

TURKISH BULLETIN

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ECONOMY & MARKET

MARKETS

At Wednesday's close, market situation was:

| O/ N for ISE Repo market & TLR Interbank market | | YTL/ USD |
|--|------------|-----------------|
| 19.18% | | 1.2716 |
| Most actively traded T-Bills | | |
| Date | Maturity | C/ Rate |
| 18/ 07/ 07 | 06/ 05/ 09 | 17.75% |
| ISE-100 index | | ISE- 100 Ref \$ |
| 51,112 | | 40.2 |

Central Bank

-FX reserves up by US\$1.2bn, reaching record high level of US\$68.2bn.

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 (%) |
|----------|----------|------------|------------|--------------|-------|------------------|---------------------|
| 17/07/07 | 16/01/08 | 6 | 5012 | 2353 | 47% | 2173 | 17.24% |
| 17/07/07 | 26/02/14 | 79 | 830 | 231.5 | 28% | 1531 | |

Turkish Treasury borrowed YTL3.7bn, implying a market roll-over rate of 77.1%, through two auctions: YTL2,173 with the 6-month YTL denominated zero coupon T-Bill and YTL1,531 with the 7yr YTL denominated gov't bond.

June Treasury cash-based budget posted a primary surplus of YTL953mn, down by 82% YoY while the consolidated budget ran at a

deficit of YTL2.3bn, down from a surplus of YTL2.4bn in June06.

C/ A deficit reached US\$3.5bn in May, down by 14.3% YoY. Jan-May C/ A deficit came at US\$15.8bn, down by 5.3% YoY.

FDI inflows recorded a 30% YoY increase in Jan-May, reaching US\$11bn.

May industrial production up by 5.2% YoY due to textile, unrefined petroleum products, basic metals and electrical machinery.

Capacity Utilization up to 84% in June07 from 83.3% in May07 and 83.1% in June06. Public sector capacity utilization increased to 92.5% in June07 and private sector to 82.6%.

CBT kept rates unchanged at 17.5%. A cut is expected in Q4.

Hazelnut buy price was set at YTL5.15/ kg by Ministry of Agriculture, up by 30% YoY.

Unemployment declined to 9.8% in Mar-Apr-May period, from 9.9% last year.

Foreign visitors reached 2.8mn in June07, up by 17.3% YoY. Jan-June07 foreign visitors reached 9.1mn, up by 16.6% YoY.

POLITIC, DOMESTIC & INTERNATIONAL AFFAIR

Constitutional amendment package to be submitted to a referendum in October as the Constitutional Court refused President Sezer's and CHP's combined appeals. But it could be recalled by the new Parliament with a qualified majority of 367. Nonetheless, if the package is adopted, the 12th President will be elected by the public in 2014.

Latest elections polls remained contrasted from one to another but according to Baskent Strategic Research Center, Yon-Ara and Konda, three parties could enter the Parliament. As for the three opinion polls,

AKP and CHP will enter the Parliament. Meanwhile, according to both Yon-Ara and Konda, MHP will be the third party, while it will be DP for Baskent..

Support for the EU declined to 52% in Spring07 from 54% in Fall06.

The European Union to open "Health and consumer protection" chapter with Turkey in September.

Turkey signed a MoU with Iran to transport Iran and Turkmen gas to Europe. Turkey will

also be able to operate Iranian gas fields. Turkey made another energy agreement with

Greece while talks with Russia, Egypt and Iraq continue.

SECTOR NEWS & PRIVATISATION

Bank

Garanti Bank transferred its foreign custody business line to Deutsche Bank for US\$115mn.

Isbank is looking for possible growth opportunities in Romania, Bulgaria, Russia, Azerbaijan, Egypt and Ukraine.

Turkiye Finans; Saudi National Commercial Bank (NCB) acquired a 60% stake in Turkiye Finans from Ulker and Boydak groups at US\$1.08bn, implying a valuation of US\$1.80bn and a 4.9x P/BV ratio. Ulker and Boydak groups will keep 20% share each.

Energy

Aygaz acquired a 17.77% stake in LPG distribution company Mogaz, a 13.92% stake in electricity generation company Entek and a 83.67% stake in wholesale LPG distribution company Akpa at US\$29.9mn, US\$19.4mn and US\$120.5mn, respectively.

Baticim to establish a coal-powered plant with installed capacity of 250-300MW for US\$350mn in Aliaga.

Enka applied to the EMRA to build a thermal power plant with 800MW of installed capacity. The plant to cost US\$800mn and to be completed with 3-4yrs.

Global Yatirim Holding to build 7 hydro power plants with a total of 575MW installed capacity.

Turcas-Socar's application to build a refinery in the Ceyhan area with a 10mn tons p.a. capacity was approved by the EMRA. The investment to reach US\$4bn and to be completed in 2012.

COMPANY NEWS

Garanti Bank obtained a 10yr US\$21mn credit for mortgage loan financing from Wachovia Bank N.A. under OPIC guarantee.

Privatisations

Petkim was acquired by TransCentralAsia Petrochemical Holding at US\$2.05bn for 51% of the company, implying a total valuation of US\$4bn. The consortium is composed of three parties: Troika Dialog, Russia's largest private investment bank, Caspi Neft, a Kazak oil and gas exploration company owned by US-based Transmeridian Exploration and Eurasia Industrial and Investment Group, a real estate company operating in Russia.

Other

Celebi to acquire Acciona SA of Spain which runs 12 airports in Spain and Germany.

Dogan Gazetecilik to acquire Vatan Gazetecilik. Vatan holds a 4% market share in the Turkish newspaper market.

Dogan Yayin is reported to talk with Axel Springer concerning the sell of a 25% stake in Dogan Gazetecilik.

Onur Air and **Pegasus Airlines** signed a partnership agreement. Reportedly, the agreement includes the acquisition of Onur Air at US\$150mn by Pegasus Airlines.

Sabiha Gokcen Airport's operating rights for the next 20yrs (BOT) were acquired by Limak-GMR-Malaysia Airport consortium which bid at EUR1,932mn + 18% VAT.

TAV to acquire the remaining 40% stake in Havas, the ground handling company, from Park Enerji Yatirim Holding.

Tekstilbank obtained a 1yr US\$140mn loan and a 2yr US\$160mn loan to roll-over its US\$300mn loan which expired on July 12.

Vakifbank received a 1yr US\$700mn syndicated loan at Libor+0.475% to roll-over previous loans.

Aksigorta recorded US\$307mn of 1H07 premium generation, up by 22M YoY.

Anadolu Sigorta posted 1H07 premium generation as US\$431mn, up by 26% YoY.

Global Investment Holding authorized Deutsche Bank for a 5yr US\$ denominated bond issue. Fitch assigned Global FX long term credit rating as B with a stable outlook.

Migros to obtain 5yr maturity US\$22.5mn loan from West LB and US\$45mn loan from ABN Amro.

Tüpras announced June07 refining margin at US\$8.49/ bbl, up by 2% YoY but down from US\$10.12 in May07. Tüpras's average refining margin reached US\$9.17 in 2Q07, up by 37% YoY.

Turkcell's local currency rating was upgraded by Fitch from BB+ to BBB- with a stable outlook. Long terms FR rating of BB with a stable outlook remains unchanged.

Cukurova Group redeemed US\$480mn of its 10yr US\$737.9mn YKB loan.

Cukurova started to sell 76mn Turkcell shares (3.5% of capital) to foreign investors to finance the redemption.

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

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