

TURKISH BULLETIN

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ECONOMY & MARKET

MARKETS

At Friday's close, market situation was:

O/N for ISE Repo market & TLR Interbank market		TRL/USD
26%		1,431,718
Most actively traded T-Bills		
Date	Maturity	C/Rate
12/12	15/12/04	28.5%
ISE-100 index		
TRL 16,955 (\$1.18)		

CBT FX Reserves: fell US\$1.03bn to US\$31.3bn in the week of November 21-28 due to external debt payments, and remained constant in the week of Nov28-Dec5.

Redemption/Domestic program for December: total domestic debt service is US\$6.7bn as compared to US\$8.6bn of previous month. The Treasury will repay US\$6.3bn domestic debt to the market and US\$0.4bn to the public sector. Total debt service in December is planned to be US\$7.3bn. Treasury plans to borrow a cumulative sum of US\$5.2bn implying a relatively low 83% rollover ratio (97% in November).

The Treasury swapped nominal US\$2bn worth of the March 3, 2004 with the longer maturity Jan 26, 2005 paper. On March 3, the Treasury will now redeem US\$5bn to the market instead of the original (pre-swap) US\$7bn. The following table depicts results of auctions held in December:

issue	Mat. Date	Mat. month	Bid TL trl	Sales TL trl	Cov %	Net Sales TL trl	Ann. compo Yield (%)
03/12/03	05/05/04	5	833	733	88	701	27.79
03/12/03	26/01/05	14	3,445	2,340	68	2,508	28.91
03/12/03	19/10/05	23	925	823	89	1,062	33.39
10/12/03	19/10/05	22	US\$ 1,198 mn	US\$506 mn	42	US\$ 515 mn	4.49

Exports rose by 9.9% to US\$4bn in November, driving 12-month cumulative figure to US\$43bn, which indicates a 30.8% YoY increase.

The current account posted US\$195mn surplus in September. The cumulative deficit totaled US\$4bn in the first 9M03 compared to US\$416mn of deficit in the same period last year.

3rdQ 2003 growth results: announced by the SIS indicate a **4.8% growth in GDP and 4.9% in GNP.** As a result, growth reached 5.4% for GDP and 5.2% for GNP in the first 9M03.

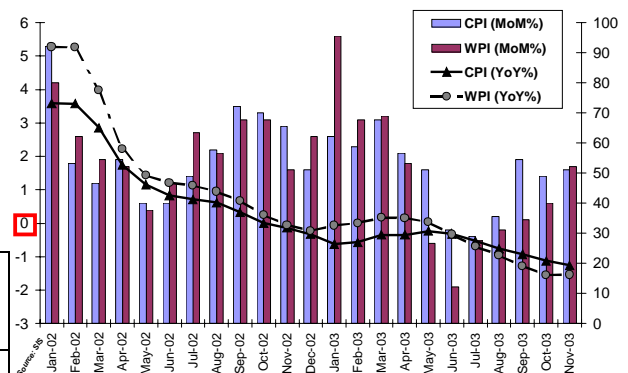
Cash budget results for November:

According to the Treasury's Cash Balance figures, a primary surplus of US\$1.9bn was recorded in November carrying the YTD sum to US\$11.3bn. This indicated a primary surplus to GNP ratio of 4.5%.

Cash Balance	Nov'03	Jan.-Nov'03
	US\$m	US\$m
Revenues	5,582	54,313
Expenditures	5,914	74,149
Interest Payments	2,196	31,139
Non-interest exp.	3,717	43,010
Primary Balance	1,865	11,303
Cash Balance	(332)	(19,836)
Financing	332	19,836
Borrowing (net)	904	17,609
Foreign (net)	(603)	(61)
Domestic (net)	1,507	20,702
Treasury vaults	(572)	(805)

Source: Treasury

November inflation figures: WPI and CPI (MoM %) increased 1.7% and 1.6% respectively, while private manufacturing price index rose 0.9% in November. The YoY WPI and CPI inflation of 19.3% and 16.2% respectively are below the year-end targets of 20% and 17.4%.



IN BRIEF

In September tourism revenues totaled US\$1.6bn. The cumulative tourism revenues reached US\$7.6bn in 9M03 (compared to US\$6.8bn YoY). Number of tourist arrivals increased by 16% YoY in November. **TEB2 White goods sales up 50% YoY in October 2003**(down by 1% compared to the previous month).

Industrial Production index surged to 124.2 level in Oct.: due to strong exports performance and slight recovery in the domestic demand. The YoY increase reached 12.3%

POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

President Sezer ratified the govt.'s decision to appoint **Mr.Bilgin as the new BRSA chief.**

Finally the Petroleum Market Law, a key step towards Tupras's privatisation, cleared the Parliament on December 5. The law allows vertical integration, abolishes price regulation and lifts import restrictions.

The Banking law amendments, one of the prior actions for the completion of the IMF's 6th review, was adopted in the Parliamentary commission. The bill foresees speeding up collections from the failed banks through establishment of a new board under the Savings Deposit Insurance Fund and restructures the SDIF.

The parliament decided to form commissions to investigations graft allegations against former PM Yilmaz and five other former ministers.

Bilateral talks between the US and Turkey:

- Turkey is trying to seek softer conditions concerning northern Iraq attached to the US\$8.5bn IMF's loan.BEN4
- The US plans to invite Turkish companies to participate in rebuilding tenders worth US\$18.5bn in Iraq. The US administration will allow Turkish companies to lead syndicates in reconstruction tenders in Iraq; Meanwhile the US would like to use the air base at Incirlik (close to the Iraqi border) BEN5+BEN10

Elections in the Northern Cyprus Turkish Republic:

The opposition CTP led by Talat received 35.5% followed by the pro-Denktaş UBP with 32.5% in Sunday's Parliamentary elections in northern Cyprus. All eyes are now on President Denktas who must now award the mandate to form the next government to one of the parties. Apparently the seats are now equally shared between pro-EU and pro-Denktaş parties at the parliament.

COMPANY NEWS

Fund raising of Turkish banks more than 1bio in 2 weeks:

- **Is bank** received a one-year US\$300mn syndicated loan with an interest rate of Libor +65.
- **Vakifbank** received a one-year US\$200mn syndicated loan and with an interest rate of Libor +85.
- **Koc Bank** received a one-year US\$200mn syndicated loan with an interest rate of Libor +65.

Standard Chartered Bank has arranged 2 securitisations for Yapi Kredi Bank (US\$200mn) and Finansbank (US\$150mn) with 1-year maturity to be extended to 5 years subject to certain conditions

Koc Holding:

- **Aygaz** announced that it was included in the consortium, which consisted of Koç Group companies and submitted its bid for the privatization tender of Bursagaz.
- Koc Holding announced that it will raise its paid-in capital from TL274,755bn to

TL789,750bn through TL514,995bn bonus issue (187.44%).

Turkcell:

- Turkcell Holding will convene shareholders meeting on December 24, to elect a new BOD and to decide on how to use the voting right of Turkcell Holding in Turkcell's postponed EGM on December 29. BEN 1
- Announced that as of 14th November 2003, Ankara 1st Commercial Court accepted Turk Telekom's (TT) claims for an injunction regarding the interconnection dispute in the amount of US\$337mn including principal and interest for the period September 2001-August 2002. Based on this new decision, TT did not make the TL35.9 trl payment to Turkcell due 30 November.

Erdemir:

- The US has rescinded tariffs it imposed last year on imported steel. The US decision is to favour several Turkish long steel products as Turkish flat steel was already exempted from

the tariffs but it could pressure Erdemir's own presence in the US market.

- Announced that its 1Q04 orders equaled 2.5 times of its rolling capacity.

Sabancı Holding: sold its entire share (70%) in the automotive spare part and component manufacturer, Arkkardansa, to a local concern for US\$9mn. BEN4

Türk Telekom: TT's revenues rose by 34.4% YoY to US\$4.3bn in Jan-Oct03

Turkish Airlines: announced US\$84mn of net earnings in 9M03 (23% lower YoY).

Enka: Enka Insaat announced that they completed the process of purchasing an additional 9% stake in Intergen-Enka, which is the Holding's JV with Intergen in the field of electricity generation, at a price of \$50 mn. Accordingly, Enka Insaat's share in the JV will rise from 40% to 49%, whereas Intergen's declined to 51%.

SECTOR NEWS & PRIVATISATION

PRIVATIZATION

State Banks: the government is negotiating an extension of the deadline for the privatization of Halkbank and Ziraat. The IMF had previously insisted that Halkbank should be merged with Ziraat if privatization appeared unlikely. The government in turn had promised to privatize the bank by end-2004.

Türk Telekom: will be privatized via a 51% (or more) block sale due by 31 May 2004, which will then be followed by a public offering; 5% of TT shares will be sold to PTT, TT workers and to small investors via a domestic offering. The tender committee will announce prior to the submission of the bids their expected range of valuation for TT.

Tekel: Finance Minister Unakitan said that the government plan to re-tender Tekel-tobacco under a new privatization strategy and will appeal a recent court decision canceling Tekel-alcohol's privatization.

Petkim: A local transmission manufacturer, Hema, announced that it was considering to make a bid with Iranian State Petrochemical Company in the privatisation of Petkim which is expected to be put on the block again in early 2004. OYAK5

Tupras: The Privatisation Administration announced that there were two bidders for the privatisation tender of Tupras, Anadolu Consortium and Efremov Kautschuk GmbH. It

is stated that the talks with two bidders will be concluded by 13/01/2004.

Privatization of Esgaz/Bursagaz natural gas distribution companies: The deadline has expired and reportedly Gazprim, Koç Group, Alarko, Gaz de France were among bidders.

AUTOMOTIVE

Total vehicle production increased by 31% in November, bringing the y-t-d growth to 52%. Accordingly, total vehicle production including tractor reached 52,619 in November (slight slowdown of 1.9% in monthly production) and 488,689 for Jan-Nov 2003.

TELECOM

Telecom Board announced that mobile phone subscriptions increased from 23mio in 2002 to 26mio as of end Sept.2003. Fixed telephone line users decreased from 18.9mio end Jan.2003 to 18.8mio in Sept. 2003. Internet subscriptions remain far below expectations: 2mio users in 1999, 2.5mio in 2000, 3.5mio in 2001 and 4.5mio in 2002.

ENERGY

According to Energy Minister Guler, the government is planning not to increase electricity tariffs in 2004. The main reason behind this is the agreement between Turkish and Russian officials about natural gas procurement contract in the last week of November.

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

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