

# TABOGLU & DEMIRHAN

## Newsletter

### ENERGY SECTOR UPDATES

- The electricity price tariffs will be determined in accordance with automatic pricing method which shall be affected by foreign exchange rate, inflation and petrol price changes. The State Economic Enterprises (SEE) such as EUAS, TETAS, TKI and BOTAS will launch “Cost Based Pricing Method” as of 1 July 2008. The reason to adopt the method has been declared as constituting economically healthy and strong SEEs and electricity distribution companies more than 50% stakes of which are owned by the State.
- Pursuant to the dailies, Izmir Jeotermal, which has accelerated its operations after leasing geothermal wells in Seferihisar from the Ministry of Energy and Natural Resources for 49 years, has determined that the temperature of the well dug firstly is 148 degrees Celsius and it has the capacity to generate electricity.
- Unit Investment, which is cooperating with Dogan-Dogus Consortium for the privatization of the distribution of electricity will make an energy investment amounting to US\$ 2.5 billion in Turkey within 4 years excluding such privatization of distribution of electricity. In this context, the Company will realize the production of 5,000 megawatt electricity by building the power station of nuclear, coal, hydroelectric and natural gas until 2015.
- The Energy Market Regulatory Authority has granted a production licence to BND Elektrik Uretim which is the subsidiary of Metemteks Tekstil, for the hydroelectric power plant in Osmaniye. The average production is expected to be 13.5 million kW electricity per year with a total installed capacity of 3.86-3.5 MW for 49 years. The Company has also been provided with a production license for the hydroelectric power plant and regulator of Gelincik in Gumushane, production average of which is expected to be 21.2 million kW electricity per year with a total installed capacity of 7.05-6.3 MW for 49 years.

### PRIVATIZATION HIGHLIGHTS

- The domestic book-building period of Turk Telekomunikasyon’s initial public offering was between 7-9 May 2008. The Company is expected to be listed this week upon the listing decision of the Istanbul Stock Exchange. The offering is being realized by the Privatization Administration and the offer shares represent 17.25% of the Company.
- The Savings Deposit Insurance Fund has put Kral TV and Kral FM on sale. The sale was announced in the Official Gazette on 6 May 2008. According to the announcement, Kral TV and Kral FM will be sold along with their operating rights and equipment as per the terms specified in the tender specifications. During the bidding process of the TV channel and radio station that have a total estimated value of US\$ 85 million, US\$ 8.5 million will be required from bidders in the form of a bid bond. The tender will take place on 18 June 2008.
- The Prime Minister has declared that the Government will transfer TRY 1.3 billion from the Unemployment Insurance Fund and TRY 1 billion from the Privatization Fund to the Southeast Anatolia Project (GAP). Accordingly, the total amount of TRY 2.3 billion will be transferred to the GAP and consequently, significant number of people from the area will be employed until 2013.

### TELECOMMUNICATIONS NEWS

- Vodafone has announced that it has signed an agreement with Apple to sell iPhone in ten countries. Later this year, Vodafone customers in Turkey, Australia, the Czech Republic, South Africa, India, Italy, Egypt, Portugal, New Zealand and Greece will be able to purchase iPhone for use on Vodafone network.

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#### Highlights

a. Energy Sector Updates

b. Privatization Highlights

c. Telecommunication News

d. Capital Markets News

e. Banking Sector Highlights

f. Other News

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- The Telecommunications Authority has declared that Turk Telekom has one year and GSM operators have six months to implement "number portability". The Authority has completed its infrastructure works and the system will be operational when Turk Telekom and GSM operators have their own infrastructures completed. It has been declared that Avea and Vodafone have already completed testing for their joint invested systems. Accordingly, number portability has to be implemented by GSM operators as of 13 November 2008 and by Turk Telekom as of 13 May 2009.

#### **CAPITAL MARKETS NEWS**

- As per the statement made to the Istanbul Stock Exchange by Ulker Biskuvi, the Company has decided to distribute 36.94% of its distributable profit, amounting to net TRY 20.69 million, to its shareholders. Additionally, the board of directors of the Company will recommend to distribute net TRY 6.08 million to its privileged shareholders at the general assembly to be held on 27 May 2008.
- TOFAS has announced its financial statement pertaining to the first quarter of 2008. Accordingly, the net profit of TOFAS has increased to TRY 84 million by 186.9% and its export amount has increased to TRY 500 million by 94% when compared with the same period of the previous year.

#### **BANKING SECTOR HIGHLIGHTS**

- As per the dailies, Garanti Bank has been provided by 31 banks from 15 different countries with a syndicated loan of Euro 600 million with one year of maturity with a total cost of Euribor plus 0.675% including all interests and commissions.

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- According to the dailies, TEB has received a Euro 40 million loan from the French Development Agency and begun extending it in the form of low-cost loans to small and medium-sized enterprises. The Assistant General Manager of TEB has stated that small and medium-sized enterprises requesting a loan were required to attend the training program that is provided by the Bank for free. Social responsibility in organizations, its importance and how small and medium-sized enterprises can convert it into an opportunity are among topics taught in the course.

- GSD Holding has given a mandate to JP Morgan for the sale of shares the Holding holds in Tekstilbank.

- Turkey has officially applied to the European Bank for Reconstruction and Development (EBRD) to be affiliated with the Bank. It is expected that the formal application of Turkey will be examined and approved by the Executive Directors' Council of the EBRD. After the approval of the membership, Turkey will obtain a new finance facility for the private sector by taking place as a member of the EBRD.

#### **OTHER NEWS**

- As per the dailies, the decrease which has been realized in the leasing sector after the annulment of the exemption of VAT is continuing in the first quarter of 2008. According to the statement made by the Association of Leasing, the investment amount which has been financed by leasing companies has been realized as TRY 1,843,180,000 in the first quarter of 2008. The investment amount has decreased with a ratio of 9% when compared with the same period of the previous year.

*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.*

### **TABOGLU & DEMIRHAN**

**Attorneys at Law**

Levent Cad. No. 9

1. Levent, 34330, Istanbul, Turkey

E-MAIL: [enquiries@taboglu.av.tr](mailto:enquiries@taboglu.av.tr)

[www.taboglu.av.tr](http://www.taboglu.av.tr)

PHONE: (212) 339 8800

FAX: (212) 339 8899