	9%
	Rural	19,02	22,04	16%	17,64	20,67	17%
Between three months and one year	Turkey	2,29	1,94	-15%	2,43	2,24	-8%
	Urban	2,77	2,12	-23%	2,78	2,57	-7%
	Rural	1,14	1,50	32%	1,59	1,46	-8%
Over one year	Turkey	2,23	2,17	-3%	1,75	1,82	4%
	Urban	2,33	2,21	-5%	1,87	1,93	3%
	Rural	2,00	2,06	3%	1,46	1,57	7%
Never used	Turkey	59,89	56,82	-5%	61,86	58,36	-6%
	Urban	52,30	49,39	-6%	54,48	50,77	-7%
	Rural	77,84	74,40	-4%	79,32	76,31	-4%

Source : TUIK 2009, 2010



Source: TUIK 2011

Public investment in IT sector increasingly grows year by year with the contribution of the “e-Transformation Turkey Project” in accordance with the Information Society Strategy adopted by the Prime Ministry. Accordingly, the share of IT investments out of the total public investments increased to 159 million USD in 2002, 389 million USD in 2005, 555 million USD in 2007, 590 million USD in 2009 and 675 million USD in 2010.

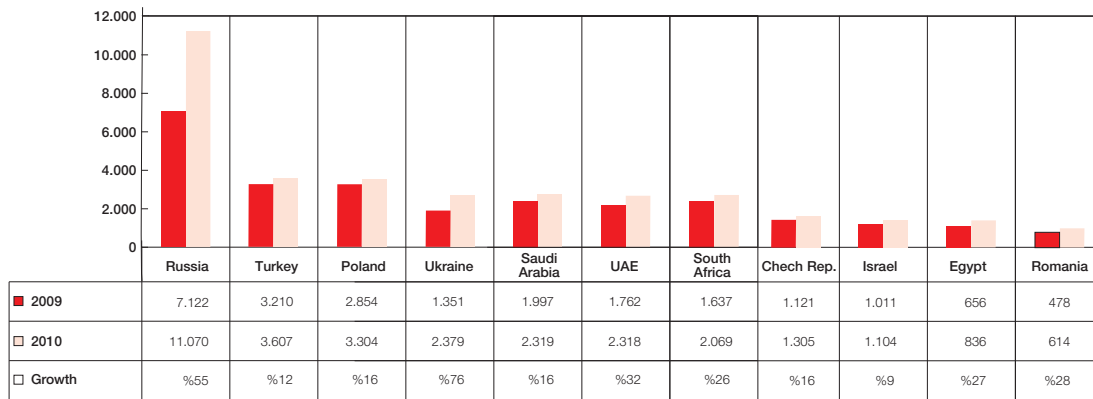
Year	Number of Project	Amount of Total Payment (Current Prices)		Amount of Total Payment (2010 Prices)	
		(000) TRL	(000) \$ US	(000) TRL	(000) \$ US
2002	203	286.013	158.808	478.029	297.511
2003	204	369.321	208.656	536.205	318.536
2004	211	451.181	281.285	587.673	376.958
2005	200	626.253	388.494	814.734	533.215
2006	203	791.065	557.716	900.868	685.156
2007	237	816.753	555.463	927.964	629.695
2008	271	814.890	591.529	835.966	589.603
2009	244	847.663	590.418	890.046	619.939
2010	177	1.083.743	675.524	1.083.743	675.524

Source: State Planning Agency 2009, Public Information & Communication Technology Investments

1.2. IT Market Comparison in the World and Turkey

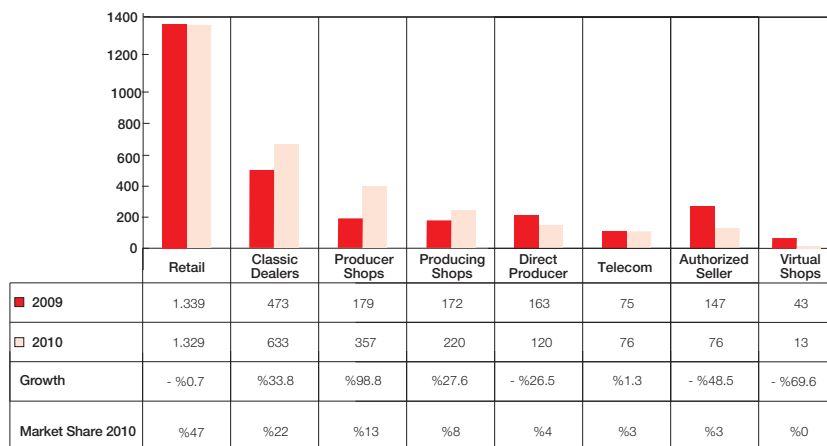
According to IDC’s report regarding growth rates between countries, the highest growth rate from 2009 to 2010 was seen in Ukraine with 76% and respectively Russia with 55 %, BAE with 32 %, Romania with 28 %, Egypt with 27 %, South Africa with 26 %, Poland, Saudi Arabia and Czechoslovak with 16 %. Turkey has been the 10th in above rank with 12 % growth rate on PC quantity based sales. Israel has been stated after Turkey with 9 % growth rate.

World IT Market - Country Based PC Market Growth Analysis, 2009 - 2014 (Quantity)



Source: IDC 2011

Turkish IT Market - Dealers Market Share Analysis, 2009 - 2010 (Million \$ USD)



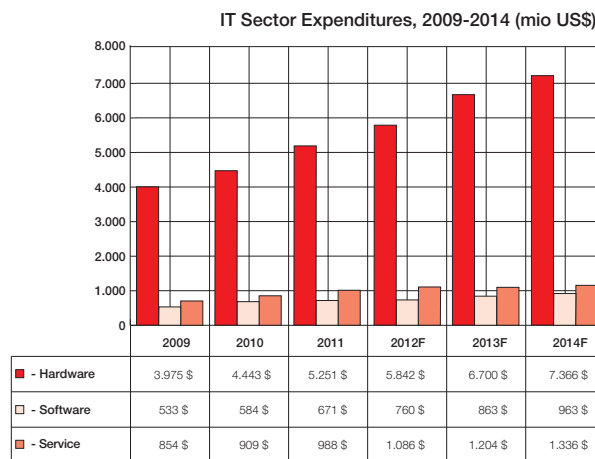
Source: IDC 2011

According to IDC's report regarding Turkish IT Market, market shares of the dealers in 2010; 47 % in retails, 22 % in Regular Dealers, 13 % in Producer Shops, 8 % in Corporate Dealers, 4 % in producers, 3 % Telecom, 3 % in Authorized Sellers, less than 1 % in Visual Markets (online shops). The major growth was recorded by Producer Shops and Regular Dealers, Corporate Dealers and Telecom Dealers respectively.

The growth rates are 98 %, 33,8 %, 27,6 %, 1,3 % respectively. On the other hand, Visual Shops -69,6 %, Authorized Sellers -48,5 %, Producer Direct -26,5 % and Retail -0,7 % were shrank. The stakes of retail shops were too small and especially after 2007 and 2008, the market share of these shops increased in considerably important amount. The main factor was that the individual users took important stake from the market up to 40 % in 2010. It is expected to be higher in the future.

2 Sub-segments of the ICT Sector

Turkish IT sector is essentially separated into three main groups, namely hardware, software and IT services. According to the Turkey results published by IDC in 2011, the business volume of the Turkish Information and Communication Technologies (IT) market reached 5.3 billion USD in 2009, 5.9 billion USD in 2009. The same report shows that the share of the "Hardware", "Software" and "IT Services" sub-segments in the total market are 75 %, 10 % and 15 %, respectively. This indicates that the Turkish IT sector has got a structure where "hardware" is predominant with respect to income created.



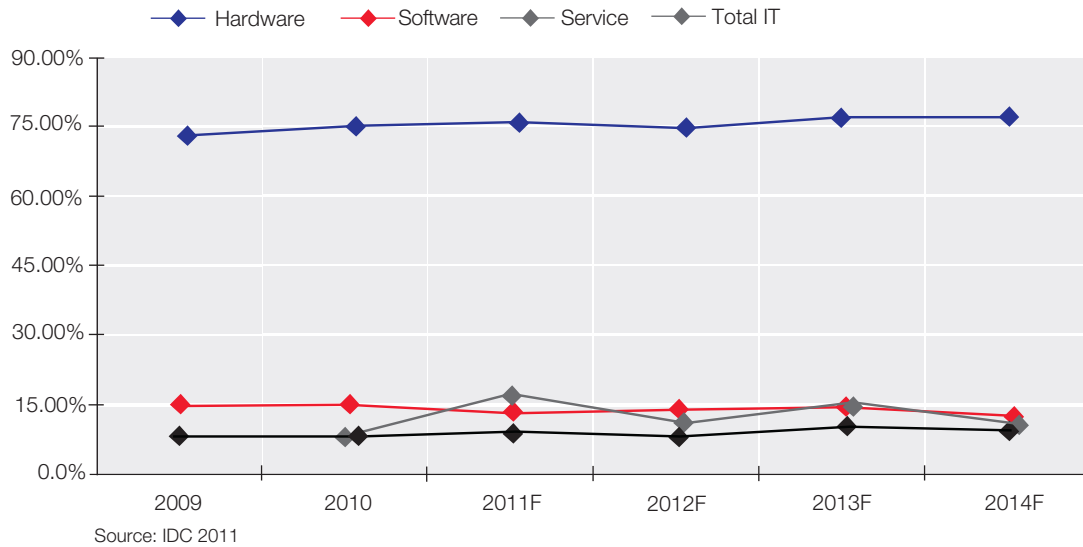
Source: IDC 2011

Turkish IT Sector 2009-2014 (Mio \$)						
IT Sector Contents (x m \$)	2009	2010	2011 F	2012 F	2013 F	2014 F
Hardware	3.975,0	4.443,1	5.251,0	5.842,0	6.699,5	7.365,6
Software	532,6	584,2	670,9	759,7	863,1	963,3
Service	853,6	909,4	988,2	1.086,2	1.204,0	1.336,1
Total IT	5.361,2	5.936,7	6.910,1	7.687,9	8.766,6	9.665,0
Growth %		10,7%	16,4%	11,3%	14,0%	10,2%
Growth on Segments		2010	2011 F	2012 F	2013 F	2014 F
Hardware		11,8%	18,2%	11,3%	14,7%	9,9%
Software		9,7%	14,8%	13,2%	13,6%	11,6%
Service		6,5%	8,7%	9,9%	10,8%	11,0%
IT		11%	16%	11%	14%	10%
Distribution in Segments	2009	2010	2011 F	2012 F	2013 F	2014 F
Hardware	74,1%	74,8%	76,0%	76,0%	76,4%	76,2%
Software	9,9%	9,8%	9,7%	9,9%	9,8%	10,0%
Service	15,9%	15,3%	14,3%	14,1%	13,7%	13,8%
IT	100%	100%	100%	100%	100%	100%

(Telecom, Network tools are not included for the calculation)

According to the 2011 Turkey IT Expenditures Survey conducted by IDC, the Turkish IT market is expected to have a 12.5% compound annual growth rate (CAGR) in the period between 2009 and 2014, reaching 9.6 billion USD in 2014. These estimates are based on the anticipated growth rates, investments anticipated to be made by companies rapidly as they were deferred due to the crises of 2001 and 2008, effects of IT expenditures incurred by the public sector for e-transformation projects on IT consumption, increased use of IT in education, anticipated increased rate of the use of internet and mobile technologies and replacement investments to be caused by new technologies.

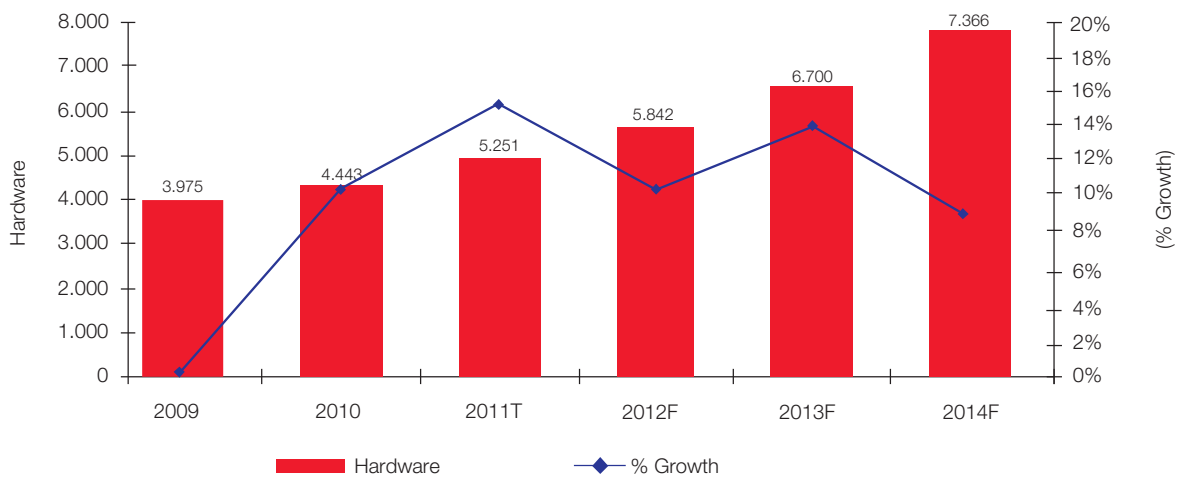
Growth Rates in Turkish IT Market Between 2009-2014 (%) on Sub-Group Based



2.1 Hardware Market

Hardware market in Turkish IT sector is the sub-segment having the biggest share regarding the sales amounts of 1999 – 2009, with the ratios changing between 57% and 74%. With tax stimulus packages of the government for only 6 months in 2009 and constitutional referendum at the end of third quarter were both supported the growth in the sector. The hardware sector achieved growth from 2009 to 2010 as 11,8 %.

Growth Rates & Targets of Hardware Expenditures in IT Sector, 2009-2014 (Mio USD,%)



IDC expects Hardware sector capacity is expected to reach 7,336 million USD in 2014.

2.1.1 PC Market:

The hardware sub-group consisting of Desktop PCs, portable PCs (“Laptop PCs”, “Notebooks”), Servers and Peripherals is monitored via the sales data in PC market which represent a very significant portion of the total sales. Accordingly, total sales of the PC market were realized as 2.691.519 in 2008, whereas such total number (both notebook and desktop) rose to 3.210.386 units with an increase of 19.3% in 2009. In 2010, it reached 3.607.136 with 12,4 % growth rate.

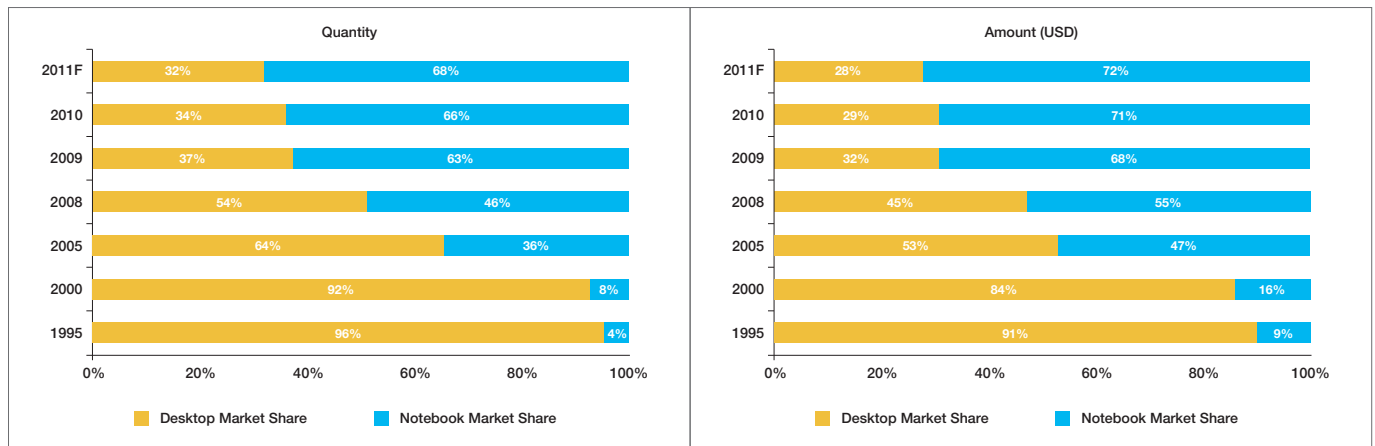
However, when the sales in the PC market are considered by quantity excluding the server market, it is noticed that portable PCs have gained majority in this market for the first time in 2009. From the year of 2004, supplying portable PCs with high performance, increased mobility possibility with their lighter structure and affordable prices to the consumers has enabled significant increases in their sales, and finally, sales of portable PCs have surpassed those of desktop PCs in 2009.

When the market share of mobile PC was 35,7 % in 2005, it reached 63 % in 2009 and 66,1 % in 2010. In this paralel, when the market share of desktop PC was 64,3 %, it decreased to 37 % in 2009 and 33,9 % in 2010.

Estimation of Turkish PC Market on Type and Quantity Based, 2005-2010													
Type	2005	(%)	2006	(%)	2007	(%)	2008	(%)	2009	(%)	2010	(%)	CAGR(%)
Desktop	1.027.336	64.3	1.331.144	63.7	1.415.568	54.3	1.455.049	54.1	1.186.862	37.0	1.221.607	33.9	3.52%
Notebook	570.366	35.7	757.597	36.3	1.191.332	45.7	1.236.470	45.9	2.023.524	63.0	2.385.529	66.1	33.13%
Total	1.597.702	100,0	2.088.741	100,0	2.606.900	100,0	2.691.519	100,0	3.210.386	100,0	3.607.136	100,0	17.69%

Growth				
2006	2007	2008	2009	2010
29.57%	6.34%	2.79%	-18.43%	2.93%
32.83%	57.25%	3.79%	63.65%	17.89%
30.7%	24.8%	3.2%	19.3%	12.4%

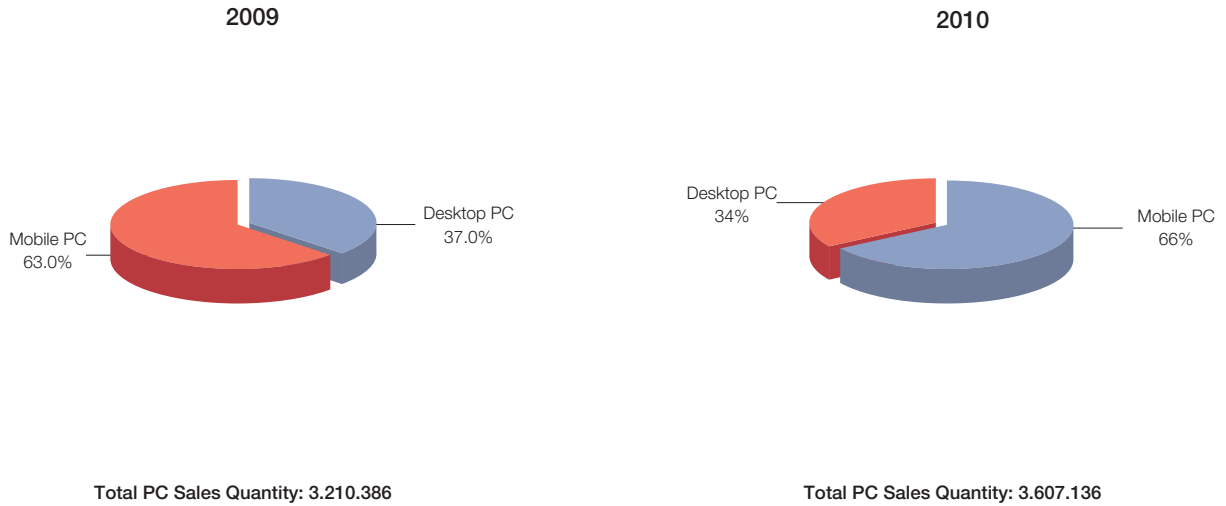
Trends in Market Shares of Desktops & Notebooks



Source: IDC 2011

The developments at PC market are closely related with the ongoing projects in public and educational sectors. The stable growth in demand of the consumers is also considered as another significant factor on this issue. The growing retail chains and financial opportunities offered to the consumers by these chains have been the most important driving forces for the PC sales. Besides, noticing the benefits of mobile computing systems by the corporate companies is seen as another important reason for the growth. At this point, one may clearly see from then market sales figures that the demand by the small and large enterprises seeking productivity for portable PCs as an important part of mobile data systems has increased.

Turkish IT Market on Main Form Based 2009 – 2010



Source: IDC 2011

Besides the producers which have international brands, a considerable part of hardware production both inside and outside the country is performed with the main components that are obtained from the global computer parts suppliers by big and small-sized companies. Over time, these factors have transformed the hardware product market and the especially PC market into a low added value structure in which the competition is highly sensitive to the price.

According to IDC's 2011 report, 36 % of Desktop PCs were sold by local producers, 28 % International Producers and the rest consists of processor selling amount to local market. In this category, local producers are dominant in 2010. When look at the Notebook amounts, local producers have market share of 19 % and International producers have market share of 81 %.

Suppliers Based Distribution of Turkish Desktop and Notebook Market, 2010



Source: IDC 2011

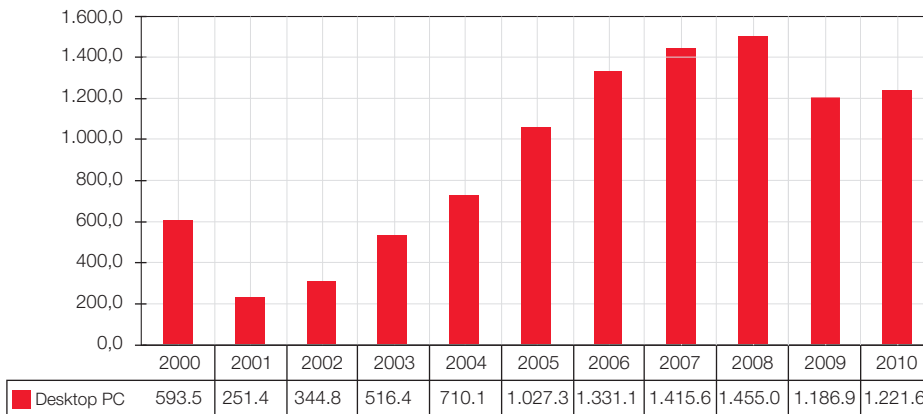
2.1.1.1 Desktop PCs

PC Desktop products have represented the most important product category within the sub-group of hardware in terms of the unit and sale volumes until 2009. Total sales of Desktop PCs decreased from 594 thousand in 2000 to 251 thousand in 2001 due to the 2001 economic crisis. PC sales increased with the rate 41% CAGR between 2002 and 2005, well above the economical development, with the influence of the decrease in the year 2001 and reached 1 million units in 2005. Desktop PC sales rose to 1.33 million units and 1.4 million units with an increase of 30% and 6% in 2006 and 2007, respectively.

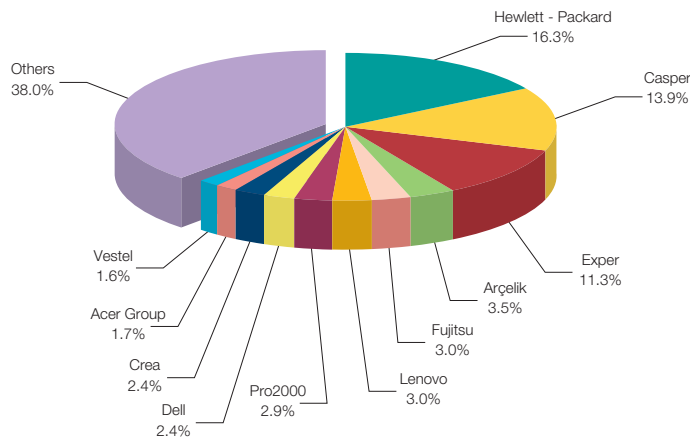
Such sales again increased by 10-15% in the first three quarters of 2008 and by 2,8% in the last quarter due to the global crises, and closed the year with a sales quantity of 1.45 million units, which was the highest historical level. However, as a consequence of the development of the mobile technology, the share of the desktop PC sales in the total PC market decreased to 37%, and the sales quantity was realized as 1,19 million units with a decrease of 18,4% in 2009.

PC Desktop market exhibits much segmented structure where the domestic producers are dominated. While international producers get a market share of 28%, the remaining part of the market is under the control of the big or small sized domestic producers. These are Hewlett Packard 16,3 %, Casper 13,9 %, Exper 11,3 %, Arçelik 3,5 %, Fujitsu 3 %, Lenovo 3 %, Pro2000 2,9 %, Dell 2,4 %, Crea 2,4 %, Acer Group 1,7 %, Vestel 1,6 % and Others 38 %.

Quantity Based Distribution of Desktop Sales (000), 2010



Source: IDC 2011



2.1.1.2 Notebooks

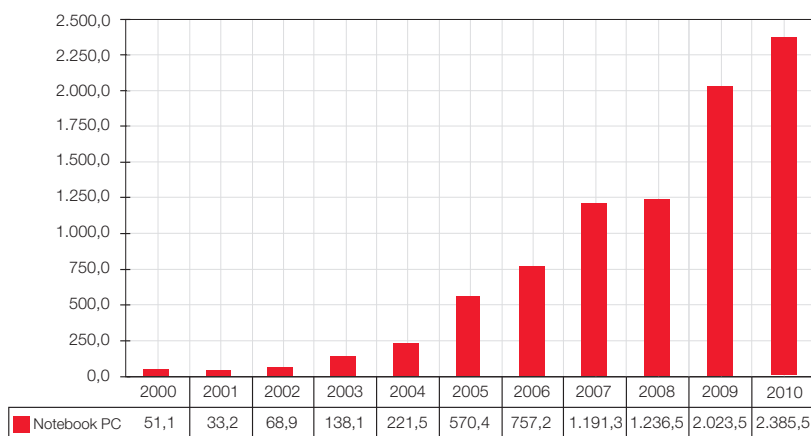
Since 2004, a significant consumption activity has started all over the world in Portable PCs (notebook, netbook) market when the international big producers decreased the prices with increasing competition in this market and the developing technology. As a consequence of affordable price policies of producers and retailers, notebook prices for end users decreased to 400 - 1000 USD on average in Turkey, which eventually made these products affordable for home users and increased the widespread usage of the notebooks in the offices. Accordingly, the share of Portable PCs (except for server) in the total PC sales by quantity has increased from 5% to 23.8% between 1998 and 2004 and then to 45.9% in 2008. Supplying portable PCs with high performance, increased mobility possibility with their lighter structure and affordable prices to the consumers has enabled significant increases in their sales, and finally, sales of portable PCs have reached 63.03%, well above those of desktop PCs in 2009. In 2010, it reached 66,1 %.

Sales of Portable PCs in 2000 increased from 51 thousand units to 221 thousand units in 2004 and then rose to 1.236 thousand units in 2008, 2.023 thousand units in 2009 and 2.385 thousand units in 2010. According to the 2011 results of the IDC report on Turkish IT Expenditures, the Turkish mobile PC Market is estimated to reach 3 million units in 2011, and the share of the mobile PC shares in the total PC sales shall reached 66,1 % in 2010.

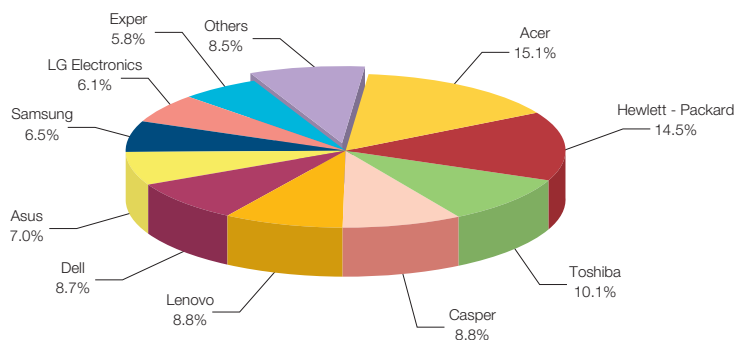
It seems that international brands are more dominant in the Notebook PC market than the Desktop PC market. According to the 2010 data obtained from IDC, the most important leading brands in the Portable PC market, namely Acer, Hewlett Packard, Toshiba, Casper, Lenovo and Dell, control 66.1% of the market in terms of quantity.

As a consequence of the fact that just like in the desktop products in previous periods, the structure of notebook products tends to be standardised, it is observed that some part of the market shares of international brands are left to the domestic producers. The market share of the domestic producers which was 10% at the end of the year 2003 increased to 16.8% in 2008 and 19% in 2010. According to the 2010 results, the shares of Casper and Exper, which are the two big domestic market of the Turkish market, were realized as 8,84 % and 5,77%, respectively.

Desktop PC Sales (000) and Supplier Based Distribution of Sales, 2010



Source: IDC 2011



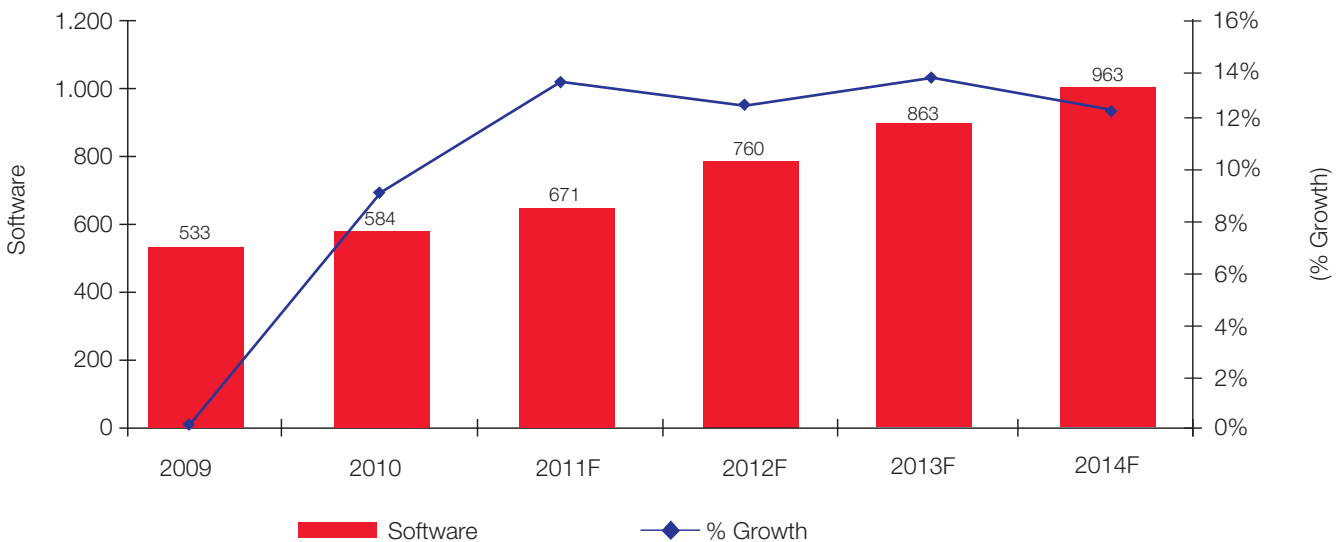
2.2 Software Market

The size of the software sub-group increased from USD 276 million in 1999 to USD 377.3 million in 2000. However, in the 2001 crisis, just like in hardware sector, software sector decreased to USD 172.3 million with shrinkage of about 54%. In 2009 it reached 533 million USD. However, due to the pressure of the crises that has deepened in the last quarter of 2008 on the consumption tendencies, the sales of the Turkish Software Market decreased to 609 million USD with minor shrinkage of 1% in 2009, contrary to the dramatic shrinkage of the 2001 crisis.

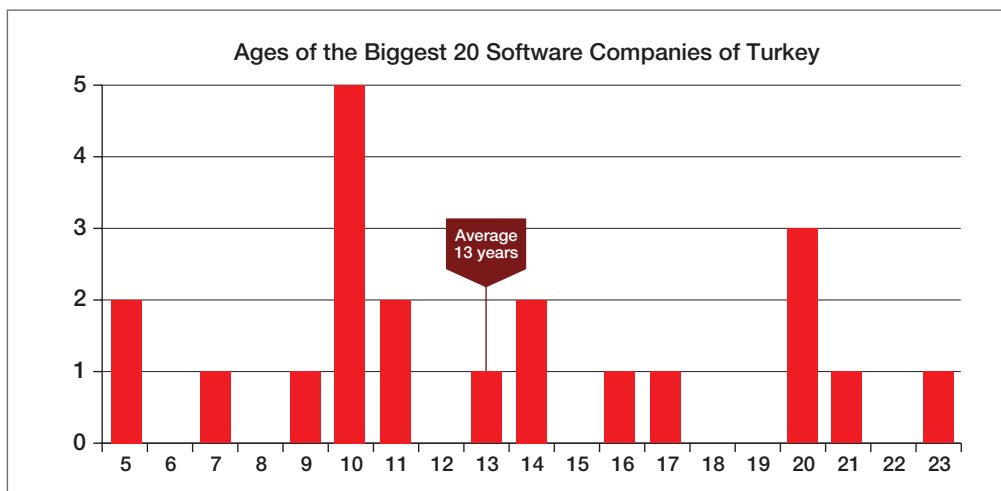
As of the end of 2010, the share of the software sub-group in the entire IT market in terms of the total turnover is at very low levels in comparison with Europe and America with 9.8% share, mainly because of pirated usages. Microsoft Office, being a commonly used program, is the most pirated program. The laws which were enacted by the Turkish Parliament in 1995 for purpose of ensuring the protection of the registration rights decreased the pirated usage rate. According to the estimations of our company, while 70% of the software is illegally used in Turkey, this rate is around 35% in the USA.

Because the operating system software is purchased as incorporated into the computer, its pirated usage is less than other software. The registration right laws had influence on the custom suppliers using pirated products most frequently. Most of the custom suppliers use the licensed operating system software at present.

IT Sector Software Expenditures Growth Figures and Growth Targets, 2009-2014 (Mio USD,%)



Source: IDC 2011



Source: State Planning Agency 2007, Information and Communication Technology Specialisation Commission

The average age of the top 20 software companies of Turkey is 13. While the imported products in the software sector have the most important share, there is also an increase in the Turkey-based software. Because the government keeps it compulsory to use the domestic software in some of the projects, it is expected that shares of the Turkey-origin software companies will continue to increase. A great part of the software produced in Turkey is used by the banking, accounting, human resources and textile sectors for production.

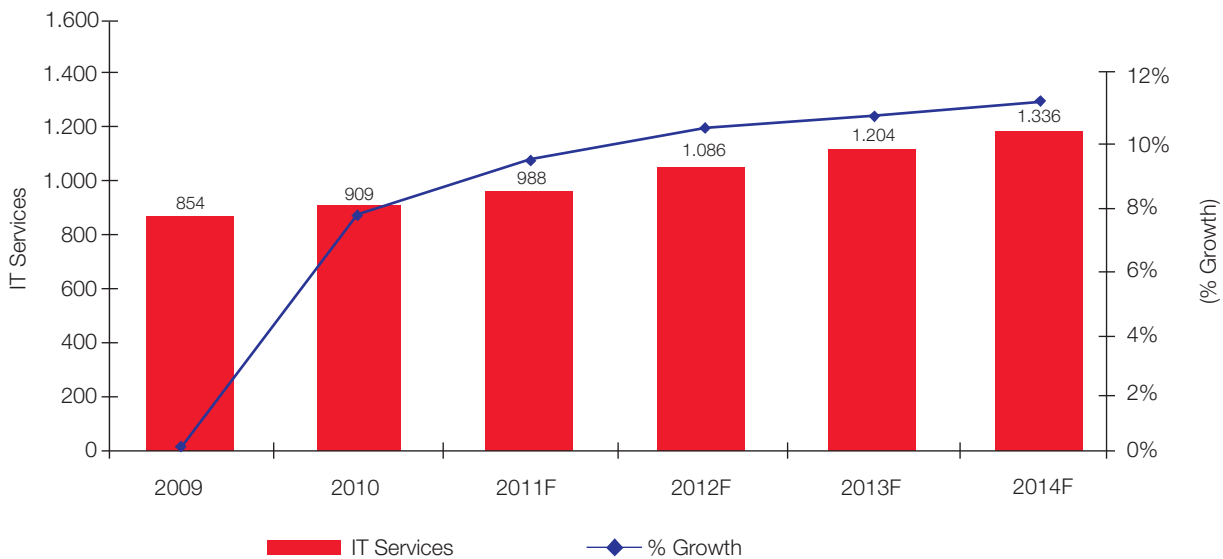
While some part of the software companies offers the ready-to-use packages, particularly the domestic companies in the sector offer software solutions tailored to specific requirements of their customers. Microsoft is the leader of the application software and IBM is leader of the system software. The other major companies in the software sub-group are SAP, Oracle, Havelsan, Logo Yazılım, Likom Yazılım and Link Bilgisayar.

2.2.3 IT Services Market

Contrary to the hardware and software sub-sectors, IT Services sub-sector s the constant and necessary services relating to the existing IT investments periodically and leasing services. In the 2001 crisis, the Turkish IT Services Market decreased to 288.2 million USD with a decrease of 39% comparing to the previous year. The volume of the Turkish IT Services Market grew faster than the total market in 2002, reaching 403.5 million USD, and the share of the IT Services in the total market increased to a record level of 28.1% in the same year. However, in spite of the pressure of the crisis that deepened in the last quarter of 2008 on the consumption tendencies, the market was realized at 854 million USD in 2009.

The share of the IT Services in the total market was 15.9% in 2009, which decreased to 15.3 in 2010. However, it is expected that this share will increase due to the needs that may arise during the integration of newer technology systems on the existing systems and outsourcing of IT operations by big companies and banks in particular.

IT Sector IT Services Growth Figures and Growth Targets, 2009-2014 (Mio USD,%)



Source: IDC 2011

İndeks Bilgisayar in the ICT Sector:

In Turkey, Top 500 ICT Companies Ranking performed every year by Interpro Medya A.Ş., our company ranked seventh in the general ranking based on turnover achieved in 2009 among the companies including telephone operators and mobile phone sellers. On the other hand, it ranked first, like the previous years, in the category of companies selling only computers. Further, it ranked first in seven IT categories.

2009 Top 10 ICT Companies Revenue Range (Sa

2009 Range	Company	US \$ (mio)
1	Türk Telekom	6,787
2	Turkcell	5,739
3	Vodafone	1,631
4	Avea	1,608
5	KVK	1,317
6	Gen-pa	1,088
7	İndeks Bilgisayar	698
8	Hewlett-Packard	612
9	Teknosa	562
10	Digitürk	514

Important Events in the IT Sector in 2010:

Important events that occurred in the Turkish IT Sector in 2010 are listed below:

Business - Entertainment - Education world is recognised by Technology!

- 1- Announcement of smart devices
- 2- Announcement of tablets
- 3- Demand for internet connection from everywhere
- 4- Individual Consumer is the leader of technology world
- 5- Telecom campaigns
- 6- Prevalence of Social Networking websites in Anatolia
- 7- Transformation of citizen << >> e-citizen
- 8- Turkey became the 7th biggest internet market of Europe.
- 9- Constitutional referendum at the end of third quarter, market started to have gradual growth.

2.3 Growth of the Turkish IT Sector:

Factors Inciting the Growth of the Turkish IT Sector:

- **Rapidly Increasing Usage of Technology:** All business and public companies recognise the value of the increasing control over sources, development of productivity, expanding the business volume and analysing the customer requirements by using the technological devices.
- **Economic Performance:** The development of the IT market was struck down by the economic crises of 2001 and 2008. After the economic crisis, Turkey entered a recovery period with strict economic policies. Economic stability makes a direct positive effect on IT investments.
- **Changing Economic Structure:** The importance of service sector increased, with a decrease of agriculture in the economy in Turkey in the last ten years. The increasing operations in the service sector instigate the IT investments especially in retail, wholesale, logistics, financial services, professional and personal services markets.
- **Developing Trade with European Union-27 and other EU countries:** Turkey made 38.94% of its importation from the European Union (EU)-27 countries in 2010, respectively. When including also the other European countries in the figures, 55% of the importation was made from the EU countries in 2010. On the other hand, 46% of the total export is made to the European Union (EU)-27 countries in 2010. When including also the other European countries in the figures, 56% of the exportation was made to the EU countries in 2010.

Development of the trade with the European Union and Direct Foreign Investments in Turkey will increase IT investments and competition in local industries, instigate the investments of European Union-originated companies in Turkey, which ultimately expedites the change of quality standards in data management and analysis systems.

Direct Foreign Investment Inflow: Direct foreign capital investments in developing countries such as Turkey, make important contribution to the development of the country economy. It makes direct contribution to the improvement of IT investments.

The economic reforms implemented by Turkey just after the 2001 crisis and the macroeconomic stability, together with the political stability, contributed to the improvement of the business and investment environment and broadened the horizon of the companies in their investment decisions. With the economic and political stability environment, Turkey utilized foreign resources in considerable amounts. The amount of the direct foreign investment flowed into Turkey was 1.8 bn USD in 2003, 2.9 bn USD in 2004, 10 bn USD in 2005, 20.2 bn USD in 2006, 22 bn USD in 2007 and 18 bn in 2008. With the effect of the global crisis towards the end of 2008, the foreign capital investments remained limited to 18%. However, the effects of the crisis have aggravated in 2009, which ultimately resulted in a decrease of 58% in such investments (7.6 bn USD). In 2010, it became 7 billion USD with 8 % decrease.

Privatization: Income obtained from privatization has increased considerably in the last 5-6 years. According to the data obtained from the Turkish Privatization Administration, the income obtained from privatization was 187 million USD in 2003, 1.3 billion USD in 2004, 8.2 billion USD in 2005, 4.3 bn USD in 2007, 6.3 billion USD in 2008 and 2.3 billion USD in 2009. 1.225 million USD, 600 million USD and 440 million USD out of 2.3 bn USD obtained in 2009 was resulted from the privatization of Başkent Elektrik, Sakarya Elektrik and Meram Elektrik, respectively. In 2010, 3,1 billion USD privatisation was made.

Investments made following the privatizations by the new owners of the privatized companies in new infrastructure and technological optimization efforts supported the growth in the IT sector.

Banking Sector: The banking sector has undergone a structural change since 2001. Banks are under the pressure of the diminishing profitability due to the changing market conditions. Bank managements are trying to increase their profitability while protecting their market shares. To be marketing-oriented and address to the target customer segment more efficiently have been necessary for all banks. Most of banks have strong growing targets in all customer segments.

IT Managements in Turkish Banks replace the existing IT infrastructure in a certain schedule, instead of replacing all of them at once, in order to use them efficiently and respond to the requirements of the competition.

Public Sector: Information Society projects conducted in accordance with the Information Society Action Plan established by the Prime Ministry are defined one of the most important projects of the general policies of the Government. As part of such efforts, e-transformation Turkey Project aims to carry out the process of transformation into an information society in a harmonious and integrated structure under. The administration in charge of the project is the State Planning Organization attached to the Prime Ministry. The State Planning Organisation determines its public investment program by evaluating and selecting the proposals for projects submitted by public institutions and agencies with respect to the plan targets, public investment policies, national economy, the European Union process, sector-specific and intersector priorities and allocating resource to the selected projects.

It is estimated that the number and amount of the projects relating to the public information and communication technology will increase in the forthcoming period.

Telecommunication Sector: Turkey made major progress in the telecommunication sector with respect to the compliance with the EU and catching up with the global changes in the recent years. As part of the process of the accession of Turkey to the European Union, the chapter "Information Society and Media" was opened and the negotiations have started on 19 December 2008 because Turkey has met the criteria for the chapter to be opened. On the other hand, the chapter "Information Society and Media" in the Third National Program, which was adopted on 31 December 2008 to schedule the commitments of Turkey for harmonisation with the EU acquisition, commits to complete necessary arrangements in 2009 and 2010. This commitment aims at the liberalization of the electronic communication sector, creation of good working competition atmosphere, catching up with the development in information and communication fields and establishment of infrastructure and legal foundations for the related fields. Accordingly, it is estimated that a resource of about 8 million Euros will be needed for the institutional structuring for purpose of the harmonization with and implementation of the EU acquits.

The enforcement of the Electronic Communication Law, which had been on the agenda of the telecommunication sector for five years from 2003, on 10 November 2008 and the enforcement of the Authorisation Regulation on Electronic Communication on 28 May 2009 are some of the favourable events that occurred in the recent years. In addition to the foregoing, the enforcement of the Number Porting Regulation at the beginning of July may be considered one of the most important steps taken for introduction of the third generation electronic communication service.

Rapid progress of technological developments makes impact on every part of our lives and creates some concepts such as information economy and internet economy. Extraordinary developments in the IT sector go beyond the country borders of the goods and finance markets and take the world into an economic globalization. Besides such progress in the IT technology, telecommunication sector also experiences many developments. As a consequence, it is inevitable that the countries that cannot keep up with such developments will remain behind the technologically advanced countries.

Logistics Sector: Intensifying competition in the logistics sector entails to follow the business process via Supply Chain Management (SCM) to control the supply of materials and distribution costs. Big producers operating in consumables and household appliances feel this need considerably. Supply Chain Management solutions require making additional investments in web technologies and communication networks, etc.

Retail Sector: Competition in the Turkish retail sector is intensifying. Investments made by international actors in the Turkish market increasingly continue. Media Markt, Dixons, Darty, Electro World and Best Buy have also been included in the chain stores in Turkey in the recent years. Entrance of the international actors into the Turkish market has made a favourable effect on the growth rate of the sector. It is the first time Best Buy and Media Markt has met in the Turkish market in 2009.

Growing Individual Consumer Market: It is obvious that consumers use the IT more than before. Opportunity of payment by instalment with credit cards and growth of retail markets rapidly support the growth of the individual consumer market. PC usage of end users and their demand for peripherals have increased from 7% to 38% of the market between 1995 and 2009. Accordingly, the structure of the market has changed, and individual consumers have represented the biggest share in the end user market since 2007.

Internet Technology and Portals: Corporate usage of internet technology is still improving. Data portals become common via internet banking. The public sector is the main factor instigating the portal turnovers due to the e-government projects. Telecommunication, production, insurance and distribution sectors use portals for developing business with partners and suppliers, enhance communication and cooperation with customers and develop the management of the internal business processes.

According to the Information society strategy (2006-2010) report, priority subjects considered and hindrances that should be overcome for all actions taken towards an information society are concentrated on the following items:

- Increasing the sustainable growth and competitiveness,
- Enhancing the life quality,
- Prevention of numerical gap,
- Enhancing the competence of human resource and employment,
- Presentation of public services from multi-platforms in a citizen-oriented and efficient manner,
- Generalizing the e-trade,
- Ensuring standardization and security in information society applications,
- Develop R-D and innovativeness in tune with the market and creating value accordingly,
- Generalizing wide band communication infrastructure,
- Enriching the content and information society applications,
- Making use of the convergence potential of technologies,
- Making use of media channels for development of information society.

Strategic Priorities of Turkey

According to the Information society strategy (2006-2010) report, the priorities of the Turkish Strategy are established on the following 7 foundations:

1- Social Transformation: "Opportunity for information and communication technologies for everybody". Economic and social benefit will be increased by efficient use of citizens in their daily and working lives.

2- Penetration of Information and Communication Technologies into Business Life: "Competition advantage of companies with information and communication technologies".

SMEs will be encouraged to prefer e-trade by increasing their computer ownership and internet access rates; the need for information and communication technologies relating to the strategically important sectors and regions will be determined and to meet such need, sector-specific productivity programs will be implemented.

3- Citizen-Oriented Service Transformation: "Presentation of public service in high standards"

Public services will be transferred to electronic environment starting from the frequently used and value added services via information and communication technologies, and at the same time, the business processes will be restructured in accordance with the user requirements, thereby making service presentation more efficient.

4- Modernization in Public Management: "Public management reform supported with IT"

An e-government formation attaching priority to efficiency and citizens' satisfaction and having organization and process structures in tune with the country conditions will be realized by support of IT.

5- Global Competitive Information Technologies Sector; "Internationally acting IT Sector"

Actions to be taken are project-oriented services, improvement of the capabilities and international expansion in IT services and more competitive sector-specific solutions in software.

6- Competitive, Widespread and Cheap Communication Infrastructure and Services; "Providing access to high quality and cheap wide band to every level of the society"

For ensuring the improvement and widespread usage of the communicational infrastructure and services, an efficient competitive environment will be created in the field of the telecommunication infrastructure. By this way, fast, secure, continuous and quality communication services will be provided, and an environment suitable for the establishment of the telecommunication infrastructures based on new technologies will be created.

7- Development of R-D and Innovativeness: "New product and services suitable to the demand of the global market"

Priority will be attached to R-D activities in the IT sector which is a highly demanded Innovative and highly value-added sector in the global markets. Development of new technologies and transformation of such technologies into production will be supported. In addition, for development and efficiency of R-D and innovativeness activities, ITs will be used to the maximum extent. The first four of the foregoing strategic priorities are for the change in the daily life of the citizens participating in the economic and social transformation, public sector and business life, and the other strategic priorities are for the IT infrastructure necessary for the realization of such transformation, strengthening the sector that will provide such infrastructure and development of the new product and services that will enhance the competitiveness of our country, being suitable to the demands of the market.