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Private and Confidential

October 19, 2004

Mr. Metin Kilci
President
Privatization Administration
Ziya Gokalp Caddesi No: 80
06600 Kurtulus, Ankara

Dear Mr. Kilci:

It was a pleasure meeting with you and your staff in Ankara last week. We are greatly appreciative of the time and effort put in by you and your staff in presenting the Privatization Administration's portfolio of companies. It is clear that you have assembled an impressive and capable team, and we look forward to working with you.

As we discussed, we believe the Turkish government would maximize the proceeds from the Privatization Portfolio by partnering with Perry Capital LLC, Farallon Capital LLC and Hellman & Friedman LLC (the "Investors") to actively manage and optimize the value of the assets prior to sale to strategic investors. Accordingly, we would propose setting up an Asset Management Company ("AMC") that would purchase a 20% interest in each relevant asset, with the Turkish government retaining ownership in the remaining 80% of the asset. The asset's initial value ("Baseline Valuation") would be determined through negotiation between us and the Privatization Administration, its staff of experts and financial advisors. The AMC would have control over the management and board of directors of the asset, and would bring in professional management and advisors to optimize the asset's value prior to sale to a strategic investor. The AMC would receive a Management Incentive Fee to the extent that the amount received from the disposition of the assets exceeds the Baseline Valuation.

Under this framework, the Turkish government would not only receive proceeds today in exchange for the 20% ownership stake purchased by the AMC, but would also be the primary beneficiary of the appreciation of the value of the assets privatized through this vehicle. Upon a sale or other realization of the value of the assets in the AMC, the Turkish government would receive 80% of the proceeds from its 80% ownership stake, less the Management Incentive Fee. The Management Incentive Fee would be 20% of any of the amounts received above the Baseline Valuation. For example, if the Baseline Valuation was $500 million and the assets were sold for $1.5 billion, the Turkish government would receive $100 million today and $1.04 billion upon realization of the assets, for total proceeds of $1.14 billion.

We believe that the approach outlined above, which has proven successful in South Korea, would be beneficial to the Privatization Administration and Turkish government for a number of reasons:

- Auctioning off the Privatization Portfolio assets in their current state would be unlikely to generate the best possible result for the Turkish government and the Turkish people.

- The proposed approach would be structured to comply with the privatization commitment that Turkey has made to the IMF and would also raise a meaningful amount of capital in the near term.

- The proposed approach would avoid rushing into selling the assets below their maximum value where investors would benefit at the expense of the Turkish government and the Turkish people. The proposed structure permits the Turkish government and Turkish people to retain a significant share in the upside associated with the appreciation in value of the assets that will result from our expertise.

  In addition to benefiting from our efforts to more efficiently and profitably manage the assets, our involvement would also result in access to further capital and financing sources and would attract foreign investors to Turkey.

The assets from the Privatization Portfolio that we would propose to include in the AMC are:

- Toll roads and bridges
- Ports
- Electricity distribution companies
- Electricity generation companies
- Manavgat Brook Water Procurement Plant
- Eregli Iron and Steel
- Tekel duty free stores

This letter is merely a broad overview of our proposal. We are eager to engage in further discussions with you and are prepared to dedicate substantial resources to developing the proposed structure in a timely fashion. Please provide written confirmation if you are interested in proceeding with us on evaluating the proposed structure. We would like to discuss the next steps, including the outline of a mutually acceptable process for valuing the assets, within the next 30 days.

As we discussed in our meeting, we are excited about the opportunity to work with you in a partnership going forward. We believe that our collective track record and our international presence uniquely position us to execute this transaction expeditiously and on terms that you will find attractive. We appreciate your time and consideration of our offer and we look forward to continued discussions with you regarding the proposed AMC structure. If you have any questions, please do not hesitate to contact us. For your convenience, we have attached a contact sheet as well as additional background information regarding our firms. We look forward to your response.

Sincerely yours,

FARALLON CAPITAL MANAGEMENT, LLC

William F. Duhamel, Managing Member

PERRY CAPITAL LLC

Richard Perry, President
Alp Erçil, Managing Director

HELLMAN & FRIEDMAN LLC

Brian M. Powers, Chief Executive Officer

CC: Deputy Prime Minister and Foreign Affair Minister Abdullah Gül
Deputy Prime Minister Abdullatif Şener
Deputy Chairman of AK Party and Ankara Deputy Salih Kapusuz

Schedule A
Investor Contact Information

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Schedule B
Description of the Investor Group

Farallon Capital Management was founded in 1986. The firm, together with its affiliates manages approximately $11.5 billion of equity capital for institutions and high net worth individuals through its offices in San Francisco, London, Singapore, Baltimore and Charlotte, North Carolina. Farallon's institutional investors are primarily college endowments and non-profit foundations. Farallon's investment philosophy is to invest in businesses and securities that are undergoing change. Investments include public and private debt and equity securities, direct investments in private companies and real estate. Farallon manages risk through rigorous research including consultation with industry, legal and regulatory advisors. Currently, Farallon has more than $3.3 billion of capital invested internationally across a broad range of industries. International investments have included an Indonesian bank, Italian toll roads, a Mexican hotel, an Indian brokerage firm and a Malaysian airline.

Founded in 1988, Perry Capital is an investment fund with $9 billion under management with offices in New York, London, and Hong Kong (opening at year-end). The Perry Capital approach is that of a bottom-up, value investor. The firm considers its investments to be a partnership with management and strives to develop close working relationships with all constituencies. Perry Capital began investing in Europe in 1995 and since then has worked very closely with recently privatized companies and their governments to ensure a smooth transition to the public markets. We have invested in a broad spectrum of industries and geographies ranging from Italian toll roads to UK electricity networks to French insurance companies. The firm's partners and senior managers, as a group, are the largest investors in the funds managed by Perry Capital.

Hellman & Friedman LLC is a San Francisco-based private equity investment firm with additional offices in New York City and London. Since its founding in 1984, the Firm has raised and managed over $8 billion of committed capital and invested in almost 50 companies. The firm's focus is on completing only a few, large, high quality transactions a year and devoting significant resources in working with our portfolio companies to add long term equity value. Representative investments include Axel Springer AG, ProSieben Sat. 1 AG, Formula One Holdings, Ltd, Arch Capital Group Limited, the NASDAQ Stock Market, Inc., Blackbaud, Inc., Young & Rubicam, Inc., Western Wireless Corporation, Franklin Resources, Inc., and others. For more information, visit www.hf.com.