

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%		1.4789
Most actively traded T-Bills		
Date	Maturity	C/Rate
13/04/10	16/11/11	8.91%
ISE-100 index		ISE- 100 Ref \$
58,822		39,774

Auctions between 31st Mar. – 13th April 10

Issue	Mat.	Bid TRL mn	Sales TRL mn	Net sales mn	Ann. Comp Yield
06.04.10	15.01.20	484.9	305.8	309.1	10.93%
12.04.10	08.06.11	2,437	1,952	1,780	8.31%
12.04.10	10.04.13	1,077	792.7	804.6	9.76%

Treasury funding program for 2ndQ 2010: both domestic and external debt service will reach TL46.9bn (TL41.7bn domestic), to be in part financed by new borrowings of TL36.9bn. Other sources of financing will stem from the budget primary balance and privatization receipts.

Treasury's cash budget posted a primary surplus of TL655mn in March10 from last year primary deficit of TL424mn. The overall cash deficit amounted to TL4.3bn the same month, down from the TL4.6bn posted in March09.

GDP surged by 6%/y/y in 4thQ09. On the expenditure side, private consumption improved by 5%/y/y while Gov't consumption grew by 17.2%/y/y. Gross Fixed Capital Formation declined by -4.7%/y/y, mainly due to a shrinkage in Public Sector's investment (-8.6%/y/y). On the production side, industry surged by 12.8%/y/y and services improved by 5.1%/y/y.

- This led to a GDP decrease of -4.7% for 2009, generally driven by a sharp decline in private investments (-22.3%/y/y) and in domestic demand (-5.2%/y/y) but smoothened by an increase in Gov't consumption (+7.8%/y/y) and a limited decline in public investments (-2.3%/y/y).

Inflation: Consumer price index increased by 0.6%/m/m in March10, which led to a year-on-year rate of 9.5%, down by 60bps compared to Feb10. CPI increase is mainly due to the rise in food (+11.2%/y/y) and communication (+7.5%/y/y) prices.

-Production Price Index rose by 1.9%/m/m and increased by 8.6%/y/y. The rises were led by metals (+9.7%/m/m) and refinery products (+4.5%/m/m).

CBT expects a year-end inflation of 8.2%, a GDP Growth rate of 4.3% in 2010 and a year-end US\$/TL exchange rate of around 1.6.

- Central Bank's minutes reemphasized the need to keep policy rates at low levels given the ongoing problems in the global economy and uncertainties regarding the strength of the recovery. However, it warned that it would not hesitate to tighten monetary policy in the event of deterioration in general pricing and in inflation expectations.

Foreign Trade Deficit came in at US\$3.3bn in Feb10, up from Feb09 lowest figure of US\$0.6bn.

- Exports were recorded at a level of US\$8.3bn in Jan10, remaining flat on y/y terms but improving by 8.0% on a m/m basis. Imports increased by 28%/y/y but remained flat m/m to US\$11.6bn.

- Preliminary Data stipulated that exports grew in March10 by 10%/m/m and 34%/y/y to US\$9.6bn.

Current Account posted a deficit of US\$2.6bn in Feb10 (vs. deficit of US\$3.0bn in Jan10 and a deficit of US\$308mn in Feb09).

- 12 month rolling trade deficit reached US\$18.8bn from US\$16.5bn last month.

Capital Account posted a surplus of US\$435mn in Feb10 (vs. US\$1.7bn in Jan10).

- Net FDI flows in Feb10 stood at a mere level of US\$298mn (vs. FDI inflows of US\$454mn in Feb09).

- Equities flows turned into outflows with a figure of US\$202mn in Feb10. Debt securities

investments went negative at –US\$2.3bn following Eurobond repayment of US\$1.4bn and domestic bond sales by foreigners of US\$976mn.

- Corporates were net debt payers the same month with US\$606mn, implying a 70% roll-over ratio (flat compared to last month).

- “Net error and omission” item came in with a mere inflow of US\$450mn. CBT FX’s reserves were used for financing a financing gap of around US\$1.7bn.

Industrial production increased by 18%/y/y in Feb10. The largest increases in Feb10 were for the “motor vehicle” (+70%/y/y), textile (+29%/y/y) and chemicals (+21%/y/y) sectors.

Public sector gross debt stock reached TL465bn as of year-end 09, equivalent to 49% of GDP and implying a y/y increase of 14%.

FX Debt stock declined by US\$7.0bn to US\$271bn as of year-end 2009, mainly due to the Private Sector’s deleveraging process (- US\$10bn y/y).

POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

Constitutional Amendments: AKP’s package was finally submitted to the Parliament. Its final version contained no major changes compared to the draft unveiled last week, especially concerning the most controversial aspects (composition of Supreme Board of Judges & Prosecutors & Constitutional Court; measures to hamper party closure cases).

- The Parliament’s Constitutional committee approved in a first move the package, paving the way for the amendments to be brought on the Parliament floor. A compromise with opposition parties is very unlikely to occur as the latter (CHP) came with an alternative proposal which suggest suspending the critical articles until after elections. A referendum is therefore very likely to be hold.

SECTOR NEWS & PRIVATISATION

Banking: profits in Feb10 came in at TL1.53bn, down by 25.75%/m/m as net income in Jan10 was recorded at TL2.05bn.

Airports: number of passengers in Istanbul, Ankara & Izmir airports operated by TAV Airports increased by 19%/y/y in March10.

Automotive: light vehicle sales declined by 6%/y/y to 52K units in March10 but still increased by 7%/y/y in 1Q10.

- Automotive production increased by 67%/y/y to 99K units in March10 and surged by 81%/y/y to 258K units in 1Q10.

White Goods domestic sales increased by 50% to 647K units in Jan-Feb10 while export volume improved by 27%/y/y to 1,607K units.

Electricity: the wholesale electricity price to be applied by TETAŞ on Discos has been set at 15.28 kr/KWh.

- Electricity consumption grew by 5%/y/y in 1Q10 to 50.41 TWh.

Media: a new radio and TV broadcasting law was recently submitted by the Media Authority

to the Gov’t. The new regulations would not allow a group to own up to 4 TV channels and to have a share in total advertising market exceeding 25%. A foreign entity would be allowed to own up to two TV channels and would be able to raise their ownership in local broadcasting companies from 25 to 50%.

Privatization

Ports: Operating Rights of the Samsun Port were transferred to the Cey Group following a bid the latter had won for an amount of US\$125.2mn. The takeover was paid cash thanks to a loan granted by VakifBank.

Turkish Airlines: Transportation Minister stated that there were studies going on for the SPO of the remaining Privatization Administration’s 49% stake in the Company.

M&A

Garanti Bank: according to a daily, Qatar Investment Authority, National Bank of Koweit, Volkswagen Financials and Banco De Sabadell could be the parties interested in GE’s sale of its 21% stake in the Bank.

COMPANY NEWS

Bank Asya secured from 26 international Banks a dual tranche of US\$99mn and €121mn through a “Murabaha” syndicated loan, priced at a 225bps spread.

Erdemir increased its domestic HRC and CRC prices by 18% & 14% to US\$720/tons and US\$800/tons, respectively. Galvanized and plate prices were up by 12% and 7% to US\$820/tons and US\$800/tons, respectively.

Enka - Bechtel consortium signed a contract of €569mn for the Kosovo highway project. Construction period for the 117km-highway is estimated to be of 4 years.

AkEnerji received 5 offers from consortia for the construction of the Hatay 900MW gas-fired power plant project. These came from Alstom & Tekfen; Siemens & Enka Insaat; General Electric & Gama; Mitsubishi & Atec; and finally Tecnicas Reunidas & Ansaldo Energia.

Turcas reported US\$18mn net income in FY09 vs. US\$35mn net income in FY08. 4Q09 bottom-line came in at US\$4mn. Net income stems from the Company's equity participations of 30% in Shell & Turcas JV and of 25% in Socar & Turcas Energy JV which indirectly owns 51% of Petkim.

Turkcell secured a facility of US\$296mn backed by the Swedish Export guarantee fund to purchase services & goods provided by Ericsson. The loan will have maturity of 5 years with a fixed interest rate of 3.9% - 4.15%.

Dogan Holding's net loss worsened to -TL174mn in 4Q09, down from net loss of -TL91mn in 4Q08 and from net income of TL39mn in 3Q09, mainly on the back of negative results in the media segment. Revenues dropped by 37%/y/y and 2%/q/q to TL2.8bn. Ebitda dwindled by 52%/y/y and 60%/q/q to TL66mn (blended margin of 2.4%). Provisions for tax-related issues amounted to TL80mn in 4Q09.

- FY09 result came in at -TL114mn, down from net income of TL68mn in 08. Revenues declined by 17%/y/y to TL10.3bn. Ebitda decreased by 36%/y/y to TL462mn for a mere margin of 4.5%. Net debt rose to TL556mn from last year net cash position of TL363mn.

Dogan Yayin Holding posted a net loss of -TL196mn in 4Q09, compared to the negative figures of -TL19mn in 3Q09 and of -TL281mn in 4Q08. Revenues remained flat on a y/y basis but improved by 19%/q/q to TL687mn, mainly due to an increase in circulating revenues. Ebitda declined to a mere figure of TL1.0mn, due to negative profitability in the broadcasting business.

- FY09 results came in at -TL343mn, down by 5.9%/y/y. Revenues decreased by 15%/y/y to TL2.43bn. Ebitda dwindled by 66%/y/y to TL73mn while Ebitda margin declined to 3.0%. Net debt remained flat at TL1.38bn.

Hurriyet posted a TL40mn net loss in 4Q09, mainly due to rising operating expenses and to provisions for tax fines (TL18mn). Revenues declined by 10%/y/y but went up by 7%/q/q to TL205mn in 4Q09, following weak results in ad revenues (both for the Company and its Russian subsidiary TME) and improving performances in circulation revenues. Ebitda improved to TL24mn from last year figure of TL7mn but declined by 43%/q/q on the back of rising operating expenses.

- FY09 results posted a negative figure of TL35mn, almost flat compared to 08. Revenues dwindled by 21%/y/y to TL784mn. Ebitda decreased by 20%/y/y to TL136mn while Ebitda margin stood flat at 17%. Net debt declined by 33% to TL369mn.

Turkish Airlines posted a TL83mn net income in 4Q09, down by 83%/y/y and by 78%/q/q. Revenues went down by 5%/q/q but rose by 15%/y/y to TL1.9bn on the back of strong traffic results (RPK increased by 25.2%/y/y in 4Q09). Ebitdar declined by 4%/y/y and by 45%/q/q to TL363mn because of increasing operating costs.

- FY 09 results came in at TL559mn, down by 51%/y/y. Revenues improved by 15%/y/y thanks to rising traffic. Ebitdar grew by 26%/y/y while Ebitdar margin improved by 200bps to 22.6%. Company recorded no financial income in 09 compared to last year net income of TL715mn.

- Number of passengers increased in March10 by 26.4%/y/y to 2.2mn. Revenues Passenger km (RPK) increased by 35.7%/y/y to 3.7mn. Passenger load factor (PLF) increased by 6.6 pts from 69.6% in March09 to 72.6% in March10.