

TURKISH BULLETIN

Vladimir Bolze + 90 212 293 00 32

e-mail: vladimir.bolze@bnpparibas.com

ECONOMY & MARKET

MARKETS

At Monday's close, market situation was:

O/N for ISE Repo market & TLR Interbank market		YTL/ USD
19.18%		1.3053
Most actively traded T-Bills		
Date	Maturity	C/ Rate
04/ 06/ 07	04/ 02/ 09	18.25%
ISE-100 index		ISE- 100 Ref \$
46.111		35.3

Auctions: the following table depicts the results of the Treasury auctions of last 2 weeks:

Issue	Mat.Date	Mat Mo nth	Bid NTL mn	Sales NTL mn	Cov %	Net sales NTL mn	Ann. Comp Yield (%)
29/05/07	15/02/12	57	1125	503	45%	1219	9.94%

Turkish Treasury re-opened the 5yr CPI indexed bond with a bid/ cover ratio much lower than in Feb, which suggests investors are not interested in longer-dated YTL bonds. In June, The Treasury will redeem YTL13.5bn. It will be re-offering the 5yr fixed coupon bond (07/ 03/ 12), the 7yr YTL FRN (26/ 02/ 14) and the benchmark 20-month bond (4/ 02/ 09), and issue a 12-month discount bond (11/ 06/ 08).

Trade deficit improved by 11.5%YoY in April to US\$4.5bn due to strong exports, which reached US\$8.3bn, up by 28.3%YoY. Imports rose by 10.6%YoY to US\$12.8bn.

POLITIC, DOMESTIC & INTERNATIONAL AFFAIR

ANAP did not finally approve the merger with the Democrat Party (former DYP) in spite of a joint protocol signed on May 5. The collapse of the center-right will reinforce the AKP and the center-left (CHP+DSP).

Constitutional amendment package was first vetoed by President Sezer. But, the Parliament sent it him back as it was re-adopted by more than 367 MPs. President Sezer to ratify it or to take it to a popular referendum.

EU and Turkey to open 3 more chapters in June as France would not veto it. The EU will cooperate closely with Turkey against

May exports reached a new record high of US\$9.16bn, up by 26.3%YoY and 11.5%QoQ. Jan-May exports cumulated to US\$40.47bn, up by 25.8%YoY. Sectors registered the highest growth rate are machinery, metals and automotive.

May inflation CPI rose by 0.5%MoM while PPI increased by 0.39%MoM. On a YoY basis, CPI declined to 9.23% from 10.7% in Apr and PPI fell to 7.1% from 9.7% in Apr due to a base effect and an unexpected decline in food prices.

CBT's semi-annual report warned against the possibility of change in the global liquidity conditions and the C/A deficit. They also advised banks to be more cautious on giving FX loans to companies which do not have FX income. The foreigners' share in the banking system stood at 22.4% but reached 38.8% if portfolio investments are included.

Number of tourists increased by 10.8%YoY in April to 1.5mn, cumulating to 4.1mn since January.

terrorism. The EU encouraged Turkey to continue its efforts towards meeting EU standards on democracy

Municipalities' debt to the Treasury reached US\$8.3bn. The main debtors include Ankara Metropolitan Municipality, the Electricity-Gas-Bus Administration (EGO) and Ankara Water & Sewerage Administration (ASKI).

World Bank warned highly debt-burdened countries like Turkey against a possible rise in interest rates, stating the current global outlook is similar to the pre-Asian crisis era.

SECTOR NEWS & PRIVATISATION

Bank

Oyakbank is likely to be acquired by Intesa Sanpaulo at €1.1bn, valuating the bank at 1Q07 P/ BV of 1.9x, according to Turkish press.

Energy

Electricity Energy Ministry will hold a tender to buy 3bn kWh of electricity from the private sector on June 5, to calm down the volatile cost base in prices.

Nuclear power President Sezer vetoed the draft bill establishing nuclear power plants in Turkey due to public interest and extra pressure on the Treasury.

Enerjisa's deal between Sabanci Holding and Austria's leading power company Verbund was closed through a JV agreement. Verbund will inject US\$242mn into Enerjisa plus a cash payment of US\$83mn for the acquisition of a 20.42% stake. As a result, Verbund and Sabanci Holding became JV partners in Enerjisa with equal stakes of 49.9%.

POAS's application to build a refinery with a 10mn tons p.a. capacity in Ceyhan was put on further inquiry by the EMRA, while **Calik & IOC's** application was accepted. On the other hand, **Ihlas holding** plans to build a refinery of 2.5-3mn tons p.a. in eastern Turkey with an American partner.

Privatisations

Turkish Bridges and Highways to be privatized this year, while the National Lottery will be privatized in 2008.

Port of Derince to be privatized after elections.

Tekel Tobacco's privatization to be launched just after general elections.

Other

Dogan Yayin Holding to sell a minority stake in Dogan Gazete. Recall that Dogan Gazete accounts for 15% of DYHOL's NAV and recorded a net loss of US\$2.4mn in 1Q07.

Turk DemirDokum was sold by Koç Group to Vaillant, a leading European heating company. Vaillant purchased 72.56% of the company for €211mn, valuating it at €291mn. Vaillant bought 5.68% from Taylan Holding at the same price to raise its share to 78.24%. Vaillant will now call for the listed shares.

Sabiha Gokcen Aiports's tender to take place on July 2. 10 parties are interested including TAV-Esas Holding (owner of Pegasus Airlines), Celebi, ATM, Alarko and IC-Fraport.

TAV to operate Prague Pilsen Airport and Batum Airport, which is located in North-East of Turkey with an annual passenger capacity of 563k.

COMPANY NEWS

Asyabank posted a consolidated YTL37.2mn net income in 1Q07

Vakifbank secured a US\$500mn loan, US\$350mn of which has a 10yr maturity; the remaining US\$150mn having a 8yr maturity.

Yapi ve Kredi Bank announced YTL243.1mn of consolidated net profits.

Ak Enerji recorded a turnover of US\$78mn in 1Q07, down by 8%YoY and a net income of US\$4mn compared to a loss of US\$8mn last year.

Aygaz reported US\$491.1mn of net sales in 1Q07, up by 12%YoY and US\$42.1mn of net profits, reversing from a loss of US\$10mn.

Celebi posted US\$33mn of net sales in 1Q07, up by 21% and a net loss of US\$1.5mn, up by 44%YoY.

Enka announced a turnover of US\$1,065mn in 1Q07, up by 29%YoY and a net income of US\$100mn, up by 29%. Enka's main revenues contributors remain energy and contracting while real estate stays its most profitable business.

Kardemir reported US\$12.6mn of net profit in 1Q07, reversing from a loss of US\$4.3mn in 1Q06.

Koç Holding announced net sales of US\$7,909mn in 1Q07, up by 16% and US\$185 of net income down by 52%QoQ due to lower fx income.

Sabancı Holding recorded a turnover of US\$3,141mn in 1Q07, up by 8% and a net income of US\$150mn, up by 4%. Major revenues contributors are energy, retail and automotive.

Tupras reported a consolidated turnover of US\$3,155mn, up by 18%YoY in 1Q07 and US\$84mn of net profits, up by 78%YoY due to strong refining margin.

Turkcell The dispute between Cukurova and Alfa continues with Alfa refusing Cukurova's early repayment of its US\$1.35bn outstanding debt. Recall that Cukurova recently secured a US\$1.5bn loan to pay its debt to Alfa. If the court gives Alfa the right to refuse the early

payment, it might attempt to seize collateral shares and thus, take control of Turkcell. Turkcell cancelled a US\$3bn loan agreement as it was recently outbid from Saudi Arabia and Bulgaria GSM tenders.

Turkish Airlines announced US\$684mn of net sales, up by 40%YoY and a net income of US\$29mn, up by 121%YoY in 1Q07 due to a boost in domestic flights, cargo revenues and international revenues.

THY improved its load factor by 120bps to 72.8% and its RPK (Revenue- Passenger-Kms) by 20.2%YoY in April.

Vestel Elektronik posted US\$813.6mn of net sales in 1Q07, down by 4%YoY and a net loss of US\$26.9mn, down by 267% due to weak pricing in the highly competitive European TV market.

Moody's downgraded Vestel's corporate bond rating notes from 'Ba3' to 'B1' with a negative outlook, from stable previously due to fierce competition with Asian producers and market share losses in Europe.

Sources: Anadolu Agency, Turkish Daily News, Merrill Lynch, Dışbank, Bender, Garanti Bank, Detay, MEED, DİE, Undersecretary of Treasury, CBRT, Yapı Kredi Yatırım, Finansın vest, Hürriyet, Sabah, Radikal, Akşam, Financial Times, Ege Yatırım, TEB Yatırım, Cumhuriyet. ¹

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