

TABOGLU & DEMIRHAN

Newsletter

PRIVATIZATIONS NEWS

- Cengiz Insaat – Makyol - Dogus Insaat and Vinci Consortium has offered the lowest bid in the tender for the construction of the immersed tunnel project that shall connect the European and Asian sides of Istanbul. The Consortium has offered a contract period of 19 years for the tunnel, 6 years for investment and 13 years for operation of the tunnel while the other bidder, Turkish-Korean Joint Venture, has offered a contract period of approximately 30 years; 4 years for the investment and approximately 25 years for the operation of the tunnel. The General Director of Ports and Airports Construction General Directorate has stated that the project is of crucial importance for Turkey and that tunnel will be the deepest throughout the world. The tunnel, to be constructed under the Bosphorus, will have two levels and two lanes. The Ministry of Transportation will determine the toll fee whereas the estimate tariffs have been set as US\$ 4 for one-way ticket and US\$ 8 for a two-way ticket.
- The sale of Turkey's sugar plants, which was postponed for an indefinite period of time due to the ruling by the Council of State, is likely to kick-off again this month. To restart this privatization project, the High Privatization Council shall issue a decision that complies with the reservations stipulated in the Council of State's decision, which had overturned a previous ruling of the Council regarding the matter. The Head of the Privatization Administration has stated that the Privatization Administration is prepared to sell 25 sugar plants to be divided into six separate portfolios classified according to the geographical proximity of the sugar plants to each other. The Head of the Administration has also stated that the privatization process for state-owned national lottery would begin in the following weeks, although no final decision on method or duration is made yet. Finally, he has added that the draft law regarding the privatization of bridges and highways had not been enacted by the Parliament due to its busy agenda, thus, the transfer may be delayed until 2009.

CAPITAL MARKETS HIGHLIGHTS

- Cimsa has taken over the facilities of Bilecik Hazir Beton in return for TRY 19,250,000. As per the statement made by Cimsa to the Istanbul Stock Exchange, the transfer includes 8 ready-mixed concrete plants in Bilecik, Sakarya and Bursa, 3 aggregate quarries and 85 vehicles.
- As per the weekly bulletin of the Capital Markets Board, the transfer of 99% share of San Menkul to Koc Finansal Hizmetler, a joint venture between Unicredit and Koc Holding, and the change in the shareholding structure of the Company has been approved by the Capital Markets Board.

BANKING SECTOR UPDATES

- The Banking Regulation and Supervision Agency has rejected the request of Societe Generale for permission to open 50 new branches in Turkey on the grounds that opening new branches could be risky due the ongoing turbulence in global markets.
- As per the dailies, Yapı Kredi Leasing has signed a loan agreement with KfW Entwicklungsbank, a German development bank, with a total maturity of 7 years including a grace period of 3 years. This loan with a total amount of Euro 30 million will be used to finance the energy efficiency projects. The loan is the first energy efficiency loan from abroad to Turkey provided under a joint project with the International Finance Corporation. The General Director of Yapı Kredi Leasing has stated that they shall keep on supporting Turkish industry with long term loans with considerable conditions.
- Yapı Kredi, a Turkish bank co-owned by UniCredit and Koc Holding, has raised its net profit 61% in the first half of the year compared to the same period last year. Meanwhile, the bank's total income has increased 30% and reached to TRY 2.45 million.

Highlights

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ENERGY SECTOR NEWS

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- Sabanci Holding and Verbund joint venture Enerjisa has contracted with Yuksel Insaat for the construction of three hydro power plants in Kahramanmaraş with a total capacity of 452 MW. The Hacininoglu regulator and hydro power plant, Sariguzel dam and hydro power plant and Kandil dam and hydro power plant will start operations in 2010, 2011 and 2012, respectively.
- Eti Mining Enterprises will establish a new boron facility with 240,000 tons capacity. The tender has taken place in Ankara with the participation of more than 10 bidders. The construction of the facility shall be completed and commence operations within 30 months. After the commencement of operation, Turkey's capacity of boron production will surpass 1 million tons.
- As per the Mid-Year Assessment released by Deloitte & Touche, there have been 92 mergers and acquisitions in Turkey with a total deal volume of US\$ 11 billion, corresponding to an increase of US\$ 0.5 billion over the same period of last year. In contrast to 9 transactions in 2007, American investors concluded only one deal this year. The largest deal was the acquisition of 100% stake in tobacco division of TEKEL by British American Tobacco for US\$ 1.72 billion. The largest 3 transactions made up 45% of the total deal volume, whereas the top 10 deals corresponded to 75% of the total deal volume.
- As per the dailies, the Finance Ministry's Financial Crimes Investigation Board (MASAK) will soon require banks and other finance institutions to implement programs to prevent financing of terrorism and laundering proceeds of crime. The Post and Telecommunications General Directorate, brokerage firms, banks, insurance companies and retirement funds will prepare so-called harmonization programs for internal auditing, risk management monitoring and inspection activities within the scope of combating the finance of terrorism and money laundering. The Draft Directive prepared by MASAK was finalized and will be sent to the Prime Minister for approval. Companies are required to appoint personnel to ensure the proper execution of the harmonization program. According to the Directive, companies must appoint authorized personnel to ensure the proper execution of the harmonization program within 30 days after the Directive comes into effect. Companies must develop their harmonization programs within 3 months following the appointment of the said personnel.

OTHER NEWS

- As per the Iron and Steel Sector Report prepared by Undersecretariat of Foreign Trade, Turkey's production of raw steel has accounted for 2% of the global steel production in 2007. The sector has an 11.6% share in Turkey's total exports. After the recent global rise in the price of iron and steel goods, exports by the Turkish iron and steel sector increased by 30% to US\$ 12.5 billion in 2007. China, Japan and the United States are the world's top 3 steel producers.
- The Turkish Statistics Institute has announced that the consumer price index has increased by 0.58% in July over June, while the producer price index has increased by 1.25%. The annual cumulative inflation updated with July's figures has become 12.06% in consumer price index and 18.41% in producer price index. The consumer prices have increased by 6.61% and producer prices have increased by 15.18% in the period between January and July.

The aim of this weekly newsletter is to highlight mainly the regulatory changes made by the Turkish Government during the relevant week. The content of this bulletin is limited to those areas Taboglu & Demirhan advises its clients. It contains a general summary of the changes and the areas it covers are broader. Thus, one should not rely on it for specific advice. For further information or advice please contact Taboglu & Demirhan, a full-service law firm based in Istanbul.

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