

# TURKISH BULLETIN

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## ECONOMY & MARKET

### MARKETS

At Monday's close, market situation was:

O/ N for ISE Repo market & TLR Interbank market		TRY/ USD
20.62%		1.5946
Most actively traded T-Bills		
Date	Maturity	C/ Rate
01/ 12/ 08	23/ 06/ 10	20.54%
IE-100 index		ISE- 100 Ref \$
24,332		15.3

**Turkish Treasury** borrowed a total of TRY9,657.6mn in the last two weeks:

- On December 25, it raised a total of TRY3,079mn (including sales at non competitive bids) through the issuance of a new 7-month T-Bill maturing on June 24, 2009, sold at an average of 20.73% with a bid/ cover ratio of 1.4.
- On December 26, it borrowed TRY2,029.2mn (including sales at non competitive bids) through the re-offering of the 19 month TRY denominated discounted bond maturing on June 23, 2010, sold at an average of 21.60% with a bid/ cover ratio of 2. It also borrowed TRY4,549.9mn (including sales at non competitive bids) through a 5yr TRY denominated FRN maturing on Nov 26, 2013, sold at an average of 4.95%.

Coupled with the TRY1.4bn borrowed on Nov 11, the Treasury raised TRY10,795mn in November vs. a total redemption of TRY18,451mn, thus running at a roll over ratio of 58.5% below program target of 68%.

The Treasury revealed its financing program for December which will ease significantly to TRY6.7bn down from TRY18,451mn in November. It plans to run at a lower roll over ratio of 49.3%. It will re-offer the 11-month T-bill maturing on Nov 18, 2009 and the 18-month TRY zero coupon benchmark bond maturing on June 23, 2010.

**Central Government gross debt stock** increased by TRY19.6bn to TRY373.3bn as of Nov 20, driven up by TRY's depreciation against US\$.

**Trade deficit** contracted by 7.6% YoY in October to US\$5.3bn in line with market expectations. 10M08 trade deficit reached US\$63.4bn, up by 24% YoY, whereas YoY trade deficit declined to US\$75.1bn from US\$75.6bn. Exports contracted by 3% YoY to US\$9.6bn driven by slow down in "iron & steel" and "electrical machinery & equipment" sectors.

Imports came in at US\$14.9bn, down by 4% YoY driven by falling commodity prices and slowing economic activity.

**November export** declined by 22% YoY to US\$8,659mn according to Turkish Exporters Assembly (unofficial figures).

**CBT** surprisingly cut O/N borrowing and lending rates by 50bps and 100bps to 16.25% and 18.75%, respectively, highlighting weak demand conditions should counterbalance inflationary pressures from FX pass-through effect, while falling commodity prices should favour disinflation process.

CBT introduced two F/ X measures on depo market. The Bank lengthened the maturity of F/ X depo auctions from one week to one month and reduced the lending rates to 7% for US\$ and 9% for EUR, down from 10%.

**Foreign arrivals** increased by 14.4% YoY in October vs. 6.5% YoY in September.

## POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

**IMF**; accordingly, the Fund is likely to offer a US\$19bn loan facility, while the Gov't is reportedly asking for US\$20-40bn. Technical discussions are still on-going. A final agreement is expected soon.

**OECD** expects Turkey's 2008 YE growth rate to be around 3.3%. GDP is expected to grow

below 2% in 2009. Nonetheless, Turkey has the highest level of long-term growth rate with 6.8%.

**World Bank** is expected to provide a US\$2.8bn loan in 2009 to finance infrastructure investments and increase employment.

## SECTOR NEWS & PRIVATISATIONS

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### Energy

**Lukoil** acquired oil storage and retail company **Akpet** for US\$555mn, US\$250mn of which was paid in advance, while the remaining will be paid in two instalments in April 09 and Oct09. Akpet holds 1.8% and 3.5% market shares in gasoline and diesel segments, respectively and owns 3% of Turkey's total oil storage capacity.

### Privatisations

**National Lottery**; Alarko Holding, Dogus Holding and Fina Holding established a consortium to bid for the privatisation. Deadline to apply for the pre-qualification stage is on Jan 15 while the deadline to submit final bids is on Feb 27.

### Other

**3G licence licenses tender**; **Turkcell** won the the A type license (maximum bandwidth of 40 Mhz) for EUR358mn (excluding VAT). Vodafone won the B class license (35 Mhz) for EUR250mn (excluding VAT). Avea won the C type license (30 Mhz) for EUR214mn

(excluding VAT). Accordingly, implementation of 3G to start in June 09.

**Dogan Yayin Holding**; Axel Springer Group to acquire 9.1-9.7% in DYH for US\$625-666mn, well above DYH current Mcap. DYH current Mcap is at US\$250mn.

**Turk Telekom** has mandated JP Morgan to evaluate the acquisition of Cosmofon from Macedonia, which is fully owned by OTE from Greece. Cosmofon had 663k subscribers as of Sep08. The company posted EUR47.6mn revenues in 9M08. Accordingly, Cosmofon is worth EUR250-300mn.

**Turkish Airlines'** acquisition agreement of a 49% stake in Air Bosnia was finalized by the Gov't of Bosnia.

**Vestel Elektronik** and Whirlpool Europe SRL suspended negotiations on a partnership on white goods segment due to global financial turmoil.

## COMPANY NEWS

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**TEB** rolled over its EUR240mn syndication loan with a two tranche loan of EUR142mn and US\$60mn, implying a low roll over ratio of 80%, in line with expectations.

**Halkbank** to obtain US\$200mn from World Bank and EUR300mn from EIB to support SMEs.

**Ak Enerji** generated US\$370mn of revenues in 9M08mn, up by 49% YoY. EBITDA and net income soared to US\$74.4bn and US\$55.6bn, up from losses of US\$13.5bn and US\$33.4bn, respectively.

**Erdemir's** outlook was downgraded by S&P from "stable" to "negative" while its long term

credit note was kept as "BB-". Moody's also downgraded Erdemir's outlook to "negative" while maintaining its Ba3 rating.

**Koc Holding** recorded US\$36,080mn of revenues in 9M08, up by 43% YoY. EBITDA and net income surged by 35% YoY and 77% YoY to US\$3,179mn and US\$2,071mn, respectively. Note revenues were driven by higher energy prices, while the income booked from the sale of Koc's stakes in Koc Allianz Insurance and Koc Allianz Emeklilik to Allianz boosted the bottom line.

**Turkcell's** foreign currency credit note was upgraded by S&P from "BB" to "BB+" while local currency credit note was affirmed as

“BB+”. Turkcell became the highest rated Turkish company by S&P.

**Vestel** reported US\$2,498mn of net sales in 9M08, up by 2.2%. EBITDA declined by 19% YoY to US\$190mn. The company posted a net loss of US\$108mn, down by 22.2%.

*Sources: A naktlu Agency, Turkish Daily News, Merrill Lynch, Bander, Garanti Bank, Dctay, MEED, DIE, Underscretary of Treasury, CBRT, Yapı Kredi Yatırım, FinansIn vest, Hürriyet, Sabah, Radikal, Akşam, Financial Times, TEB Yatırım, Cumhuriyet.*