

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
6.50%		1.4810
Most actively traded T-Bills		
Date	Maturity	C/Rate
05/01/10	03/08/11	9.11%
ISE-100 index		ISE- 100 Ref \$
53,368		36,035

Auctions between 23rd Dec. 09 – 5th Jan. 10

Issue	Mat.	Bid TRL mn	Sales TRL mn	Net sales mn	Ann. Comp Yield

Treasury funding program for 1stQ 2010: both domestic and external debt service will reach TL58.8bn, to be in part financed by new borrowings of TL54.3bn. Other sources of financing will stem from the budget primary balance and privatization receipts.

Gross FX Debt stock as of 3Q09 amounted to US\$273.5bn, increasing by a mild US\$3bn over the previous quarter. Private sector's debt maintained its share at 65% with US\$176bn.

Inflation: Consumer price index increased by 0.5%/m/m in Dec09, which led to a year-on-year rate of 6.5%, up by 100bps compared to Nov09. CPI increase is mainly due to the rise in food prices (+2.3%/m/m).

- Production Price Index rose by 0.7%/m/m and increased by 5.9%/y/y up from the previous month figure of +1.9%/y/y. Main

monthly increase was observed in the basic metal sector (+1.9%/m/m).

Foreign Trade Deficit increased for the first time this year by 40%/y/y to -US\$3.7bn in Nov09. The 12 month rolling trade deficit increased to US\$36bn after touching US\$35bn in Oct, lowest level since Apr05.

- Exports were recorded at a level of US\$8.9bn in Nov09, decreasing by 5.2%/y/y and down from Oct's level of US\$10.1bn. Imports went up by 4.5%/y/y to US\$12,6mn.

- In 11M09, exports declined by 26%/y/y to US\$92bn while imports shrank by 34%/y/y to US\$125bn.

- Preliminary data for Dec09 shows a y/y increase in exports of +32% to US\$9.2bn.

Monetary Policy Committee (CBT) stated that the economy has entered into a moderate recovery path with potential inflation up swings going forward. Interest rates could be sustained at single digits, if the Gov't manages to achieve the medium term fiscal targets. Given the uncertain demand conditions, the CBT maintained its stance that it would keep the interest rates low for a long time. Policy rates could even be cut further in order to offset down side risks on inflation if capital inflows accelerate and import prices become cheaper.

Corporate Confidence Index showed a slow increase of 1.1%/m/m to 92.2 in Dec09 after falling by a total of 8.9% during Aug-Nov.

POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

IMF: PM Erdogan declared that a deal with IMF was "imminent" since the Fund is said to have accepted Turkey's conditions for signing a stand-by agreement for a two-year loan accord. IMF answered positively to the declaration by saying that they could respond "immediately" to an invitation to discuss the final details of an agreement.

Budget: Ministry of Finance announced new fiscal measures consisting of Special Consumption Tax hikes on tobacco and gasoline as well as a 14% hike on bridge and highway tolls. Net revenue impact of these measures is estimated at between TL5.5 – 7.1bn

SECTOR NEWS & PRIVATISATION

White Goods: domestic sales increased by 2%/y/y to 428k units in Nov 09. Exports went up by 9%/y/y to 1,138k units.

Tourism: number of foreign tourists increased by 10.7%/y/y in Nov09, bringing the year-to-date figure to +2.4%. This is the strongest year-on-year increase since Oct 08.

Electricity prices were raised by 1.23% for industrial, 1.32% for residential and 0.86% for commercial subscribers. The price hike will be effective starting from Jan until end of March.

Banking: Banks posted a net profit of TL1.4bn in Nov09, the lowest monthly gain in 2009. Year-to-date profit amount to TL18.7bn, which represents a 44%/y/y growth compared to 08.

- Eczacıbasi group decided to apply to the Banking Regulation and Supervision Agency (BSRA) to get a license to start an investment bank.

IPO: Pegasus Airlines CEO stated that the company plans to give a mandate on Jan 8th for a possible IPO, which might take place in the 2ndH 2010 or 1stQ 2011. Funds from the IPO might be used for new acquisitions and aircraft orders.

M&A

Telecom: Vodafone acquired Borusan Telekom for an undisclosed sum. The Company is an alternative fixed line operator with a strong position in the corporate segment.

Privatization

Ports: Global Holding, Hutchison and EIB Limas consortium asked for a new extension to the deadline (until April 30th) for Izmir port acquisition.

COMPANY NEWS

Akenerji obtained from TSKB 2 loans amounting to US\$79mn and €28mn respectively, to finance 3 hydro power plants with a total capacity of 61MW. Maturity of the loans is 8 years with a grace period of 3 years.

- The Company's paid in capital will be increased by TL310mn (US\$206mn), which will be mainly used for servicing the debt raised for Sedas' acquisition. After the rights issue, the net debt/equity ratio will decline to 42%.

Dogan Holding: Aydin Dogan stepped down from his duty as chairman of the Board. His daughter, Arzugan Dogan Yalcindag, will assume the role. Aydin Dogan will remain as honorary chairperson of Dogan Holding.

Kardemir raised a US\$41mn loan to finance the construction of a 50MW power plant. The maturity is 12 years with a 3 year grace period.

Koç Holding has secured a credit of US\$425mn in Jan 2010 from a consortium of 21 financial institutions. The credit is made of two tranches of US\$120mn (maturity: 39 months, cost: Libor +3.25%) and of €211.5mn

(maturity: 27 months, cost: Euribor +2.75%). Fortis was a participant.

Tupras: Fitch confirmed the company's long-term foreign and local currency Issuer Default ratings (IDRs) at BBB- respectively. The outlook remained stable.

Opet: Aygaz transferred its 4% stake (6mn shares) in the oil distribution Company for TL66.7mn (US\$44mn) to the Koc Family. The transaction implies a US\$1.1bn valuation for the equity of Opet.

Turk Telekom raised from 18 local and international banks a total of US\$600m in loans, including two tranches of US\$110m and €346m. Credits are at a cost of Libor/Euribor +3.75% and have a 3-year maturity with a one year grace period. BNPP group (BNPP, TEB, Fortis) was a MLA.

Turkcell won the tender for the leasing of Botas' fiber optic infrastructure. The Company will pay €21mn for using the infrastructure for 15 years.

- Turkish Competition Board fined the Company TL36mn for violating its dominant position while giving “minutes gifts” to its subscribers.

Turkish Airlines will purchase 14 Airbus A321-200 and 6 Airbus A319-100 models to expand its fleet. The Company also placed an optional order for 10 additional A319-100/A321-200 models.