

TURKISH BULLETIN

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ECONOMY & MARKET

MARKETS

At Tuesday's close, market situation was:

O/N for ISE Repo market & TLR Interbank market		YTL/ USD
19.70%		1.2963
Most actively traded T-Bills		
Date	Maturity	C/ Rate
19/ 06/ 07	04/ 02/ 09	18.09%
ISE-100 index		ISE- 100 Ref \$
46,232		35.6

Central Bank

-FX reserves remained at US\$66.8bn.

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 (%)
12/06/07	11/06/08	12	5145	1742	34%	3858	18.6%
12/06/07	07/03/12	57	1455	467	32%	766	17.42%

Turkish Treasury re-opened the 5-yr fixed coupon bond and issued a 12-month zero-coupon bond. It borrowed YTL3,854mn from the market with a roll-over rate of 200%. This implies a YTL1.9bn cash outflow pressuring the debt market yields.

Treasury's cash budget yielded a US\$5.51bn primary surplus in May and a US\$2.2bn surplus. The primary surplus on cash basis reached US\$8.8bn in Jan-May period.

Ministry of Finance announced **May budget** posted a primary surplus of US\$5bn down

from US\$6.3bn last year. Surplus reached US\$1.5bn down from US\$3bn in May06. Jan-May07 cumulative primary surplus reached US\$15.2bn and a budget deficit of US\$3.9bn.

C/ A deficit posted a 20%YoY decline in April to US\$3.1bn. Jan-Apr07 C/ A deficit reached US\$12.3bn down by 3%YoY.

FDI inflows reached US\$10bn in Jan-Apr period, posting a 20% increase YoY.

Industrial production rose by 1.4%YoY in April but declined by 5%MoM. Textile, wearing apparel and basic metal industries performed well in April while refined petroleum products and chemical production decelerated.

Capacity utilization increased to 83.4% in May from 81.7% in April and 82.6% in May06.

MPC kept O/ N rates unchanged at 17.5% for the eleventh consecutive month.

Unemployment declined to 10.4% in the Feb-Apr07 period from 10.9% last year.

State Agricultural Product Office TMO announced the purchase price of wheat at Ykr47/ kg, up by 15%YoY.

POLITIC, DOMESTIC & INTERNATIONAL AFFAIR

ANAP and **DP** have revived their efforts on a merger. Finally, ANAP decided not to participate to the upcoming election and support DP.

President Sezer vetoed the referendum law which shortens the referendum period deadline from 120 days to 45 days. He also filed a lawsuit at the Constitutional Court to invalidate the constitutional amendment package.

Constitutional amendment package process to be abandoned by AKP whatever the

decision of the Constitutional Court will be. The amendment package will be debated by the new Parliament after general elections.

Moody's stated that any Turkish incursions in N. Iraq would raise uncertainties to the credit note of Turkey. They also warned against the presidential selection process, the C/ A deficit and the high FX denominated debt stock.

Turkish Army to establish a buffer zone extending 15-20km outward in N. Iraq to

eradicate PKK attacks.

SECTOR NEWS & PRIVATISATION

Bank

Oyakbank to be acquired by ING at US\$2.67bn, valuating the bank at 1Q07 P/ BV of 3.24x.

Privatisations

Turkey was ranked first in the World in terms of earnings from privatization in the last four years (US\$18bn).

Turkey plans to complete privatizations totalling US\$13bn in 2008-2010 period. Sugar refineries and ports will be privatized.

Ankara Municipality's Office of Natural Gas Services (EGO) to be privatized. Privatization revenues will be used to pay the YTL1bn debt of EGO to BOTAS and the rest will be transferred to Ankara Municipality budget

Petkim Deadline to submit tender offers was postponed to June 25 from June 15.

Port of Izmir's privatization was approved by the Competition Board.

Turk Telekom Privatization Administration to consider floating a part of state's 45% stake through an IPO in late 2007 or beginning 2008.

Other

3G tender will be held on Sept 7. Bids' deadlines are on Sept 5. Note that four 3G

licenses will be issued with a minimum price range of €140-252mn.

Ak Emeklilik, Pension and Life subsidiary of Aksigorta will merge with Aviva Emeklilik. Aviva to pay US\$100mn to Aksigorta for the merger. The merged company will be the largest pensions provider in Turkey with a 25% market share and US\$572mn of assets under management.

Alarko Holding's construction company won the project of Antalya's light rail system with Construcciones y Auciliar de Ferrocarriles (Spain). The project is worth US\$149mn.

Cadbury Schweppes to buy Intergum, the leader of gum business in Turkey, from Amram family at US\$450mn in cash and debt.

Celebi to participate in the tender of ground handling and cargo operations of Athens International Airport.

Koç Holding has mandated JP Morgan to sell its 51% stake in Migros. The sale to take 6-9 months. Walmart, Tesco and Carrefour care reportedly interested. Koç is currently negotiating with Enka concerning Ramemka.

SDIF expects to sell Merkez Group (Sabah, ATV..) at US\$1bn.

COMPANY NEWS

TEB increased its paid-in capital from YTL76.5mn to YTL100mn through a 30.7% bonus issue.

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 plans to acquire €200mn subordinated loan.

Aksa secured a US\$50mn Akbank loan with an 8yr maturity including a 3yr grace period.

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

Erdemir reported US\$961mn of net sales in 1Q07, up by 31% YoY and US\$98mn of net income, up by 374% YoY but down by 50% QoQ due to the rise in financial expenses and tax charges.

Izdemir to increase its capital from YTL62.3mn to YTL124.5mn.

Kardemir obtained a 5yr maturity €21.9mn loan with a 1yr grace period from Asya Bank.

Koç Holding increased its capital from YTL1.26bn to YTL1.75bn via 33% rights and 5% bonus issue.

Koç Holding CEO announced four business lines that the group will continue emphasizing as: consumer durables, energy, automotives and finance. At the same token, it seeks to expand internationally. Arcelik is looking for growth opportunities in Western Europe and China while Ford-Otosan in the USA.

POAS re-applied to the EMRA for a refining license through a wholly owned new company. Recall that EMRA rejected POAS's application stating a distribution company cannot have a refining license.

POAS paid US\$212mn of tax bills to the Tax Authority. POAS has provisioned for this payment in 1Q07 financial reports.

Sabancı to reduce its business segments from six to five over the next three years and even to four over the next decade. Textile business is likely to be the first out.

Tofas to produce the "New Doblo" in Bursa. Tofas plans to invest €350mn, €90mn of which will be in 2007. "New Doblo" to be launched in 2009-2010.

Turcas signed a partnership with EON to build a 800MW natural gas power plant and a 800MW coal generated power plant in Turkey. Turcas will have a 30% stake in the partnership while EON 70%.

Turcas obtained a license from the EMRA to operate in the natural gas market for the next 30yrs.

Tupras announced May07 refining margins at US\$10.12, up from US\$5.65 last year and US\$8.83 in April07. Tupras' margin is US\$1.05 higher than Med Complex benchmark.

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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