

TABOGLU & DEMIRHAN

Newsletter

ENERGY SECTOR HIGHLIGHTS

- The Chairman of the Board of Directors of Sabanci Holding has remarked that Sabanci Holding, with its partners, namely, Iberdrola and General Electric Hitachi Nuclear Energy, is reconsidering the participation in the tender relating to the first nuclear power plant in Turkey upon denial of the request of postponement by the Government. It has also been emphasized that there are certain issues to be considered by the Government concerning insurance and licensing.
- OMV, Lehman Brothers and MET Energy Systems have formed a partnership under the name of Borasco Elektrik in order to invest in the Turkish market for the purposes of electricity production and commercial activities through the construction of a natural gas production plant with a projected capacity of 890 MW. Accordingly, the construction of such new plant, to be built around the Blue Stream natural gas pipeline at the delivery point in Samsun, will cost over Euro 500 million. Borasco Elektrik was established by MET Group in 2007, and holds a 49-year production license with a commencement date of February 2008. The plant will utilize General Electric's latest 9FB technology equipment and is expected to start operations by the end of 2010.
- As per the dailies, Perfect Wind, a French wind power producer, will invest Euro 210 million for the establishment of a wind backed power plant with a 150 MW capacity in Geycek village of Kirsehir. Perfect Wind is also planning to realize another investment with 400 MW capacity with an investment amount of Euro 550 million until the end of the year 2011. The Company contemplates to raise Euro 1.5 billion for additional renewable energy investments over the next five years. According to the Prime Ministry Investment Agency, Turkey has a potential of 10,000 megawatts of wind energy and this project will be an important step taken in the field of renewable energy in Turkey.

TELECOMMUNICATIONS NEWS

- Pursuant to the dailies, Turk Telekom has participated in the tender opened for the sale of Kyrgyz Telecom, Kyrgyzstan's state-owned telecom company. Currently, Kyrgyzstan is holding 77.84% of the Company's shares and expecting at least US\$ 45 million as sales revenue. Kyrgyz Telecom operates landlines and also holds a GSM license through its subsidiary, KT Mobile LLC. According to the statement made by the Chief Executive Officer of Turk Telekom to the Istanbul Stock Exchange, Turk Telekom will maintain an investment strategy in other telecommunications companies in Macedonia, Bosnia & Herzegovina and Azerbaijan.
- Turkcell has completed the acquisition of 80% stake in Belarusian Telecommunications Network upon the payment of the first installment amounting to US\$ 300 million on 26 August 2008. An additional payment of US\$ 100 million shall be made within the following year in which Belarusian records a full-year positive net income. As per the statement released by Turkcell, the acquisition of Belarusian represents an opportunity for Turkcell to gain access into a market with a growth potential and Turkcell is planning to invest US\$ 500 million within 10 years therein. According to the agreement, Belarus has undertaken not to sell the remaining 20% stake of Belarusian within the next 5 years.

BANKING SECTOR NEWS

- Pursuant to the dailies, Garanti Bankasi has secured Euro 200 million foreign funding with a maturity of 10 years from the European Investment Bank through its Diversified Payment Rights Securitization program led by a London based investment bank, Barclays Capital, on 22 August 2008. It has been stated that such loan will be utilized by small and medium size enterprises provided that their net asset value and number of employees do not exceed Euro 75 million and 500 million, respectively.

Highlights

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CAPITAL MARKETS HIGHLIGHTS

- The Capital Markets Board has determined the mandatory tender offer price to be paid to the small investors of Migros, majority shares of which are held by Moonlight, as TRY 21.95 per share. In the event that small investors decide to sell all their shares during the tender offer, Moonlight will acquire 100% of Migros with an additional payment of TRY 720 million. Moonlight had purchased 13% of Migros recently and increased its shareholding ratio to 81.6%.
- According to the statement made by Turkish Airlines to the Istanbul Stock Exchange, the Company is considering to submit a bid for the privatization of Austrian Airlines through buying stake from OeIAG, the state-owned company holding 43% of Austrian Airlines, with an estimated value of Euro 157 million. The deadline has been set as 24 August 2008 for the tender. However, it is reported that the size of the offer may change, as 25% shares must remain under the control of Austrian citizens or companies. It is also indicated that Lufthansa, S7, Air France-KLM and Air China are among interested bidders.
- According to the report released by Ernst & Young, private equity funds have realized US\$ 2 billion investment in Turkey in the first half of this year whereas such amount was US\$ 2.4 billion in 2006 and US\$ 2 billion in 2007. The managing partner of Ernst & Young Turkey Corporate Finance has highlighted that due to the current crisis in the debt markets, there is a global slowdown in private equity investments, which is affecting pricing during purchasing processes and increases the importance of due diligence, *i.e.* the preliminary investigation of purchasing process.

OTHER NEWS

- The Savings Deposit and Insurance Fund has put out Olay Medya to tender with an estimated value of US\$ 35 million. Accordingly, Olay Media Commercial and Financial Integrity, includes sequestrated Olay TV, Olay FM, Olay Newspaper, domain names, broadcasting equipment and devices, newspaper publishing rights, immovable and assets with their agreements. According to the Fund's announcement published in the Official Gazette, the sale will be realized on 8 October 2008 through sealed envelope and auction methods free from any legal encumbrances such as pledge or seizure.
- TEB Sigorta has started operating under Zurich Financial Services and amended its trade name as Zurich Sigorta. According to the statement made by the Central and Eastern Europe Region Chief Executive Officer of Zurich Financial Services, the Company has been currently providing services in over 170 countries and has a considerable market share in North America, Latin America, China, Japan, Russia and Europe.
- The President of the Turkish Central Bank has stated that the "New" phrase will be removed from "New Turkish Lira" as of 1 January 2009. The transition process to exchange old bills and coins with the new TL banknotes will take one year, while the change in banknotes will take place during 2009. He has further highlighted that the highest denomination banknote has been determined as TL 200.
- Goodman, an Australian property group, is planning to invest Euro 300 million in the logistic centers in Turkey. The Group has invested Euro 50 million in its first project in a 140,000 square meters logistics center in Izmit and is planning to invest in other logistics centers in Hadimkoy, Izmir, Bursa, Gebze, and Orhanli.

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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