



Republic of Turkey
PRIME MINISTRY
Undersecretariat of Treasury
Directorate General of
State Owned Enterprises

2007

Public Enterprises
Report

August 2008

2007

Public Enterprises Report

Contact Information

Comments and suggestions about the Report

can be submitted to

Undersecretariat of Treasury

Directorate General of State Owned Enterprises

via phone numbers 204 61 87 or 204 61 90

or via e-mail

ypkd@hazine.gov.tr

Undersecretary's Preamble

The Undersecretariat of Treasury (Treasury) has completed its Strategic Plan containing period of 2009 – 2013 and shared with the public on July 24 of 2008. *Enhancing efficiency of public financial asset and liability management* has been included among strategic purposes of the Treasury and *implementing corporate governance principles in public enterprises and enhancing their efficiencies* have been determined as strategic target.

In order to provide enhancement of transparency of public enterprises, the Treasury, which considers corporate governance principles as a working principle for itself, helps improvement of financial reporting systems of enterprises and their operations and also publishes regular statistics and reports.

The Treasury creates policies to provide for public enterprises for which it undertakes the responsibility of shareholding in the name of state to work more efficiently and effectively as well as it takes over the responsibility to inform public concerning financial conditions, managers, performances and positions of these enterprises in the sector they participate in. The Treasury has released "2006 Annual Ownership Report" to the public.

In our country, as well as Treasury-owned public enterprises such as public banks and some non-financial SOEs, Privatization Administration (PA) - owned enterprises, revolving funds, extra budgetary funds and many enterprises and associates, which Housing Development Administration, Savings Deposit Insurance Fund and local administrations own are active in the economic area.

Besides, agencies and institutions such as the Companies of Turkish Armed Forces Foundation, Turkish Airlines Corporation, Anadolu Agency, National Lottery Administration and Spor Toto Organization may be considered as public enterprises when they are considered within the frame of international definitions and in terms of *management control* and type of job they perform. Net assets of public enterprises were nearly TRY 330 billion in 2007 and this indicates how important place public enterprises have in overall economy.

The enterprises on which public has shares are not composed of only public banks and State Owned Enterprises in the Treasury portfolio. That is why Decree of Council of Ministers no. 2007 / 12702 has delivered the responsibility of preparing public enterprises Report in a wide sense to the Treasury. The enterprises, which can be qualified as public enterprises in a wide sense, have been discussed and a public enterprise awareness of in our country have been tried to be created in the report. In other words, in 2007 report, introductory information concerning local administration enterprises, revolving funds, and extra budgetary funds, enterprises with special status and enterprises in the portfolio of Privatization Administration has been included as well as information concerning Treasury –owned State Owned Enterprises.

In this report, whereas data of enterprises in the Treasury and PA portfolio takes place in detail because they are continually monitored, information on other public enterprises have presented with the purpose of introduction.

In 2007 Public Enterprises Report; chapter of Competition Policy directly concerning public enterprises in European Union negotiations, definition of international public enterprises, position of the Treasury as shareholder, total number of State Owned Enterprises and, general and institution based analyses concerning public enterprises have been discussed.

I hope 2007 Public Enterprises Report prepared in accordance with our Strategic Plan will be useful and I would like to express my thanks to my colleagues who devoted their efforts to this Report.

İbrahim H. ÇANAKCI

Undersecretary

UNDERSECRETARY'S PREAMBLE	v
CONTENTS	vii
LIST OF TABLES.....	x
LIST OF GRAPHICS	xi
LIST OF BOXES	xi
ABBREVIATIONS.....	xii
CHAPTER 1: INTRODUCTION.....	1
CHAPTER 2: EU COMPETITION POLICY – STATE AID AND TRANSPARENCY DIRECTIVE	4
CHAPTER 3: PUBLIC ENTERPRISES.....	6
CHAPTER 4: PORTFOLIO OF THE UNDERSECRETARIAT OF TREASURY.....	11
4.1 Our Portfolio and Capital Status.....	11
4.2. Our Task.....	11
4.3. Our Objectives and Goals	12
4.4. Financial Relation between SOE and Budget	13
4.4.1. <i>Capital Payments to SOEs</i>	13
4.4.1.1. <i>Transfers from Budget to SOEs</i>	13
4.4.1.2. <i>SOE Capital Offsetting</i>	14
4.4.1.3. <i>Public Banks Capital Offsetting</i>	14
4.4.2. <i>Duty Losses Payments to SOEs – Income Loss Payments to Public Banks</i>	15
4.4.3. <i>Transfers from SOEs to Budget</i>	15
CHAPTER 5: 2007 OVERALL SOE PERFORMANCE.....	18
5.1. Financial Status	18
5.1.1. <i>Income Statement</i>	18
5.1.2. <i>Balance Sheet</i>	19
5.1.3. <i>Ratio Analysis</i>	20
5.1.4. <i>Value Added</i>	23
5.2. Employment	23
5.2.1. <i>Number of Personnel</i>	24
5.2.2. <i>Personnel Costs</i>	25
5.2.3. <i>Average Personnel Cost</i>	25
5.2.4. <i>Personnel Profile</i>	26
5.3. Other Indicators.....	26
5.4. Main Problems of SOEs.....	27
CHAPTER 6: SOE PERFORMANCES.....	30
6.1. Petroleum Pipeline Co. (BOTAŞ)	31
6.2. Electricity Generation Co. (EÜAŞ).....	36
6.3. Turkish Electricity Transmission Co. (TEİAŞ).....	40
6.4. Turkish Electricity Trading and Contracting Co. (TETAŞ)	44
6.5. Directorate General of Turkish Coal Enterprise (TKİ)	47
6.6. Turkish Hard Coal Enterprise (TTK)	50
6.7. Turkish Petroleum Co. (TPAO).....	53

6.8. Directorate General of ETİ Mine Works (ETİ MADEN)	57
6.9. Directorate General of Turkish State Railways (TCDD)	62
6.10. Directorate General of State Airports Authority (DHMİ)	67
6.11. Directorate General of Coastal Safety (KIYEM)	71
6.12. Directorate General of Turkish Post and Telegraph Organization (PTT)	74
6.13. Directorate General of Meat and Fish Board (EBK)	77
6.14. Directorate General of Agricultural Enterprises (TİGEM)	80
6.15. Directorate General of Turkish Grain Board (TMO)	83
6.16. Directorate General of Tea Enterprises (ÇAYKUR)	88
6.17. Directorate General of State Supply Office (DMO)	92
6.18. Directorate General of Mechanical and Chemical Industry Corporation (MKEK)	96
6.19. Turkish Electro Mechanics Industry Co. (TEMSAN)	99
CHAPTER 7: PRIVATIZATION PORTFOLIO	102
7.1. Turkey Sugar Factories Co. (TŞFAŞ)	103
7.2. Sümer Carpeting and Handicrafts Co. (SUMER HALI)	109
7.3. Petkim Petrochemicals Holding Co.	112
7.4. Sümer Holding Co.	116
7.5. Turkish Maritime Enterprises Co. (TDI)	119
7.6. Turkish Electricity Distribution Co. (TEDAŞ)	123
7.7. Tobacco, Tobacco Products, Salt and Alcohol Enterprises Co. (TEKEL)	127
7.8. Ankara Natural Electricity Generation and Trade Co. (ADÜAŞ)	130
CHAPTER 8: PUBLIC BANKS	132
8.1. Ziraat Bank of the Republic of Turkey (TCZB)	133
8.2. Halk Bank of Turkey	137
8.3. Vakıfbank	141
8.3. Turkish Emlak Bank in Liquidation	144
8.5. Development Bank of Turkey	147
8.6. Export Credit Bank (Eximbank)	151
8.7. Provincial Bank Inc.	154
CHAPTER 9: OTHER PUBLIC ENTERPRISES	157
9.1. Türksat Satellite Communication and Cable TV Operation Inc	158
9.2. Turkish Radio - Television Co. (TRT)	162
9.3. Directorate of Atatürk Forest Farm and Zoo (AOÇ)	165
9.4. Turkish Airlines Corporation (THY)	168
9.5. Anadolu Agency (AA)	171
9.6. Housing Development Administration (TOKİ)	174
9.7. National Lottery Administration (MPI)	180
9.8. Directorate General of Spor – Toto	184
9.9. Extra Budgetary Funds	186
9.9.1. Savings Deposit Insurance Fund (TMSF)	187
9.9.2. Social Aid and Solidarity Promotion Fund	191
9.9.3. Privatization Fund	193
9.9.4. Defense Industry Support Fund	195
9.9.5. Promotion Fund	198
9.10. Turkish Armed Forces Foundation (TSKGV)	199
9.11. Revolving Funds	202
9.12. Local Administration Enterprises	207
CHAPTER 10: ANNEXES	210
ANNEX 1: FINANCIAL STATEMENTS OF SOEs -TREASURY PORTFOLIO	211

<i>Income Statement</i>	225
<i>Balance Sheet</i>	226
<i>Financial Ratios</i>	227
<i>Non - Tax Revenues</i>	228
ANNEX 2: EMPLOYMENT DATA OF SOEs -TREASURY PORTFOLIO.....	229
<i>Employment Figures and Costs</i>	230
<i>Personnel Profile</i>	231
ANNEX 3: OTHER SELECTED INDICATORS OF SOEs –TREASURY PORTFOLIO	233
ANNEX 4: FINANCIAL STATEMENTS OF SOEs UNDER THE TREASURY AND PA PORTFOLIO	235
<i>Income Statement</i>	236
<i>Condensed Balance Sheet s</i>	237
<i>Financial Ratios</i>	238
ANNEX 5: EMPLOYMENT DATA OF SOEs UNDER THE TREASURY AND PA PORTFOLIO .	239
<i>Employment Figures and Costs</i>	240
<i>Personnel Profile</i>	241
ANNEX 6: OTHER SELECTED INDICATORS OF SOEs of THE TREASURY and PA PORTFOLIO .	243
ANNEX 7: OFFSET AMOUNTS BY YEARS	245
ANNEX 8: AFFILIATES AND SUBSIDIARIES.....	247
ANNEX 9: PUBLIC ENTERPRISES IN THE ISO 500 IN 2007.....	251

List of Tables

Number	Name of Table	Page
Table 1	: Capital Status of Undersecretariat of Treasury Portfolio	12
Table 2	: Relationship Between SOE – Budget	17
Table 3	: Condensed Income Statement of SOEs	19
Table 4	: Condensed Balance Sheet of SOEs	20
Table 5	: Financial Ratios of SOEs	22
Table 6	: Number of the Employees of SOEs	25
Table 7	: Employment Cost of SOEs	25
Table 8	: Employment Cost of SOEs / (Sales + Operation Costs)	25
Table 9	: Average Employment Cost of SOEs	26
Table 10	: Other Indicators of SOEs	27
Table 11	: Other Indicators of SOEs (Ratio of GDP - %)	27
Table 12	: Receivables of Petroleum Pipeline Corporation	33
Table 13	: Distribution of Domestic Investments of Turkish Petroleum Corporation	54
Table 14	: Turkish Grain Board Purchasing Information	85
Table 15	: Turkish Grain Board Sales Information	85
Table 16	: Information on Sales Revenues of State Supply Office	94
Table 17	: Revenue Loss Payments Made to Ziraat Bank	134
Table 18	: The Amount Transferred from the Credits Converted into Treasury Resource by Ziraat Bank	135
Table 19	: Revenue Loss Payments Made to HALKBANK	138
Table 20	: The Amount Transferred from the Credits Converted into Treasury Resource by HALKBANK	138
Table 21	: Capital Status of Vakıfbank	141
Table 22	: Support of EXIMBANK to Export Sector	152
Table 23	: Information on TÜRSAT Satellites	160
Table 24	: 2007 Taxes and Other Legal Liabilities of National Lottery Administration	182
Table 25	: Subsidiaries and Affiliates of Savings Deposit Insurance Fund	189
Table 26	: Companies in which Turkish Armed Forces Foundation Has Shares	192
Table 27	: Number of Revolving fund Enterprises	194
Table 28	: Income Statement of Revolving fund Enterprises	196
Table 29	: Capital Amounts of Revolving fund Enterprises	197
Table 30	: Companies of which Turkish Armed Forces Foundation Has Shares	201
Table 31	: Number of Revolving fund Enterprises	204
Table 32	: Income Statement of Revolving fund Enterprises	205
Table 33	: 2007 Capital Amounts of Revolving fund Enterprises	206

List of Graphics

Number	Name of the Graphic	Page
Graphic 1	: IMF Public Sector Chart	7
Graphic 2	: Taxes and Other Legal Liabilities of State Owned Enterprises	16
Graphic 3	: Value Added Calculation of State Owned Enterprises	23
Graphic 4	: Regional Distribution of Boron Export	59
Graphic 5	: Purchase Information on Tea Leaf	89
Graphic 6	: Purchase Prices of Sugar Beet	105
Graphic 7	: Data on Sugar Beet Purchased and Sugar Produced	106
Graphic 8	: Distribution of the Revenue of Atatürk Forest Farm and Zoo	166

List of Boxes

Number	Name of Box	Page
Box 1	: What is an SOE?	1
Box 2	: What is Duty Loss?	14
Box 3	: What is Revenue Loss?	15

Abbreviations

AOÇ	Atatürk Farm and Forest Enterprise	SUMER HALI	Sümer Carpeting and Handicrafts Industry Corporation
BOTAŞ	Petroleum Pipeline Corporation	TCDD	Republic of Turkey State Railways
ÇAYKUR	Tea Enterprises	TEDAŞ	Turkish Electricity Distribution Corporation
DHMI	State Airports Authority	TEİAŞ	Turkish Electricity Transmission, Inc.
DMO	State Supply Office	TEKEL	Tobacco, Tobacco Products, Salt And Alcohol Enterprises Inc
SPO	Undersecretariat of State Planning Organization	TEMSAN	Turkish Electro Mechanics Industry, Inc.
EBK	Meat and Fish Board	TETAŞ	Turkish Electricity Trading and Contracting Co
EMRA	Energy Market Regulatory Authority	TİGEM	Agricultural Enterprises
ETI MINE	ETI Mine Works	TKİ	Turkish Coal Institute
EÜAŞ	Electricity Generation Co.	TMO	Turkish Grain Board
IMF	International Monetary Fund	TPAO	Turkish Petroleum Corporation
KBİ	Black Sea Copper Company	TRT	Turkish Radio - Television Corporation
KIYEM	Director General of Coastal Safety	TŞFAŞ	Turkish Sugar Factories, Inc.
MKEK	Mechanical And Chemical Industry Corporation	TTK	Turkish Hard Coal Enterprise
OECD	Organization for Economic Cooperation and Development	TÜDEMSAŞ	Turkish Railway Machines Industry Co.
PTT	Turkish Post and Telegraph Organization	TÜLOMSAŞ	Turkish Locomotive and Engine Industry Co.
SOE	State Owned Enterprise	TÜVASAŞ	Turkish Wagon Industry Co.

Chapter 1: Introduction

State Owned Enterprises are generally defined as “state companies operating in economic field by using public resources” and they are represented as “enterprises whose *management control* is held by central or local public administrations” in the legal texts and documents published by European Union, IMF and OECD.

As it is partially mentioned in 2006 Treasury Annual Ownership Report published in 2007 pursuant to transparency principle, which is one of the main principles of the Treasury; there are differences arising from both legislation and applications in the concept of state owned enterprises in our country.

The Law no. 3460 dated 1938 on “Organization, Administration and Audit of Economic Enterprises Established by providing its whole Capital from State” has defined the enterprises whose whole capital belong to state as “state economic enterprises”.

The Law on “State Economic Enterprises and Public Economic Institutions” no. 2929 dated 1983, has defined the enterprises whose whole capital belong to state as state economic enterprises and has divided these enterprises into two as State Economic Enterprises and Public Economic Institutions. Decree Law no. 233 dated 1984, which is still in effect, on State Owned Enterprises has agreed on the same fiction.

On the other hand, it is defined as “public institutions and associations of which half or more than half of the capital

Box 1: What is an SOE in Decree Law no. 233?

State owned enterprises (SOEs) are those subject to the Decree Law No. 233 and it is the common name of the SEEs and PEIs whose whole capital belongs to the state.

State Economic Enterprises (SEE): The enterprises which operate in a free market with profit making motive; such as, MKEK (Military Equipment), EÜAŞ (Electric Generation), ÇAYKUR (Tea), BOTAŞ (Natural Gas), TTK (Hard Coal) and TKİ (Lignite).

Public Economic Institutions (PEI): The institutions which produce public goods and services carrying monopolistic characteristics by taking into account the public welfare. TCDD (Railways), KIYEM (Coastal Safety), PTT (Post Office) and DHMİ (Airport Administration) are the PEIs.

In this context, although there is a state ownership in state banks and the enterprises in the privatization portfolio, local administration enterprises, extra budgetary funds, subsidiaries of TMSF and revolving funds; they are not included in the SOE classification because they are not subject to Decree Law No. 233.

belongs to state directly or indirectly” in Article 165 of the Constitutional Law titled “Audit of State Owned Enterprises”.

Corporation Taxes Law No. 5520 broadly defines "public economic institutions" as commercial, industrial and agricultural enterprises whose activities are consistent and which belong or are affiliated to state, special provincial administrations, municipalities, other public administrations and institutions.

Legislation of European Union, of which we continue membership negotiations, approaches public enterprises in terms of capital and management control without differentiating central or local administrations. EU emphasizes on the administrative and financial transparency between public shareholders and public undertakings and on a sound reporting system in member countries.

In our country, there is neither a legislation nor an entity determining principles on all public enterprises nor an organization following and reporting activities of these enterprises in a consolidated form.¹ Undersecretariat of Treasury and other public shareholders (PA, TMSF, Local Administrations, etc.) monitor the enterprises under their portfolio but most of them do not prepare any reports concerning them.

Different from 2006 Treasury Ownership Report; public enterprises, which can be broadly defined as state owned enterprise and operates in our country, are discussed and the enterprises included under portfolio of the Treasury and privatization program are handled in detail in this report².

In this report, EU Transparency Directive will be mentioned at first; definition of Public Enterprises shortly mentioned above will be handled in detail; general and institution based analyses of enterprises under the Treasury portfolio will be made and other public enterprises will be tried to be introduced.

¹ In order to overcome these problems, it will be useful to follow and report all public enterprises. After the Undersecretariat of Treasury has been assigned to prepare a Public Enterprises Report having broad definition by Article 27 titled “Corporation Management ”of the Decree “General investment and financing program of state owned enterprises concerning the year 2008”, it has begun to work for this objective.

² Restructuring progress started in order to overcome difficulties in SOE system has taken its place in government's program for 2008 and with “2008 Program” published in Official Gazette numbered 26684 and dated 28.10.2007, the Undersecretariat of Treasury has been assigned as the responsible and Undersecretariat of State Planning Organization, Privatization Administration, Capital Markets Board and all SOEs have been determined as the institutions to be cooperated in order to issue a SOE Governance Law in which understanding of accountability and transparency will prevail in SOEs as well as elasticity and strategic management will prevail in decision making process.

Data in this Report consists of tables and information sent to the Treasury by SOEs regularly; audit reports prepared on a corporation basis by Supreme Audit Council, which make audits in the name of Great National Assembly of Turkey; annual reports of enterprises and information presented on their web sites.

On the other hand, audit reports of Supreme Audit Council concerning these enterprises can be published with a delay due to legislation and most of the enterprises neither have an annual report ³ nor have a web site at a sufficient level.

³ Decree of Council of Ministers No. 2007 / 12702 has decided for public enterprises to publish their annual reports on their web sites until the end of May.

Chapter 2: EU Competition Policy – State Aid and Transparency Directive

State Aid

Main competition rules have been determined in Articles 81 - 89 of Treaty of Rome establishing the European Community. With relation to state aid, in the Article 87 of the Agreement, it is stated that any aid granted by a member state which distorts or threatens to distort competition by favoring certain undertakings or the production of certain goods insofar as it affects trade between countries, does not comply with the common market.

State aid prohibited pursuant to the principles above may be in the form of direct payments, interest – free or low interest loans, government guarantees, tax exemption, exemptions from legal liabilities such as social security, low prices provided by public enterprises and capital transfers exceeding the amount acceptable pursuant to normal market conditions.

Competition has a quite complex characteristic in EU acquis and there are a number of legal provisions concerning this matter. European Commission publishes many frame directives for various sectors such as coal and steel, ship construction, textile and public broadcasting.

Transparency Directive No. 2006 / 111 / EC

According to the Directive no. 2006 / 111 which purposes to introduce financial relations between government and public enterprises more transparently, public enterprises have the following characteristics:

- ◆ Most of their registered capital belongs to public (central or local), or
- ◆ Most of the voting rights belongs to public, or
- ◆ Assignment right of more than half of the management or auditing board belongs to public institutions.

According to this definition, not only the public enterprises in which the capital ratio of Treasury and Privatization Administration is more than half, but also the companies of local administrations (of special provincial administrations, metropolitan municipalities and municipalities) and the enterprises whose management and

auditing control belongs to government or whose voting rights are under the control of public by means of privileged shares or provisions even if most of their capital does not belong to government (enterprises such as Vakıfbank, public foundation companies and Turkish Airlines) are also considered as public enterprises.

In order to provide transparency of public enterprises within the framework of Transparency Directive, two conditions should be satisfied.

- ◆ To release every kind of information concerning resource transfer to the public.
- ◆ To keep the accounts concerning public service separately.

Keeping accounts separately is the most effective and efficient way of implementing competition rules. An enterprise, regardless of being a public enterprise or not, which is assigned a service of general economic interest and granted privileges for that should indicate the distinction between its activities (which have and do not have the characteristic of privilege) clearly and should reflect the costs and revenues concerning these activities to its accounts by calculating them correctly.

On the other hand; because the enterprises, in which the capital ratio of the government is not more than half but whose management and auditing are mostly controlled by public, are not considered as public enterprises in our country, monitoring these enterprises is limited.

Evaluation

Financial relations between central or local public administrations and public enterprises constitute an important element of state aid which takes part under EU Competition Policy chapter. Many financial interactions in Turkish fiscal area, such as capital transfers, payments of duty loss and revenue loss, loans with state guarantee, privileges and exclusive rights given are matters required to be evaluated within the framework of EU legislation on State Aid and Competition.

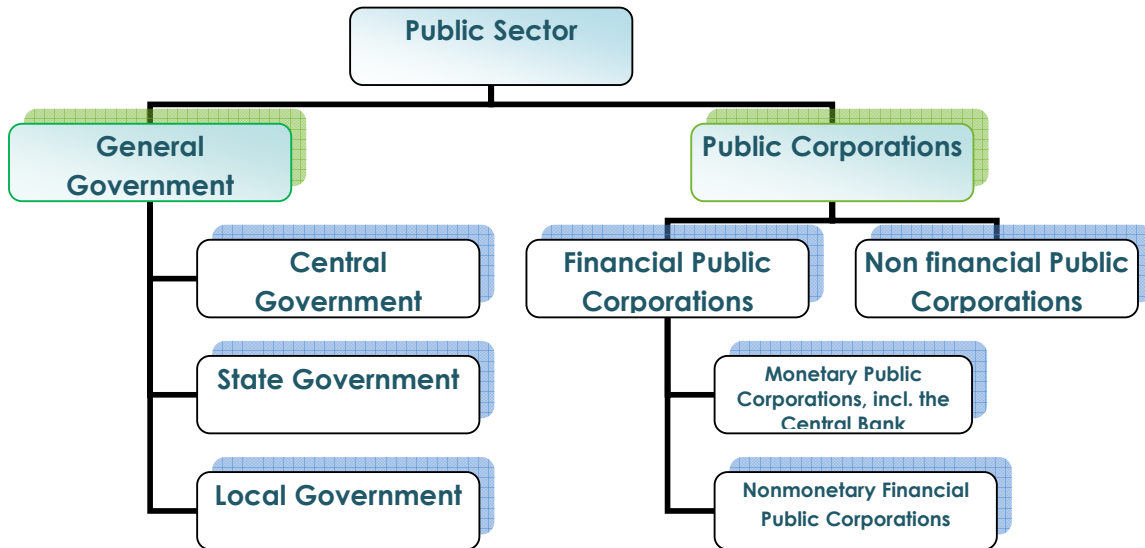
Besides, it is important to determine public enterprises, to monitor and direct them in respect of keeping accounts separately and to keep track of the resources transferred to those enterprises from the state in order to harmonize with EU acquis.

Chapter 3: Public Enterprises

Public enterprises, established for various purposes such as providing economic efficiency and development, operating natural monopolies, avoiding market failures, arranging income distribution by directing the economy and guiding private sector, have sustained their presence as one of the most important fiscal and financial policy tools. The roles and functions of these enterprises have been changed over the years. At present, although the definition of public enterprises shows differences from country to country, enterprises, in which a public administration has majority of the shares or whose management is controlled by a public administration, are generally considered as public enterprises. In this regard, public enterprise concept should be associated with share ownership as well as the concept of management control.

A public enterprise is defined as a company under the control of public units by European System of Accounts (ESA 95) developed by European Union and System of National Accounts (SNA) 93 developed by United Nations concerning statistical classification of the actors in economy. In these systems, control is explained as the authority of determining general institution policy by assigned managers. In this context; if public has more than half of the shares granting voting right, has the ability to control more than half of the voting authority of shareholders, is entrusted with the authority of assigning company managers or determining company policy by means of a special law, decision or arrangement; it means that control concept is present.

Other enterprises which are under the control of the enterprises controlled by a public administration are classified as public enterprises even if they are not under the control of a public institution directly. In the Government Financial Statistics Manual (GFSM2001) developed by IMF, public enterprises are defined as companies controlled by general administrative units. Similarly, the enterprises, for which central or local public administrations supply more than half of financial resources or whose operational outcomes are under the responsibility of these administrations and which are also audited by these administrations, are considered as public enterprises by European Centre of Employers and Enterprises Providing Public Services (CEEP).

Graphic 1: Chart of IMF Public Sector⁴

As mentioned above, IMF distinguishes public sector as general government and public corporations. Public corporations are classified as financial and nonfinancial ones. Public Financial Control and Management Law No: 5018 constitutes a similar structure but there is not any clear provision concerning public enterprises/corporations.

Another issue that is required to be addressed about public enterprises is the distinction between enterprises and general government. Because, according to international sector - specific classification approaches mentioned above, some public units currently classified as a part of general government in countries can have public enterprise characteristics⁵ and some enterprises can actually have the characteristics of general government sector unit. In this context, international classification standards concerning sector – specific distinction have parallel approaches except for minor differences. According to this approach, enterprises;

- ◆ which are under the control of general government units,
- ◆ which have a complete bookkeeping system and which borrow and lend on its behalf,

⁴ Resource: IMF, Manual on Fiscal Transparency, Pg 19

⁵ Many public institutions, which are in the List numbered II subject to the Law No. 5018 and have their own revenues and expenses, should be reviewed within this context. It is said in the literature that the administrations subject to the list numbered II may be considered as public enterprises because they charge for their services. However, the ratio of their revenues regarding covering their costs must be taken into account.

- ◆ which sell most of their products at an economically significant price,
- ◆ which have market activities and are managed as a company,

are excluded from general government sector and are considered as public enterprises. Generally, where sales revenue covers more than half of its expenses, it is considered that this enterprise has market activities and sells its products at an economically significant price.

As mentioned in the introduction chapter, legislation of our country does not have a "public enterprise" definition parallel to the international approaches. When the history the legislation is examined, it is seen that provisions under different names and within different contexts have been made concerning public enterprises. In the Law no. 3460 on "Organization, Administration and Audit of Economic Enterprises Established by providing all of its Capital from State", "economic public enterprise" concept has been mentioned and "*enterprises, whose whole capital belongs to Government and own law states that they are subject to this Law and, which have legal entity, are financially autonomous and whose liability is limited with their capitals*", have been considered as economic public enterprise and a limited context have been adopted. With various laws issued in the following years, the mentioned context has been extended in such a way to contain the enterprises in which the capital ratio of the Government is more than half.

There is not any direct definition of state owned enterprises in the constitution but an indirect state owned enterprise definition is mentioned by stating that "*the principles concerning audit of public institutions and associations, in which the capital ratio of the Government is more than half directly or indirectly, by the Great National Assembly of Turkey are enacted by law.*"

State owned enterprises are defined by common names of "state economic enterprises" and "public economic institutions" in the Decree Law no. 233 which is current fundamental legislation for state owned enterprises and the context is notably clarified by indicating the mentioned enterprises one by one in the list available in the annex of the Decree Law. Besides, context of the Decree Law has been determined more limited than the definition in the Constitution and the concept of state owned enterprise has been constructed on 100 percent share ownership of the Government. Within this scope, the context of the mentioned Decree Law is not quite different from the Law No. 3460, which is the first regulation.

As it is can be seen, when SOE legislation history of our country is examined, public enterprises subjected to regulations under different names are largely defined on

major ownership of the Government and a public enterprise approach defined on “Government control” concept is not accepted. As it is mentioned above, current legislation is constituted on this approach. Thus, many enterprises having public enterprise characteristics according to international definitions and classifications have been excluded from the mentioned frame legislation and subjected to different legal regulations. Within this frame, there is not any uniform body of regulations for all public enterprises in our country. State ownership function concerning public enterprises is exercised by different public administrations because of this situation and thus, there is not any structure providing coordination of all public enterprises and collecting their data.

State owned enterprises, which had been excluded from Public Procurement Legislation, Audit of Court of Accounts and public accounting since 1930s when many SOEs were established and which are acting in the market as a merchant subject to private legal provisions, have in time been transformed into general government administrations in terms of operation. Their competition abilities have been restrained by being subject to almost all legislation (Travel Expense Law, Vehicles Law, Public Procurement Law, etc.) to which general management administrations are subject to. Thus, SOEs in public finance field have begun to be treated as if they are general government administrations in many fields from budgeting process to employment policies. However, international trends propose for SOEs to be *separated from general government, achieve autonomy and to commercialize*.

In this context, the public enterprises and their subsidiaries in Turkey, which are subject to different laws, can be classified as follows:

Enterprises Related To Central Government

- ◆ SOEs and Subsidiaries subject to Decree Law 233 and of which the Treasury owns the whole capital,
- ◆ The state banks which the Treasury owns the whole capital (Ziraat Bank, Eximbank, Emlak Bank in Liquidation and Development Bank),
- ◆ Enterprises which are not subject to Decree Law No. 233 and the Treasury owns the capital wholly or partially (such as TÜRKSAT),
- ◆ Enterprises under the portfolio and within the context of PA which exercises the share ownership function (such as TEKEL, TEDAŞ, TŞFAŞ)
- ◆ Public enterprises where it is not clear which government agency exercises the share ownership function (such as AOÇ and TRT),

- ◆ Enterprises with special status which have public enterprise characteristics in terms of its operations even if it does not have a company status (such as National Lottery Administration, Spor Toto Organization)
- ◆ Subsidiaries of the Undersecretariat of Defense Industry
- ◆ Subsidiaries of Housing Development Administration
- ◆ Subsidiaries of the Savings Deposit Insurance Fund (TMSF)
- ◆ Revolving funds
- ◆ Subsidiaries of Turkish Armed Forces Foundation
- ◆ Extra Budgetary Funds
- ◆ Subsidiaries of Social Security Institution
- ◆ Subsidiaries of Turkish Aeronautical Association

Enterprises Related To Local Administrations

They are enterprises and subsidiaries established and operated in order to supply services more flexibly and easily and these enterprises belong to;

- ◆ Special provincial administrations (such as İzmir Geothermal)
- ◆ Metropolitan municipalities (such as İsfalt Inc.)
- ◆ Municipalities (such as Kocasinan Public Works and Construction Inc.)

As it is seen above, there are many enterprises and subsidiaries which are under the control of central and local governments.

The public sector accounts are constituted of the accounts of the general government and public enterprises. In order to improve fiscal transparency and accountability, Public Financial Management and Control Law No: 5018 forces the public institutions within the general government (central government, social security institutions and local government) to monitor and report their accounts and annual reports. This Law also determines the responsibilities of various public administrations.

From this point of view, it will be useful for fiscal transparency to compile accounts of the public enterprises by monitoring them and to report and disclose them. The Treasury, within the frame of its authorities, monitors and reports the accounts of its enterprises and PA's companies.⁶

⁶ Statistical data concerning SOEs and enterprises under portfolio of privatization are published on the web site www.treasury.gov.tr of the Undersecretariat of Treasury.

Chapter 4: Portfolio of the Undersecretariat of Treasury

As of end 2007, there are 25 enterprises, of which are 19 SOEs, 4 Public Banks and 2 other enterprises under the portfolio of the Undersecretariat of Treasury.⁷ The Treasury performs the function of “share ownership on behalf of the state” through Directorate General of State Owned Enterprises.

Besides, the Treasury makes investigations on duty loss through the Council of Treasury Inspectors, carries out performance investigations of SOEs

4.1 Our Portfolio and Capital Status

List and capital status of the companies in portfolio of the Treasury as of end 2007 are presented in Table 1. Whole capital of the companies except TPAO, TEMSAN, Development Bank and Türk Telekomünikasyon A.Ş. belongs to Treasury. As of December 31 of 2007, TRY 33.0 billion of TRY 40.4 billion nominal capital is paid.

4.2. Our Task

According to Law No. 4059, the duty of Undersecretariat of Treasury regarding the state owned enterprises have been determined as follows:

- ◆ Exercising every kind of measures required by ownership function of the state,
- ◆ Managing the relations between Treasury and the SOEs,
- ◆ Preparing the general financing and investment program of the enterprises together with SPO, present the program for Council of Ministers approval, monitor the course of the program and make necessary revisions according to developments during the year,
- ◆ Monitoring the SOEs' operations whether they comply to related legislation or not,
- ◆ Providing for SOEs to operate effectively and efficiently; or fulfilling duties given by Supreme Planning Council, Privatization High Council or other authorities related to preparation for privatization of an SOE.

⁷ In the portfolio of the Undersecretariat of Treasury, there are some public subsidiaries which are also in public accounts. The shares in these participations, including heritages to Treasury, are negligible in terms of percentages; therefore they are not included in this report.

**Table 1: Capital Status of Treasury Portfolio
(31.12.2007 – TRY million)**

SOEs	Subscribed Capital	Paid – in Capital	Treasury's Share (%)
MKEK	400	270	100.00
ETI MINE	100	89	100.00
TTK	3,500	3,325	100.00
TKİ	360	360	100.00
EÜAŞ	5,600	5,558	100.00
TEİAŞ	330	326	100.00
TETAŞ	179	73	100.00
TEMSAN	10	10	99.99
TPAO	1,500	950	96.99
BOTAŞ	1,830	1,830	100.00
TMO	1,460	961	100.00
ÇAYKUR	469	465	100.00
TİGEM	400	299	100.00
DMO	26	26	100.00
TCDD	12,000	7,533	100.00
PTT	1,050	812	100.00
DHMI	1,700	1,049	100.00
KIYEM	51	51	100.00
EBK	400	367	100.00
SOE TOTAL	31,365	24,354	
ZİRAAT BANK	2,500	2,500	100.00
EMLAK BANK (IN LIQUIDATION)	750	749	99.99
TURKISH DEVELOPMENT BANK	500	160	99.08
EXIMBANK	1,000	1,000	100.00
PUBLIC BANKS TOTAL	4,750	4,409	
TURKSAT	775	775	100.0
TURKISH TELECOM	3,500	3,500	45.0
GRAND TOTAL	40,390	33,038	

Reference: Undersecretariat of Treasury

4.3. Our Objectives and Goals

Strategic Plan of the Undersecretariat of Treasury has been published on July 24, 2008⁸ and our objectives and goals related to public enterprises have been determined as follows:

Strategic Objective: Enhancing efficiency of the management of financial assets and liabilities of the state.

⁸ <http://www.hazine.gov.tr/irj/portal/anonymous/strpln>

Goal: Implementing corporate governance principles in public enterprises and enhancing efficiency of public enterprises in this regard.

Strategic Steps:

- Enacting legislation which will provide with implementation of corporate governance principles in public enterprises and issuing secondary legislation by cooperating with relevant institutions.
- Creating an index in order to measure and develop compliance level of public enterprises with corporate governance principles.
- Making analysis for current status of public enterprises and preparing reports concerning restructuring of these enterprises.
- Preparing sector reports including suggestions regarding operation of markets in which public enterprises have significance.
- Converting the monitoring system of public enterprises to electronic medium.

4.4. Financial Relation between SOE and Budget

Financial relation between state owned enterprises and central government comprises the payments made to SOEs by the Treasury, the payments made to budget by SOEs and leaving some earnings of SOEs as capital in SOE accounts.

Of those, the payments transferred from budget of the Undersecretariat of Treasury and the payments made to the budget by SOEs are in budget accounts of central government; whereas the amounts left to enterprises and offset for their unpaid capital are not associated with budget of central government.

4.4.1. Capital Payments to SOEs

Paid – in capital of SOEs are increased in two ways. These are realized by transferring cash to SOEs from central government budget and by offsetting the debts of the enterprises for their unpaid capital receivables from the Treasury within the frame of debt and credit relations between Treasury and SOEs.

4.4.1.1. Transfers from Budget to SOEs

Amount of capital to be transferred to SOEs is determined in budget laws every year and this amount is paid from budget of the Undersecretariat of Treasury.

A large part of capital transfers is allocated to TCDD and TTK in order to cover personnel costs. Other enterprises that are injected capital may differ from year to year but they are generally TIGEM, MKEK and EBK.

4.4.1.2. SOE Capital Offsetting

Offsetting can be defined as deducting the debts of the Undersecretariat of Treasury to SOEs from the debts of SOEs to the Undersecretariat of Treasury upon the request of the Minister to which the Treasury is related.⁹

In offsetting process, primarily duty loss receivables of enterprises are taken into account; if the enterprise is still in debt of the Undersecretariat of Treasury, the remaining amount is used for increasing paid – in capital. Legal basis of offsetting is Decree Law No. 233, which states that the amount of the profit of enterprises concerning previous year corresponding to Treasury may be deducted from unpaid capital of enterprises or from duty loss receivables accrued

4.4.1.3. Public Banks Capital Offsetting

The Treasury, as shareholder, may offset the dividend debts of public banks for their unpaid capital although they do not have SOE status. The amount to be offset is determined in General Shareholders' Meeting of public banks.

Box 2: What is Duty Loss?

Duty loss may be evaluated in two ways as narrow and wide definitions. In narrow definition; it is defined as the sum of the amount, which consists of the sum of difference between the price and the cost arisen because of determining the prices of goods and services produced by SOEs below the real costs and the profits missed out because of disability of the enterprise to sell those goods and services in market conditions, and the loss where a loss is arisen due to special duty given to SOE by the government.

In wide definition; duty loss contains economic and financial effects of duty loss in addition to the elements of the narrow definition and it is defined as the negative difference between the social utility derived from application and the opportunity cost arisen because of intervention to prices of SOE products or duties assigned to SOEs, including the costs incurred for financing the expenditures.

In Article 35 of Decree Law No. 233, it is stated that duty loss may appear in two ways.

- 1) When prices of the goods and services produced by SOEs are determined by the Council of Ministers and these prices are below the cost.
- 2) When SOEs are assigned a task related to activity areas of them by the Council of Ministers and when a loss occurs or profit is missed out due to this task.

Duty loss payment is made in two ways:

- 1) Pursuant to provisions in budget laws, payment by offsetting for dividend shares of SOEs,
- 2) Payment in cash.

Statistics pages in www.treasury.gov.tr may be referred to for details of the mechanism and duty loss amounts concerning SOEs.

4.4.2. Duty Losses Payments to SOEs – Income Loss Payments to Public Banks

These payments are made to SOEs pursuant to Decree Law no. 233 and to public banks pursuant to the Law no. 4603 due to tasks given by the Council of Ministers within the frame of duty loss and / or income loss receivables accrued according to the procedures determined in mentioned legislation.

For the current situation, duty loss payments are made to Halkbank, Ziraat Bank and Union of Agricultural Credit Cooperatives through Ziraat Bank. TRY 23 million of duty loss payment has been made in 2006 and this amount is increased to TRY 376 million in 2007.

There are provisions in budget law for both income losses and duty losses every year.

4.4.3. Transfers from SOEs to Budget

Taxes and other legal liabilities constitute the largest part of the transfers from SOEs to budget. Those liabilities contain the payments which enterprises are directly (corporate tax) and indirectly (social security premiums for its workers) obliged within this frame, such liabilities can be classified as follows in terms of their sources:

- ◆ **Liabilities concerning profit:** These are corporate tax, advance tax and other liabilities concerning profit. In 2007, TRY 604 million was accrued and a payment of TRY 489 million was made by enterprises in this regard.
- ◆ **Liabilities concerning import:** These are customs tax and other liabilities concerning import. In 2007, TRY 11 million was accrued and a payment of TRY 10 million was made by enterprises within this context.
- ◆ **Liabilities concerning wages and salaries:** These are liabilities such as income tax, withholding tax, stamp tax, social security deductions. In 2007, TRY 2.1 billion

Box 3: What is Income Loss?

The payments made to SOEs under the name of duty loss are called as income loss in public banks.

In general, income loss payments are made to public banks because of low interest loans supplied for supporting agricultural sector, small businesses and artificers.

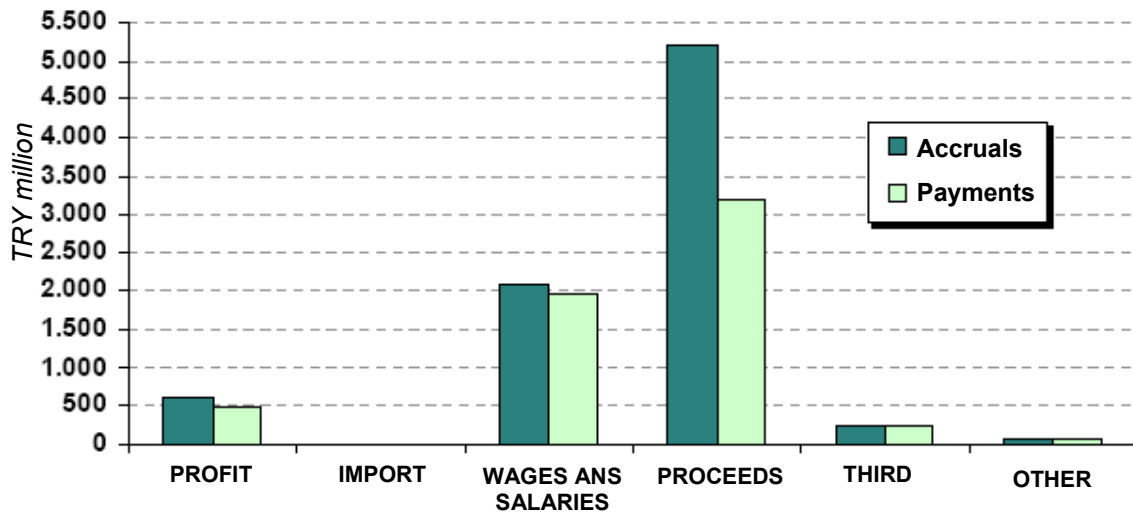
Different from the tasks given to SOEs pursuant to Decree Law no. 233, any task cannot be given to public banks **without paying its consideration in advance**. The resources needed for the supports to be provided through public banks are put in budget and the losses to be incurred are transferred to banks concurrently.

The most important difference between duty loss payments and income loss payments is that income payments to the state banks are pre-budgeted.

was accrued and a payment of TRY 1.9 billion was made by enterprises within this context.

- ◆ **Liabilities concerning proceeds:** These are liabilities such as VAT, private consumption tax, municipal consumption tax accrued concerning sales. In 2007, TRY 5.2 billion was accrued and a payment of TRY 3.2 billion was made by enterprises within this context.
- ◆ **Liabilities concerning third parties:** These are liabilities such as income tax stoppage, stamp tax accrued and paid by enterprises in the name of third parties. In 2007, TRY 233 million was accrued and a payment of TRY 215 million was made by enterprises within this context.
- ◆ **Other fees and deductions:** These are property tax, motor vehicles tax, banking and insurance transactions tax and other liabilities. In 2007, TRY 64 million was accrued and a payment of TRY 64 million was made by enterprises within this context.
- ◆ **Total tax and other legal liabilities:** In 2007, TRY 8.2 billion was accrued and a payment of TRY 6 billion was made by enterprises within this context.

Graphic 2: Tax and Other Legal Liabilities of SOEs



Means of Liability

SOEs made payment to budget in two ways other than taxes and other legal liabilities.

Dividend Payments: These are dividend payments calculated in accordance with relevant legislation and paid to Treasury as a result of being shareholder.

Treasury Levy Payments: In reference to Article 78 of the Law No. 5018, up to 15 percent of gross sales of some specific SOEs, is paid to the budget. SOEs making these payments and payment ratios are determined by Decree of Council of Ministers no. 2005/9916. TPAO, DHMI, KIYEM and DMO make such payments.

Table 2: Relation between SOEs and Budget(TRY million)

	2006	2007	2006 – 2007	
			Difference	% Change
Transfers from Budget to SOEs				
Capital Payments	1,917	1,759	- 158	- 8.2
Duty Loss Transfers	710	700	- 10	- 1.4
Total	2,627	2,459	- 168	- 6.3
Transfers from SOEs to Budget				
Dividend Payments (including Telecom)	3,428	1,597	- 1.831	- 53.4
Treasury Levy Payments	191	230	39	20.4
Taxes and Other Legal Liabilities	NA	5,905		
Total		7,732		
SOE – Treasury Offset Amounts				
For Duty Losses	0	11	- 11	
For Unpaid Capital	512	391	- 121	- 23.6
Total	512	402	- 110	- 21.5

Reference: Undersecretariat of Treasury

In 2007, TRY 2.5 billion was transferred from budget to SOEs, which paid TRY 1.8 billion to the budget, excluding taxes and other legal liabilities.¹⁰

¹⁰ For details, please refer to Table 6.1, Table 6.2: Legal Duties, Taxes and Levies and Table 7: Tax – Non-tax Revenues from SOEs, State Banks and GSM Operators, Tables are available in <http://www.treasury.gov.tr>.

Chapter 5: 2007 Overall SOE Performance

In this chapter, aggregated data of SOEs under portfolio of the Treasury is presented and analyzed.¹¹

5.1. Financial Status

5.1.1. Income Statement

In 2007, gross sales of 19 SOEs and 3 subsidiaries¹² have reached TRY 45 billion with an increase of 7 percent, operating profit has reached TRY 2.7 billion with an increase of 89 percent and their profit for the period has reached TRY 1.2 billion with an increase of 43 percent.

Different from 2006, the increase in proceeds of SOEs was more than the increase in their costs. As a result, operating profit has increased by 89 percent. The most important factor for the increase in operating profit is BOTAŞ, which ended up 2006 with operating loss, but 2007 with profit

The increase realized in duty loss accruals in 2005 and 2006 did not take place in 2007. The most important factor for this was that duty loss accrual of TMO was only TRY 100 million in 2007 whereas it was about TRY 900 million in 2005 and 2006.

Costs of exchange differences arisen from market fluctuations in May – July of 2006 did not take place in 2007 and thus in 2007, the amount of exchange difference was realized as TRY 381 million below the amount realized in 2006.

In 2007, increases at the rate of 18 percent and 34 percent respectively in the items of ordinary revenue-profit, and ordinary expense-loss from other activities were caused by exchange profits and losses of especially TPAO, EÜAŞ and BOTAŞ, and revenue and expense items of TETAŞ realized due to price equalization mechanism.

¹¹ Tables in the Report are data of last 3 years and data of last 6 years is included at the end of the Report. Financial tables of 2006 and 2007 are provisional. The data contains retrospective data of enterprises that are currently under portfolio of the Treasury. In other words, it does not contain the enterprises which used to be under portfolio of the Treasury before 2007 but now excluded from the portfolio (such as TEKEL, TŞFAŞ, Sümer Hali, PETKİM, TDİ and TEDAŞ).

¹² Those 19 SOEs are the SOEs in Table 1, and accounts of TCDD's subsidiaries (TÜVASAŞ, TÜLOMSAŞ and TUDOMSAŞ) are monitored separately and presented in the tables.

Table 3: SOE Income Statement (Current Prices – TRY million)	2005	2006	2007	Change (%)	
	(1)	(2)	(3)	(2) / (1)	(3) / (2)
Gross Sales	33,084	42,099	45,211	27	7
Domestic	30,95	38,030	38,746	26	2
Foreign	1,382	1,552	1,453	12	-6
Duty Losses	1,364	1,403	699	3	-50
Deductions from Sales	218	529	1,083	143	105
Cost of Sales	29,362	38,126	38,602	30	1
Operating Costs	1,755	2,037	2,862	16	41
Operating Profit – Loss	1,749	1,407	2,665	-20	89
Ordinary Revenues and Profits from Other Activities	1,108	3,735	4,401	237	18
Ordinary Costs and Losses from Other Activities	522	2,235	2,997	328	34
Provisions	264	217	83	-18	-62
Financing Costs	421	991	909	135	-8
Interest Costs	272	437	734	61	68
Exchange Differences	146	552	171	277	-69
Extraordinary Revenues and Profits	1,151	631	906	-45	43
Extraordinary Costs and Losses	1,601	1,314	2,236	-18	70
Profit – Loss of the Period	1,463	1,233	1,829	-16	48
Net Profit – Loss of the Period	990	866	1,237	-13	43
Net Profit – Loss of the Period / GDP (%)	0.15	0.11	0.14	-25	27

Reference: Undersecretariat of Treasury

5.1.2. Balance Sheet

Total actives of 19 SOEs and 3 subsidiaries have reached TRY 83 billion with an increase of 18 percent in 2007. In this period, ratio of total balance sheet size to GDP has increased to 9.7 from 9.2 percent (Table 4).

The most important issue in balance sheet figures is the increase in commercial receivables and debts. Debt – receivable problem which became chronic in energy SOEs have continued and been reflected to their balance sheets. Besides, as the result of the transfer of DSİ (State Hydraulic Works) hydro plants to EÜAŞ, an increase of about TRY 4 billion have been realized in tangible fixed assets of the enterprise.

Main reason of the increase in financial debts is that especially BOTAŞ and TKİ got commercial bank loans in large amounts due to the problems about paying debts among energy SOEs.

Table 4: SOE Balance Sheet (Current Prices – TRY million)	2005	2006	2007	Change (%)	
	(1)	(2)	(3)	(2)/(1)	(3)/(2)
TOTAL ACTIVE	58,547	68,875	82,764	19	18
Current Assets	27,577	36,686	44,180	33	20
Liquid Assets and Securities	2,619	2,882	4,211	10	46
Commercial and Other Receivables	18,390	26,285	31,921	43	21
Inventories	3,505	3,771	4,088	8	8
Fixed Assets	30,971	33,188	38,584	7	16
Commercial and Other Receivables	1,912	1,737	1,472	-9	-15
Financial Fixed Assets	1,186	1,219	1,125	3	-8
Tangible Fixed Assets	26,978	28,780	33,870	7	18
Current Liabilities	19,115	25,397	30,549	33	20
Financial Debts	2,242	3,835	4,633	71	21
Commercial and Other Debts	11,670	15,739	18,055	35	15
Taxes and Other Liabilities	990	1,191	2,768	20	133
Long – term Liabilities	7,052	8,471	9,389	20	11
Financial Debts	5,548	6,175	6,303	11	2
Commercial and Other Debts	48	554	763	1,04	38
Equity	32,381	36,006	43,825	11	19
Subscribed Capital	17,091	21,302	31,611	25	48
Paid – in Capital	14,847	17,254	24,580	16	42
TOTAL ACTIVE / GDP	9.02	9.21	9.66	2.10	4.88

Reference: Undersecretariat of Treasury

5.1.3. Ratio Analysis

Current Ratio: Current ratio, which shows the capability of paying short term liabilities and sufficiency of net working capital, has not changed much from 2006 to 2007. It was 1.44 in 2005 and 2006, and 1.45 in 2007.

Quick Ratio: The ratio of the liquid assets, securities and current receivables to the short term liabilities gives the quick ratio which has reached 1.05 in 2007, while it was 0.99 in 2006 and 0.95 in 2005.

Inventory Turnover Ratio: This ratio which shows how many times the firm turns over its inventories along a year, rose up to 2.62 in 2006 from 2.32 of 2005. This rate was 2.46 in 2007.

Average Collection Period (Days): The length of receivable collection period was 171 days in 2005, it rose up to 194 days in 2006 and to 227 in 2007 due to collecting problems of especially energy SOEs (electricity and natural gas).

Cash Turnover Cycle (Days): This financial ratio which measures in how many days the cash spent is collected back has risen up to 103 days in 2007, while it was 88 days in both 2005 and 2006.

Financial Leverage: This ratio shows the percentage of total assets financed by liabilities. In 2005 the financial leverage was 0.45, it rose up to 0.48 in 2006 and it kept this level in 2007.

Interest Coverage Ratio: This ratio which is used to determine how much companies can earn to pay interest on outstanding debt was 4.47 in 2005, fell down to 2.18 in 2006 and rose up to 3 in 2007. The reason of this increase is obtaining more profit rather than decreasing financing costs of the SOEs in 2007 compared to 2006. Financing cost was about TRY 1 billion in both 2006 and 2007. 80 percent of this amount was interest expense in 2007 whereas 56 percent was foreign exchange loss in 2006.

Return on Assets (ROA) (%): This ratio which measures how effectively the assets of the firms are used was 2.46 in 2007 whereas it was 2.31 in 2005 and 2.46 in 2006.

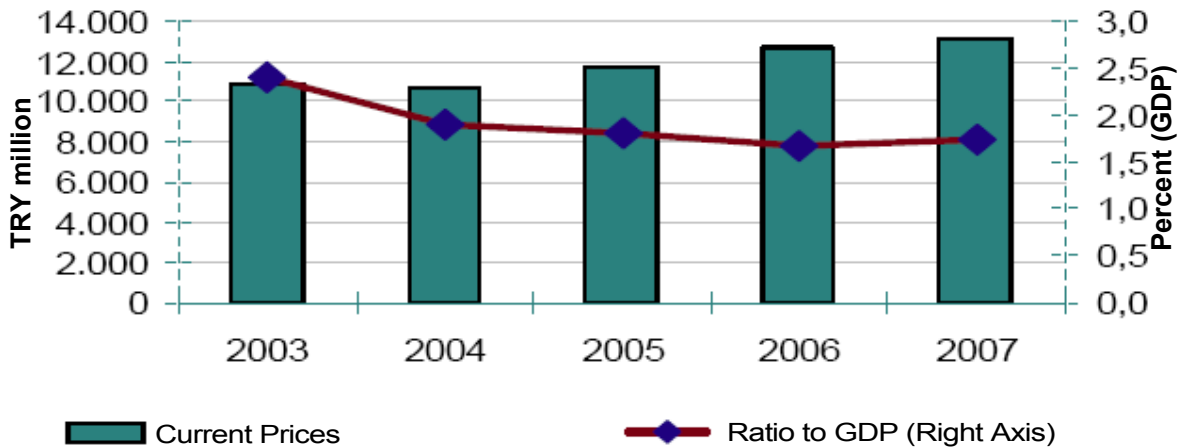
Return on Equity (ROE) (%): This ratio which measures the profit per share that the shareholders transfer to the firm was 3.03 percent in 2005 and fallen down to 2.17 percent in 2006. The ratio rose up to 3.14 in 2007. This ratio rises up to 5.4 percent in 2006 and 6.6 percent in 2007 if TTK and TCDD, which receive capital injections from the budget, are excluded.

Operation Ratios: These ratios, which tended to fall down as a result of the decrease in profitability of the SOEs in 2006, have begun to rise again in 2007 with the increase in profitability of the system. For instance, ratio of profit to sales fell down to 3 percent in 2006 whereas it was 5 percent in 2005, and it rose up to 6 percent in 2007.

Table 5: SOE Financial Ratios	2005	2006	2007
Liquidity Ratios			
Current Ratio	1,44	1,44	1,45
Quick Ratio	0,95	0,99	1,05
Cash Ratio (Liquidity Ratio)	0,13	0,10	0,13
Inventory Turnover Ratio	2,32	2,62	2,46
Average Collection Period (Days)	170,7	193,8	226,7
Cash Turnover Cycle (Days)	87	88	103
Capital Structure and Long – Term Financial Position			
Financial Leverage	0,45	0,48	0,48
Long – Term Debts / Equities	0,22	0,24	0,22
Equities / Assets	0,55	0,52	0,52
Interest Coverage Ratio	4,47	2,24	3,01
Return on Investments			
Return on Assets (%)	2,31	2,43	2,46
Return on Equity (%)	3,16	2,53	3,14
Operation Ratios			
Gross Sales Profit	0,11	0,08	0,13
Operating Profit / Sales	0,05	0,03	0,06
Profit Before Tax / Sales	0,04	0,03	0,04
Net Profit of the Period / Sales	0,03	0,02	0,03
Asset Utilization Ratios			
Sales / Liquid Assets	13,07	16,00	11,51
Sales / Receivables	2,11	1,86	1,59
Sales / Assets	0,56	0,59	0,53
<i>Reference: Undersecretariat of Treasury</i>			

Asset Utilization Ratios: Debt – receivable problem of especially energy SOEs has caused the total receivables in system to increase. The increase in total receivables and thus the increase in total assets have risen faster than the increase in sales revenues. Therefore, a fall down is seen in asset utilization ratios of 2007 compared to 2006.

Graphic 3: SOE Value Added Figure



5.1.4. Value Added

The value added is calculated as the sum of net profit, interest payments, provisions, current year's depreciation and the employment costs. The ratio of the value added for SOEs under portfolio of the Treasury was 2.2 percent of the GDP in 2003 and it fell down to 1.7 percent in 2007.

5.2. Employment

Personnel regime of the SOEs has been regulated by Decree Law No. 399, in which three different kinds of employee statute were allowed in SOEs.¹³

Civil Servants

Civil servants are either subject to the Law No. 657 and the list no. 1 attached to Decree Law No: 399. These personnel are generally employed as administrative staff that is responsible for performing fundamental and permanent tasks.

Contracted Personnel

They are listed in the second table attached to Decree Law No. 399. The contracted personnel are not qualified as workers and their main duty is to perform non – administrative tasks.

¹³ Historical and current statistical data concerning personnel numbers and costs of enterprises under portfolio of the Undersecretariat of Treasury and Privatization Administration are available in statistics page of <http://www.treasury.gov.tr>.

Workers

The workers are employed according to the Labor Law No: 4857. There are three different statutes for workers:

Union Workers: These workers have the right to involve in collective bargaining processes.

Non-Union Workers: Non-union workers are employed according to Labor Law No. 4857 but they are not allowed to involve in collective bargaining processes due to their administrative duties

Temporary Workers: Temporary workers are employed in periodic or seasonal for a maximum time of 11 months in a year. Law No: 5620 that passed in 2007 has rearranged the statute of temporary workers. (Box 4)

In SOEs, the salaries of civil servants and contracted personnel are determined in accordance with Budget Laws, Decrees of High Planning Council and Decrees of Council of Ministers. On the other hand, the wages of workers is determined by collective bargaining.

5.2.1. Number of Personnel

The policy of decreasing the number of personnel has been adopted with the aim of rationalization of employment, improvement of personnel profile by replacement of redundant workers with qualified workers and improving the competition ability of SOEs. The Annual Decree of Council of Ministers on SOEs allows them to hire 10 percent of previous year's attritions, with some exceptions on expert and legally enforced positions. The priority in new employment is to hire highly qualified personnel in order to increase the average qualifications of the staff.

In 2000, the average number of personnel employed in SOEs under portfolio of the Treasury was 229.000. This number has been reduced to 157.000 in 2006 and to 156,000 in 2007. In this context, the number of average personnel employed by SOEs has decreased in 2006 and 2007 by 1.6 percent and 0.6 percent respectively (Table 6).

Table 6: SOE Personnel Figures (Average Person)	2005	2006	2007	Change (%)	
	(1)	(2)	(3)	(2) / (1)	(3) / (2)
Civil Servant + Contracted	76,313	75,755	76,195	-0.7	0.6
Worker	83,201	81,285	79,880	-2.3	-1.7
Total	159,514	157,040	156,075	-1.6	-0.6

Reference: SOEs and Undersecretariat of Treasury

5.2.2. Personnel Costs

Total employment cost of SOEs under the Treasury portfolio has increased by 13.2 percent and reached TRY 5.3 billion.

Table 7: SOE Personnel Costs (TRY million)	2005	2006	2007	Change (%)	
	(1)	(2)	(3)	(2) / (1)	(3) / (2)
Civil Servant + Contracted	1,673	1,832	2,055	9.5	12.2
Worker	2,795	2,872	3,272	2.8	13.9
Total	4,469	4,705	5,327	5.3	13.2

Reference: SOEs and Undersecretariat of Treasury

The share of employment in SOEs costs have been decreased within the frame of the policy concerning decreasing the number of personnel. 14.4 percent of total sales and operating costs of SOEs in 2005 was employment costs. This rate has been decreased to 12.8 percent in 2007 (Table 8).

Table 8: SOE Personnel Costs / (Sales + Operating Costs) %	2005	2006	2007
	(1)	(2)	(3)
Civil Servant + Contracted	1,673	1,832	2,055
Worker	2,795	2,872	3,272
Total	4,469	4,705	5,327

Reference: Undersecretariat of Treasury

5.2.3. Average Personnel Cost

The average personnel cost in SOEs is higher than that of other public institutions and private sector. Per month average cost of civil servants and contracted personnel

employed in SOEs is TRY 2,268 in 2007. The average cost for workers in the same period realized as TRY 3,444 (Table 9).

Table 9: SOE Average Personnel Costs (TRY / MONTH)	2005	2006	2007	Change	
	(1)	(2)	(3)	(2) / (1)	(3) / (2)
Civil Servant + Contracted	1,830	2,043	2,268	11.6	11.0
Worker	2,906	3,041	3,444	4.6	13.3
Total	2,453	2,619	2,940	6.8	12.3

Reference: SOEs and Undersecretariat of Treasury

5.2.4. Personnel Profile

The efforts to reduce the number of personnel while upgrading their quality have not yet given desired results in profile outcomes. The statistics on the personnel profile are presented at the end of the Report. (ANNEX 2). According to data collected from SOEs, personnel profile is summarized below as of end-2007:

- ◆ Average working duration, 16.5 years
- ◆ Average age, 42
- ◆ High School or lower education level, 75.2 percent
- ◆ Women participation, 8.3 percent
- ◆ Foreign language skill, 0.6 percent
- ◆ The personnel employed for social responsibility and legal obligations are
 - ✓ 2.3 percent disabled,
 - ✓ 1.3 percent convicted previously
 - ✓ 0.2 percent veteran – martyr relatives
 - ✓ 0.4 percent from Social Services and Child Protection Agency
 - ✓ 4.5 percent special security personnel.

5.3. Other Indicators

Investment expenditures of SOEs have decreased in 2007 and their ratio to GDP had been around 0.35 percent by years (Table 10 and Table 11).

Table 10: SOE Other Indicators

(TRY million)	Change				
	2005	2006	2007	(%)	
	(1)	(2)	(3)	(2) / (1)	(3) / (2)
Investment Expenditure	2,204	2,718	2,547	23.3	-6.3
Primary Surplus	675	1,741	1,772	157.8	1.7
Transfers from Budget *	1,422	2,602	2,223	83.0	-14.5

* Capital and duty losses

Reference: Undersecretariat of Treasury

The primary surplus figure rose up to TRY 1.7 billion in 2006 from TRY 675 million in 2005 and this amount has kept the same level in 2007. In 2007, in which transfers from budget have decreased at an amount of approximately TRY 400 million, the rise in profit cause primary surplus to keep the same level.

Table 11: SOE Other Indicators

(Ratio to GDP - %)			
	2005	2006	2007
	(1)	(2)	(3)
Investment Expenditure	0.34	0.36	0.34
Primary Surplus	0.10	0.23	0.23
Transfers from Budget *	0.22	0.34	0.29

* Capital and duty losses

Reference: Undersecretariat of Treasury and State Planning Organization

5.4. Main Problems of SOEs

State owned enterprises have various problems because of responsibilities caused by their public enterprise characteristics even though they have competitive activities in economic field.

Main problems of SOEs different from competitor private sector companies can be listed as follows:

- ◆ **Pricing policy:** Managers of SOEs have the authority to determine prices freely by acting as a cautious merchant pursuant to Decree Law No. 233. In the Annual Investment and Financing Program Decree¹⁴, it is stated that the SOEs “are free to set their prices of goods and services in line with the principles and policies of the ongoing economic program by taking the necessary measures needed for

¹⁴ Decree no. 2007/12702, dated 15.10.2007

cost efficiency”. However, in practice they have to cope with some problems to realize it.

In order to fix these problems, Decree of High Planning Council has been produced and cost based pricing system has been accepted for energy SOEs.¹⁵

- ◆ **Duty losses:** Although SOEs do not have any financial problems on accrual basis caused by duty loss mechanism, they usually have problems on cash basis because of the late payments from the central budget. This situation has been fixed for public banks by transforming into income loss model pursuant to the Law No. 4603.
- ◆ **Non – flexible employment policies:** Employing personnel having various statutes such as civil servants, contracted workers, temporary workers and non union workers and determining their wages with different legislations and implementations make human resources management more difficult for SOEs. Therefore, SOEs do not have the flexibility on employment issues like hiring – firing personnel, wage policies and promotion as much as the private companies. Additionally, many public institutions other than SOEs are involved in the hiring process.
- ◆ **Investment:** The Boards of Directors of the SOEs are not independent in investment decisions that are one of the most important issues for enterprises.
- ◆ **Procurement legislation:** The SOEs, which had been exempted from public procurement legislation as from the issuance of SOE Law no. 3460 dated 1938 and whose exemption had been kept in every SOE law issued, were become subject to Public Procurement Law in 2003. It constitutes disadvantage for SOEs to be subject to Public Procurement Law different from their competitors in private sector, whereas such a restriction is only applied to public enterprises which have activities in specific sectors in EU legislation. For this reason, they do not have enough flexibility required for commercial operations.
- ◆ **Board of Directors:** Current legal structure of the board of directors does not provide suitable environment for implementing modern corporate governance principles. According to Decree Law No. 233, General Director also acts as chairman of the board. There is no membership criteria defined clearly and a few criteria determined do not apply to all members.
- ◆ **Auditing:** The official auditing process of Supreme Auditing Board takes a long time, around 18 months. Moreover, there are many other institutions which also

¹⁵ BOTAŞ, TKİ, TETAŞ, EÜAŞ and TEDAŞ have begun to employ cost based pricing system with High Planning Council Decree dated 14.02.2008 and numbered 2008 / T5.

have the right to audit and inspect them such as related ministry, State Supervisory Council, Prime Ministry Inspection Board and Council of Treasury Inspectors. SOEs are not subject to external independent auditing.

Chapter 6: SOE Performances

In this chapter, general introductory information about 19 SOEs in the Treasury portfolio has been presented, and their performance in 2007 is summarized separately.

Other than 2007 performance of each SOE, important developments in 2007 have been summarized and financial positions have been presented by providing some selected indicators.

More detailed data can be reached at the firms' web sites or in their annual reports.

The list of Board of Directors consists of members as of December 31, 2007, and subscribed and paid - in capital amounts represent the figures in Treasury accounts as of the same date.

SOEs have been classified by their sectors, namely energy and mining, transportation and communication, agriculture and other.

6.1. Petroleum Pipeline Co. (BOTAŞ)

Members of the Board of Directors

- ◆ Hüseyin Saltuk Düzyol (Chairman and General Director)
- ◆ Arif Boynukalın (Member and Deputy General Director)
- ◆ Vacant (Deputy General Director)
- ◆ Selahattin Çimen (Member – Representative of Ministry)
- ◆ Osman Zühtü Göksel (Member – Representative of Ministry)
- ◆ Vacant (Member – Representative of Treasury)

Related Ministry

Ministry of Energy and Natural Resources

Capital Structure

Treasury Share: 100 Percent
 Subscribed Capital: TRY 1.83 billion
 Paid – in Capital: TRY 1.83 billion

Web Site

<http://www.botas.gov.tr>

Petroleum Pipeline Corporation (BOTAŞ) was founded on August 15, 1974 by the Turkish Petroleum Corporation (TPAO) as a subsidiary company under the auspices of the Decree of the Council of Ministers dated 28.02.1974. In order to present natural gas and to introduce clean and cheap energy sources to Turkish agenda, BOTAŞ was assigned to conduct natural gas procurement contracts and to build transmission lines. Only BOTAŞ is authorized to import and market natural gas (including liquid phase) in Turkey with Decree Law No. 397 published in Official Gazette dated 09.02.1990. The enterprise acted as an affiliate of Turkish Petroleum Institution for a while until 13.03.1995 and then as subsidiary of TPAO again and then became a separate organization subject to Decree Law No. 233 pursuant to High Planning Council's Decree No. 95 / T – 20. Its articles of association have been re-determined in such a way to include petroleum transportation and natural gas operations.

Due to increasing usage of natural gas and becoming a natural monopoly in the first years of 2000s, regulating natural gas market became a necessity. With the Natural Gas Market Law no. 4646 dated 18.04.2001, it is aimed to provide qualified, uninterrupted, cheap natural gas to consumers within the frame of the procedures based on competition in a way not to harm environment; to liberalize the market; to create a financially strong, stable and transparent natural gas market and to ensure an independent regulation and auditing in this market. With this law, it is proposed to advance to a private sector focused market system from a market system operated by BOTAŞ, which is a public enterprise and based on public monopoly.

Operations for advancing to a market structure aimed in the Law No. 4646 are in progress and it is projected for BOTAŞ to differentiate its activities in order to create

competition at the end of a definite transition period and to end its monopoly in the market.

Market share of the enterprise is 98 percent. It was a monopoly in the whole market until a recent date. But, pursuant to provisional article 2 of “Natural Gas Market Law” no. 4646, it arranged tenders for transferring current natural gas purchase and sales contracts to companies having import license and receiving approval of the seller company. In this context, transfer protocols have been signed with Shell Energy Inc, Bosphorus Gas Inc, Enerco Energy Industry and Trade Inc and Avrasya Gas Inc (4.75 billion m³). As of the end of December, Shell has entered the market as a new actor by receiving import license with regards to the import contract that it has been transferred (250 million m³). Contract transfer processes of other three companies are in progress and these companies are looking forward to receive approval of Russian Export Liability Company.

Major Developments

As a result of natural gas use becoming widespread in the country, construction of new pipelines has continued for not facing with any liability caused by purchasing agreements with the condition of “take or pay”. At the end of the year 2007; the length of the pipelines has reached to 9,800 km with a supply to 54 provinces. Thus; the consumption of natural gas has increased to 35 billion m³ by 18 percent rise compared to the previous year.

BOTAŞ imports 35.8 billion standard m³ of natural gas in a year.

Within the year, BOTAŞ could not collect its receivables from EÜAŞ – HEAŞ in due. Build – Operate, Build – Operate – Transfer plants did not pay their gas debts to BOTAŞ because they did not receive any payment from TETAŞ. Thus, BOTAŞ began to get commercial bank loans and delay the payments of its taxes in order to fulfill its financial obligations to abroad. Within this context, its commercial bank loans used as of the end of 2007 have increased to TRY 2.1 billion and an interest cost of TRY 401 million has arisen. Besides, the enterprise has VAT debt of TRY 2.2 billion for import and TRY 328 million of private consumption tax.

Financial Status

Receivables of BOTAŞ on December 31, 2007 can be seen in Table 12.

BOTAŞ's receivables excluding interest is over TRY 5 billion. Due to the problems in energy sector related to collection, street lighting, high theft / loss and pricing, BOTAŞ cannot collect cash from EÜAŞ; and the receivables from that company increased continuously. Besides, as mentioned above, Build – Operate (BO) and Build – Operate – Transfer (BOT) enterprises have begun not to pay their debts in due because they could not receive their payments from TETAŞ.

**Table 12: Receivables of BOTAŞ
(31.12.2007 – TRY million)**

FIRM	PRINCIPLE	INTEREST	TOTAL	DISTRIBUTION %
EGO	677	0	677	5.7
EÜAŞ	4,081	6,049	10,130	85.0
HEAŞ	319	533	852	7.1
EÜAŞ + HEAŞ	4,400	6,582	10,983	92.1
İZGAZ (Treasury)	25	0	25	0.2
İZGAZ (Current)	41	0	41	0.3
BOT + BO	42	11	53	0.4
İGDAŞ	0	22	22	0.2
TÜGSAŞ	4	18	22	0.2
OTHER	85	15	99	0.8
TOTAL	5,273	6,648	11,922	100.0

Reference: BOTAŞ

Law No. 5669 on Making Amendments in Natural Gas Market, which aims to expedite the collection of receivables from EGO, was accepted by the Parliament on May 25th, 2007. Ankara Metropolitan Municipality was given the authorization to establish a company concerning natural gas distribution and it is stipulated that the minimum 80 percent of the mentioned company will be privatized within 2 years. Moreover, it is envisaged in the Law that within one month following the completion of privatization date, outstanding receivables of EGO to BOTAŞ will be paid. Energaz has won the bid but take-over operations could not be completed yet. It is expected that Ankara Metropolitan Municipality will pay EGO's debt of TRY 677 million after the transfer.

While total balance of the enterprise was TRY 23.4 billion in 2006, it has reached TRY 28.6 billion by an increase of 22 percent in 2007. Current assets of the enterprise are TRY 11 billion and share of them in total assets is 77 percent. Fixed assets are TRY 3.2 billion and their share in total assets is 22 percent. Due to high commercial bank loans used by the enterprise, short term liabilities are 60 percent, long term liabilities are 8 percent and equity is 32 percent of all resources.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	12.307	14.469	17,6
Cost of Sales	12.429	12.962	4,3
Operating Costs	21	35	68,1
Operating Profit - Loss	-150	1.463	-
Financing Costs	246	342	38,7
Profit – Loss of the Period	45	998	2.134,6
Balance Sheet			
Current Assets	9.082	11.058	21,7
Inventories	248	161	-34,9
Fixed Assets	2.659	3.280	23,4
Net Assets	11742	14.338	22,1
ST Liabilities	6.957	8.643	24,2
LT Liabilities	1.111	1.209	8,8
Equities	3.673	4.486	22,1
Ratios			
Current Ratio	1,31	1,28	-2,0
Quick Ratio	0,81	0,86	5,5
Average Collection Period (Days)	160	184	14,9
Cash Turnover Cycle (Days)	97	127	30,9
Return on Equity %	1,22	19,93	1.529,7
Employment			
Total Number of Employees (average)	3.110	2.904	-6,6
Total Employment Cost	159	177	11,7
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)	NA	2.100	
Transfers from Budget (Capital and Duty Loss)			
Other			
Value Added	655	1.644	150,9
Investment Expenditure	610	302	-50,5
Primary Surplus	-472	1.285	-
<i>Reference: BOTAŞ, Undersecretariat of Treasury and State Planning Organization</i>			

Sales revenue of TRY 14.4 billion has been obtained as a result of natural gas and LNG sales, crude petroleum transportation and port services. Operating profit of the enterprise for 2007 was TRY 1.5 billion and profit for the period was TRY 997 million. Two main determinant of natural gas purchasing cost are exchange rate and crude oil price. Accordingly, because the exchange rate of 2007 was 9 percent lower than the level of the previous year and increase in the crude oil price was limited compared to the previous year, natural gas purchasing cost of the enterprise was below the level of 2006 and this led to an increase in the profit. However, as a result of the failure to collect receivables concerning natural gas sales to EÜAŞ, this

profitability could not be reflected to cash status and this led to an increase in the bank loan amount and tax debts.

Current ratio of the enterprise was 1.28 in 2007. But, its ability to satisfy its short term debts by liquid assets is low. Quick ratio is 0.86. Ability of current assets other than inventories to satisfy short term debts is also low. In the current year, debt collection period and cash turnover cycle of the enterprise have increased compared to previous year. Failure to collect its receivables from EÜAŞ – HEAŞ and BO – BOT enterprises in time and failure to receive its receivable from EGO caused its ratio of Short Term Liabilities / Total Resources to increase as from 2000. Financial debts and financing costs of BOTAŞ is increasing continuously.

In 2007, total number of employees of the enterprise has decreased by 6.6 percent compared to previous year. Total personnel cost has increased by 11.7 percent. While its primary surplus was TRY 424 million in the previous year, its primary surplus has reached TRY 1.3 billion in 2007 due to increase in operating profit and low investments.

6.2. Electricity Generation Co. (EÜAŞ)

Members of the Board of Directors

- ◆ Sefer Bütün (Chairman and General Director)
- ◆ Nurettin Kulalı (Member and Deputy General Director)
- ◆ Vacant (Member - Deputy General Director)
- ◆ Asst. Prof. Mahmut Faruk Akşit (Member – Representative of Ministry)
- ◆ M. Ahmet Dere (Member – Representative of Ministry)
- ◆ Edip Yılmaz (Member – Representative of Treasury)

Related Ministry

Ministry of Energy and Natural Resources

Capital Structure

Treasury Share: 100 Percent
Subscribed Capital: TRY 5.60
Paid – in Capital: TRY 5.56 billion

Web Site

<http://www.euas.gov.tr>

Electricity Generation Incorporated Company (EÜAŞ) was established to carry out its generation activities as an SOE according to the Decree Law No. 233 and 399, the Decree of Council of Ministers No. 2001 / 2026 and Electricity Market Law No. 4628. Its Articles of Association was published in Official Gazette No. 26241 on 27th of July in 2006.

EÜAŞ is an SEE which is established to generate electricity efficiently and profitably under the guidance of economic and energy policies of the State. Other functions of

EÜAŞ are:

- ◆ to contract electrical energy sales and / or sub services,
- ◆ to take over the due facilities, to operate the generation facilities which have not been taken over by the private sector, via by itself and / or subsidiaries, or to take over such facilities when necessary,
- ◆ to get the licenses from the Energy Market Regulatory Authority (EMRA) according to its field of activity and to pay license costs to EMRA. To act according to these licenses,
- ◆ to procure all kinds of studies, projects, constructions and facilities needed for electricity generation and to procure all kinds of goods and services for maintenance, repair, rehabilitation, operation and development of the generation facilities domestically and / or via import.
- ◆ to operate, the mines to be used for electricity generation at the existing or future thermal power plants and other resources or to make it generated via service procurement.

In 2007 EÜAŞ's market share was 48 percent.

Major Developments

Provisional article 2 of the Law no. 5710 on "Selling Energy by Establishing and Operating Nuclear Power Plants" has prepared way for establishment of Afşin C - D plants.

Pursuant to the protocol signed on 31.07.2007 within the frame of the Regulation No. 2006 / 11068 on "Principles and Procedures Concerning Transfer Operations of the Energy Production Divisions of Hydroelectricity Plants Built, Operated and to be Operated by Public Waterworks Administration and the Real Properties Which are Component Parts of them to EÜAŞ", transfer operations of 35 hydroelectricity plants built by Public Waterworks Administration and amounted to TRY 4.3 billion to EÜAŞ has been completed in 2007. As a result of positive asset - liability difference occurred after the mentioned transfer of plants, the Enterprise's capital was increased by TRY 4.3 billion and reached TRY 5.6 billion pursuant to Supreme Planning Council Decree dated 31.12.2007.

EÜAŞ's thermal plants working by natural gas was affected from increased natural gas prices (Price of natural gas is linked to price of petroleum). In addition to this, private sector producers gave up producing electricity due to the high natural gas prices. Thus, EÜAŞ had to produce more than it had planned.

Moreover, EÜAŞ has been still negatively affected from the debt and receivable problem among energy SOEs.

The project of transforming Ambarlı Fuel Oil plant into natural gas plant and works for transforming Aliğa Combined Conversion Plant into double fuel is almost in tender process. Çöllolar Coal Area Enterprise has been transferred to private sector in order to provide coal for Afşin – Elbistan B Plant.

58.5 percent of total installed power belongs to EÜAŞ in 2007. 48.2 percent of total electricity production was realized by EÜAŞ in 2007.

Financial Status

In 2006, EÜAŞ's total assets were TRY 19.3 billion. In 2007, it increased by 25 percent and reached to TRY 24.3 billion. High increases in "Commercial and other receivables", in "tangible fixed assets" caused by Public Waterworks Administration

transfers and “short term loan capital” figures were considerable. Main reason of the increase in receivables and debts figures is the increase of EÜAŞ’s short term debts to other energy SOEs.

In 2007 gross sales increased by 28.6 percent and reached to TRY 7.3 billion, profit of the period decreased to TRY 152 million by 43.54 percent. EÜAŞ’s total energy production was 92.3 billion KWh in 2007.

Despite 20 percent increase in net sales, share of hydroelectricity has decreased in power production composition of the enterprise due to drought occurred in 2007 and share of natural gas and coal having higher unit cost has increased. This caused profitability to decrease by causing 29 percent increase in sales costs. In 2007, financing costs became TRY 305 million by decreasing 40 percent compared to 2006.

Current ratio has been 1.4 for the last 3 years. Quick ratio has been increasing since 2004, and in 2007 it became 1.16.

Due to the fact that the problems in collection of receivables have continued, average collection period kept 400 days level of 2006.

EÜAŞ has created a value added of TRY 1.9 billion and present a primary surplus of TRY 783 million in 2007. The enterprise is the third one in terms of sales from net production in the largest industry enterprises list published by Istanbul Chamber of Industry.¹⁶

¹⁶ See Annex 9 for public enterprises taking place in 500 largest industry enterprises list published by Istanbul Chamber of Industry in 2007.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	5.702	7.332	28,6
Cost of Sales	4.296	5.554	29,3
Operating Costs	187	186	-0,9
Operating Profit - Loss	923	774	-16,1
Financing Costs	470	306	-35,0
Profit – Loss of the Period	269	152	-43,5
Balance Sheet			
Current Assets	8.108	9.223	13,8
Inventories	449	475	5,7
Fixed Assets	11.229	15.050	34,0
Net Assets	19.337	24.273	25,5
ST Liabilities	5.695	6.272	10,1
LT Liabilities	3.005	3.022	0,6
Equities	10.636	14.979	40,8
Ratios			
Current Ratio	1,42	1,47	3,3
Quick Ratio	1,07	1,16	8,8
Average Collection Period (Days)	400	399	-0,4
Cash Turnover Cycle (Days)	44	75	71,3
Return on Equity %	2,24	0,75	-66,6
Employment			
Total Number of Employees (average)	13.134	13.207	0,6
Total Employment Cost	427	476	11,5
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)	NA	612	
Transfers from Budget (Capital and Duty Loss)			
Other			
Value Added	1.955	1.923	-1,6
Investment Expenditure	244	215	-11,8
Primary Surplus	1.026	783	-23,7
<i>Reference: BOTAŞ, Undersecretariat of Treasury and State Planning Organization</i>			

6.3. Turkish Electricity Transmission Co. (TEİAŞ)

Members of the Board of Directors

- ◆ İlhami Özşahin (Chairman and General Director)
- ◆ Halil Aliş (Member and Deputy General Director)
- ◆ Kemal Yıldır (Member - Deputy General Director)
- ◆ Bilal Eryılmaz (Member – Representative of Ministry)
- ◆ Mehmet Kamil Şani (Member – Representative of Ministry)
- ◆ İrfan Tokgöz (Member – Representative of Treasury)

Related Ministry

Ministry of Energy and Natural Resources

Capital Structure

Treasury Share : 100 Percent
Subscribed Capital: TRY 330 million
Paid – in Capital : TRY 326 million

Web Site

<http://www.teias.gov.tr>

Electricity Transmission Company (TEİAŞ) started its operations in 01.10.2001 in order to take over all transmission lines in the country and to provide electricity transmission and balancing, and settlement services within the frame of general energy policy of the government pursuant to Electricity Market Law No. 4628 and Decree of Council of Ministers No. 2001 / 2026. The Articles of Association of TEİAŞ was published in Official Gazette No. 24447 on 26.06.2001 after it has been approved by Supreme Planning Council Decree dated 11.06.2001.

The company is subject to Decree Law No. 233 which concerns state economic enterprises. It has obtained the transmission license from Energy Market Regulation Authority (EMRA) on 13.03.2003 and it operates in accordance with regulations envisaged in new market model.

TEİAŞ is the sole owner of the transmission license in Turkey. Main responsibilities of the company are; planning, operating and rehabilitating the 400 and 154 kV transmission lines to provide high quality and uninterrupted power supply, prepare necessary tariffs for transmission connections and system usage, comply with Network Regulation, provide real time system security, oversee load distribution and frequency control, undertake international interconnection operations, prepare the electricity generation capacity projection report in line with the demand projections of distribution companies and to operate balancing and settlement mechanism.

Market share of the company is 100 percent as of end 2007.

Major Developments

The Balancing and Settlement Market, which was in virtual mode between 2004 and August 2006, became operational starting from 01.08.2006. Mentioned market has a SPOT market model directed to ensure simultaneous supply – demand balance which is complementary to bilateral agreements in market. In this model, electricity supply and demand are balanced in real time by National Load Distribution Center of TEİAŞ by accepting load purchasing and load shedding offers of contributor of balancing system and receivables and debts concerning energy deficits and / or energy surpluses are financially settled by Balance and Settlement Institution with load purchasing and load shedding offers. In 2007, 15.8 million Mwh load purchasing amounting at TRY 2.5 billion and 7.1 million Mwh load shedding amounting at TRY 513 million have been realized.

In July 2007, Turkey's Electricity Energy Generation Capacity Projection for 10 Year (2007-2016) has been published. This report is revised annually based on the recent market data.

In 2007, the increase in electricity demand is 8.4 percent compared to previous year. The annual consumption is 189.3 billion KWh and installed capacity of our country has reached 41,000 MW.

TEİAŞ faces significant receivables problems. Because it could not collect its overdue receivables especially from EÜAŞ and its subsidiaries, it had to get external financing in order to undertake its investments. This situation causes its external loan stock to increase in years. Electricity transmission investments significantly require expropriation and the problems occur concerning expropriation may cause transmission investments to fall behind.

Furthermore, the company lacks enough technical personnel compared to other countries. For example, number of personnel per kilometer is 0.026 in Turkey, whereas this figure is 0.081 in France and 0.043 in Spain. Therefore, the priority is given to the hiring of the technical personnel.

Financial Status

Main cost items of TEİAŞ include transmission investments and expenditures related to providing transmission services, such as operating expenses, replacement costs and ancillary service costs. These costs are subject to regulation pursuant to the Law No. 4628.

Transmission System usage tariff and transmission system operating tariff are regulated by income ceiling determined by EMRA.¹⁷ TEİAŞ applies two different price systems for consumers and producers and these prices have differences among different regions in such a way to reflect capacity limits.

On the other hand, 80 percent of the sales revenue proceeds from public companies, whereas private sector's share is only 20 percent.

The sales revenue of TEİAŞ is related with installed capacity of producers and consumption capacity of consumers rather than electricity transmitted through lines.

Gross sales revenue of TEİAŞ, which was TRY 1.7 billion in 2006, have realized as TRY 4.6 billion in 2007. The increase has been caused by TRY 2.9 billion of income of Balance and Settlement Institution (PMUM) entered into account of the company. Parallel to this increase, cost of sales has increased by TRY 2.9 billion. Operating profit of the company has been realized as TRY 63 million with a decrease of 58 percent compared to the previous year and profit of the period has been realized as TRY 135 million with an increase of 52 percent. This situation was significantly caused by exchange rate difference. Exchange rate difference cost was TRY 21 million in 2007 whereas it was TRY 110 million in 2006.

Total value of assets of the company is TRY 7.2 billion and TRY 5.5 billion of this amount is constituted by Tangible Fixed Assets.

In 2007, average collection period was 101 days, which was one third of the level realized in previous year. The decrease was caused by the income of Balance and Settlement Institution (PMUM) entered into account of the company as it is mentioned above. Because of this addition, sales revenue of the company has increased 2.7 times of the level realized in previous year.

Furthermore, because the revenue of PMUM has been reflected to revenues of the company in 2007, profit margin base has increased and net profit margin, which was 4 percent in 2006, has realized as 2 percent in 2007.

¹⁷ Income ceilings are regulated in every year in accordance with energy prices index, efficiency factor determined in advance and income deficit and surplus occurred in previous year.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	1,730	4,597	165.8
Cost of Sales	1,532	4,485	192.8
Operating Costs	43	44	2.3
Operating Profit - Loss	150	63	-57.9
Financing Costs	123	34	-72.4
Profit – Loss of the Period	89	135	52.0
Balance Sheet			
Current Assets	1,565	1,480	-5.5
Inventories	26	44	66.2
Fixed Assets	5,753	5,719	-0.6
Net Assets	7,318	7,199	-1.6
ST Liabilities	854	593	-30.6
LT Liabilities	555	594	7.1
Equities	5,909	6,011	1.7
Ratios			
Current Ratio	1,83	2,49	36.1
Quick Ratio	1,74	2,34	34.3
Average Collection Period (Days)	304	101	-66.9
Cash Turnover Cycle (Days)	128	64	-49.9
Return on Equity %	1,10	1,71	55.7
Employment			
Total Number of Employees (average)	8,500	8,404	-1.1
Total Employment Cost	278	309	11.1
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)	NA	282	
Transfers from Budget (Capital and Duty Loss)			
Other			
Value Added	847	833	-1.7
Investment Expenditure	276	277	0.2
Primary Surplus	226	172	-24.2
<i>Reference: TEİAŞ, Undersecretariat of Treasury and State Planning Organization</i>			

The company has profit for the period and amortization amount realized as TRY 350 million in 2006 and 2007 increases its profitability amount. Because of this, although the company made investment expenditure of TRY 276 million in 2006 and TRY 277 million in 2007, it achieved to realize TRY 218 million and TRY 172 million of primary surpluses respectively.

6.4. Turkish Electricity Trading and Contracting Co. (TETAŞ)

Members of the Board of Directors

- ◆ Hacı Duran Gökkaya (Chairman and General Director)
- ◆ Yaşar Çakmak (Member and Deputy General Director)
- ◆ Vacant (Member - Deputy General Director)
- ◆ Nilgün Ş. Açıkalın (Member – Representative of Ministry)
- ◆ Hüseyin Karakaya (Member – Representative of Ministry)
- ◆ Nevzat Bahran (Member – Representative of Treasury)

Related Ministry

Ministry of Energy and Natural Resources

Capital Structure

Treasury Share : 100 Percent
Subscribed Capital: TRY 179 million
Paid – in Capital : TRY 73 million

Web Site

<http://www.tetas.gov.tr>

Turkish Electricity Trading and Contracting Incorporated Company (TETAŞ) were established to do electricity trading and contracting activities according to Decree Laws No. 233 and 399, The Decree of Council of Ministers No. 2001/2026 and Electricity Market Law No. 4628. Its Articles of Association was published in Official Gazette No. 24447 on 29th of June in 2001.

TETAŞ is an SEE which is founded to trade electricity under the guidance of economic and energy policies of the State. Other functions of TETAŞ are: to take over the energy purchase and sale contracts from TEAŞ and TEDAŞ which were signed in accordance with related legislation, under the restriction of the Law No. 4628 to do energy sale contracts and energy purchase contracts (that last for less than one year), to import / export electricity from / to countries which has suitable interconnection conditions, to prepare the wholesale tariffs and implement the approved tariffs, to purchase electricity from the hydro plants which EÜAŞ owns, to take the necessary measures to obtain consistent, low – cost electricity, to modify the energy sale and purchase agreements according to changing sector specific and legal conditions within the approval of the Undersecretariat of Treasury.

Major Developments

According to the Law No: 5496, transitional period contracts concerning energy purchase and sale were signed between TETAŞ and distribution companies in June 2006.

Within the context of these contracts EÜAŞ's hydro plants would sell 25 billion Kwh of electricity to TETAŞ in a year. TETAŞ would sell this electricity to 20 distribution companies with the price approved by EMRA by blending this energy with the energy purchased from EÜAŞ within the frame of the contracts having guarantee of purchase.

Since Build – Operate (BO), Build – Operate – Transfer (BOT) and Transfer of Operating Rights (TOR) contracts that last 15 - 20 years were not signed under the competitive conditions and that these plants mostly depend on natural gas (85 percent of sales of BO, 100 percent of sales of BOT are Treasury guaranteed) TETAŞ's purchasing cost increases. At the same time, the necessity of providing guarantee of purchase to Nuclear Plant to be established pursuant to the Law 5710 and signing a 15 year annual purchasing contract with Thermal Plants to be newly established will be additional burdens for the company.

The company has purchased approximately 89 billion Kwh electricity in 2007 and 23 billion Kwh of this amount was from EÜAŞ and 61 billion Kwh from the plants within the scope of BO, BOT and TOR, and the remaining amount from Balance and Settlement Market and export purchases.

Financial Status

In 2006 TETAŞ's total assets were TRY 7.6 billion. In 2007 it increased by 30 percent and reached to TRY 9.9 billion. In 2007, commercial and other receivables item increased by 31 percent and reached to TRY 9.8 billion due to problems in collection of receivables. Similarly, the company cannot pay its debts in due and this situation causes its short term liabilities to increase.

Gross sales of TETAŞ have fell down to TRY 8 billion with a decrease of 25 percent. Main reason is that portfolio groups established within the body of EÜAŞ has begun to sell electricity to TEDAŞ directly as from August of 2006 and that the sales realized by TETAŞ in previous periods have shifted to EÜAŞ. Operating profit of the company has increased by 5 times and reached TRY 501 million and profit of the period has decreased by 51 percent and fell down to TRY 24 million.

Current ratio and quick ratio of TETAŞ was around 1. Average collection period of its receivables which was 250 days in 2006, increased to 450 days in 2007. Moreover, its financial structure mostly depended on short and long term liabilities due to its debts in large amounts and equity / liability ratio was 0,02.

In 2007, primary surplus of the company has decreased by 52.1 percent and fell down to TRY 27 million due to decrease in profit of the period.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	10,726	7,997	-25.4
Cost of Sales	10,597	7,433	-29.9
Operating Costs	19	46	149.6
Operating Profit - Loss	96	501	420.2
Financing Costs	0	0	0.0
Profit – Loss of the Period	48	24	-50.8
Balance Sheet			
Current Assets	7,581	9,884	30.4
Inventories	0	0	42.6
Fixed Assets	6	5	-10.7
Net Assets	7,587	9,889	30.3
ST Liabilities	7,402	9,675	30.7
LT Liabilities	23	36	55.4
Equities	162	178	9.8
Ratios			
Current Ratio	1.02	1.02	-0.3
Quick Ratio	1,01	1.01	0.4
Average Collection Period (Days)	250	440	75.8
Cash Turnover Cycle (Days)	49	58	18.1
Return on Equity %	27.70	9.36	-66.2
Employment			
Total Number of Employees (average)	215	213	-0.9
Total Employment Cost	5.1	6.2	20.7
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)	NA	23.9	
Transfers from Budget (Capital and Duty Loss)	13.8		-100.0
Other			
Value Added	54.7	44.0	-19.5
Investment Expenditure	0.3	0.2	-32.6
Primary Surplus	56.5	27.1	-52.1
<i>Reference: TETAŞ, Undersecretariat of Treasury and State Planning Organization</i>			

6.5. Directorate General of Turkish Coal Enterprise (TKİ)

Members of the Board of Directors

- ◆ Selahaddin Anaç (Chairman and General Director)
- ◆ Yaşar Topçuoğlu (Member and Deputy General Director)
- ◆ Vacant (Member - Deputy General Director)
- ◆ Yusuf Ziya Coşar (Member – Representative of Ministry)
- ◆ Mehmet Tombul (Member – Representative of Ministry)
- ◆ Nurşen Demirbilek (Member – Representative of Treasury)

Related Ministry

Ministry of Energy and Natural Resources

Capital Structure

Treasury Share : 100 Percent
Subscribed Capital: TRY 360 million
Paid – in Capital : TRY 360 million

Web Site

<http://www.tki.gov.tr>

The coal production units that were under the control of Etibank Company, had been transformed into Turkish Coal Enterprise (TKİ) in 1957 by the Law no. 6974 dated 22.05.1957. As an SEE, TKİ started its activities after its Articles of Association was published in Official Gazette No.18588 on November 27, 1984. TKİ is also subject to the Mining Law No. 3213.

In accordance with the Government's general energy policy, TKİ has been assigned to produce lignite and some other types of coal and to meet the country's coal demand, contribute to the economy of the country, prepare and execute plans and programs, determine application strategies and to realize them. Lignite reserves of our country are 8.3 billion tons and 2.5 billion tons of these belong to TKİ. 46 percent of lignite production of our country is performed by TKİ. The Company's production depends on the requirements of the power generation companies and the demand of heating and industry. It produced 26.2 million tons of marketable coal in 2007 and produced 3.6 million tons of coal through license. In 2007, it made a pickling of 268 million m³. 79 percent of the coal sold in 2007 (31.6 million ton) was supplied to thermal plants of EÜAŞ and affiliates of EÜAŞ and 21 percent of it was supplied to industry and domestic market with the purpose of heating. 8,017 MW of total installed power (40,700 MW) of electricity energy of Turkey belongs to thermal plants based on lignite and capacity of current thermal plants fed by TKİ is 4,203 MW. 22 percent of total Electricity Generation Company (EÜAŞ)'s electricity production in 2006 was performed by the input that TKİ has provided.

Market share is 48 percent in domestic market excluding imports and 37 percent including imports.

Major Developments

The Company distributes coal, of at least 500 kg, to poor families determined by Social Help and Solidarity Foundations within the frame of duty loss bylaws, since 2003. In 2007, 1.47 million tons of coal was distributed throughout the country and this was realized by TKİ significantly.

Expenditures incurred by TKİ regarding this application are paid by Treasury as duty loss. But, determination of duty loss payments within the frame of budget limits and delayed payment of them and inability to collect its receivables from EÜAŞ have forced TKİ to use short term liabilities. The company's commercial bank loan was equal to one third of its net assets and reached TRY 529 million as of end 2007.

Financial Status

Total net assets of TKİ increased by 1 percent and reached TRY 1.51 billion in 2007 whereas they are TRY 1.37 billion in 2006. Increases in commercial receivables figure in fixed assets and in financial debts figure in liabilities are considerable. Commercial bank loans of the company have increased since receivables from EÜAŞ could not be collected in due and duty loss payments could not be received in due. Thus, bank loans increased by 69 percent compared to previous year and reached TRY 529 million.

Gross sales increased by 21 percent and reached TRY 1.67 billion. Since financing cost of the company, which was TRY 13 million in 2006, has increased by 631 percent and reached TRY 99 million and extraordinary revenues and profits figure has decreased by 57 percent compared to 2006, profit of the period was realized as TRY 18 million with a decrease of 54 percent in 2007.

Current ratio is 0.74. This means that operating capital of the company is not enough. In other words, the company has cash problems. Quick ratio was 0.67 in the current year. Ability of current assets to cover short term debts is very low.

The amount of value added, which was TRY 485 million in 2006, has reached TRY 1.2 billion in 2007.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	1,382	1,673	21.0
Cost of Sales	1,121	1,349	20.3
Operating Costs	231	230	-0.6
Operating Profit – Loss	30	95	218.9
Financing Costs	13	99	631.2
Profit – Loss of the Period	40	18	-53.7
Balance Sheet			
Current Assets	631	640	1.5
Inventories	224	226	0.7
Fixed Assets	735	873	18.8
Net Assets	1,366	1,513	10.8
ST Liabilities	727	865	19.0
LT Liabilities	99	99	-0.2
Equities	540	550	1.8
Ratios			
Current Ratio	0.87	0.74	-14.7
Quick Ratio	0.52	0.47	-10.2
Average Collection Period (Days)	96	83	-13.5
Cash Turnover Cycle (Days)	99	93	-6.1
Return on Equity %	4.67	3.37	-27.9
Employment			
Total Number of Employees (average)	11,233	10,620	-5.5
Total Employment Cost	412	430	4.4
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)	NA	311	
Transfers from Budget (Capital and Duty Loss)	250	265	6.0
Other			
Value Added	485	1,240	155.5
Investment Expenditure	33	26	-22.6
Primary Surplus	-280	-77	-
<i>Reference: TKİ, Undersecretariat of Treasury and State Planning Organization</i>			

Primary surplus decreased by TRY 200 million compared to previous year and reached TRY 77 million since there was a recovery in income statement and there was no stock increase.

6.6. Turkish Hard Coal Enterprise (TTK)

Members of the Board of Directors

- ◆ Rifat Dağdelen (Chairman and General Director)
- ◆ Çetin Onur (Member and Deputy General Director)
- ◆ Mustafa Şimşek (Member - Deputy General Director)
- ◆ Mahmut Yılmaz (Member – Representative of Ministry)
- ◆ Burhan İnan (Member – Representative of Ministry)
- ◆ Mehmet Açıkel (Member – Representative of Treasury)

Related Ministry

Ministry of Energy and Natural Resources

Capital Structure

Treasury Share : 100 Percent
Subscribed Capital: TRY 3.5 billion
Paid – in Capital : TRY 3.3 billion

Web Site

<http://www.taskomuru.gov.tr>

By the Law No. 2818 dated on June 14, 1935, the foreign private property of hard coal sites were nationalized for public use and transferred to Etibank Company. After that, Ereğli Coal Company (EKİ) started to operate all of these sites. In 1957, EKİ joined TKİ; however by the Decree Law no. 96 dated 10.10.1983, it had been transformed to a new body called Turkish Hard Coal Enterprise (TTK). The Articles of Association was published in the Official Gazette on December 11, 1983. The Company is still a state economic enterprise and subject to the Decree Law No.233.

TTK is responsible for operating Zonguldak Harbor in addition to activities concerning mining for hard coal and bringing it to economy by means of its general directorate units and Armutçuk, Kozlu, Üzülmöz, Karadon and Amasra enterprises.

There is a geologic hard coal reserve of 1.33 billion tons in Zonguldak site and 610 tons of this amount is open to private sector activity. Life time of the site is 130 years.

TTK owns approximately 100 percent of hard coal production and it produced 1.7 million tons of hard coal in 2007. Share of the company in Turkish hard coal market is about 7 percent.

Major Developments

Turkish Hard Coal Institute encounters with high production costs and with problems caused by these costs.

In order to fulfill domestic demand from domestic resources and supply safety in electricity generation, capital injections are made from the central budget to this loss making company to meet its obligations arising from wage, salary, premium and SSI

payments. The percentage of workers working underground in total number of workers is lower than the world standards.

When high production costs and inability to solve this problem within the body of the company are considered, it is thought that royalty production of the company must be generalized in order to provide efficient and effective operation conditions. Therefore, any new hiring was not allowed in line with SOE employment policies in 2007.

Restructuring works, commenced in order to enhance production and efficiency in the company, have continued in 2007. Within this context, rehabilitation of – 400 / - 450 floor galleries and plough of – 500 / - 550 floor preparation galleries in Armutçuk TİM were outsourced to a private firm by tender. On the other hand, preparation for - 250 floors in Amasra TİM has been carried on by the company. Coal washing works of Kozlu and Üzülmöz were tendered to private sector. Due to high efficiency and low cost nature of operations carried out by private sector, it is being sought to assign washing works of TİM pit—run coals to private sector in Armutçuk and Amasra enterprises.

Because the geological structure is inappropriate, extraction is conducted based on labor.

Financial Status

Because of the structural problems, TTK makes loss continuously and is financially supported by the Government.

Upward trend in gross sales of TTK has also continued in 2007 and its gross sales increased by 13 percent compared to 2006 and reached TRY 276 million. The reason for the increase in sales was the coal purchased from private sector producing in the zone hired by TTK. The coal - purchased from leased areas- brings down the average coal cost of the Company; providing an advantage for TTK.

Period loss, which was TRY 357 million in 2006, increased by 18 percent and reached TRY 421 million in 2007. The increase in employment costs has a significant effect on the increase in period loss.

Return on equity shows negative values as a result of the decrease in equity due to cumulative effect of losses of previous years. Relative recovery realized in 2007 was caused by the increase in capital payment made to the company in 2007.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	244	276	13.1
Cost of Sales	459	555	21.1
Operating Costs	92	103	12.5
Operating Profit - Loss	-307	-383	24.9
Financing Costs	15	0	-
Profit – Loss of the Period	-357	-421	18.1
Balance Sheet			
Current Assets	163	136	-16.3
Inventories	44	33	-24.6
Fixed Assets	198	209	5.5
Net Assets	361	346	-4.4
ST Liabilities	56	72	28.0
LT Liabilities	0	0	11.2
Equities	305	273	-10.3
Ratios			
Current Ratio	2.90	1.90	-34.6
Quick Ratio	1.85	1.25	-32.2
Average Collection Period (Days)	104	86	-17.2
Cash Turnover Cycle (Days)	118	113	-4.7
Return on Equity %	-184.88	-145.86	-
Employment			
Total Number of Employees (average)	12,685	12,552	-1.0
Total Employment Cost	391	474	21.3
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)	NA	200	
Transfers from Budget (Capital and Duty Loss)	573	402	-30.1
Other			
Value Added	66	66	-0.5
Investment Expenditure	24	22	-10.3
Primary Surplus	187	-28	-

Reference: TTK, Undersecretariat of Treasury and State Planning Organization

Average collection period fell down to 86 days in 2007, whereas it was 104 days in 2005 and 2006. Cash turnover cycle also fell down 113 days in 2007 whereas it was 118 days in 2006.

TRY 573 million has been transferred in 2006 and TRY 402 million has been transferred in 2007 under the name of duty loss payment from budget to the company, which incurs losses continually and needs financial support.

The company had primary surplus in 2006. But it has primary deficit in 2007 since its period loss increased by 13 percent and the injection from budget was less than the injection of previous year. The company created a value added of TRY 66 million in 2006 and 2007.

6.7. Turkish Petroleum Co. (TPAO)

Members of the Board of Directors

- ◆ Mehmet Uysal (Chairman and General Director)
- ◆ Yurdal Öztaş (Member and Deputy General Director)
- ◆ Vacant (Member - Deputy General Director)
- ◆ Vacant (Member – Representative of Ministry)
- ◆ Yusuf Yazar (Member – Representative of Ministry)
- ◆ İsmet Salihoğlu (Member – Representative of Treasury)

Related Ministry

Ministry of Energy and Natural Resources

Capital Structure

Treasury Share : 96.99 Percent
 Subscribed Capital: TRY 1.500 million
 Paid – in Capital : TRY 950 million

Web Site

<http://www.tpao.gov.tr>

Turkish Petroleum Corporation (TPAO) was founded in 1954 by Law No. 6327 as the only national oil company of Turkey with the responsibility of being involved in oil exploration, drilling, production, refinery and marketing activities on behalf of the state.

Until 1983, as an integrated oil company, it was engaged in all the activity fields of oil industry from exploration to production, refinery, marketing and transportation. After being restructured by the enactment of Decree Law No. 233 in 1984, TPAO, as a national oil company, has been restricted with exploration, drilling and production of petroleum and the other activities concerning refining, trading, transportation of petroleum have been removed from the company's field of activity.

In the Turkish petroleum and natural gas sector, a number of companies was established by TPAO as subsidiaries such as İPRAŞ, PETKİM, İPRAGAZ, TÜMAŞ, İGSAŞ, DİTAŞ, BOTAŞ, ADAŞ (POAŞ), Kıbrıs Türk Petrolleri Ltd., ISİLİTAŞ, which were structured as independent companies privatized or liquidated afterwards.

TPAO carries on its activities according to Petroleum Law No. 6326, Natural Gas Market Law No. 4646 and Petroleum Market Law No. 5015 in the fields of upstream (exploration, drilling, well completion and production), natural gas storage, participation in oil and natural gas transportation pipeline projects and, by its subsidiaries, oil and trade transportation.

TPAO provides 71 percent of total crude oil production and 47 percent of natural gas production of our country.

Major Developments

The rapid increase in the prices of crude oil and natural gas prices led to huge increases in import costs of energy importing countries, including Turkey, and highlighted the long-term supply security issue. In this context, increasing the share of TPAO in oil production gained more importance and the investment budget of the company increased year by year, reaching to TRY 452 million in 2007.

In 2007, 48.9 percent TPAO's domestic investment expenditures was for drilling, 29.9 percent was for exploration, 8.9 percent was for production and 12.3 percent was for others (Table 13).

Table 13: TPAO – Distribution of Domestic Investment Expenditures (2005-2007)

	2005			2006			2007		
	TRY million	\$ million	%	TRY million	\$ million	%	TRY million	\$ million	%
Exploration	43	32	15.2	112	78	27.1	135	104	29.9
Production	69	51	24.3	110	77	26.7	40	31	8.9
Drilling	94	70	33.3	151	105	36.6	221	170	48.9
Other	77	57	27.2	40	28	9.6	56	43	12.3
TOTAL	283	209	100.0	413	288	100.0	452	348	100.0

Reference: TPAO

Gross sales of TPAO increased by 1.6 percent and reached TRY 1.1 billion. Its period loss operating profit decreased by 76 percent and reached TRY 24 million and period profit decreased by 26.4 percent and reached TRY 412 million.

Its current assets, which were TRY 613 million in 2006, reached TRY 1.2 billion in 2007 because the dividend share amount was TRY 250 million higher than the amount accrued in 2006 from its subsidiaries abroad and it collected TRY 240 million from its dividend receivables accrued in previous years. This situation has also led to a significant increase in current ratio.

TPAO collected its receivables from SOCAR, the Azerbaijani National Oil Company, amounting to \$ 323 million and paid its long-term bank loans of \$ 285 million and thus, in 2006, the company's long term liabilities figure decreased by TRY 254.7 million compared to previous year. The mentioned amount was TRY 268 million in 2007 due to a slight increase in the account of provisions of assets and liabilities.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	1,052	1,069	1.6
Cost of Sales	418	386	-7.8
Operating Costs	441	570	29.1
Operating Profit – Loss	102	24	-76.0
Financing Costs	0	0	-
Profit – Loss of the Period	560	412	-26.4
Balance Sheet			
Current Assets	613	1,226	99.9
Inventories	194	241	24.0
Fixed Assets	2,149	1,912	-11.1
Net Assets	2,763	3,138	13.6
ST Liabilities	255	248	-2.7
LT Liabilities	255	269	5.6
Equities	2,253	2,621	16.3
Ratios			
Current Ratio	2,41	4,95	105.5
Quick Ratio	1,34	3,76	181.0
Average Collection Period (Days)	57	44	-23.7
Cash Turnover Cycle (Days)	79	184	132.2
Return on Equity %	26,84	16,90	-37.0
Employment			
Total Number of Employees (average)	4,571	4,738	3.7
Total Employment Cost	202	260	28.9
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)	108	134	24.1
Transfers to Budget (Taxes and Other Liabilities)		NA	481
Transfers from Budget (Capital and Duty Loss)			
Other			
Value Added	946	729	-23.0
Investment Expenditure	413	452	9.4
Primary Surplus	481	323	-32.7
<i>Reference: TPAO, Undersecretariat of Treasury and State Planning Organization</i>			

84 percent, of net assets of the corporation was financed by equity and 16 percent was financed by external resources in 2007. There was no significant difference in 2007 compared to 2006 in terms of resource composition.

From 2006 to 2007, the current ratio increased from 2.4 to 4.9 and the quick ratio increased from 1.34 to 3.76.

TPAO's average collection period, which was 57 days in 2006, was 44 days in 2007 and the inventory turnover figure decreased from 0.72 to 0.44.

TPAO, paying dividend amounting to TRY 37.5 million and treasury levy amounting to TRY 89.5 million in 2007, made up TRY 729 million of added value, which was 23 percent less than that of 2006, and generated primary surplus was realized as TRY 323 million with a decrease of 28 percent. Besides, the return on equity ratio of the company reached to 17 percent in 2007.

6.8. Directorate General of ETİ Mine Works (ETİ MADEN)

Members of the Board of Directors

- ◆ Orhan Yılmaz (Chairman and General Director)
- ◆ Muhsin Ganioglu (Member and Deputy General Director)
- ◆ Vacant (Member - Deputy General Director)
- ◆ Muzaffer Külçü (Member – Representative of Ministry)
- ◆ Vacant (Member – Representative of Ministry)
- ◆ Vacant (Member – Representative of Treasury)

Related Ministry

Ministry of Energy and Natural Resources

Capital Structure

Treasury Share : 100 Percent
Subscribed Capital: TRY 100 million
Paid – in Capital : TRY 89 million

Web Site

<http://www.etimaden.gov.tr>

EtiBank Company was founded on 14.06.1935 by the Law No. 2805 to supply natural resources to economy; build power plants; produce, transmit, sell and distribute electricity; and to execute banking operations within this structure.

Some of the company's production facilities were transferred to other companies: Divriği Iron Mines were transferred to Turkish Iron and Steel Works Institution by the Law no. 6559 dated 1955; Coal Sites were transferred to TKİ by the Law no. 6947 dated 1957; the electricity production and transmission foundations were transferred to Turkish Electricity Company by the Law no. 1312 dated 1970.

The management is a state economic enterprise within the scope of Decree Law No. 233 and its Articles of Association entered into force after it was published in Official Gazette dated 09.11.1984.

The enterprise is responsible for operating and exploring boron, trona, uranium and thorium mines to be explored and processed by state in accordance with the Law No. 2840.

EtiBank Banking, Karadeniz Copper Enterprises (KBİ) and Çinkur have been included within the scope and portfolio of privatization with Supreme Planning Council Decree dated 17.17.1993, and Çinkur and Banking have been privatized. Privatization operation of KBİ is in progress.

Organization structure of EtiBank has been changed completely with Decree of the Council of Ministers dated 26.01.1998 and 7 affiliates have been constituted under a state economic enterprise with title of Eti Holding Inc. Among these affiliates, Eti Aluminum Inc., Eti Chrome Inc., Eti Copper Inc., Eti Silver Inc., Eti Electro Metallurgy

Inc. were privatized and Eti Marketing and Foreign Trade Inc was closed down. With Decree of the Council of Ministers no. 2004 / 6731, commercial title of Eti Holding Inc. has been changed to Directorate General of Eti Mine Works and Eti Boron Inc has been closed as of 31.01.2004. Revised Articles of association of the enterprise has entered into effect after approval by Supreme Planning Council's Decree dated 27.05.2004.

Eti Zeolite Inc, which was within the body of the enterprise until 2004, was closed by Supreme Planning Council's Decree dated 31.12.2004.

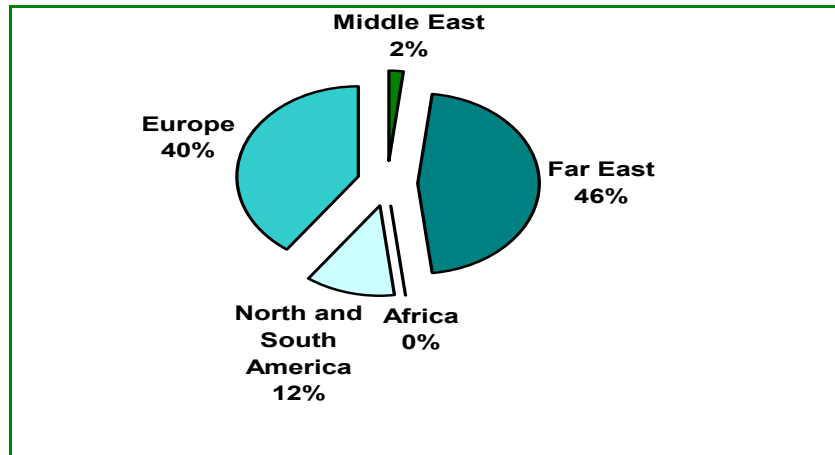
Activity field of the enterprise includes exploring and processing every kind of mine and industrial raw material resources (including boron, uranium and thorium) except petroleum, coal and iron; preparing feasibility and projects and processing these mines. However, Eti Mine Works engages in producing, operating and marketing especially boron minerals in line with relevant laws since our country has 72 percent of world boron reserves.

Market share of Eti Mine Works is 100 percent in our country's boron market due to its monopoly characteristic.

Major Developments

The enterprise aims at obtaining more shares from the market with its international marketing network and foreign investments while it focuses on production of refined products having high value added. With this purpose, it has established an agency in China in order to control the market. In 2007, Eti Mine Works increased its export 74 percent as quantity compared to 2002. 79 percent of its export was boron chemicals and 21 percent was concentrated boron whereas sales revenue of 1.3 million tons boron was \$384 million in current year. The enterprise has increased its boron export to the Far East and Russia significantly. Regional distribution of boron export is shown in the following graphic.

Graphic 4: Regional Distribution of Boron Export



68 percent of the boron exported by the enterprise is used in glass sector, 14 percent in frit – ceramics sector, 6 percent in detergent sector and 12 percent in other sectors.

On the other hand, R&D studies aimed at adding private sector to private boron chemicals production are focused within the body of the enterprise.

The law No. 2840 proposes that boron fields are operated, managed and marketed by the state. However, the enterprise receives support by way of service procurement in order to provide our country have more shares in boron market where the installed power does not satisfy foreign demand.

Eti Mine realizes 37 percent of world boron production with its 688,368 tons of marketable B_2O_3 and meets 26 percent of world boron demand with sale of 628,979 tons of B_2O_3 . Rio Tinto, which is the most important competitor and the second firm in the market, realizes 30 percent of world boron production and it satisfies 32 percent of world boron demand under the assumption that it sells its whole production. Other boron producers meet 33 percent of world boron supply with approximately 608,000 tons of B_2O_3 production and 32 percent of 564,000 tons of B_2O_3 sale.

Financial Status

A large part of costs of the enterprise is based on TRY, whereas a large part of its proceeds is based on foreign currency. For this reason, its gross sales decreased by 9 percent and fell down to TRY 516 million parallel to developments in foreign exchange market, and its period profit increased 11 percent and reached TRY 215 million. TRY 29 million of its gross sales constituted domestic market sales in 2007.

Although boron sales of the enterprise based on dollars increased by approximately 5 percent compared to 2006, its sales decreased by TRY 52 million due to exchange rate realized below the level of previous year, this affected operating profit of the enterprise negatively.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	568	516	-9.2
Cost of Sales	275	289	5.1
Operating Costs	103	110	7.0
Operating Profit - Loss	190	117	-38.4
Financing Costs	0	0	-
Profit – Loss of the Period	193	215	11.3
Balance Sheet			
Current Assets	418	448	7.0
Inventories	103	123	19.7
Fixed Assets	822	822	-0.1
Net Assets	1,241	1,269	2.3
ST Liabilities	48	39	-18.3
LT Liabilities	19	19	4.2
Equities	1,174	1,211	3.1
Ratios			
Current Ratio	8.72	11.41	30.9
Quick Ratio	5.46	7.32	34.2
Average Collection Period (Days)	56	42	-24.9
Cash Turnover Cycle (Days)	165	170	3.4
Return on Equity %	13.54	14.39	6.3
Employment			
Total Number of Employees (average)	3,850	3,705	-3.8
Total Employment Cost	111	121	8.9
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)	32.1	116	361.4
Transfers to Budget (Taxes and Other Liabilities)		NA	185
Transfers from Budget (Capital and Duty Loss)			
Other			
Value Added	347	436	25.6
Investment Expenditure	44	48	8.1
Primary Surplus	93	-15	-
<i>Reference: ETİ MINE, Undersecretariat of Treasury and State Planning Organization</i>			

Eti Mine Works has kept its position as the biggest boron producer and seller of the world and has become the biggest producer of the world with its production of 2.13 million tons concentrated boron, 1.1 million tons of boron chemicals and equivalent products and it realized approximately 32 percent of boron production of the world.

When liquidity ratios of the enterprise are examined, it is understood that there are unused funds above the normal level. Receivables collection period of the enterprise fell down to 42 days from 56 days and conversion period of credit sales into cash balance of the enterprise decreased in the current year. Cash turnover cycle increased by 5 days and reached 170 days. When financial structure of the enterprise is examined, it is seen that both short term and long term external resource usage has ranged between low values by years.

The enterprise made dividend payment to Treasury at an amount of TRY 32 million in 2006 and TRY 131 million in 2007.

The enterprise had a primary surplus of TRY 107 million in 2006 and had a primary deficit of TRY 15 million in 2007 due to the increase of TRY 100 million in dividend payment.

6.9. Directorate General of Turkish State Railways (TCDD)

Members of the Board of Directors

- ◆ Süleyman Karaman (Chairman and General Director)
- ◆ Veysi Kurt (Member and Deputy General Director)
- ◆ İsa Apaydın (Member - Deputy General Director)
- ◆ Talat Aydın (Member – Representative of Ministry)
- ◆ Şükrü Kutlu (Member – Representative of Ministry)
- ◆ Ümit Ulvi Canik (Member – Representative of Treasury)

Related Ministry

Ministry of Transportation

Capital Structure

Treasury Share : 100 Percent
Subscribed Capital: TRY 12.0 billion
Paid – in Capital : TRY 7.5 billion

Web Site

<http://www.tcdd.gov.tr>

The construction of the first railways line of 130 km between Izmir and Aydın was laid in 1856 under the privilege granted to this company. 8,619 km lines were constructed between 1856 and 1922 in the territory of Ottoman Empire. 3,578 km lines were constructed at the Post - Republic period between 1923 and 1950.

The period following 1950 was almost the golden age of highways. As far as the passenger transport shares of our country are concerned, the passenger transport share of highways is 96 percent and the share of railroads is only 2 percent. The passenger transport share of railroads has decreased 38 percent within last 50 years since the existing infrastructure and operating conditions of railroads were not rehabilitated and new corridors were not opened.

When highways - railroads freight transport shares of our country's transportation system are examined, the freight transport share of highways is 94 percent and the passenger transport share of railroads is 4 percent. The freight transport share of railroads has decreased 60 percent within last 50 years.

Turkish State Railways (TCDD) is an SOE (PEI at the moment) that organizes, operates and controls the public railway system in Turkey and it is the only company that acts in the sector.

The Administration functioning as a supplementary budgeted institution until 1953 was converted into a Public Economic Enterprise on July 29th, 1953 under the name "Republic of Turkey Directorate General of State Railways Administration (TCDD). And with the Decree Law No. 233, it turned into a "Public Economic Institution". TCDD consists of 18 Specialized Departments and Law, Defense and Public

Relations units. The services concerning railway transportation are supplied by 7 Region Headquarters and 5 ports are also operated.

TCDD is a monopoly in its sector since it has been structured as a public economic institution. Thus, its market share is 100 percent.

Major Developments

1- High Speed Projects

◆ **Istanbul - Ankara High – Speed Track Project**

The project was planned as a rehabilitation program including an additional railway construction next to the existing railway but it was transformed into new double line high - speed track project.

Owing to the supply of high – speed trains to be operated on Ankara – Istanbul High – Speed Track route, a trip from Istanbul to Ankara will take about only 3 hours.

◆ **Ankara – Konya High – Speed Track Project**

Construction of Ankara – Konya High – Speed Track Project is in progress in addition to Ankara – Istanbul High – Speed Track and Marmaray Projects.

A double line, electrical and signaled railway compatible with 250 km / hour speed will be constructed. The direction will go toward south from Polatlı.

2- Other Projects

◆ **Marmaray Project**

With Marmaray Project, railway lines on both European side and Anatolian side will be connected by a railway tunnel under Bosphorus. Bosphorus railway tunnel passage goes underground in Yedikule, continues with Yenikapı and Sirkeci underground stations, moves toward Üsküdar underground station after passing under Bosphorus and surfaces in Söğütlüçeşme.

Regarding rehabilitation works of local lines of Gebze – Haydarpaşa and Sirkeci – Halkalı, which are considered as second step of Marmaray project, 43.4 km of local line will be transformed into surface metro on Asia side and 19.6 km will be surface metro on European side. 36 stations will be rehabilitated, number of lines will be

increased to three and TCDD will make load and main line transportation on one of these lines. After Marmaray gets into service, 75,000 passengers can be transported in one hour on one way by plying in every 2 - 10 minutes between Gebze and Halkalı.

Within the scope of the project, it is planned to buy 440 vehicles in total 280 of them in 2009, 40 in 2010 and 120 in 2011.

◆ **Restructuring Works of TCDD**

Restructuring project consists of 2 main components:

1- Organization of Railway Sector (Twinning) Project

The project includes establishing necessary legislative basis for rail sector in Turkey, in compliance with EU acquis. With this project, it is aimed to prepare a “Sector Law” and “TCDD Law” regulating railway sector and to prepare legislations complementary to these laws. Draft preparation concerning the mentioned legislation is in progress.

2- New TCDD Organization, Regulation of Financial Relations with Government and Establishment of Financial Management Information System Project

The project; including establishment of work units as main components of restructuring, definition of public service liabilities, preparation of public service contracts and analysis of general financial relations; contains separation of accounts concerning enterprise – infrastructure and public service liabilities, arrangement of financial relations by defining more balanced financial relations between TCDD and Government in order to satisfy the requirements of EU acquis, determination of performance targets and criteria, definition of work, restructuring of TCDD as an enterprise managed independently and commercially.

The most important problem of the enterprise is the inability to cover its costs with its revenues. Undersecretariat of Treasury has transferred TRY 1.3 billion to TCDD according to the 2007 Financial Year Budget Law. TRY 200 million of total amount was transferred as duty loss and TRY 1.1 billion was transferred as capital in order to enable TCDD to pay its personnel wages and social insurance premiums.

Mersin Port, which was operated by TCDD, was transferred after its privatization transactions were completed in 2007. Tenders of İzmir and Derince Ports were finalized in 2007 and their transactions are still in progress.

Financial Status

Gross sales revenues were TRY 1.4 billion in 2006 and they are realized as the same in 2007.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	1,406	1,402	-0.3
Cost of Sales	1,674	1,824	9.0
Operating Costs	198	216	9.3
Operating Profit - Loss	-465	-637	-
Financing Costs	88	117	33.6
Profit – Loss of the Period	-504	-630	25.1
Balance Sheet			
Current Assets	1,576	2,047	29.8
Inventories	166	190	14.2
Fixed Assets	4,855	5,496	13.2
Net Assets	6,432	7,543	17.3
ST Liabilities	1,451	1,867	28.6
LT Liabilities	893	784	-12.2
Equities	4,087	4,892	19.7
Ratios			
Current Ratio	1.09	1.10	0.9
Quick Ratio	0.64	0.66	2.5
Average Collection Period (Days)	234	309	32.1
Cash Turnover Cycle (Days)	207	278	34.1
Return on Equity %	-13.69	-14.04	-
Employment			
Total Number of Employees (average)	31,419	31,299	-0.4
Total Employment Cost	948	1,057	11.4
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)	NA	283	
Transfers from Budget (Capital and Duty Loss)	1,507	1,300	-13.4
Other			
Value Added	730	766	5.0
Investment Expenditure	853	807	-5.3
Primary Surplus	141	-186	-

Reference: TCDD, Undersecretariat of Treasury and State Planning Organization

Undersecretariat of Treasury makes regular transfers from its budget to TCDD in order to finance its current costs since the enterprise is in loss for years. In this sense, TCDD has the largest transfer amount among the entire SOE system.

On the other hand, the capital transfers from Treasury do not cover Company's investment spending. Thus, TCDD finances its investments by long term foreign bank loans, but it has problems in terms of paying these credits in due.

Average collection period and cash turnover cycle of the enterprise have increased and its equity ratio is negative. The most important reason for having primary surplus in 2006 was the payments from the budget. In 2006, payments from budget were TRY 200 million more than those made in 2007.

Personnel number of the enterprise has decreased by 0.4 percent. However, it still has idle employment problem. Nevertheless, the enterprise needs qualified personnel.

6.10. Directorate General of State Airports Authority (DHMI)

Members of the Board of Directors

- ◆ Orhan Birdal (Chairman and General Director)
- ◆ Funda Makbule Ocak (Member and Deputy General Director)
- ◆ Vacant (Member - Deputy General Director)
- ◆ Ahmet Arslan (Member – Representative of Ministry)
- ◆ Vacant (Member – Representative of Ministry)
- ◆ Saadettin Pamaksız (Member – Representative of Treasury)

Related Ministry

Ministry of Transportation

Capital Structure

Treasury Share : 100 Percent
Subscribed Capital: TRY 1.70 billion
Paid – in Capital : TRY 1.05 billion

Web Site

<http://www.dhmi.gov.tr>

The management of the airports in Turkey and provision of the air traffic service and its control in Turkish Airspace is performed by the Directorate General of State Airports Authority (DHMI).

Developing the infrastructure of Turkish Civil Aviation Sector by its facilities and equipment, the organization has continued providing services with different names and statutes since 1933. In 1984, it became a state economic enterprise by the Decree Law no. 233 and within the framework of its Articles of Association.

The goals and the activities of the Company determined by its Articles of Association are as follows: Air transportation required with the civil aviation activities, management of the airports, supervision of the ground handling services, execution of the air traffic control services, establishment and operation of the air navigation systems and facilities, establishment and operation of other utilities and systems related with these activities and improving aeronautical activities.

There has been a significant increase in the aircraft and passenger traffic in recent years regarding the air navigation and airport management services provided by DHMI. Major developments are realized in the international aircraft and passenger traffic of our international airports especially at Istanbul Atatürk Airport and Antalya Airport, making them among the important airports of Europe as a consequence of the increase in the international traffic.

DHMI has 100 percent market share in air navigation services but private firms can operate in other services (operating airports / terminals).

Major Developments

As a result of incentive policies commenced to make the domestic flights attractive and to bring activity to regional airports, there has been a reduction in DHMI tariffs and also, special communication tax and the education contribution fee have been abated as of November 2003.

After that, many new private airline companies have entered the market, so competition in the sector emerged and developed in a real sense.

As from the beginning of the implementation of regional transportation in 2003, the domestic and international passenger transportation has increased. Similarly, the number of domestic passengers increased by 10.1 percent, number of international passengers increased by 15.6 percent, domestic cargo transportation increased by 3.6 percent, international cargo transportation increased by 12.6 percent, domestic air traffic increased by 4 percent, and international air traffic increased by 12 percent by the end of 2007.

DHMI transferred the operating rights of Antalya Airport to a private company for a total amount of € 2.37 Billion (\$ 3 billion and 197 million) on 12 April 2007.¹⁸ Domestic and International Terminal Buildings, Multi - Storey Car Park and General Aviation Terminal of Istanbul Atatürk Airport was rented out for 15.5 years and for \$ 3 Billion on June 16, 2005.

The airports of Tokat, Uşak, Sivas, Siirt, Çanakkale, Kahramanmaraş, Adıyaman, Amasya, Merzifon and Hatay which were closed or were not active have been opened to the civil air traffic again by DHMI. Build – Operate – Transfer tender for International Flights Terminal of Milas Bodrum Airport was realized on 02.08.2006 and Teknotes Inc. won the tender for an operating period 45 months. The contract has been initialized on 14.12.2007 and Supreme Planning Council's Decree is being waited.

Financial Status

As a profitable Company, DHMI pays considerable amounts of Treasury levy and dividend. The Treasury levy ratio for DHMI increased to 14 percent of the gross sales

¹⁸ Antalya Airport consists of two international line terminals. First terminal has been transferred for a period of 17 years and 3.5 months and second terminal has been transferred for a period of 15 years and 3 months.

as of January 2007 which was 10 percent of the gross sales before. DHMI paid TRY 344 million of dividend and TRY 105 million of Treasury Levy in the financial year of 2007.

The gross sale figure that consists of navigation, terminal and operation revenue items reached to the level of TRY 1 billion in 2007 from the level of TRY 229 million in 2000, showing a steady growth between the aforementioned years.

Short term liabilities of the enterprise increased by 77 percent due to the increase in its expropriation costs, thus cash turnover cycle increased.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	1,023	1,046	2.2
Cost of Sales	378	419	10.8
Operating Costs	47	48	0.7
Operating Profit - Loss	524	474	-9.5
Financing Costs	0	0	0.0
Profit – Loss of the Period	578	565	-2.2
Balance Sheet			
Current Assets	1,120	1,471	31.4
Inventories	21	22	2.0
Fixed Assets	2,020	2,420	19.8
Net Assets	3,140	3,891	23.9
ST Liabilities	341	604	77.2
LT Liabilities	252	693	174.7
Equities	2,546	2,594	1.9
Ratios			
Current Ratio	3.28	2.44	-25.9
Quick Ratio	3.14	2.34	-25.5
Average Collection Period (Days)	51	39	-23.6
Cash Turnover Cycle (Days)	26	-72	-
Return on Equity %	19.01	15.39	-19.0
Employment			
Total Number of Employees (average)	6,928	7,460	7.7
Total Employment Cost	188	218	15.7
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)	273	447	63.7
Transfers to Budget (Taxes and Other Liabilities)		NA	301
Transfers from Budget (Capital and Duty Loss)			
Other			
Value Added	884	884	0.0
Investment Expenditure	183	248	35.7
Primary Surplus	118	-389	-
<i>Reference: DHMI, Undersecretariat of Treasury and State Planning Organization</i>			

There has been a regular growth in the profitability of DHMI between the years of 2000 and 2007. The profit figure rose to the level of TRY 565 million in 2007 from TRY 93 million in 2000.

Whereas primary surplus of DHMI was TRY 118 million in 2006, it incurred a primary deficit of TRY 389 million in 2007 since its investment amount has increased by 36 percent and dividend contribution to budget has increased by 64 percent.

Quick ratio of the enterprise was 2.34, return on equities was 15 percent and value added was TRY 884 million in 2007.

6.11. Directorate General of Coastal Safety (KIYEM)

Members of the Board of Directors

- ◆ Salih Orakçı (Chairman and General Director)
- ◆ H. Gani Aygün (Member and Deputy General Director)
- ◆ Vacant (Member - Deputy General Director)
- ◆ Orhan Öge (Member – Representative of Ministry)
- ◆ Vacant (Member – Representative of Ministry)
- ◆ Münir Karaloğlu (Member – Representative of Treasury)

Related Ministry

Ministry of Transportation

Capital Structure

Treasury Share : 100 Percent
Subscribed Capital: TRY 51.1 million
Paid – in Capital : TRY 50.8 million

Web Site

<http://www.kiyemniyeti.gov.tr>

While it was a part of Turkish Maritime Enterprises Inc. under the name of Coastal Safety and Salvage Operations, the Coastal Safety (KIYEM) was transferred to the Undersecretariat for Maritime Affairs with the Decree dated 07.04.1997 issued by Privatization High Council. Later on, it became a state owned enterprise under the name of Directorate General of Coastal Safety and Salvage Operations with the Decree of the Council of Ministers on 12.05.1997.

Name of the enterprise was changed as Directorate General of Coastal Safety in February, 2007 as the service area of the enterprise was expanded to supply every kind of service for enhancing coastal safety. The company was established to assist navigation safety of the domestic or foreign vessels sailing inland and territorial waters, to provide coastal safety and salvage operations, install and operate devices and facilities regarding these services, saving lives, goods and ships, provide help services, remove submerged ships and to execute towage and diving operations concerning them.

KIYEM, which is a public economic institution, has a market share of 100 percent given that it is a monopoly.

Major Developments

Turkish Straits Vessel Traffic Services Project's first stage was completed in July 2003 and its second stage which is composed of the training of the staff and testing of the system was completed in December 2003. It is expected that in 2007 with the completion of third stage including the Marmara Sea, Turkish Straits Vessel Traffic

Services will be equipped with the longest electronic coverage area of the world with an area of 204 miles.

Merger of KIYEM with TDİ is on the agenda in order to execute sea and navigation safety services through one entity and to provide service integrity with Turkish Straits Vessel Traffic Services. In 2008 Government Program, it was decided to gather TDİ and KIYEM under same roof and it was proposed to complete the incorporation till the end of December 2008.

In 2007, the enterprise provided recovery and assistance service for 28 vessels including 7 Turkish and 21 foreign vessels, driving service for 18 vessels, accompaniment service for 1,147 vessels, towage service for 637 vessels and other services for 115 vessels.

KIYEM made investment expenditure amounting to TRY 14 million for improving data processing network, purchasing towboats, renewing lighthouse and salvage stations and purchasing machinery equipment.

Financial Status

Period profit of the enterprise, whose proceeds are based on foreign exchange mostly, has fell down to TRY 11 million from TRY 76 million by decreasing continuously from 2001 to 2004. The period profit, which was TRY 18 million in 2005 and TRY 37 million in 2006, has fell down to TRY 29 million in 2007.

Sales of the enterprise are usually made in cash; therefore its liquid assets have a large share in current assets. Therefore, 2007 quick ratio of the enterprise, whose cash turnover cycle is negative, was 4.44. Equity rate of return has fell down to 20 percent from 32 percent.

KIYEM paid TRY 10 million of dividend and TRY 12.9 million Treasury levy in 2007. The enterprise had primary surplus of TRY 13 million in 2006 and a primary surplus of TRY 1 million due to the decrease in its period profit in 2007.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	139	130	-6.3
Cost of Sales	56	57	1.7
Operating Costs	30	36	17.4
Operating Profit - Loss	34	21	-37.6
Financing Costs	0	0	0.0
Profit – Loss of the Period	37	29	-22.1
Balance Sheet			
Current Assets	47	50	6.9
Inventories	1	1	-2.3
Fixed Assets	70	78	11.5
Net Assets	117	128	9.6
ST Liabilities	11	11	0.8
LT Liabilities	0	0	0.0
Equities	106	118	10.5
Ratios			
Current Ratio	4.45	4.72	6.0
Quick Ratio	4.13	4.44	7.4
Average Collection Period (Days)	7	4	-43.7
Cash Turnover Cycle (Days)	-13	-8	-
Return on Equity %	31.73	20.48	-35.4
Employment			
Total Number of Employees (average)	1.450	1.428	-1.5
Total Employment Cost	65	73	12.5
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)	23.9	23.2	-2.9
Transfers to Budget (Taxes and Other Liabilities)		NA	38.1
Transfers from Budget (Capital and Duty Loss)			
Other			
Value Added	107	108	0.4
Investment Expenditure	16	14	-12.7
Primary Surplus	6	1	-76.1
<i>Reference: KIYEM, Undersecretariat of Treasury and State Planning Organization</i>			

6.12. Directorate General of Turkish Post and Telegraph Organization (PTT)

Members of the Board of Directors

- ◆ Osman Tural (Chairman and General Director)
- ◆ Yusuf Toprak (Member and Deputy General Director)
- ◆ Vacant (Member - Deputy General Director)
- ◆ Asst.Prof. Ender Ethem Atay (Member – Representative of Ministry)
- ◆ Münir Kaya Amanvermez (Member – Representative of Ministry)
- ◆ Ahmet Fethi Toptaş (Member – Representative of

Related Ministry

Ministry of Transportation

Capital Structure

Treasury Share : 100 Percent
 Subscribed Capital : TRY 1,050 million
 Paid – in Capital : TRY 812 million

Web Site

<http://www.ptt.gov.tr>

As a result of the developments that have been experienced with the administrative reforms of Ottoman Empire, the first Postal Organization was established as a Ministry on October 23, 1840, for the purpose of providing the postal needs of the community. Initially it was providing only postal services, later on it started to provide telegraph services in 1855 and money order services in 1910.

In the early years of the Turkish Republic, the Postal Law No. 376, Telegraph and Telephone Law No. 406 and other legislation with regards to public communication were enacted. Directorate General of Post and Telegraph Organization (PTT) became an SOE by the Law No. 6145 dated 17.10.1954, and it turned into a public economic enterprise by the Decree Law No. 233 in 1984.

By the Law No. 4000 dated 18.06.1994, the Directorate General of PTT was restructured and divided into two as the Directorate General of Postal Administration and Turkish Telecom Coop., and the Directorate General of Postal Administration started to operate independently in 1995.

PTT, which is a public economic institution, opens branch offices in provinces which are not profitable and exercises its public services in this way. In line with its Articles of Association, it is responsible for carrying postal, telegraphs and parcels and providing money order services.

Because of its concessions in the postal services, PTT is a monopoly firm in this sector, but its market share decreased to 96 percent with the emerging of newly founded courier firms in the sector.

Major Developments

While PTT was making losses in the past, it has started to make profit by diversifying its field of services recently.

The commission revenues obtained from collections of credit card, electricity, water, GSM and Turkish Telecom bills constitute a considerable amount of the total revenues of PTT. A protocol has been made with Turkish Telecom in order to decrease commission rate received from collection of Turkish Telecom bills gradually.

As letters and bills are increasingly being delivered via electronic medium and transition to e-statement of taxes is on the agenda, PTT began to improve its structure in terms of parcel deliveries and began its operations for entering parcel - cargo market.

European Union decided to end monopoly of postal services in member countries as from 2013. Within this context, PTT needs to improve its efficiency and competition capacity in order to maintain its financial viability since membership negotiations of our country are in progress.

Financial Status

In 2007, revenues of PTT from its gross sales increased by 12.2 percent and reached TRY 1 billion; its operating profit increased by 4.5 percent and reached TRY 67 million and its period profit increased by 17 percent and reached TRY 238 million.

The most important cost component is the employment cost for PTT because it is a service company. The employment cost for PTT in 2007 increased by 15.8 percent and reached to TRY 783 million.

86 percent of the current assets of the company are cash or cash equivalent. As a service company, PTT has almost no inventory and sales are mostly made on cash basis. Consequently, there is no considerable balance in the commercial receivables item of the company. In this regard, quick ratios are 2.37 and 1.93 respectively in 2006 and 2007. It is also seen in the negative cash conversion cycle that the company operates on a liquid basis.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	932	1,046	12.2
Cost of Sales	651	178	-72.7
Operating Costs	217	800	269.5
Operating Profit - Loss	64	67	4.5
Financing Costs	1	0	-
Profit – Loss of the Period	203	238	17.1
Balance Sheet			
Current Assets	705	881	24.9
Inventories	17	14	-15.4
Fixed Assets	745	808	8.3
Net Assets	1,451	1,689	16.4
ST Liabilities	272	403	48.0
LT Liabilities	5	4	-0.6
Equities	1,174	1,281	9.1
Ratios			
Current Ratio	2.59	2.19	-15.6
Quick Ratio	2.37	1.93	-18.7
Average Collection Period (Days)	3	1	-52.9
Cash Turnover Cycle (Days)	-85	-300	-
Return on Equity %	12.84	13.51	5.2
Employment			
Total Number of Employees (average)	30,139	29,600	-1.8
Total Employment Cost	676	783	15.8
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			70
Transfers to Budget (Taxes and Other Liabilities)		NA	506
Transfers from Budget (Capital and Duty Loss)			
Other			
Value Added	896	1,040	16.2
Investment Expenditure	17	84	398.1
Primary Surplus	72	8	-88.9
<i>Reference: PTT, Undersecretariat of Treasury and State Planning Organization</i>			

Ratio of total equity in total liabilities was 81 percent in 2006 and it became 76 percent in 2007. Almost all of the liabilities have short term characteristics.

Primary surplus fell down to TRY 8 million from TRY 72 million as PTT paid TRY 70 million dividend to budget in 2007.

6.13. Directorate General of Meat and Fish Board (EBK)

Members of the Board of Directors

- ◆ Hasan Atagün (Chairman and General Director)
- ◆ Ahmet Uçar (Member and Deputy General Director)
- ◆ Muhammet Kaya (Member - Deputy General Director)
- ◆ Abdullah Atilla Metin (Member – Representative of Ministry)
- ◆ Mehmet Halis Bilden (Member – Representative of Ministry)
- ◆ Kemal Madenoğlu (Member – Representative of Treasury)

Related Ministry

Ministry of Agriculture Rural Affairs

Capital Structure

Treasury Share : 100 Percent
Subscribed Capital :TRY 400
Paid – in Capital: TRY 367 million

Web Site

<http://www.ebk.gov.tr>

Meat and Fish Board (EBK) is a state economic enterprise established on 01.01.1952 under the title of “Meat and Fish Board” upon Coordination Council’s Decree no. K / 871 which was approved by the Decree of Council of Ministers no. 3 / 15597 pursuant to Article 6 of National Security Law no. 3780. It commenced its operations on 01.01.1953.

The first slaughterhouse of the Board was opened in Erzurum in 1953. In 1955 the second slaughterhouse was opened in Ankara. In the following years, the number of slaughterhouses became 25. 2 poultry slaughterhouses, 2 meat processing units, 1 fisheries processing unit and 1 cold storage unit were also opened.

EBK was taken in the scope of the privatization by the Decree No. 92 / 3088 dated 20 May, 1992. Most of the premises of the Board was privatized, closed or transferred to various institutions. Beginning from the year 2005, the functions of the Board is carried on with 8 slaughterhouses.

In year 2005, EBK was transferred to Treasury Portfolio and associated to Ministry of Agriculture and Rural Affairs in compliance with Decree of the Privatization High Council No. 2005 / 104 dated 26 August, 2005.

Following the re – establishment under Ministry of Agriculture and Rural Affairs, major changes have been made in the Articles of Association. As its aim of establishment, EBK was considered as an instrument of guidance and support in the meat sector. Although the company is expected to make profit in the sector, it has been given the responsibility of public services such as regulating and supporting the sector and improving livestock of country steadily.

The market share of EBK is about 2 percent by the end of 2007.

Major Developments

By the decision of the Board of Directors, slaughterhouse in Ağrı province was transferred to EBK in 2006 and commenced its operations in June, 2007.

The figures projected to be met in TAR – ET Project commenced in 2006 could not be reached.

Current standards (ISO 9001 Quality Management System and HACCP) propose that Industrial Facilities must be moved to suburban areas since they pollute environment. Therefore, constructions of new slaughterhouses having technical equipment which will minimize operating costs complying with these standards areas were commenced.

Public Procurement Law has eliminated the opportunity of selling meat to public enterprises and institutions by making protocols with them, so all institutions including military units are required to satisfy their meat needs with tender. The Board has troubles in terms of winning these tenders since its employment costs and other costs are higher than costs of private sector.

Average labor cost of the Board was TRY 2,559 / month in 2007 and this amount was higher than the average of private sector. This situation caused the Board to lose its competition capacity.

Financial Status

The Board is a state owned enterprise which has loss continuously. In 2007, its gross sales reached 17 percent and reached TRY 97 million; its operating and period profit decreased in 2007 compared to previous year.

The current ratio, which indicates ability to pay its short term debts, was decreased by 52 percent and fell down to 1.4 in 2007 compared to 2006.

In 2008, collection period of its receivables was 28 days since its commercial receivables have increased, whereas they are 24 days in 2006.

The inventory turnover ratio increased to 3 in 2007 due to the increase in net sales. It was 2.73 in 2006.

The Board's financial obligations were mostly met with the capital injection of TRY 32 million from Treasury. Therefore, proportion of long term debts to equity is observed around zero.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	83.3	97.3	16.8
Cost of Sales	103.2	114.8	11.2
Operating Costs	14.5	13.9	-4.0
Operating Profit - Loss	-34.4	-31.5	-
Financing Costs	0.0	0.0	0.0
Profit – Loss of the Period	-38.6	-34.5	-10.6
Balance Sheet			
Current Assets	22.8	31.8	39.3
Inventories	6.5	20.9	219.6
Fixed Assets	46.8	45.4	-3.0
Net Assets	69.6	77.2	10.9
ST Liabilities	20.1	27.9	38.7
LT Liabilities	0.0	0.0	-25.0
Equities	49.5	49.3	-0.4
Ratios			
Current Ratio	1.14	1.14	0.5
Quick Ratio	0.70	0.36	-49.4
Average Collection Period (Days)	24	28	16.1
Cash Turnover Cycle (Days)	25	31	22.0
Return on Equity %	-73.71	-69.74	-
Employment			
Total Number of Employees (average)	1.060	1.038	-2.1
Total Employment Cost	27.5	35.0	27.5
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)	NA	20.5	
Transfers from Budget (Capital and Duty Loss)	32.5	34.8	7.1
Other			
Value Added	-8.6	2.8	
Investment Expenditure	7.3	0.5	-92.7
Primary Surplus	-9.8	-12.7	-
<i>Reference: EBK, Undersecretariat of Treasury and State Planning Organization</i>			

6.14. Directorate General of Agricultural Enterprises (TIGEM)

Members of the Board of Directors

- ◆ Dr. H. İbrahim Özbayat (Chairman and General Director)
- ◆ Ali Yıldırım (Member and Deputy General Director)
- ◆ Prof. Ekrem Erdem (Member - Representative of Ministry)
- ◆ Dr. Ferhat Şelli (Member – Representative of Ministry)
- ◆ Yalçın Yüksel (Member – Representative of Treasury)

Related Ministry

Ministry of Agriculture Rural Affairs

Capital Structure

Treasury Share : 100 Percent
Subscribed Capital: TRY 400 million
Paid – in Capital : TRY 299 million

Web Site

<http://www.tigem.gov.tr>

State production farms and public owned stud farms had been combined under the name of Directorate General of Agriculture Enterprises (TIGEM) in 1983.

TIGEM had been established as a state economic enterprise in order to provide inputs such as seed, breeding and sapling to producers, and to pioneer in agricultural technology for the purpose of improving diversity and quality crop and livestock production.

Even in the first years of its establishment, TIGEM became a major company in seed and sapling production in the country and has contributed to improvement of livestock sector.

In recent years, private sector companies have made large improvements in vegetable production and poultry. Nevertheless, TIGEM is still the most important actor in the sector, especially in production and distribution of cereal seeds and stallion.

TIGEM has been authorized to join in agricultural partnerships with private companies in line with the Decree of the Supreme Planning Council no. 99T - 46, dated 24 December 1999. 22 agricultural enterprises of TIGEM have been leased to agricultural private companies in accordance with Decree of the Supreme Planning Council no. 2003 / T - 13, dated 4 July 2003.

The market share of TIGEM in wheat and barley seeds market is between 65 to 68 percent.

Major Developments

Leasing and partnership agreements have been implemented in line with Decrees of the Supreme Planning Council. Within this context, 14 agricultural enterprises were transferred to private companies in 2007. After those operations, the number of enterprises has decreased by 36.8 percent, while the arable land decreased only 3.8 percent. No major decrease has been seen in agricultural production. Besides, recommendation was accepted in TBMM (Grand National Assembly of the Republic of Turkey) SOE Superior Commission Meeting, directed to cease leasing process until knowledge about contribution of the leased enterprises to the country economy and solution of problems caused by leasing.

The drought occurred in 2007 worsened financial structure of TİGEM significantly. In 2008, an additional financing need has arose for TİGEM, since production of Ceylanpınar Agricultural Enterprise, which provides 40 percent of annual sales revenue of the enterprise, was not sufficient in 2007.

Seed production of TİGEM decreased by 19 percent compared to 2006 and it fell down to 153 thousand tons.

Certified seed works have been continued and significant improvements have been realized in production of certified seeds.

Applications concerning allocation of agricultural lands of TİGEM to various public enterprises and institutions may cause land and operation integrity to become corrupted.

Although certified seed amount required to be used is 876 thousand tons, it is around 150 - 200 thousand tons. Besides, current capacity of TİGEM in terms of seed production is around 200 thousand tons.

Financial Status

TİGEM used to operate at breakeven until 2007. Nevertheless, sales revenues decreased as a result of the drought in 2007. Its gross sales decreased by 10 percent and fell down to TRY 210 million, operating and period losses were realized as TRY 27 million and Try 22 million respectively.

Capital payments are transferred through the Treasury annually in order to avoid imbalance of income – cost that may occur within year. Due to those transfers, share

of equity in total liabilities has been realized around 90 percent similar to previous years.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	233	210	-10.0
Cost of Sales	165	162	-2.3
Operating Costs	64	76	17.8
Operating Profit - Loss	4	-27	-
Financing Costs	0	0	-76.6
Profit – Loss of the Period	4	-22	-
Balance Sheet			
Current Assets	229	228	-0.3
Inventories	126	150	19.2
Fixed Assets	135	157	16.0
Net Assets	364	385	5.7
ST Liabilities	26	39	48.7
LT Liabilities	2	1	-16.1
Equities	336	344	2.5
Ratios			
Current Ratio	8.65	5.80	-33.0
Quick Ratio	2.62	1.02	-61.0
Average Collection Period (Days)	43	21	-49.7
Cash Turnover Cycle (Days)	301	322	7.2
Return on Equity %	1.42	-6.40	-
Employment			
Total Number of Employees (average)	4.535	4.378	-3.5
Total Employment Cost	122	135	11.5
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)	NA	79.3	
Transfers from Budget (Capital and Duty Loss)	34.5	30.0	13.0
Other			
Value Added	144	132	-8.7
Investment Expenditure	9	11	13.1
Primary Surplus	35	-31	-
<i>Reference: TİGEM, Undersecretariat of Treasury and State Planning Organization</i>			

Quick ratio, which was 2.62 in 2006, fell down to 1.02 in 2007 and inventory turnover ratio, which was 0.32 in 2006, fell down to 2.29 in 2007 due to the increase in liabilities against “sellers”.

The enterprise could not reach the planned sales amounts in 2007. Therefore it had a primary deficit of TRY 31 million in 2007 whereas it had primary surplus in 2006.

6.15. Directorate General of Turkish Grain Board (TMO)

Members of the Board of Directors

- ◆ İsmail Kemaloğlu (Chairman and General Director)
- ◆ Burhanettin Koroğlu (Member and Deputy General Director)
- ◆ Şükrü Yıldız (Member and Deputy General Director)
- ◆ Asst.Prof. Osman Karamustafa (Member-Representative of Ministry)
- ◆ Bekir Ulubaş (Member – Representative of Ministry)
- ◆ Davut Haner (Member – Representative of Treasury)

Related Ministry

Ministry of Agriculture and Rural Affairs

Capital Structure

Treasury Share	: 100 Percent
Subscribed Capital	: TRY 1,460 million
Paid – in Capital	: TRY 961 million

Web Site

<http://www.tmo.gov.tr>

After World War I, the increase in agricultural activities led to an increase in wheat supply and stocks; thus caused the prices to fall. Government found necessary to buy wheat in some areas by a fixed price; and the Ziraat Bank was assigned with this work. Along with increase in the wheat production, these works were carried out by the Chief of Wheat Branch in the Ziraat Bank. While these operations were realized by Ziraat Bank, Turkish Grain Board has been established as a state economic enterprise pursuant to the Law No. 3491 dated 1938, in order to operate only on this issue. The enterprise has gained its current legal status after publication of Decree Law no. 233, dated 1984. It exercises its activities within the frame of its Articles of Association which has entered into effect after being published in Official Gazette no. 18602 and dated 11.12.1984.

The enterprise is responsible for avoiding increase of prices above normal levels and decrease of prices under normal level, taking precautions regulating market of these products, exercising the tasks to be assigned by Decree of Council of Ministers concerning other agricultural products different from cereals and operating state monopoly on opium and narcotics.

Since 2002, the activities of TMO in the wheat market have radically changed. Before 2002, TMO used to purchase wheat based on the prices determined by Decrees of Council of Ministers. After 2002, TMO started purchasing wheat based on the prices determined by the Board of Directors for the purpose of regulating the market.

In 2006, with another major change in its Articles of Association, TMO became responsible for regulating all agricultural products when authorized by a Decree of Council of Ministers. Within this framework, the enterprise, which was given the

responsibility of purchasing hazelnuts in accordance with the Decree of Council of Ministers No. 2006 / 10865, has been given the responsibility of purchasing 76,146 tons of hazelnut from Fiskobirlik stocks, pursuant to the Decree of Council of Ministers dated 28 August 2006, No. 2006 / 10865.

Until 2006, Decrees of Council of Ministers on cereal purchases used to be published annually. After the Decree no. 2006 / 10506 on Purchase and Sale of Cereal issued by the Council of Ministers on 29.05.2006, TMO was authorized to purchase cereal every year without an additional Decree of Council of Ministers.

Since TMO is a regulatory body in cereal market, its share in wheat markets varies annually. In 2007, total purchase of TMO was 1 percent of total cereal production as a result of the drought occurred in whole country.

Major Developments

On June 7, 2007, TMO declared the price of Anatolian Hard Red Wheat as 42.5 New Kuruş / Kg with an increase of 13.3 percent compared to previous year.

In 2007 / 08 campaign TMO purchased 122 thousand tons of wheat, 2.7 thousand tons of barley and 124 thousand tons cereal.

In 2007, wheat harvest was approximately 17.5 million tons and harvest in barley was 7.3 million tons. Thus, the share of TMO in purchases was 1 percent on wheat, and below 1 percent on barley. It should also be noted that, farmers keep some of the wheat harvest for their own consumption and seeding and sold approximately 65 percent of the total production and cereal merchants intervene in the market radically due to insufficient amount of cereal in the market.

In 2007, TMO purchased 76 thousand tons of hazelnut from Fiskobirlik stocks by paying TRY 247 million in addition to 94.3 thousand tons of hazelnut purchased by paying TRY 453.7 million on its behalf.

Domestic sales of TMO amounted to 1.2 million tons in 2007. Cereal amount sold to flour and bakery exporters was 140 thousand tons. In this respect, proportion of domestic sales in total sales (1.4 million tons) was 86 percent (Table 15).

TMO acts profit oriented in domestic sales. However, export activities realized for the purpose of eliminating excess stocks and cereal sales to bakery exporters constitutes duty losses.

Table 14: TMO Purchasing Data (Selected Products)		2005	2006	2007
Wheat	Amount (Thousand Tons)	4,320	1,457	122
	Cost (TRY million)	1,432	509	50
	Cost Per Unit (TRY / Ton)	332	350	417
Barley	Amount (Thousand Tons)	799	725	2.7
	Cost (TRY million)	200	187	8.5
	Cost Per Unit (TRY / Ton)	250	258	309
Maize	Amount (Thousand Tons)	651	14	0
	Cost (TRY million)	157	3	0
	Cost Per Unit (TRY / Ton)	242	226	0
Hazelnut	Amount (Thousand Tons)		162	170
	Cost (TRY million)		585	711
	Cost Per Unit (TRY / Ton)		3,611	4,388

Reference: TMO

When it is considered that the average cost of cereal sale was TRY 480 / Ton in 2007, it is seen that a loss of approximately TRY 260 / Ton has been realized in cereal export since the sales were made with a price of TRY 220 / Ton. Sales made to bakery exporters have realized in the same way.

Table 15: TMO Sales Data (Selected Products)		2005	2006	2007
Wheat	Amount (Thousand Tons)	3,438	3,710	1.003
	Proceeds (TRY million)	690	856	364
	Average Sale Price (TRY / Ton)	201	231	400
Barley	Amount (Thousand Tons)	292	632	383
	Proceeds (TRY million)	53	150	110
	Average Sale Price (TRY / Ton)	182	237	350
Maize	Amount (Thousand Tons)	398	699	290
	Proceeds (TRY million)	100	178	77
	Average Sale Price (TRY / Ton)	251	255	260

Reference: TMO

Purchasing more than programmed quantity increases financial needs of TMO, thus cereal purchases are sometimes financed with foreign loans. When purchases are over the program, excess stocks are tried to be transferred to export and / or sold to flour and bakery exporters after their export.

In 2007, the tasks assigned to the enterprise for purchasing the hazelnut in both Fiskobirlik stocks and excess supply have constituted an important factor which

increases financing need of TMO. The enterprise was forced to use foreign loans at large amounts in order to provide finance for the mentioned purchases.

Financial Status

As it is mentioned above, the drought in 2007 has a significant effect on sales and costs and gross sales of the enterprise fell down to TRY 892 million and operating profit of it fell down to TRY 8 million.

In 2007, it can be seen that there is an advance in quick ratio, which indicates ability to cover short term liabilities. At the same time, long term liabilities of TMO increased by 28 percent and reached TRY 2.35 billion. In this respect, it can be seen that there is an increase in long term liabilities of the enterprise whereas there is a decrease in short term liabilities.

Inventory turnover rate, which was 0.33 in 2006, fell down to 0.14 in 2007 since the enterprise could not sell the hazelnut purchased in 2006 and 2007 and its total stocks increased in total.

It was programmed for the enterprise to purchase 2 million tons of wheat in 2007 and its purchase amount was limited to 124 thousand tons and thus, its primary surplus was affected positively. Although there was not any hazelnut purchase in 2007 Program of the enterprise, it purchased 162 thousand tons of hazelnut in 2007. Therefore its primary surplus was affected negatively and this situation eliminated the positive effect provided by low cereal purchases and caused a primary surplus of TRY 141 million in 2007.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	2,164	892	-58.8
Cost of Sales	1,951	803	-58.8
Operating Costs	94	80	-15.0
Operating Profit - Loss	118	8	-93.1
Financing Costs	15	0	-
Profit – Loss of the Period	17	14	-18.4
Balance Sheet			
Current Assets	3,566	3,870	8.5
Inventories	1,359	1,528	12.4
Fixed Assets	901	873	-3.1
Net Assets	4,466	4,743	6.2
ST Liabilities	721	467	-35.1
LT Liabilities	1,833	2,350	28.2
Equities	1,913	1,926	0.7
Ratios			
Current Ratio	4.95	8.28	67.3
Quick Ratio	0.50	0.71	43.3
Average Collection Period (Days)	25	7	-72.4
Cash Turnover Cycle (Days)	302	683	125.9
Return on Equity %	0.63	0.54	-14.1
Employment			
Total Number of Employees (average)	3,675	3,521	-4.2
Total Employment Cost	93	102	9.8
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)	NA	67.8	
Transfers from Budget (Capital and Duty Loss)	166	152	-8.4
Other			
Value Added	165	159	-3.9
Investment Expenditure	7	13	67.7
Primary Surplus	-271	-141	-
<i>Reference: TMO, Undersecretariat of Treasury and State Planning Organization</i>			

6.16. Directorate General of Tea Enterprises (ÇAYKUR)

Members of the Board of Directors

- ◆ Ekrem Yüce (Chairman and General Director)
- ◆ Osman Keser (Member and Deputy General Director)
- ◆ Yunus Kaldırım (Member and Deputy General Director)
- ◆ Erdal Celal Sumaytaoğlu (Member – Representative of Ministry)
- ◆ Vacant (Member – Representative of Ministry)
- ◆ Vacant (Member – Representative of Treasury)

Related Ministry

Ministry of Agriculture Rural Affairs

Capital Structure

Treasury Share : 100 Percent
Subscribed Capital: TRY 469 million
Paid – in Capital : TRY 495 million

Web Site

<http://www.caykur.gov.tr>

Tea Enterprise (ÇAYKUR) was established as a state owned enterprise with the Tea Law, No.1497, dated 6 December 1971. Duties given to state monopoly (TEKEL) on tea leaf purchase, process and tea marketing had been transferred to CAYKUR. After the Decree No.112, dated 10 October 1983, CAYKUR has been changed into a public economic institution.

With the new Tea Law dated 04 December 1984, state monopoly on tea was removed and it was stated that natural and legal persons could establish and operate tea leaf processing and packaging factories and purchase tea leaf directly from producers. The enterprise was turned into a state economic enterprise by the Law no. 4046 in 1994.

The fundamental purpose of the state to establish ÇAYKUR is to improve the tea agriculture and the quality of tea leaf and to produce and sell tea. ÇAYKUR, operating with 46 factories and 16,500 personnel, has a market share of 60 percent in the tea market of our country.

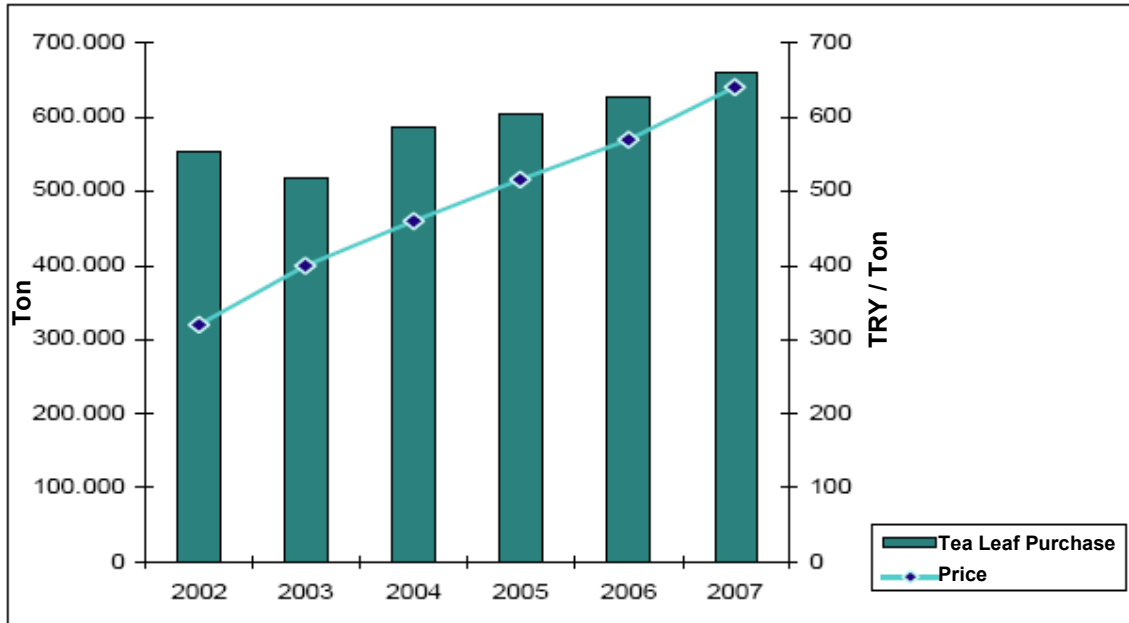
Approximately 2 / 3 of tea leaf purchases by CAYKUR are realized in Rize, and the remaining is in Trabzon, Artvin, and Giresun and Ordu provinces.

In addition to its activities of purchasing tea leaf and producing tea, ÇAYKUR carries out some applications concerning compensation of income loss affecting producers due to tea farms subjected to pruning in order to rehabilitate tea gardens and provide quality in tea production. These operations are carried out in coordination with the Ministry of Agriculture and Rural Affairs.

Major Developments

ÇAYKUR increased tea leaf purchase price by 12.3 percent compared to previous year and declared it as TRY 640 / Ton on 16.05.2007, and made 658,000 tons of tea leaf purchase in 2007.

Graphic 5: Tea Leaf Purchase Data



Tea leaf sales amount of ÇAYKUR realized as 116,324 tons by decreasing 710 tons compared to 2006. Sales revenues in 2007 increased by 9.04 percent compared to previous year and reached TRY 816.6 million. Similar to 2006, market share of the enterprise was around 60 percent in 2007.

Since realization of sales revenues intensify within the year and purchases are made in specific times of the year, the enterprise can have financial problems from time to time.

ÇAYKUR produced 70 tons of green tea in 2007. It plans to produce green tea in the following years due to increasing demand for green tea.

The enterprise conducted contracts with producers for organic tea production for the first time in 2007 and establishment of a tea workshop having a capacity of 100 Tons / day is about to finish.

Tea farms, which got old and lost efficiency, are needed to be rehabilitated within a rehabilitation program. In this context, ÇAYKUR and the Ministry of Agriculture and Rural Affairs have commenced a project for rehabilitating tea farms that completed their economic life.

Financial Status

Gross sales of the enterprise increased by 9 percent and reached TRY 816 million. Period profit fell down to TRY 10 million since tea leaf purchase prices are high and temporary employees are transferred to permanent status.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	748	816	9.0
Cost of Sales	640	711	11.0
Operating Costs	67	81	20.6
Operating Profit - Loss	40	24	-40.6
Financing Costs	0	1	-
Profit – Loss of the Period	32	10	-70.0
Balance Sheet			
Current Assets	401	560	39.6
Inventories	341	403	18.1
Fixed Assets	126	122	-3.2
Net Assets	527	682	29.4
ST Liabilities	21	167	695.8
LT Liabilities	32	32	-0.9
Equities	474	484	2.0
Ratios			
Current Ratio	19.16	3.36	-82.5
Quick Ratio	2.12	0.89	-58.2
Average Collection Period (Days)	8	55	586.2
Cash Turnover Cycle (Days)	192	219	13.8
Return on Equity %	7.05	2.02	-71.3
Employment			
Total Number of Employees (average)	8,236	9,027	9.6
Total Employment Cost	222	252	13.4
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)		NA	136
Transfers from Budget (Capital and Duty Loss)			
Other			
Value Added	265	276	4.1
Investment Expenditure	15	6	-61.9
Primary Surplus	-12	-53	-
<i>Reference: ÇAYKUR, Undersecretariat of Treasury and State Planning Organization</i>			

ÇAYKUR's capital structure solidified after the transfers made in years 2003 and 2004. Besides, for the last years, distributable profit of the enterprise is left in its body.

Current ratio, which indicates capacity of the enterprise in terms of paying its short term liabilities, was 3.3 in 2007. The enterprise has no risk of inability to pay its short term liabilities. However, the increase in its short term liabilities caused its current ratio to decrease significantly compared to previous year.

In 2007, equity rate of return, which indicates profitability of the equity, decreased by 2 percent compared to previous year. Cash purchase discounts applied for retailers caused the sales to be done via cash and therefore collection period realized as 8 days in 2006. However, the increase in credit sales caused the collection period to reach 55 days in 2007. Inventory turnover rate was 0.48 in 2007 whereas it was 0.49 in 2006.

The decrease in period profit affected primary surplus negatively and the primary surplus, which was TRY 12 million in 2006, became TRY 53 million in 2007.

6.17. Directorate General of State Supply Office (DMO)

Members of the Board of Directors

- ◆ H. Abdullah Kaya (Chairman and General Director)
- ◆ Murat Şenal (Member and Deputy General Director)
- ◆ Vacant (Member and Deputy General Director)
- ◆ Erdoğan Süleymaniye (Member – Representative of Ministry)
- ◆ Mehmet Kilci (Member – Representative of Ministry)
- ◆ Jale Ü. Aygül (Member – Representative of Treasury)

Related Ministry

Ministry of Finance

Capital Structure

Treasury Share : 100 Percent
Subscribed Capital: TRY 26 million
Paid – in Capital : TRY 26 million

Web Site

<http://www.dmo.gov.tr>

Savings provided by satisfying paper, carton, stationery, office machinery and similar material needs of the state centrally, collectively and at reasonable prices required to organize Directorate General of State Paper and Publication Works as a more independent enterprise. State Supply Office was established as a state economic enterprise having a capital of TRY 100 million by the Law no. 6400, dated 11.03.1954 on “Establishing State Supply Office”. It is an autonomous enterprise subject to the Ministry of Finance, has legal entity and not subject to Public Procurement Law and Audit of Court of Accounts.

The Law no. 2929 on state owned enterprises, which was put into effect in 1983, abolished the Decree Law No. 121 on “Establishment of State Supply Office” and the Law no. 6400. Then, the legal framework of SOEs has been rearranged with the Decree Law no. 233 issued on 08.06.1984. “Articles of Association” of State Supply Office was prepared in accordance with the Decree Law No. 233 that entered into force. However, in 2007, new Articles of Association was prepared for State Supply Office and it became effective after being published on Official Gazette dated 04.05.2007. Previous Articles of Association have been abolished by Article 35 of the new one.

The enterprise is a state economic enterprise subject to the Decree Law No. 233 which acts with its 7 regional directorates, 4 communication offices and a publication operation directorate as central procurement unit.

The purpose of the enterprise is to supply paper, carton, stationery, office machinery and motor vehicle needs of,

- ◆ Administrations having general or special budget (subject to Law No.5018),
- ◆ Municipalities,
- ◆ SOEs,
- ◆ Enterprises, Funds, Institutions, Offices and banks having legal entity and established by special law; partnerships in which the state capital ownership ratio is more than 50 percent; foundations that work for public benefit,
- ◆ Occupational enterprises which have Public Institution characteristics and legal entity,
- ◆ Foundations
- ◆ Agricultural sales and agricultural credit cooperatives established pursuant to special laws.

Major Developments

State Supply Office, one of the profitable SOEs, continued to pay dividend and treasury levy in the financial year of 2007. In this regard, State Supply Office paid TRY 30 million of dividend and TRY 17.4 million of treasury levy in 2007.

As the enterprise is not subject to public procurement law for its sales to government institutions, it is attractive for them. Transportation vehicles sales constituted a large part of the proceeds of the Office in 2007 as it was the case in the previous year.

On the other hand, stationery, office materials and vehicle purchased of public institutions have ceased as from 01.09.2007 in accordance with 2007 central management budget implementation circular containing Economizing Measures of the Ministry of Finance. This caused sales revenues of the enterprise to shrink. While the revenue obtained from sale of transport vehicles grew by 64 percent in 2006, this revenue decreased by 40 percent in 2007. When it is considered that clients' demand for transportation vehicles increases at the end of the year, it can be better realized how economizing measures affect the sale of transportation vehicles.

In addition to these, the revenue obtained from sale of office machinery and utensils decreased by 8 percent and the revenue obtained from sale of products such as paper, carton and cardboard decreased by 22 percent.

Table 16: Information on Sale Revenues of the State Supply Office (TRY million)

Important Sales Figures	2005	2006	2007
Transportation Vehicles	239	392	235
Fixtures and Other Equipment	220	190	180
Office Machinery and Tools	132	102	94
Paper and Carton	56	46	36
Stationery Materials	27	25	28

Reference: State Supply Office

Financial Status

Operating profit of the enterprise decreased by 32 percent compared to previous year and fell down to TRY 28 million due to the decrease in sales revenues and its period profit realized as TRY 73 million. Since the revenue of the enterprise varies parallel to cost of sales by years, there is not any significant change in the profit margin. In this respect, ratio of period profit to gross sales realized as 8 percent and 10 percent in previous two years respectively.

Since sales of the enterprise realize based on cash, its assets consist of liquid assets and securities mostly. Current ratio was 1.73 in 2006 and 2.04 in 2007. Quick ratio realized as 1.13 in 2006 and 1.51 in 2007.

Although there is a decrease in proceeds of the enterprise due to the abovementioned circular, any decrease in liquid assets was not observed. Therefore, interest revenues increased by 2 percent in 2007 compared to the previous year and reached TRY 32 million. This is the most important reason of the difference between the increase in operating profit and the increase in period profit.

A significant decrease was realized in commercial receivables figure because a large part of the proceeds was in cash in the period of 2005 – 2007. Thus, the collection period of receivables, which was 10 days in 2005 and 2 days in 2006, realized as 1 day in 2007.

The enterprise had a primary surplus of TRY 25 million by decreasing its inventories by 34 percent compared to 2006 in which it had primary deficit.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	917	728	-20.6
Cost of Sales	815	637	-21.7
Operating Costs	43	45	6.4
Operating Profit - Loss	41	28	-31.6
Financing Costs	0	0	-
Profit – Loss of the Period	79	73	-7.5
Balance Sheet			
Current Assets	365	345	-5.4
Inventories	92	60	-33.9
Fixed Assets	76	73	-3.3
Net Assets	441	418	-5.1
ST Liabilities	211	169	-19.7
LT Liabilities	47	9	-80.5
Equities	183	240	31.0
Ratios			
Current Ratio	1.73	2.04	17.8
Quick Ratio	1.13	1.51	33.7
Average Collection Period (Days)	2	1	-35.2
Cash Turnover Cycle (Days)	-46	-28	-
Return on Equity %	38.81	27.96	-27.9
Employment			
Total Number of Employees (average)	1,023	990	-3.2
Total Employment Cost	25	27	4.2
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)	41.6	47.5	14.2
Transfers to Budget (Taxes and Other Liabilities)	NA	85.2	
Transfers from Budget (Capital and Duty Loss)			
Other			
Value Added	108	103	-4.7
Investment Expenditure	1	3	135.5
Primary Surplus	-17	25	-
<i>Reference State Supply Office, Undersecretariat of Treasury and State Planning Organization</i>			

6.18. Directorate General of Mechanical and Chemical Industry Corporation (MKEK)

Members of the Board of Directors

- ◆ Ünal Önsipahioğlu (Chairman and General Director)
- ◆ Vacant (Member and Deputy General Director)
- ◆ Vacant (Member and Deputy General Director)
- ◆ Major General Zafer Çamlıca (Member – Representative of Ministry)
- ◆ Dr.Eng.Colonel Nevzat Kılınç (Member – Representative of Ministry)
- ◆ Berrin Bingöl (Member – Representative of Treasury)

Related Ministry

Ministry of National Defense

Capital Structure

Treasury Share : 100 Percent
 Subscribed Capital: TRY 400 million
 Paid – in Capital : TRY 270 million

Web Site

<http://www.mkek.gov.tr>

In order to adapt to the new world order after the World War II and to meet the requirements of NATO membership, The Directorate General of Military Factories was reorganized in 1950 under the name of The Mechanical and Chemical Industry Institution (MKE), a legal entity whose capital is fully paid by the state, under the Law No. 5591, for the purpose of using the existing capacity more effectively and efficiently. It still operates as a state economic enterprise within the scope of the Decree Law no. 233.

Main responsibility of the corporation is to supply all kinds of weapon, ammunition, rocket and war equipment for Turkish Armed Forces.

Some modifications have been made in the organization of MKEK parallel to the developments in Turkish industry and economy. The corporation exercises its activities with approximately 6,000 employees working in ten factories and one exploitation management.

Major Developments

The most important problem of the corporation is market – demand inadequacy. Domestic orders of the corporation fluctuate by periods and they do not improve in a stable and increasing way. Due to limitations on exports, the corporation cannot benefit from foreign market demand sufficiently. As a result, the capacity cannot be utilized efficiently, but strategic production lines cannot be stopped either. This situation hampers reaching a balanced financial status.

While the corporation was covering its financing problems by short term commercial bank loans until 2002, it used a total of € 140 million of loan from Defense Industry Support Fund before 2006. The enterprise had no interest liability and it began to pay this loan as from 2007. The corporation has no liability to pay any commercial bank loan other than its liability against Defense Industry Support Fund.

Financial Status

2007 was good for the corporation. Revenues from its gross sales increased by 28 percent and reached TRY 518 million, its operating profit increased by 36 percent and reached TRY 89 million and its period profit reached TRY 72 million in 2007. Its equity efficiency was 18.5 percent in 2007, whereas it was negative in 2006.

A large part of long term liabilities of the corporation consists of liabilities to the Undersecretariat of Defense Industry. Since there is not interest payment for these liabilities, interest expenditures of the corporation are low although it uses external resources in large amounts.

In order to satisfy its financing requirements, the Undersecretariat of Treasury made capital transfers of TRY 15 million in 2005, TRY 25 million in 2006 and TRY 40 million in 2007.

The ratio of employment costs in total costs decreased to 48 percent from 57 percent because the corporation had decreased its number of employees by 4 percent.

The value added by the corporation increased by 51 percent and primary surplus amount increased by TRY 113 million in 2007.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	404	518	28,3
Cost of Sales	239	315	32,0
Operating Costs	95	109	13,8
Operating Profit - Loss	66	89	36,5
Financing Costs	14	2	-85,9
Profit – Loss of the Period	-31	72	-
Balance Sheet			
Current Assets	281	376	34,0
Inventories	207	220	6,1
Fixed Assets	534	511	4,4
Net Assets	815	887	8,9
ST Liabilities	151	183	21,2
LT Liabilities	329	257	-21,9
Equities	335	447	33,4
Ratios			
Current Ratio	1,86	2,05	10,6
Quick Ratio	0,40	0,79	96,5
Average Collection Period (Days)	28	19	-32,6
Cash Turnover Cycle (Days)	271	214	-21,0
Return on Equity %	-9,01	18,49	-
Employment			
Total Number of Employees (average)	6.150	5.901	-4,0
Total Employment Cost	189	205	8,9
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)	NA	78,9	
Transfers to Budget (Taxes and Other Liabilities)	24,7	39,7	60,7
Transfers from Budget (Capital and Duty Loss)			
Other			
Value Added	205	311	51,3
Investment Expenditure	23	12	-46,9
Primary Surplus	13	126	849,9
<i>Reference: MKEK, Undersecretariat of Treasury and State Planning Organization</i>			

6.19. Turkish Electro Mechanics Industry Co. (TEMSAN)

Members of the Board of Directors

- ◆ Osman Kadakal (Chairman and General Director)
- ◆ Vacant (Member and Deputy General Director)
- ◆ Vacant (Member and Deputy General Director)
- ◆ Na (Member – Representative of Ministry)
- ◆ Sefer Bakır (Member – Representative of Ministry)
- ◆ Hulusi Erdoğan (Member – Representative of Treasury)

Related Ministry

Ministry of Energy and Natural Resources

Capital Structure

Treasury Share : 99.99 Percent
 Subscribed Capital: TRY 10 million
 Paid – in Capital : TRY 10 million

Web Site

<http://www.temsan.gov.tr>

Turkish Electro mechanics Industry Corporation (TEMSAN) was established by Decree of Council of Ministers dated 13.11.1975 and dated 7 / 10907 according to Articles 4 and 5 of the Law no.440, dated 12.03.1964. It became a legal entity after publication of its Articles of Association on Official Gazette dated 16.02.1977.

At first, the corporation was an affiliate of Turkish Electricity Institution (TEK) pursuant to the Decree Law dated no. 60. After reorganization of TEK as two separate state owned enterprises as Turkish Electricity Production – Transmission Corporation (TEAŞ) and Turkish Electricity Distribution Corporation (TEDAŞ), it became affiliate of TEAŞ by the Decree dated 18.05.1994 issued by the Supreme Planning Council on 18.05.1994.

After TEAŞ separated as three state economic enterprises having titles of Turkish Electricity Transmission Company (TEİAŞ), Turkish Electricity Production Corporation (EÜAŞ) and Turkish Electricity Trading and Contracting Incorporated Company (TETAŞ) by the Decree no. 2001 / 2026 issued by the Council of ministers on 05.02.2001, it became an affiliate of EÜAŞ.

The status of corporation as affiliate of EÜAŞ has ended by the Decree no. 2007 / 12106 issued by the Council of Ministers issued on 14.05.2007 and it has been restructured as a state owned enterprise.

Aim and activities of TEMSAN consist of establishing hydroelectricity plants by making investments, production and assembly works concerning water turbines, turbo and hydro – generators, power transformers, electricity production and switch

equipments used in electricity production and distribution, rehabilitating these plants and engaging in commercial activities in order to commence operations of them.

Major Developments

In 2007, total sales of the corporation consisted of service sales at the rate of 61 percent and sales of cutter, separator, machinery equipment and other miscellaneous commercial goods at the rate of 39 percent. 38 percent of its cost was raw material expenditures, 35 percent was personnel costs and 12 percent was imported operating materials.

The corporation currently continues its production and assembly operations in Muş - Alparslan I, Aydın – Çine, K. Maaş – Kılavuzlu, Balıkesir – Manyas and Ordu – Topçam hydroelectricity plants. These plants have installed capacity of 354 MW.

Financial Status

The corporation closed 2007 with a loss of TRY 6.2 million whereas it had a period profit of TRY 98 thousand in 2006. This change was caused by 95 percent increase in raw material costs of the corporation compared to previous year. Besides, interest payments made by the corporation concerning the loans used in 2007 have affected profitability negatively.

There was an increase in personnel costs of the corporation compared to the previous year, thus the increase in personnel number remained limited. Investment expenditures increased 48 percent compared to previous year and reached TRY 663 thousand.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	29	33	13.1
Cost of Sales	21	30	43.5
Operating Costs	8	8	0.9
Operating Profit - Loss	1	-4	-
Financing Costs	0	2	533.1
Profit – Loss of the Period	0	-6	-
Balance Sheet			
Current Assets	27	19	-28.9
Inventories	7	12	67.8
Fixed Assets	24	24	1.1
Net Assets	50	43	-14.8
ST Liabilities	24	20	-16.5
LT Liabilities	4	6	80.7
Equities	23	16	-28.0
Ratios			
Current Ratio	1.11	0.94	-14.8
Quick Ratio	0.33	0.27	-18.5
Average Collection Period (Days)	79	55	-30.7
Cash Turnover Cycle (Days)	104	114	8.9
Return on Equity %	0.44	-31.83	-
Employment			
Total Number of Employees (average)	426	390	-8.5
Total Employment Cost	13	13	4.4
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)	NA	7.4	
Transfers from Budget (Capital and Duty Loss)			
Other			
Value Added	13	9	-33.1
Investment Expenditure	0	1	47.7
Primary Surplus	-1	-10	-
<i>Reference: TEMSAN, Undersecretariat of Treasury and State Planning Organization</i>			

Chapter 7: Privatization Portfolio

The applications started in 1984 concerning transfer of unfinished facilities of the state to private sector in order to complete them or establish newer ones have gained acceleration with the Law no. 4046 on Privatization Applications.

The SOEs proposed to be privatized are transferred to the portfolio of the Privatization Administration (PA) from the portfolio of the Treasury by Decrees of Privatization High Council and PA exercises the state ownership rights after then. Privatization procedure is completed by transforming SOEs into corporation, division and by making capital transfers concerning privatization when necessary. For portfolio transfer, all rights regarding ownership rights are transferred to PA; the Treasury monitors financial data of the enterprises therein, like the SOEs in its own portfolio, includes them in the calculations within the context of investment and finance program and report them.

There are many enterprises, which act in many sectors from maritime sector to mining sector, from transportation sector to energy sector, within the portfolio of the PA.

By the end of 2007, there are 11 enterprises within the portfolio of the Privatization Administration in which public share is more than 50 percent and their performances for 2007 are summarized after providing general information about them.

When performances of these enterprises are introduced, their financial positions are presented regarding the relevant year after summarizing major developments and providing selected indicators.

Detailed information concerning these enterprises can be obtained from their web sites or annual reports.

7.1. Turkey Sugar Factories Co. (TŞFAŞ)

Members of the Board of Directors

- ◆ Mehmet Azmi Aksu (Chairman and General Director)
- ◆ Hasan Alkan (Deputy General Director)
- ◆ Dr. Selim Yücel (Deputy General Director)
- ◆ Celalettin Okcu (Member)
- ◆ Abdullah Şener (Member)
- ◆ Hayri Baraçlı (Member)

Related Ministry

The Minister whom PA is affiliated to

Capital Structure

Treasury Share : 99 Percent
Subscribed Capital: TRY 1.60 billion
Paid – in Capital : TRY 1.54 billion

Web Site

<http://www.turkseker.gov.tr>

Referring to the decree No. 2850 on Turkey Sugar Factories Corporation issued by the Council of Ministers, it was established to produce and market sugar from sugar beet. Then, new sugar factories were established and joined and the company became a state economic enterprise with issue of Decree Law No. 233.

Among 33 factories producing sugar from sugar beet, 25 of them still belong to the Turkey Sugar Factories Corporation; basically having the aim and operating issues of the company to produce and sell all types of sugar, the company performs its activities within the framework of the principle of profitability and productivity in order to not only cover the demands of both domestic and foreign market, but also to carry out its activities in accordance with commercial, economic, and social needs and also to develop the industry which the company operates in.

Among the activities of the company, acting as an establisher and an executer on sugar production and increasing the value of the subsidiary products in the framework of development and annual plans, fixation of the policies of production, sale, investment, import and export, making master plans on these fields or having them planned and performing these works in accordance with the principle of profitability and productivity might be listed.

The company, carrying out support purchases of sugar beet on the price fixed by the Council of Ministers before 2002, started charging purchase and marketing price fixed by the Board of Directors, according to the Sugar Law No. 4634 which entered in force in 2001.

In the framework of Sugar Law, it is aimed to perform the production of the sugar in

accordance with the domestic demand through the decision to discontinue the support purchases. The duty losses occurring due to the sugar export are proposed to happen on the minimum level through purchasing the surplus sugar at a lower price.

With the decree dated 24.04.2003 following the Sugar Law, Board of Directors of the Company was entitled to take all measures including those of export on the condition that TŞFAŞ finances the prospective deficiencies assuring the diminishing of the available sugar inventories of TŞFAŞ. Including the Decree of the Council of Ministers No. 2005 / 8705; the Decrees of the Council of Ministers No. 91 / 2518 and 93 / 4196 on sugar export and fixation of the sugar prices and the other Decree of the Council of Ministers No. 92 / 3114 on sugar selling to the manufacturer - exporter manufacturing products to the export which contains sugar within itself through using the world exchange market prices as base were abrogated; accordingly, all laws and regulations enabling the company to acquit duty losses on account of the sugar sale were abrogated.

Under the decision of the Sugar Board dated 12th December and numbered 135 / 1, it was adopted to perform the sugar sale to the manufacturer-exporters at a lower price in line with separate law and regulations by means of removing it from the scope of the inward processing regime. Through this implementation, manufacturer - exporters' sugar import permits which are covered by country sources and world price begun to be delivered after the export of the sugar product instead of before the export. Thus, probable misconducts like marketing of this cheap sugar in the domestic market were hampered.

With a view to assuring the fulfilling of the decision of suspension of execution by The Administrative Board of The Court of Appeals on 05.04.2007 no. 2007 / 87 about sugar factories of Bor, Ereğli, and Iğın taken over by Sümer Holding Corporation by being included in the privatization program under Decree of the Privatization High Council dated 01.12.2005, the respective factories were transferred again to the TŞFAŞ under the decision of Privatization High Council dated 18.09.2007.

Company was included in the privatization program under Decree of the Privatization High Council dated 08.10.2007. Under the respective decision of Privatization High Council, it was decided to privatize the factory, business and the other assets belonging to the TŞFAŞ by means of the sale method; if the factory, business and the other assets are privatized one-by-one or as a group, it was decided that this method shall be completed as sale of asset; if the factory, business and the other assets are privatized by founding a corporation of one or a group, the respective

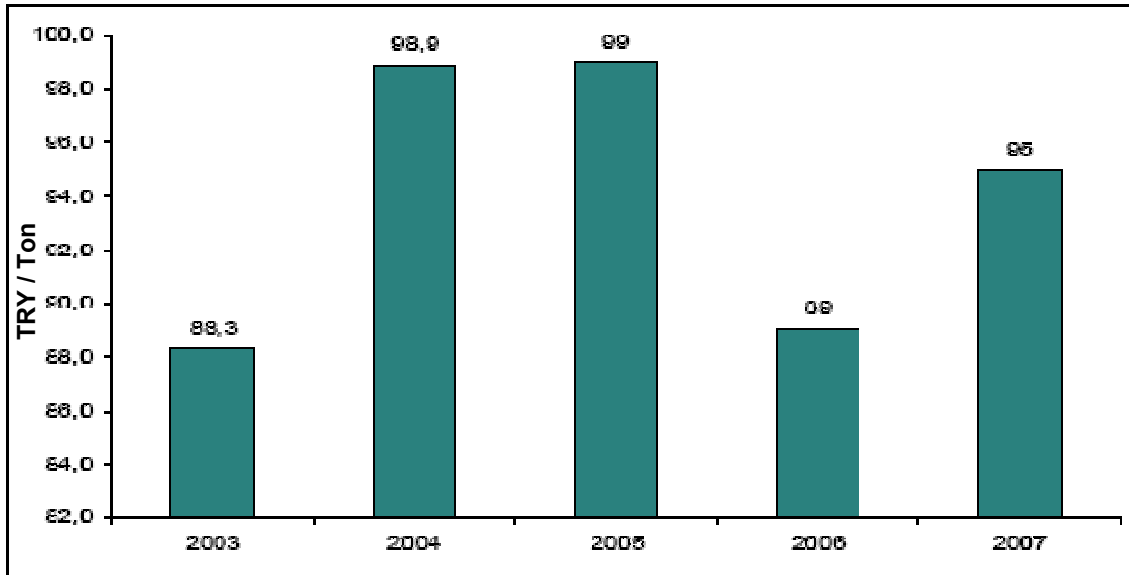
method shall be performed as sale of shares and all the privatization transactions shall be completed within 24 months.

The market share of the company has a level of 55 – 60 percent.

Major Developments

A decision on the base purchase price of 2007 product, net 1 tone - quota A -sugar beet containing 16 percent of polar sugar was adopted to be implemented as TRY 95 with an increase of 6.74 percent in comparison to the previous year; average purchase price was performed as TRY 102 (Quota A). Here are the prices of the beet of the last five years.

Graphic 6: Sugar Beet Purchase Prices



Because of the severe drought throughout the country, there have been significant declines of the water sources in 2007, some of the sources have even been dried up completely. As a result of this, like other agricultural products, there have been considerable decreases in the productivity of the sugar beet and there has been a crop of 12,000,000 tons by a 10 percent decrease in comparison with the previous harvest year throughout the country. The crop of the TŞFAŞ in 2007 was approximately 6,880,000 tons.

The company made commitment connections with 174.893 producers in response to the 9.15 million tons of sugar beet business program including the sugar factories of

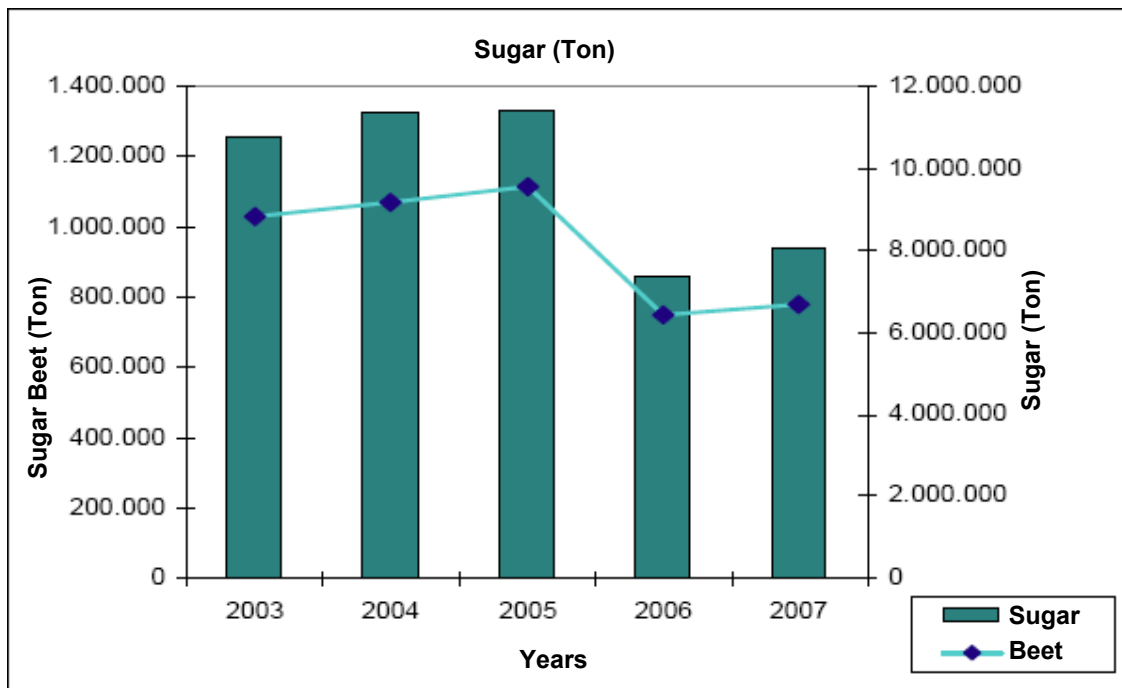
Bor, Ereğli and Iğın taken over from Sümer Holding Corporation in 2007.

Processing 6.7 million tons of sugar beet in the period of purchase in 2007 - 2008, TŞFAŞ performed 937.8 thousand tons of sugar productions. Below is shown the sugar beet purchase amounts and the quantity of sugar production in the last five years.

The amount of the total sales of the company was about 937.000 tons by 24 percent decrease in comparison with the previous year with the exception of the export of the year 2007, 132.000 tons of which included the sales which were performed under inward processing regime and the allotment voucher. The 25.000 tons of sales were performed to the exporter firms on the purpose of export in 2007 as addition to the outstanding connection balance from 2006. Also, the company exported to the Autonomous Republic of Nakhchivan.

For a long time, TŞFAŞ faced with inventory problem stemming from the production surpassing the total demand. This problem has been tried to overcome both by means of the implementations which may cause the periodical duty losses and/or company losses in addition to the sales performed in accordance with the export and inward processing regime and also by means of taking domestic sale building measures.

Graphic 7: Data concerning Sugar Beet Purchased and Sugar Produced



Although the arrangements were made towards enabling production to meet the domestic demand under the Sugar Law, the inventory problem coming from the previous periods still continued. The results of the taken measures started to be seen in 2007, the inventory level of TŞFAŞ was leveled down to the minimum level, and there is no longer any inventory problem.

Although the established sugar production capacity in Turkey meets the 2 million tons of annual sugar production of country, production capacity has been increased to the approximately 3.2 million tone level thanks to the newly-founded sugar-factories. In this respect, the idle capacity problem of the sector increased.

Financial Status

The gross sales of TŞFAŞ belonging to its 22 factories leveled down to TRY 1.5 billion in comparison to the previous year (according to the total sales of the 25 factories) due to the factories of Bor, Ereğli, Iğın being taken to the scope of the Sümer Holding Corporation in 2007.

The company ended the balance sheet period with an operating loss of TRY 107 million for the first time since 2000. The loss stemmed from the decrease in comparison with the previous year on the exchange rate of dollar and in the World Exchange Market related to the sugar sales in the scope of the inward processing and sugar sale proceeds remaining in the financial statements of the Sümer Holding Corporation despite being transferred to TŞFAŞ in October 2007. It also stemmed from sugar prices not being increased in order to protect the producers and market balance in spite of the increase of the sugar cost and period cost.

The current ratio of 6.99 in 2006 decreased to 5.6 in 2007. The increase in company's short term debts caused this decrease. The quick ratio of the company receded to 1.66 by the decrease of 28 percent in comparison with the previous year in 2007.

Inventory turnover rate of the company realized as 0.25 percent by the decrease of 1 percent in comparison to the year of 2006 due to the increase on net sales and inventories. The company has exhibited a Primary Surplus of 529 million due to both the exclusion of the inventories of the factories transferred to the privatization portfolio from the company and the inventory decrease occurring as a result of the increase on the credit sales. In 2007, the company experienced a primary deficit of TRY 308 million on account of the returning to the Company of the respective factories which were excluded from the portfolio of TŞFAŞ in 2007 and the decrease

on the sales of the Company in addition to the bargain sugar sales.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	1.957	1.480	-24.3
Cost of Sales	1.797	1.459	-18.8
Operating Costs	118	129	9.3
Operating Profit - Loss	42	-107	-
Financing Costs	1	4	637.6
Profit – Loss of the Period	-61	3	-
Balance Sheet			
Current Assets	2.143	2.307	7.7
Inventories	1.410	1.532	8.7
Fixed Assets	750	735	-2.0
Net Assets	2.892	3.042	5.2
ST Liabilities	306	448	46.1
LT Liabilities	22	21	-1.2
Equities	2.564	2.573	0.3
Ratios			
Current Ratio	6,99	5,16	-26.3
Quick Ratio	2,33	1,66	-28.8
Average Collection Period (Days)	106	143	35.1
Cash Turnover Cycle (Days)	354	446	25.9
Return on Equity %	-2,35	0,12	-
Employment			
Total Number of Employees (average)	13.781	16.376	18.8
Total Employment Cost	471	513	8.8
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)	NA	410	
Transfers from Budget (Capital and Duty Loss)	20,0	80,0	400.0
Other			
Value Added	450	562	25.0
Investment Expenditure	27	27	-2.0
Primary Surplus	529	-308	-

Reference: TŞFAŞ, the Undersecretariat of Treasury and State Planning Organization

** The factories of Bor, Ereğli and Iğın were included in 2006; however, the respective factories were excluded in 2007.*

7.2. Sümer Carpeting and Handicrafts Co. (SUMER HALI)

Members of the Board of Directors

- ◆ Dr. Haşim Şenyiğit (Chairman and General Director)
- ◆ Fahrettin Kayıpmaz (Member and Deputy General Director)
- ◆ Mustafa Tekmen (Member)
- ◆ Nurdan Şanlı (Member)
- ◆ Adnan Taylan (Member)

Related Ministry

The Minister whom PA is affiliated to

Capital Structure

Treasury Share : 100 Percent
Subscribed Capital : TRY 50 million
Paid – in Capital : TRY 45 million

Web Site

<http://www.sumerhali.gov.tr>

Sümer Halı was excluded from the program and scope of the privatization pursuant to the Decree No. 97 / 43 issued by Privatization High Council on 18.09.1997 while it was a subsidiary on the Sümer Holding Inc. taking place in the program and scope of privatization. It was turned into a related company of the Ministry of Industry and Trade as a state owned enterprise pursuant to Decree of the Council of Ministers dated 25.02.1998.

The Articles of Association of the state owned enterprise was adopted by affirmation pursuant to the Decree No. 98 / T – 23 issued by Privatization High Council on 25.05.1998. It became effective after being published in the Official Gazette on 16 July 1998 No. 23404.

The main duty of the company is to prevent the degeneration of Turkish hand carpets, to preserve its quality and to enrich these characteristics with contemporary designs and to introduce to the world market.

Main office of the company is in Ankara. The company is in service with Isparta Carpet Factory¹⁹, Diyarbakır District Manager's Office, 7 District Chief's Offices majority of which are situated in Eastern Anatolian Region and company stores in Ankara and Isparta.

Sümer Halı, on the other hand, offers services with 143 workshops, 3196 weaver and 224 carpet teacher through its operations leading to the increasing the quality and the efficiency of the hand carpet sector. These operations are still going on.

¹⁹ Isparta Carpet Factory was shut down pursuant to decree of Privatization High Council dated 10.03.2008 and numbered 2008 / 16.

Major Developments

Upon the request decision of the SOE (State Owned Enterprise) Commission of Turkish Grand National Assembly on the company which continuously makes losses for years as a state owned enterprise and no longer bears public interest characteristic, to be restructured as a Carpet Craft Institution which preserves and helps the Turkish carpet culture to improve, affiliated to the Ministry of Industry and Trade. Draft law on Turkish Carpet and Handicrafts Institution was completed by the company; it was conveyed to the Prime Ministry on 24.03.2006 for the purpose of its submission to the Council of Ministers.

However, the proposal was not able to come to an end during the period of 29th government; it was returned to the company.

The company was included in the program and the scope of the privatization pursuant to the Decree No. 2007 / 58 issued by the Privatization High Council on 08.10.2007. Accordingly, the company was both excluded from the portfolio of the Undersecretariat of Treasury and at the same time lost its SOE statute; it was included in the privatization program.

Financial Status

The Gross Sales of the Company became TRY 4.7 million by the decrease of 6.9 percent in 2007; its loss for the financial year realized as TRY 8 million by the increase of 36 percent. However, the increase in its inventories could not be reflected to the sales; therefore, it had some difficulties in collecting debts and cash cycle. Return on equity (-32 percent) and the value added (- TRY 2.5 million) were negative.

The quick ratio of the company receded to 1.65 by the decrease of 62.3 percent in 2007 compared to the previous year. On the other hand, the company, giving primary surplus of TRY1 million in 2006, gave a primary surplus of TRY 1.9 million in 2007.

Company received a capital transfer of TRY 5.5 million from the budget in 2006. Due to the increase of the financing need, the capital transfer of TRY 7.5 million was injected to the company with an increase of 36 percent in 2007.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	5.0	4.7	-6.9
Cost of Sales	4.6	4.6	-0.7
Operating Costs	4.1	4.7	16.0
Operating Profit - Loss	-3.7	-4.6	-
Financing Costs	0.0	0.0	-
Profit – Loss of the Period	-6.1	-8.3	-
Balance Sheet			
Current Assets	17.2	16.6	-3.5
Inventories	13.0	14.4	10.4
Fixed Assets	11.1	10.7	-3.2
Net Assets	28.3	27.3	-3.4
ST Liabilities	0.9	1.1	19.1
LT Liabilities	1.3	0.9	-28.0
Equities	26.1	25.3	-2.9
Ratios			
Current Ratio	18.94	15.34	-19.0
Quick Ratio	4.39	1.65	-62.3
Average Collection Period (Days)	255	54	-79.0
Cash Turnover Cycle (Days)	1.242	1.249	0.5
Return on Equity %	-22.39	-32.37	-
Employment			
Total Number of Employees (average)	205	182	-11.2
Total Employment Cost	5.0	5.2	4.6
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)	NA	3.2	
Transfers from Budget (Capital and Duty Loss)	5.5	7.5	36.3
Other			
Value Added	-0.5	-2.5	-
Investment Expenditure	0.0	0.0	-
Primary Surplus	0.3	-1.9	-
<i>Reference: SÜMER HALI, Undersecretariat of Treasury and State Planning Organization</i>			

7.3. Petkim Petrochemicals Holding Co.

<p>Members of the Board of Directors</p> <ul style="list-style-type: none"> ◆ Osman İtler (Chairman) ◆ Kenan Yavuz (General Director) ◆ Prof Dr. Mehmet Ali Gürkaynak (Member and Deputy Chairman) ◆ Birol Aydemir (Member) ◆ M. Fikret Uslu (Member) ◆ Ömer Duman (Member) ◆ Aziz Gümüş (Member) <p>Related Ministry</p> <p>The Minister whom PA is affiliated to</p>	<p>Capital Structure</p> <p>Treasury Share : 100 Percent</p> <p>Subscribed Capital: TRY 205 million</p> <p>Paid – in Capital : TRY 205 million</p> <p>Web Site</p> <p>http://www.petkim.gov.tr</p>
---	--

Petkim was founded by the name of Petkim Petrochemicals Holding Inc. in 1965 in order to operate in petrochemical industry and other related industries with the leadership of TPAO and with the participation of TPAO and retirement fund of civil servants under the law enforcements of Turkish Trade Law.

While it was a subsidiary company of Turkey Chemical Industry Institution under the law No. 2929 entered in force on 19.10.1983, Petkim was defined as a state owned enterprise by the Decree Law No. 233 issued on 10.04.1984. Under this law, Aliğa and Yarımca enterprises became production units of Petkim, and Petlas became its subsidiary company. However, in 1986, under the decision adopted by Economic Affairs Higher Coordination Board, Yarımca production unit by the name of Yarpet and Aliğa production unit by the name of Alpet Inc. transformed into subsidiary companies.

The company was decided to be privatized pursuant to Decree of the Council of Ministers dated 11.09.1987 and its name was altered as Petkim Petrochemicals Holding Inc and its Articles of Association were rearranged.

Petlas, one of the subsidiary companies of Petkim was separated from the company in accordance with Decree of the Supreme Planning Council dated 1990. With the decision of SPC adopted in the same year, the Alpet and Yarpet Inc. were disincorporated. All of their assets and accounts payable were transferred to PETKİM.

Petkim was included in the privatization program in 1994 and there have been several privatization attempts since then. It still operates with the main factory established in Aliağa, İzmir and its auxiliary plants.

Major Developments

The company, that was decided to be privatized pursuant to Decree of the Council of Ministers dated 11.09.1987, is automatically included in the program of privatization under the provisional clause of the law entered in force 1994 no. 4046. In this scope;

- ◆ In 1990, 4.1 percent of the company shares were offered to the public,
- ◆ In 2003, the tender was announced for the block sale of 88.8 percent of the company shares belonging to the PA; Standard Chemistry Company won the tender; however the tender was cancelled because the company wasn't able to fulfill its obligations.
- ◆ Later, the tender was announced again; however, it was cancelled again due to insufficient bids.
- ◆ In 2005, second offering to the public was performed, 35 percent of the company shares were sold to the public, the quantity of the shares which are open to the public raised to 38.6 percent.
- ◆ In 2007, under the Decree of Privatization High Council dated 08.02.2007 (44 percent Directorate of Privatization Administration, 7 percent Directorate General of Retirement Fund), the block sale process of the public share at the rate of 51 percent begun; as a result of the tender performed on 05.07.2007, company was sold to the Socar – Turcas –Injaz Common Initiative Group; the privatization operation was completed on 30.05.2008.
- ◆ Ultimately, the public share in Petkim is 10.32 percent.

Financial Status

The gross sales of Petkim, decreasing at the rate of 1.7 in comparison with the previous year, realized at 2.2 million TRY. In spite of this, profit for the financial year raised to 102.4 TRY million with an increase of TRY 96.6 million in comparison with the previous year due to the amortization completion of some of the fixed assets and the decrease on the depreciation expense, financing expenses and idle capacity expenses.

42.6 percent of the corporate assets are comprised of current assets and 57.4 percent are comprised of fixed assets. The rate of the current assets in fixed assets

increased by 5 percent due to the increase of accounts receivables and inventories that were low in the previous periods.

24.5 percent of the company sources is composed of liabilities while 75.5 percent is equity capital. There has been no significant change on the structure of sources compared to the previous period. 35.4 percent of the liabilities are of long term nature; 64.6 percent is short-term.

The current ratio of the company rose to 2.4 in 2007 while it was at the rate of 2.2 in 2006. There has been no significant change on the quick ratio of the organization.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	2,240.5	2,203.4	-1.7
Cost of Sales	2,052.1	1,942.7	-5.3
Operating Costs	87.9	98.8	12.3
Operating Profit - Loss	87.2	140.2	60.8
Financing Costs	33.4	22.2	-33.5
Profit – Loss of the Period	5.8	102.4	1.679.3
Balance Sheet			
Current Assets	559.2	682.8	22.1
Inventories	205.3	289.2	40.9
Fixed Assets	852.1	859.9	0.9
Net Assets	1,411.3	1,542.7	9.3
ST Liabilities	254.7	282.8	11.0
LT Liabilities	129.1	130.0	0.7
Equities	1,027.5	1,129.9	10.0
Ratios			
Current Ratio	2.20	2.41	10.0
Quick Ratio	1.32	1.32	-0.2
Average Collection Period (Days)	37	46	22.6
Cash Turnover Cycle (Days)	48	54	13.1
Return on Equity %	0.56	9.49	1.590.2
Employment			
Total Number of Employees (average)	3,776	3,546	-6.1
Total Employment Cost	184.8	207.8	12.5
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)	NA	44.1	
Transfers from Budget (Capital and Duty Loss)			
Other			
Value Added	359.1	402.0	11.9
Investment Expenditure	96.9	72.5	-25.2
Primary Surplus	163.9	24.1	-85.3
<i>Reference: PETKİM, the Undersecretariat of Treasury and State Planning Organization</i>			

The debt collection period of Petkim changed to 46 days in 2007 while it was 37 days in 2006; inventory turnover ratio decreased from 2.04 to 1.96.

The decrease on primary surplus of the organization stems from the increase on inventories.

7.4. Sümer Holding Co.

Members of the Board of Directors

- ◆ Sami Ölmeztoprak (Chairman)
- ◆ Sezai A. Ensari (Deputy General Director and Deputy Chairman)
- ◆ Filiz İpek Yıkılmaz (Member)
- ◆ Y. Emre Karaosmanoğlu (Member)
- ◆ M. Fatih Leblebici (Member)
- ◆ İsmail Altıntaş (Member)

Capital Structure

Treasury Share : 100 Percent
 Subscribed Capital: TRY 2.29 billion
 Paid – in Capital : TRY 2.19 billion

Related Ministry

The Minister whom PA is affiliated to

Web Site

<http://www.sumerholding.gov.tr>

Sümer Holding was established in 1933 with the name of Sümerbank by the Law no. 2262 dated 11.07.1933 in order to operate the facilities under the responsibility of State Industry Office, which was established in 1932, and to perform banking activities which were assigned to Turkey Industry Credit Bank established in 1932.

Sümer Holding which gained the status of state economic enterprise with the Law no. 3460 which was put into force in 1938, was included in the scope of privatization pursuant to Decree of the Council of Ministers dated 11.09.1987. When the privatization efforts started within the scope of the Law no. 3291 which was put into force in 1986 the company was transferred to the Housing Development and State Partnership Administration.

The company, which was reconstructed as Sümerbank Holding Inc. by the decision no. 81 issued by Housing Development and State Partnership Administration on 08.12.1987, was named as Sümerbank Holding Inc. following the reconstruction of the banking unit within the body of the company in accordance with Decree of the Supreme Planning Council no. 93 / 17 and dated 16.07.1993.

Major Developments

Sümer Holding was included in the program of privatization in accordance with the 11th temporary article of The Law on Privatization Implementations no. 4046 which was put into force by being published in the Official Gazette dated 27.11.1994.

Sümer Holding, all the affiliated companies, enterprises and facilities having activity in the fields of textile and clothing in 2005 of which were privatized, has enterprises acquired with the merging of Turkey Fertilizer Industry INC. and Turkey Cellulose and

Paper Mill Inc. as of September, 2005 and 19 associations 4 of which are in liquidation and immovable acquired from the companies it merged with.

While Ereğli, Ilgın and Bor Sugar Factories belonged to TŞFAŞ, they were transferred to the Privatization portfolio by the Decree dated 01.05.2005 of Privatization High Council and they were given to Sümer Holding; however in 01.10.2007, they were taken back to TŞFAŞ in accordance with the Decree of Privatization High Council dated 18.09.2007.

The merging of Turkey Iron and Steel Enterprises, which was included in the privatization program, with Sümer Holding was decided in accordance with the approval dated 15.11.2007 by Directorate of Privatization Administration, and its legal entity was terminated by means of being published in the Turkish Trade Registry Gazette dated 19.01.2008, the procedure of merging are still continuing.

Financial Status

The gross sales of the company increased from TRY 124.9 million to TRY 310 million with a 148 percent increase in 2007. Sümer Holding, which made loss in all the accounting periods from 2000 to 2006, realized TRY 18.4 millions of profit in 2007. The main reason of this profit is the transfer of 3 sugar factories to Sümer Holding in 2006. Return on equity is 6 percent and the value added is TRY 81.1 million.

The quick ratio of Sümer Holding increased from 0.53 to 2.09 in 2007. Besides, the company which had TRY 25.8 million primary deficits in 2006, had a primary surplus of TRY 524.1 million in 2007, with a significant increase in comparison with the prior year. While analyzing the amounts and ratios of 2007, the effect of the transfer of the three sugar factories to TŞFAŞ back should not be forgotten.

In 2006, in Ereğli, Ilgın and Bor Sugar Factories, 250 thousand tons of quota A sugar (TRY 275.8 million) 3 thousand tons of quota C sugar (TRY 2 million), 67 thousand tons of molasses (TRY 14.1million) and 515 thousand tons of wet pulp (TRY 1.1million) production was realized, a large amount of the production was transferred to the year of 2007 as inventories, and these inventories were sold out in 2007, TRY 306 million of the total gross sales of TRY 310 million was acquired from this amount.

Moreover, capital of TRY 148.4 million was transferred from privatization fund to Sümer Holding in 2007.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	124.9	309.6	148.0
Cost of Sales	102.7	220.9	115.0
Operating Costs	25.3	27.9	10.2
Operating Profit - Loss	-6.3	57.3	-
Financing Costs	3.6	15.4	331.2
Profit – Loss of the Period	-45.8	18.4	-
Balance Sheet			
Current Assets	341.3	285.7	-16.3
Inventories	246.6	1.8	-99.3
Fixed Assets	327.6	219.1	-33.1
Net Assets	668.9	504.8	-24.5
ST Liabilities	162.2	79.1	-51.2
LT Liabilities	233.8	114.3	-51.1
Equities	272.9	311.4	14.1
Ratios			
Current Ratio	2.10	3.61	71.6
Quick Ratio	0.53	2.09	296.8
Average Collection Period (Days)	240	191	-20.2
Cash Turnover Cycle (Days)	427	266	-37.6
Return on Equity %	22.08	6.29	-71.5
Employment			
Total Number of Employees (average)	3.665	425	-88.4
Total Employment Cost	102.4	41.0	-59.9
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)	NA	56.0	
Transfers from Budget (Capital and Duty Loss) ²⁰	212	148	-30.2
Other			
Value Added	71.5	81.1	13.5
Investment Expenditure	0.4	0.0	-
Primary Surplus	-25.8	524.1	-
<i>Reference: Sümer Holding, Undersecretariat of Treasury and State Planning Organization</i>			

²⁰ PA transferred TRY 20 million in cash and TRY 128 million as loan to Sümer Holding in 2007. The amount provided as loan was reimbursed to PA.

7.5. Turkish Maritime Enterprises Co. (TDI)

Members of the Board of Directors

- ◆ Prof Dr. Ali İhsan Aldoğan (Chairman)
- ◆ Burhan Külünk (Deputy Chairman and General Director)
- ◆ Şaban Baybura (Member)
- ◆ Ali Güner Tekin (Member)
- ◆ Prof Dr. Turkey Berksoy (Member)
- ◆ Süleyman Reyhan (Member)

Capital Structure

Treasury Share : 100 Percent
 Subscribed Capital: TRY 220 million
 Paid – in Capital : TRY 130 million

Related Ministry

The Minister whom PA is affiliated to

Web Site

<http://www.tdi.gov.tr>

Fevaid – i Osmaniye (a Maritime Transportation Company) founded in 1843, constitutes the basis of Turkey Maritime Enterprises Co. The company has carried out its activities under various names and statuses since this date, and was restructured as “Turkish Maritime Enterprises” with the Decree Law no. 233 and shipbuilding service, which was among its activities, was transferred to Turkey Shipping Industry Inc. as of 1985.

While Turkey Maritime Enterprises had been carrying out its activities adherent to the Ministry of Transportation of Turkey, the company was included in the privatization program with the Decree no. 93/4693 by Council of Ministers, was transferred to the Privatization Administration and became an incorporated company in 1995.

The Directorate of Coast Guard and Salvage, which was within the body of Turkish Maritime Enterprises Inc. as a department, was transferred to the Undersecretariat of Maritime Affairs of Turkey free of charge in 1997 pursuant to the Decree of Privatization High Council, and then it was transformed into a public economic institution under the name of The Directorate General of Coast Guard and Salvage Enterprises in 1997 with the Decree of the Council of Ministers.

Finally, the legal entity of Turkey Shipping Industry Inc. was terminated as of 14.5.2002 and was included in the body of TDI.

Major Developments

The guidance and towage services in Turkish Straits and İzmir Port with regards to the judicial, political importance and strategic location of the Turkish Straits, and to the security of navigation, property and environment, are being performed by TDİ.

In addition to this, “Salıpazarı Cruise Port in İstanbul”, one of the most important gates of our country, which belongs to TDİ and is included in the World Cultural Heritage by UNESCO, is planned to be privatized with the method of “transfer of operating rights” for a period of 49 years, by ensuring that it will serve the passenger ships and as well as being a modern port which will maximize the promotion of the country and improve its image other than customs services, it will build on public culture and tourism.

Moreover, within the body of TDİ, Güllük Port and Camialtı Ship Building Yard offer services in addition to the Guidance and Towage Services and the services being offered by “Salıpazarı Cruise Port”, which is in the İstanbul Port Administration.

The merging with Directorate General of Coastal Safety is on the agenda with the aim of enabling the services of Sea and Navigation Security to be centrally carried out and providing the integration of services with Turkey Straits Ship Traffic Services (TBGTH). The merging of TDİ and the Coastal Safety is decided in the 2008 Government Program and it is proposed that the merging will be completed by the end of December, 2008.

Regarding the Privatization studies implemented up to the present, 13 ports, which belonged to TDİ between the years of 1997 – 2007, were privatized with the method of “transfer of operating rights” for a period of 30 years.

After the privatization of the last 3 ships of TDİ’s Maritime Lines Enterprise with the method of “sale” in 2004, there is no activity of Maritime Enterprise left.

Services related to passenger and vehicle transportation in İstanbul and the Marmara Sea and operation of Haliç Ship Building Yard (after being operated by TDİ for 3 years) were transferred to İstanbul Metropolitan Municipality and services related to city line transportation in Çanakkale were transferred to Çanakkale Special Provincial Administration; so the activities of TDİ’s city line services ceased.

Financial Status

The gross sales of TDI decreased from TRY 142.8 million to TRY 120.6 million with a decrease of 15.5 percent in 2007. The return on equity is 1 percent and the value added is TRY 97.5 million.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	142.8	120.6	-15.5
Cost of Sales	102.7	89.1	-13.3
Operating Costs	30.1	28.1	-6.5
Operating Profit - Loss	2.8	-3.2	-
Financing Costs	0.2	0.0	-
Profit – Loss of the Period	-13.5	1.5	-
Balance Sheet			
Current Assets	42.4	52.0	22.7
Inventories	2.3	2.3	0.3
Fixed Assets	117.4	112.1	-4.5
Net Assets	159.8	164.1	2.7
ST Liabilities	10.6	12.4	17.1
LT Liabilities	18.7	19.6	4.7
Equities	130.4	132.1	1.3
Ratios			
Current Ratio	4.00	4.19	4.8
Quick Ratio	3.47	3.83	10.5
Average Collection Period (Days)	19	23	22.5
Cash Turnover Cycle (Days)	13	15	12.3
Return on Equity %	-9.82	1.16	-
Employment			
Total Number of Employees (average)	1.792	1.709	-4.6
Total Employment Cost	99.2	89.0	-10.3
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)	NA	44.4	
Transfers from Budget (Capital and Duty Loss)			
Other			
Value Added	101.1	97.5	-3.5
Investment Expenditure	2.1	0.5	-74.8
Primary Surplus	-3.8	2.8	-
<i>Reference: TDI, the Undersecretariat of Treasury and State Planning Organization</i>			

While it had loss of TRY 13.5 million for the financial year of 2006, it had profit of TRY 1.5 million for the financial year of 2007. The main reason of the turnaround is that a large number of personnel got retired and received severance payment in 2006. The

expenses of employment and services outsourced constitute the most important expense items of the company.

The company, whose quick ratio was 3.47 in 2006, increased this ratio to 3.83 with an increase of 10.5 percent in 2007.

The company had primary deficit of TRY 3.8 million in 2006, improved its position to positive and had a primary surplus of TRY 2.8 million in 2007.

7.6. Turkish Electricity Distribution Co. (TEDAŞ)

Members of the Board of Directors

- ◆ Haşim Keklik (Chairman and General Director)
- ◆ Nizami Aktürk (Member)
- ◆ Bahri Mancar (Member)
- ◆ Fatih Hasdemir (Member)
- ◆ Hasan Şahin (Member)
- ◆ Kazım Çalışkan (Member)

Related Ministry

The Minister whom PA is affiliated to

Capital Structure

Treasury Share : 100 Percent
 Subscribed Capital: TRY 6.21 billion
 Paid – in Capital : TRY 6.16 billion

Web Site

<http://www.tedas.tr>

Turkish Electricity Distribution Inc. was established with the reorganization of TEK as two different state enterprises under the names of Turkey Electricity Generation Transmission Inc. and Turkey Electricity Distribution Inc. with the Decree of the Council of Ministers no. 93/4786.

In this reorganization, the electricity distribution departments of the Turkish Electricity Administration were left within the body of TEDAŞ and current activities of the departments continued within the body of TEDAŞ in exactly the same way by the registry of its commercial titles accordingly.

“Electricity Energy Sector Reform and Privatization Strategy Document” was approved with the Decree no. 2004/3 by Supreme Planning Council, TEDAŞ as a whole, including the establishments and affiliates²¹ was moved to the scope and program of privatization with Decree of Privatization High Council dated 02.04.2004 within the frame of the Document mentioned, and it was proposed that the privatization activities will have been completed by the date of 31.12.2006.

Major Developments

Although it was planned that the 20 distribution companies, which was established in line with the Electricity Energy Sector Reform and Privatization Strategy Document approved in 2004, were planned to be privatized by the end of 2006, the privatizations could not be realized according to the schedule. In 2006, PA gone out

²¹ AYDEM Electricity Distribution INC. including Aydın, Denizli and Muğla was excluded from the scope and program of privatization with the Decree no. 2008/08 dated 18.01.2008 by Privatization High Council.

put out three distribution companies (Istanbul Anatolian Side, Bařkent and Sakarya Distribution Companies) to tender, but the tender was delayed afterwards. And currently, 4 distribution companies (Bařkent, Sakarya, Meram and Aras Electricity Distribution Companies) are put out to tender and the tender of Bařkent and Sakarya Electricity Distribution Companies is made. In the next process, it is proposed that the necessary approvals will be completed and the shares of both companies (the right of operating the properties and distribution and retail sale licenses are included with the companies) will be transferred to private sector.

Financial Status

The increase rate in the gross sales of TEDAř in 2007 is at the same level with the increase in electricity energy demand in the same year. The fact that the independent consumers begin to supply energy from TEDAř as a result of independent generation companies and auto producers emptied their consumer portfolios, played a significant role in this increase.

The company had a significant amount of operating loss during the period of last 2 years. Only in 2007, operating loss of approximately TRY 2 billion was realized with a 75.5 percent increase. The reason why such an operating loss was realized is that the costs of buying energy from the balancing and settlement market reached very high levels although no price regulation was made in 2007. As a result of the cost increase, the company had a loss of TRY 956 million for the financial year of 2007.

While the total energy sale was 126 billion kWh in 2007, unit electricity price stayed at the level of approximately 12 TRY/kWh.

When the average receivable collection period of the company is examined, it is seen that there is a decrease in comparison with 2006. Because of the problems experienced in collecting receivables, the total amount of the receivables excluding interest from the subscribers reached the level of TRY 8 billion as of end 2007. Especially the problems encountered in collecting the receivables from general lighting and agricultural irrigation subscribers affect the company negatively in terms of cash. Thus, as a result of the shortage of cash experienced, decreases in the quick ratio and the cash turnover cycle happened in 2007.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	13,818,7	15,025,9	8.7
Cost of Sales	11,982,6	14,598,9	21.8
Operating Costs	2,122,5	2,375,2	11.9
Operating Profit - Loss	-1,109,9	-1,948,1	-
Financing Costs	0,2	0,1	-26.9
Profit – Loss of the Period	1,172,3	-956,6	-
Balance Sheet			
Current Assets	23.002,0	24.673.1	7.3
Inventories	144.7	180.5	24.7
Fixed Assets	7.722.8	10.897.4	41.1
Net Assets	30.724.8	35.570.5	15.8
ST Liabilities	24.756.5	30.673.1	23.9
LT Liabilities	1.886.0	723.5	-61.6
Equities	4.082.3	4.173.8	2.2
Ratios			
Current Ratio	0.93	0.80	-13.4
Quick Ratio	0.40	0.27	-32.9
Average Collection Period (Days)	265	193	-27.3
Cash Turnover Cycle (Days)	-56	-62	-
Return on Equity %	27.69	-23.17	-
Employment			
Total Number of Employees (average)	29.776	29.060	-2.4
Total Employment Cost	1.033.2	1.134.0	9.8
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)	NA	2.672	
Transfers from Budget (Capital and Duty Loss)	915		-
Other			
Value Added	2.889.1	978.6	-66.1
Investment Expenditure	685.1	852.8	24.5
Primary Surplus	256.0	-1.168.6	-
<i>Reference: TEDAŞ, the Undersecretariat of Treasury and State Planning Organization</i>			

The company currently incurs quite high investment expenditures. Although the annual investment amount is determined as TRY 550 million in the transitional period up to 2010, the company spends much more than this amount for investment. Especially the investments on city network play an important role in this. Such investments have a share of approximately 70 percent in the total investment spending of the company.

High operating loss and period loss and high investment costs affected the primary balance of the company negatively, and the company had a primary deficit of TRY 1.17 billion in 2007.

TEDAŞ, which is last ring of the electricity supply chain that starts with TKİ and BOTAŞ and proceeds with TETAŞ and TEİAŞ, cannot pay its debts in due time since it cannot collect its receivables timely and it incurs operating loss, and this situation creates cash shortage for BOTAŞ and TKİ.

7.7. Tobacco, Tobacco Products, Salt and Alcohol Enterprises Co. (TEKEL)

Members of the Board of Directors

- ◆ Kazım Çalıřkan (Chairman)
- ◆ Fahri Arıkan (Deputy Chairman and General Director)
- ◆ Ayhan Sarısu (Member)
- ◆ Sinasi Candan (Member)
- ◆ Abdullah Çelik (Member)

Related Ministry

The Minister whom PA is affiliated to

Capital Structure

Treasury Share : 100 Percent
Subscribed Capital: TRY 5.0 billion
Paid – in Capital : TRY 2.06 billion

Web Site

<http://www.tekel.gov.tr>

The duty of carrying out the “monopoly” services about tobacco, alcoholic drinks, salt, gunpowder and explosive substances was assigned to the Department of Monopolies which was established in 1932.

This department carried out its activities as the Directorate General of TEKEL from 1941 to 1983, it became a public economic institution in 1983, and on 11th March, 1987 it was named The Directorate General of Tobacco, Tobacco Products, Salt and Alcohol Enterprises (TEKEL), was included in the scope and program of privatization with the Decree of the Privatization High Council dated 05.02.2001 and became a state economic enterprise with the Law no. 4733.

Restructuring of TEKEL was decided with the Decree of Privatization High Council no. 2003 / 12 ensuring that the privatization activities are facilitated.

By the end of 2007, Alcoholic Drinks Industry and Trade Inc. and Alcoholic Drinks Marketing and Distribution Inc. belonging to TEKEL and 3 salt enterprises were privatized, various properties belonging to the company were disposed of by procedures such as privatization / sale / transfer, and the studies in this field are continuing.²²

²² In addition, with the aim of privatization of the properties related to the production of cigarette that belong to TEKEL and TEKEL’s Affiliate Cigarette Industrial Enterprises and Trade INC. according to the law numbered 4046 by the method of “sale” and “establishment of incorporeal rights on property” as a whole, final bargaining negotiations by Privatization Administration were made on 22.02.2008, within the framework of the Decree 2008 / 23 by Privatization High Council. It was decided to be sold to British American Tobacco INC. with a cash price of 1.720.000.000 US Dollar. The sale contract was signed in 24.06.2008 and the handover procedures were completed.

Major Developments

The company has one thousand tons of administrative and 76 thousand tons support tobacco inventories the sale of which has not realized yet as of the end of 2007.

As a result of the intervention purchases by the State in 2001 and the previous years, tobacco support inventories, which were bought by TEKEL and the ownership of which belongs to the state, are still being stored in the warehouses belonging to TEKEL's Leaf Tobacco Enterprises.

The conservation of the support inventories still causes a loss on behalf of public. The support inventory assets of TEKEL from public had reached TRY 1.1 billion as of the end of 2007.

The company has a sufficient amount of tobacco stocks. Also it was ensured that TEKEL purchased the leaf tobaccos of 2006 and 2007 with the Law no. 5478. The finance of the purchases was provided by TEKEL.

Financial Status

The gross sales of the company have decreased by 11 percent in comparison with the previous year. As a result of the intensive competition, the company lost some of its market share so it could not increase the cigarette prices, and consequently faced reduction in its proceeds.

The quick ratio that shows the company's ability to meet the short term liabilities decreased to 0.64 in 2007.

While the inventory turnover of TEKEL was 1.72 in 2006, it reached 1.89 in 2007 with a 9 percent increase. The tobacco, which the company had to purchase within the scope of the Law no. 5478, was an important factor in the increase of the inventory turnover of the company.

While the primary balance of the company was quite high due to the capital transfers of TRY 1.45 billion it received in 2006, it realized at the level of TRY 316 million in 2007.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	4.132.4	3.675.3	-11.1
Cost of Sales	674.6	639.4	-5.2
Operating Costs	147.7	147.8	0.0
Operating Profit - Loss	93.5	27.6	-70.5
Financing Costs	0.0	0.0	0.0
Profit – Loss of the Period	-315.0	44.4	-
Balance Sheet			
Current Assets	2.548.5	2.700.9	6.0
Inventories	1.168.0	1.251.7	7.2
Fixed Assets	782.5	751.6	-3.9
Net Assets	3.330.9	3.452.4	3.6
ST Liabilities	521.5	529.6	1.5
LT Liabilities	68.1	77.2	13.4
Equities	2.741.3	2.845.6	3.8
Ratios			
Current Ratio	4.89	5.10	4.4
Quick Ratio	0.72	0.64	-11.2
Average Collection Period (Days)	145	148	2.3
Cash Turnover Cycle (Days)	751	838	11.6
Return on Equity %	-15.57	0.84	-
Employment			
Total Number of Employees (average)	16.305	15.643	-4.1
Total Employment Cost	490.9	501.2	2.1
Budget Relation			
Transfers to Budget (Dividend and Treasury Levies)			
Transfers to Budget (Taxes and Other Liabilities)	NA	4.465	
Transfers from Budget (Capital and Duty Loss)	1.490		-100
Other			
Value Added	207.0	567.0	173.9
Investment Expenditure	74.8	18.6	-75.1
Primary Surplus	1.456.0	315.8	-78.3
<i>Reference: TEKEL, the Undersecretariat of Treasury and State Planning Organization</i>			

7.8. Ankara Natural Electricity Generation and Trade Co. (ADÜAŞ)

Members of the Board of Directors

- ◆ Ramazan Güven (Deputy Chairman and Deputy General Director)
- ◆ Sinan Coşkun (Member)
- ◆ İbrahim Cürebal (Member)

Related Ministry

The Minister whom PA is affiliated to

Capital Structure

Treasury Share : 100 Percent

Subscribed Capital: TRY 220 million

Paid – in Capital : TRY 130 million

Web Site

<http://www.aduas.gov.tr>

With the Decree no. 2006/100 of Privatization High Council; Tercan, Kuzgun, Mercan, İkizdere, Çıldır, Ataköy, Beyköy Hydroelectric Plants and Engil Gas Turbine Plant and Denizli Geothermal Plant, which were assets of Directorate General of Electricity Generation and Trade Inc. (EÜAŞ), were decided to be transferred to the privatization portfolio.

It was decided Ankara Natural Electricity Generation and Trade Co. (ADÜAŞ) to be established by the approval of the Privatization Administration and its Articles of Association to be issued in accordance with the clause (A) of the Article 20 of the Law no. 4046 and the personnel of the mentioned plants to be transferred to Ankara Natural Electricity Generation and Trade Co. with their current positions and personal rights.

The Executive Board of the Company was appointed by the Approval of the Ministry of Finance. The Articles of Association of the Company was published in Turkish Trade Registry Gazette on June 1st, 2007 and the company was incorporated.

Privatization Administration paid TRY 1 million to the company as capital.

The company was given a production license for Çıldır Hydroelectric Plant, Kuzgun Hydroelectric Plant, Tercan Hydroelectric Plant, Engil Thermal Plant, Mercan Hydroelectric Plant, and Ataköy Hydroelectric Plant, İkizdere Hydroelectric Plant,

Beyk y Hydroelectric Plant and Denizli Hydroelectric Plant being effective 10 years from 30.06.2007 by Decree of the Energy Market Regulatory Authority.²³

Major Developments

The company became operational as of 01.07.2007. The privatization tender of the 9 plants, which are currently the property of the company, was completed with a cost of 510 million US Dollar and transfer procedures are continuing.

Financial Status

The gross sales of the company was TRY 28.2 million, its operating profit was TRY 14.5 million and its profit for the financial year was TRY 14.8 million in 2007.

The total assets of the company are TRY 69.9 million in 2007. Current assets constitute 21.3 percent and fixed assets constitute the 78.7 percent of the total assets.

Short term liabilities constitute 2.3 percent and the long term liabilities constitute 79.3 percent and the equity capital constitute 18.4 percent of the total liabilities.

The operating capital of the company is TRY 13.3 million, its current ratio is 4.77; equity capital turnover ratio was 1.7; collection ratio was 2.71; fixed assets ratio was 0.4 in 2007.

²³ Invitations were issued for tender as of 10th October, 2007 with the aim of privatizing Tercan, Kuzgun, Mercan, İıkizdere, ıldır, Beyk y, Atak y Hydroelectricity Plants and Denizli Geothermal Plant with the method of "transfer of operating rights", Engil Gas Tribunes Plant with the method of "Sale" so that AD AŞ will be completely privatized. As a result of the final bargaining negotiations made on March 5th, 2008, the highest bid was offered by Zorlu Energy Electricity Generation Inc. with a value of USD 510 million. The sale was approved by the Decree of Privatization High Council dated May7th, 2008.

Chapter 8: Public Banks

In this chapter, information about the banks in which Treasury has shares is provided and the activities of these banks in 2007 are assessed.

Amongst the banks in which the state has shares and which have been operating pursuant to Decree Law no. 233 until 2000, Ziraat Bank of the Republic of Turkey, Halkbank of Turkey and Turkish Emlak Bank were excluded from the status of SOE by the Law no. 4603. Therefore those banks were intended to operate according to the requirements of the international competition and contemporary banking, and to be restructured for privatization.

Furthermore, information related to İller (provincial) Bank, İhracat Kredi Bank (export credit bank) of Turkey, Vakıfbank Inc. and Kalkınma (development) Bank which operate in line with the provisions in their laws, is provided.

More detailed data about all the banks can be obtained from the websites and annual reports of those banks.

8.1. Ziraat Bank of the Republic of Turkey (TCZB)

Members of the Board of Directors <ul style="list-style-type: none"> ◆ Prof. Dr. İlhan Uludağ (Chairman) ◆ Mehmet Mumcuoğlu ◆ Can Akın Çağlar (General Director) ◆ Osman Arıoğlu ◆ Mehmet Emin Özcan ◆ Ahmet Candan ◆ Hikmet Aydın Simit ◆ Oğuz Kayhan ◆ Burhanettin Aktaş 	Capital Structure <p>Treasury Share : 100 Percent</p> <p>Subscribed Capital: TRY 2,500 million</p> <p>Paid – in Capital : TRY 2,500 million</p>
Related Ministry Minister of State	Web Site http://www.ziraat.gov.tr

“Homeland Funds” which constitute the basis of Ziraat Bank were established in November 20th, 1863 with the fund raised by the farmers under the leadership of Mithat Pasha through the aegis of the state. As a result of the deteriorations in the operation of the funds in the following years, “Benefit Funds” were established with the same aims in 1883.

Ziraat Bank Regulations came into effect on August 28th, 1888, and the benefit funds which were active at that time, were transformed into branches of the bank. The duties of Ziraat Bank at its initial establishment were determined as; providing credit for the farmers in return for saleable property lien or strong bailment, accepting deposits in return for interest, doing businesses such as money changing and financial intermediation concerning agriculture.

By the Law no. 4603, Ziraat Bank of the Republic of Turkey was excluded from the scope of Decree Law no. 233, and became an Incorporated Company. With the mentioned Law, it was decided that the accumulated duty losses, that stem from duties assigned by various legislations in previous years and that could not be compensated by the budget allowances, be settled and no further duties be assigned without paying its consideration in advance. The positive results of the financial and organizational restructuring activities that have been carried out intensively since 2001 are still being observed. The bank operates as a deposit bank within the provisions of private law but is still subject to the audit of the Prime Ministry Supreme Auditing Board.

Since 2004, in line with the decrees which are put into effect each year in order to improve the agricultural production and meet the financial requirements of the producers under suitable conditions, and increase the quality and efficiency; the Bank is enabled to provide credits discounted by changing proportions between 25 and 100 percent from the current rate of interest. The cost of the interest discounts (income loss) is compensated by the budget allowance allocated to Treasury.

In line with the specified decrees, Ziraat Bank and Agricultural Credit Cooperatives (ACC) allocated TRY 173 million allowance for the income losses in 2007 and Ziraat Bank paid TRY 169 million for the revenue losses throughout the year. The table below shows the payments rendered by Treasury between the years of 2004-2007.

Table 17: The Revenue Loss Payments Made to Ziraat Bank of Republic of Turkey (TRY million)

Year	Ziraat Bank	ACC	TOTAL
2004	1.0	0.7	1.8
2005	24.9	11.2	36.1
2006	109.2	38.0	147.2
2007	168.9	53.8	222.6

Reference: Undersecretariat of Treasury

On the other hand, the credits provided regarding the duties assigned to Ziraat Bank and ACC were undertaken by the Treasury, and TRY 140.3 million to Ziraat Bank and TRY 53 million to ACC was paid in line with Decree of the Council of Ministers dated 30.04.2001. The collections made by the Bank relating to the stated credits and ACC, which become treasury source, are transformed to the related account of the Undersecretariat of Treasury in the first week following the month in which the collection is made. Within this scope, TRY 7.4 million was paid by Ziraat Bank in 2007, and the payments made to Treasury since 2001 are as in the following: and TRY 38.9 million was paid by ACC since 2001.

Table 18: The Amount Transferred by TCZB from the Credits which Become Resource of Treasury

(TRY million)	Ziraat
2001	30,1
2002	34,5
2003	34,3
2004	22,7
2005	21,1
2006	11,7
2007	7,4
TOTAL	161,8

Reference: Undersecretariat of Treasury

Major Developments

Non - interest credit provision for drip irrigation / sprinkling systems was started in accordance with the decrees in force, and TRY 137 million of investment credit was provided for 1.748 producers in this manner. While the percentage of the investment credits in the total agricultural credits provided by the Bank was 20 percent in 2006, this rate increased to 26 percent in 2007. In addition, the Bank decided to provide credit for medium and large agricultural enterprises in 2008.

Through alternative distribution channels developed in 2007 and widespread branch network, purchase and sale transactions of TRY / Foreign Currency Treasury bills, government bonds, repurchase agreements, Eurobonds and foreign currency were supplied to a wide range of customer mass throughout Turkey.

Financial Status

Bank assets increased to TRY 81 billion with an increase of 12.6 percent in 2007 and the market share of the Bank turned out to be 13.9 percent. In 2007;

- ◆ the rise in share of the credits against the decrease in the share of special issue treasury securities in total actives,
- ◆ the increase in the ratio of transformation of the deposits into credit and credits' share in the interest income,
- ◆ the shrinkage of bad credits to low levels especially through the positive contribution of the agricultural credits,

make evident that the asset quality of the bank and its function of intermediation in the sector increased.

SELECTED INDICATORS	2006	2007	%Increase
Financial Assets (TRY million)			
Total Assets	71.904	80.942	12.6
Total Credits	17.371	21.604	24.4
Total Deposits	59.653	68.250	14.4
Equity Capital	6.579	7.218	9.7
Gross Profit	2.720	2.963	8.9
Net Profit	2.100	2.351	12.0
Ratios (%)			
Credits / Assets	24.2	26.7	
Share of Assets in Sector	14.4	13.9	
Share of Credit in Sector	7.5	7.1	
Special Issue Treasury Securities / Assets	24.0	17.0	
Non-performing Credits / Credits (gross)	1.8	1.8	
Demand Deposit / Total Deposit	16.5	19.4	
Ratio of Transformation of Deposit to Credit	29.1	31.7	
Share of Deposit in Sector	18.5	18.4	
Share of Credits in Interest Incomes	22.2	27.4	
Share of Securities in Interest Incomes	70.6	64.1	
Non-interest revenue / Non-interest expense	60.2	62.8	
Return on Assets	2.9	2.9	
Return on Equity	31,9	32.6	
Net Interest Margin	4,7	4.5	
Capital Adequacy Ratio	39.6	25.4	

Reference: Ziraat Bank of the Republic of Turkey

The Bank continues to get a high share from the deposit in the sector. The return on assets and the return on equity of the Ziraat Bank, which has been the most profitable bank for the last 4 years, have been preceding over the industry averages which are respectively 2.8 and 22 percent. Although its capital adequacy ratio decreased from 39.5 percent to 24.5 percent, it is still above the industry average which is 19.1 percent.

Regarding the dividend accrued in favor of the Treasury from the profit of 2006, Domestic Government Bonds of TRY 1.5 billion was purchased back and TRY 1.5 billion was paid in cash in 2007.

8.2. Halk Bank of Turkey

Members of the Board of Directors

- ◆ Hasan Cebeci (Chairman)
- ◆ Hüseyin Aydın (General Director)
- ◆ Hasan Sezer (Member and Deputy Chairman)
- ◆ Emin Süha Çayköylü (Member)
- ◆ Nurzahit Keskin (Member)
- ◆ Erol Berktaş (has left in 04.11.2007)
- ◆ Burhanettin Tanyeri (Member)

Related Ministry

Minister of State

Capital Structure

Treasury Share : 75 Percent
 Subscribed Capital: TRY 1,250 million
 Paid – in Capital : TRY 1,250 million

Web Site

<http://www.halkbank.gov.tr>

Halk Bank of Turkey was established in line with the Halk Bank and Public Funds Law no. 2284 dated 1933, and became operational in 1938. In 1992 Töbank, in 1993 Sümerbank and in 1998 Etibank were taken over by Halk Bank of Turkey.

Halk Bank was excluded from the scope of the Decree Law no. 233 and from the status of SOE by the Law no. 4603, and became an incorporated company. In addition, it was decided that the accumulated duty losses, that stem from duties assigned through various legislations in previous years and that could not be compensated by the budget allowances, be settled and no further duties be assigned without paying its consideration in advance. The bank operates as a deposit bank within the provisions of private law but is still subject to the audit of the Prime Ministry Supreme Auditing Board.

In 2001, 96 branches of Abolished Emlak Bank of Turkey and in the second half of 2004, Pamukbank were taken over by Halk Bank.

The Bank, which is basically active in SME Banking as well as dealing with Personal, Commercial and Corporate Banking activities, provides subsidized credits regarding the Decrees issued each year since 2002 as well as providing credits from its own sources for tradesmen and craftsmen in this respect. The income loss, occurring as a result of the difference between the current interest rates and low interest rates provided, is paid to the Bank by the Treasury on a monthly basis in advance.

TRY 172 million of allowance was allocated for Halk Bank's revenue loss payments and TRY 175.8 million was paid to the Bank.

Table 19: Revenue Loss Payments Made to**HALK BANK (TRY million)**

Years	Total
2002	16.3
2003	38.0
2004	79.4
2005	76.8
2006	111.0
2007	175.8

Reference: the Undersecretariat of Treasury

On the other hand, the credits provided due to the duties given to the Bank regarding the Decree no. 2001 / 2312 issued by the Council of Ministers were undertaken by the Treasury and TRY 5.7 million was paid to the Bank. Consequently, the receivables collected by the Bank regarding those credits become are transferred to the related account of the Undersecretariat of Treasury in the first week following the month in which the collection is made. Within this scope, TRY 452.356 was paid by Halk Bank in 2007, and the payments made to Treasury since 2001 are presented below.

Table 20: The Amount Transferred by Halk Bank from**The Credits which Become Resource of Treasury (TRY million)**

Years	Total
2001	6.0
2002	7.1
2003	2.0
2004	1.1
2005	0.8
2006	0.5
2007	19.2

Reference: the Undersecretariat of Treasury

Major Developments

The shares of Halk Bank of Turkey belonging to Treasury were transferred to the privatization portfolio by Privatization High Council's Decree on 05.02.2007, and it was decided up to 25 percent of the shares to be privatized by means of public offering and the public offering procedures to be completed by the end of 2007. In

line with the Decree, 24.98 percent of the Bank shares were privatized by means of public offering in May 2007, and therefore the bank became subject to the capital market law. In the public offering amounting to USD 1.8 billion; TRY 1.9 billion at the domestic market, TRY 15.4 billion at international market, a total demand of TRY 17.3 billion was collected. It has reached the highest figure of the Turkish capital markets in total demand with the demand amount which reached 9 times the public offering size in external markets and 3 times in the domestic market.

Financial Status

The assets of the bank reached TRY 40.2 billion in 2007 with a 16.9 percent increase and its share in total sector assets was 7.3 percent. In 2007, the increase in the total credits, total deposits and equity components, the decrease in the ratio of the non performing receivables and in the share of the special issue treasury securities within the asset confirm that the Bank advanced financially in a positive way.

SELECTED INDICATORS	2006	2007	%Increase
Financial Assets (TRY million)			
Total Assets	34,425	40,234	16.9
Total Credits	11,646	18,121	55.6
Total Deposits	27,188	30,841	13.4
Equity Capital	3,780	4,383	16.0
Gross Profit	1,117	1,407	25.9
Net Profit	863	1,131	31.0
Ratios (%)			
Credits / Assets	33.8	45.0	
Share of Assets in Sector	7.1	7.3	
Share of Credit in Sector	5.3	6.5	
Special Issue Treasury Securities / Assets	32.8	17.5	
Non-performing Credits / Credits (gross)	8.5	5.4	
Demand Deposit / Total Deposit	9.0	10.8	
Ratio of Transformation of Deposit to Credit	42.8	58.8	
Share of Deposit in Sector	8.7	9.0	
Share of Credits in Interest Incomes	33.6	46.4	
Share of Securities in Interest Incomes	62.0	49.3	
Non-interest revenue / Non-interest expense	71.2	69.2	
Return on Assets	2.8	3.0	
Return on Equity	24.4	27.7	
Net Interest Margin	4.8	5.1	
Capital Adequacy Ratio	32.0	20.0	

Reference: Halk Bank

The Bank increased the credits provided in 2007 by 55.6 percent; therefore, the ratio

of transformation of deposit into credit and the share of the credits in the interest income increased.

As a result of the fact that the net profit for the financial year of 2007 increased by 31 percent in comparison with 2006, the ratios of the return on assets and return on equity increased and were above the industry average which are respectively 2.6 percent and 19.5 percent. The capital adequacy ratio decreased from 32 percent to the level of 20 percent and converged to the industry average of 19.1 percent.

8.3. Vakıfbank

Members of the Board of Directors

- ◆ Yusuf Beyazıt (Chairman)
- ◆ Ragıp Doğu
- ◆ Bilal Karaman (General Director)
- ◆ Mehmet Çekinmez
- ◆ Hasan Özer
- ◆ Erkan Topal
- ◆ Selahattin Toraman
- ◆ Cem Demirağ
- ◆ Serdar Tunçbilek

Capital Structure

Public Share: 43 Percent
 Treasury Share: 0 Percent
 Subscribed Capital: TRY 2,500 million
 Paid – in Capital: TRY 2,500 million

Related Ministry

The Minister of State whom DG of Foundations is affiliated to

Web Site

<http://www.vakifbank.gov.tr>

Turkey Vakıfbank Turkish Incorporation was established in 11th January, 1954 by the “Turkey Vakıfbank Turkish Incorporation Law” no. 6219, being subject to the provisions the private law and in line with the authority given to the Prime Ministry Directorate General of Foundations (Directorate General of Foundations). There has been no change in the status of the Bank since its establishment.

The capital group which has a direct or indirect authority on the capital of the Bank is Directorate General of Foundations. The partnership structure of the Bank is as follows.

Table 21: Vakıf Bank Capital Status

	Number of	Nominal Value	Share
Partners	Shares - (TRY Thousand)		Ratio (%)
Registered foundations administered and represented by Directorate General of Foundations (Group A)	1,075,058,640	1,075,059	43.00
Added Foundations (Group B)	386,224,346	386,224	15.45
Vakıf Bank Civil servants and Employees Retiring and Health Aid Fund Foundation (Group C)	402,552,666	402,553	16.10
Other Added foundations (Group B)	4,681,491	4,681	0.19
Other real and legal persons (Group C)	1,886,449	1,887	0.08
Open to Public (Group D)	629,596,408	629,596	25.18
Total	2,500,000,000	2,500,000	100.00

Reference: the Undersecretariat of Treasury

The fields of activity are determined in the related Law and the Articles of Association of the Bank is as follows:

- Grant loans in return for movable and immovable properties, goods, and assets,
- Establish insurance and other partnerships or to participate in the partnerships which are already established,
- Purchase and sell immovable property,
- Perform all kinds of banking transactions and services,
- Embark on all the necessary transactions and enterprises (commercial, agricultural, industrial) with the aim of enabling the immovable properties and enterprises, for which administration of Directorate General of Foundations and affiliated foundations deem necessary, to be rationally administered, maintained and operated within the basis of agreements to be made.
- Perform the banking services for the affiliated and registered foundations and the treasurer works for the Directorate General of Foundations in line with the agreements to be made.

As of the date of 31st December, 2007 the Bank has a total of 468 branches 466 of which are at home and 2 of which are abroad (31st December, 2006: 427 domestic branches, 2 foreign branches). As of the date of 31st December, 2007, the number of the personnel of the Bank is 8,700 people (31st December, 2006: 7,679 people).

Financial Status

The total assets of the Bank reached to TRY 44.2 billion with a 14 percent increase in 2007.

The share of the bank, which has the 8.3 percent of the credits in the banking sector, was 8 percent in total deposits.

Vakıfbank, which had a profit of TRY 806 million in 2006, increased its net profit by 26 percent and reached to TRY 1,033 million.

The return on assets of Vakıfbank, which was 2.1 in 2006, reached to 2.4 in 2007 and converged to banking sector averages. In the same way, the return on equity increased from 17 percent to 19.7 percent and exceeded the sector averages.

Capital adequacy ratio decreased from 21 percent to 15 percent, and was below the banking sector average.

SELECTED INDICATORS	2006	2007	% Increase
Financial Assets (TRY million)			
Total Assets	38,744	44,215	14.1
Total Credits	18,416	23,803	29.2
Total Deposits	25,163	29,149	15.8
Equity Capital	4,693	5,348	13.9
Gross Profit	821	1,036	8.9
Net Profit	806	1,033	26.1
Ratios (%)			
Credits / Assets	48.9	55.3	
Share of Assets in Sector	7.6	7.5	
Share of Credit in Sector	8.2	8.3	
Non-performing Credits / Credits (gross)	5.5	4.8	
Demand Deposit / Total Deposit	17.2	12.1	
Ratio of Transformation of Deposit to Credit	72.6	81.3	
Share of Deposit in Sector	7.9	8.0	
Share of Credits in Interest Incomes	56.4	60.8	
Share of Securities in Interest Incomes	30.0	29.2	
Return on Assets	2.1	2.4	
Return on Equity	17.1	19.7	
Capital Adequacy Ratio	20.7	15.4	

Reference: The Banks Association of Turkey

8.3. Turkish Emlak Bank in Liquidation

Members of the Board of Directors

- ◆ M. Zeki Sayın (Chairman and General Director)
- ◆ Mehmet Mumcuoglu
- ◆ Mehmet Emin Özcan
- ◆ Prof. Dr. İlhan Uludağ
- ◆ Mehmet Ersoy
- ◆ Erol Berktas (resigned on 04.11.2007)

Members of the Liquidation Board

- ◆ M. Zeki Sayın
- ◆ Duray Şimşek
- ◆ Abdullah Soydaş

Related Ministry

The Minister of State whom DG of Foundations is affiliated to

Capital Structure

Treasury Share: 99.99 Percent
Subscribed Capital: TRY 750 million
Paid – in Capital: TRY 749 million

Members of the Auditing Board

- ◆ Süleyman Saygı
- ◆ M. Ali Kaynar

Web Site

<http://www.tasfiyeemlak.gov.tr>

Turkish Emlak Bank was taken over by Prime Ministry Housing Development Administration, according to Decree of the Council of Ministers produced in line with the law no. 4603, with all the rights and liabilities of the assets and subsidiaries exclusive of banking.

Later on, all the assets of the Bank except the ones which were proposed to be transferred in the Decree of the Council of Ministers no. 2001 / 2202 and account receivables inherited to a legal proceeding and house credits were decided to be transferred to Ziraat Bank and Halk Bank by the amendment made in the Law no. 4603 in 2001, in line with a protocol to be regulated by the executive boards of the banks among each other without requiring any kinds of proceedings such as all the rights, debts and receivables, consent of the creditors subjected to the protocol, and following the completion of the transfer procedure, Turkish Emlak Bank's authority of banking and deposit collecting was terminated and liquidation process started legally. The liquidation process started actually by determining the authorized bodies of the Bank by the extraordinary committee held in 14.09.2001 and it still carries on.

Major Developments

The negative gap arisen from the asset-liability accounts transferred to Ziraat Bank by Turkish Emlak Bank, was paid to Ziraat Bank by Treasury in advance upon the demands of Ziraat Bank, and the additional procedures to be performed in

accordance with the reports were determined by the Ministry of State Approvals received as a result of the examinations and clearances made by the Banks Certified Auditors and the transfer procedures were confirmed.

On the other hand, Turkish Emlak Bank in Liquidation accounts for its negative gap accounts in such a way that this account is owed to Treasury due to the related provision of the abovementioned law. Therefore, it renders its payments of this debt to Treasury with its assets that are being liquidated in the liquidation process.

The Bank, which is also subject to the audit of the State Auditing Board, made payment of the debts to Treasury amounting to TRY 765 million, and as of 31.12.2007 the balance of this account is approximately TRY 1.9 billion.

In accordance with the "Payment to the Right Holders of Housing Support Act" no. 5664, relevant entities are supposed to send the lists of the right holders to the Bank; and the Bank is supposed to inform Emlak Real Estate Investment Trust Inc. about the lists, which include the names, housing supports and accretion of the right holders of housing support.

Financial Status

The total assets of the bank diminished to TRY 2.2 million with a shrinkage of 1.9 percent.

The non-marketable securities, which constitute the 54 percent of the bank assets and which will be kept in reserve until the date of maturity, consist of;

- 7-year GDS (Government Debt Securities) provided by TOKİ in return for the immovable properties which the Bank transferred to TOKİ in accordance with the Decree of the Council of Ministers No. 2001 / 2202 and,
- 5-year bonds provided in return for the Housing Support accounts by the Decree of Supreme Planning Council.

The share of the receivables to be liquidated, which constitute the 29.4 percent of the assets in 2006, decreased to 25.6 percent in 2007.

While the net profit for the financial year of 2006 was TRY 78 million, it was TRY 20 million as the end of 2007. Since the Bank is in liquidation, 5 percent of the profit is reserved and the rest is kept as voluntary reserve, so no dividend distribution is made in accordance with its Articles of Association.

SELECTED INDICATORS	2006	2007	% Increase
Financial Assets (TRY million)			
Total Assets	2,408	2,219	-7.9
Receivables to be Liquidated	707	569	-19.6
Marketable Securities to be Kept in Reserve Until the Date of Maturity	1,309	1.309	0.0
Payables to Public Bodies and Agencies	2,113	1,903	-9.9
Equity Capital	273	292	7.2
Gross Profit	78	20	-74.6
Net Profit	78	20	-74.6
Ratios (%)			
Share of Credits in Interest Incomes	67.6	77.2	
Share of Securities in Interest Incomes	9.4	5.7	
Non-interest Incomes / Non-Interest Expenses	116.6	18.4	
<i>Reference: Turkish Emlak Bank in Liquidation</i>			

8.5. Development Bank of Turkey

Members of the Board of Directors

- ◆ Abdullah Çelik (Chairman and General Director)
- ◆ Osman Kara (Member and Deputy Chairman)
- ◆ Mehmet Uncu (Member)
- ◆ Asım Altun (Member)
- ◆ Necdet Şerif Çakırsoy (Member)
- ◆ Hakan Tokaç (Member)
- ◆ Ömer Faruk Öztürk (Member)

Members of the Auditing Board

- ◆ Esat Kaya Turgay
- ◆ Hasan Aydın
- ◆ Mustafa Çolak

Related Ministry

Minister of State

Capital Structure

Treasury Share: 99.08 Percent
 Subscribed Capital: TRY 500 million
 Paid – in Capital: TRY 160 million

Web Site

<http://www.tkb.gov.tr>

Development Bank of Turkey is an incorporated development and investment bank which is subject to the provisions of the private law. It was established as the related entity of the Ministry of Industry and Technology under the name of State Industry and Worker Investment Bank Inc. (DESİYAB) by the Decree Law no. 13 in 1975, and the operation and the activities of the entity were reorganized by the Decree Law no. 165 dated 04.11.1983. Its title was modified as Turkish Development Bank by the Decree Law no. 329, and the Bank was enabled to provide financial support to other sectors besides industry sector. The tourism sector was included in the fields of activity of the bank with the transfer of the Tourism Bank of the Republic of Turkey Inc. to Development Bank together with its all assets and liabilities by the Decree of the Supreme Planning Council dated 20.01.1989. Decree Law concerning the establishment of the Bank was reorganized by the Grand National Assembly of Turkey in October 10, 1999 and the law no. 4456 was produced.

Turkish Development Bank is a development and investment bank which does not provide personal credit but provide support of finance especially the finance of investments based on the project via financial leasing and participation, particularly for investments of production (38 percent), tourism (34 percent) and energy (14 percent). The bank directs its 25 percent of credits to priority regions for development and 60 percent of them to normal regions.

The 99.08 percent of the paid capital of the Bank, which is also subject to the audit of the State Auditing Board, is the property of the Undersecretariat of Treasury, and the rest is traded in Istanbul Stock Exchange.

Major Developments

In 2006, the principle of improving credit evaluation process of the Bank by supporting it with the modern methods is adopted. In addition, by changing the organizational structure of the bank;

- The number of the departments, which had been 29, was reduced to 23.
- Two “Credit Evaluation Departments” were established by merging four Credit Departments and four Project Appraisal Departments.
- Credit Marketing Department was established and publicity meetings are held in provinces.
- Credit Monitoring and Collecting Department was established with the aim of carrying out monitoring and supervision more effectively.
- Strategic Planning and Quality Management Department was established.
- The credit regulations and procedures of the bank were revised with the aim of reducing the bureaucracy and providing efficiency.
- Significant investments were made for infrastructure for the transactions to be carried out in electronic medium in the bank.
- The technical staff is strengthened by hiring assistant experts in the Bank.

In 2007, the Bank collaborated with the private banks in order to provide finance by the way of “apex” banking for the small and medium manufacturer SMEs with flexible production structures, established in OSTİM and İvedik. In addition, Participation in the Projects such as promoting small Entrepreneur Credit Program, Pre-accession Assistance (EU), Venture Capital Project, Research and Development and Innovative Investments, the SMEs in the cluster were ensured.

Financial Status

The assets of the bank were decreased to TRY 818 million with a decline of 7.5 percent. While liquid assets shrank to TRY 224 million decreasing at the rate of 31.5 percent, other assets fell by the rate of 36,6 percent. Decrease in the liquid assets arose from the reduction in the receivables from the money markets; decrease in the other assets stemmed from decline in the tax ownership item.

In 2007, the credits increased at the rate of 19.4 percent, and the share of the credits in the total assets, which was 37.7 in 2006, increased to 48.7 percent. The credits received by the Bank reached to TRY 215 million with an increase of 19.6 percent. As a result of the drop of the net profit of the Bank from TRY 156 million to TRY 43 million, equity capital became TRY 458 million with a decrease of 14.8 percent in 2007.

SELECTED INDICATORS	2006	2007	% Increase
Financial Assets (TRY million)			
Total Assets	884	818	-7.5
Total Credits	333	398	19.4
Equity Capital	538	458	-14.8
Gross Profit	196	54	-72.3
Net Profit	156	43	-72.4
Ratios (%)			
Credits / Assets	37.7	48.7	
Share of Assets in Sector	5.8	4.3	
Share of Credit in Sector	3.4	3.5	
Non-performing Credits / Credits (gross)	19.2	14.7	
Share of Credits in Interest Incomes	43.5	41.4	
Share of Securities in Interest Incomes	13.6	16.8	
Non-interest Profits /Non-interest Expenses	234.2	55.1	
Return on Assets	17.7	5.3	
Return on Equity	29.0	9.4	
Net Interest Margin	7.1	10.2	
Capital Adequacy Ratio	208.2	91.2	
<i>Reference: T. Development Bank</i>			

(*) The share in the total assets and total credits of the development and Investment banks

Interest incomes increased by 32.8 percent with the increase in the credits and the net interest margin of the bank improved from 7.1 percent to 10.2 percent. However, since the other operating incomes amounted TRY 209 million, which the bank obtained from participation and sale of affiliates in 2006, were TRY 25 million in 2007,

net profit for period of the bank declined to TRY 43 million, decreasing at the rate of 72.4 percent.

Because of the low net profit, the return on assets and the return on equity also fell in 2007. Although the capital adequacy ratio declined in 2007, it is still above the average of development and investment banks which is 66.7 percent.

While the amount of dividend paid to the Undersecretariat of Treasury from the profit of the financial year of 2006 was TRY 103 million in 2007, in 2008 approximately TRY 6.9 million dividends were paid to the Undersecretariat of Treasury from the profit of the financial year of 2007.

8.6. Export Credit Bank (Eximbank)

Members of the Board of Directors

- ◆ Tuncer Kayalar (Chairman)
- ◆ H. Ahmet Kılıçoğlu (General Director)
- ◆ Cavit Dağdaş (Member and Deputy Chairman)
- ◆ Oğuz Satıcı (Member)
- ◆ A. Doğan Arıkan (Member)
- ◆ Adnan Ersoy Ulubaş (Member)
- ◆ Mehmet Büyükekşi (Member)

Related Ministry

Minister of State whom DTM is affiliated to

Capital Structure

Treasury Share: 100 Percent
 Subscribed Capital: TRY 1,000 million
 Paid – in Capital: TRY 1,000 million

Web Site

<http://www.eximbank.gov.tr>

Export Credit Bank of Turkey (Turkish Exim Bank) was established by Decree of the Council of Ministers no. 87 / 11914 published in the official gazette dated August 21st, 1987 on the authority of the Law no. 3332 published in the official gazette dated March 31st, 1987.

The Bank is the official export supportive foundation of our country and gathers services of credit, guarantee and insurance under one roof.

In accordance with Laws no. 3332 and 4749, the Undersecretariat of Treasury compensates the losses arising from the political risks it undertakes due to the credit, guarantee and insurance activities that Exim Bank performs within the framework of the duties assigned to it in accordance with the Law no. 3332 and the Decree of the Council of Ministers no. 87/11914.

Political risks are defined in the Article 3 of “Principles of Practice about the Sums to be Transferred to Export Credit Bank of Turkey by the Republic of Turkey Prime Ministry Undersecretariat of Treasury” as follows:

- ◆ Issuance of a legislation or regulation by the government of the debtor, which prevents, restricts, delays or controls the transfer to be made to Turkey,
- ◆ Outbreak of war between the country of the debtor and Turkey,
- ◆ Outbreak of war, civil war, revolution, rebellion, revolt and similar occasions in the country of the debtor,
- ◆ Prevention of the importation of the goods from Turkey by legislation or regulation put into force in the country of the debtor,

- ◆ Arising of losses from the exportation of goods and service to public purchasers, commitments undertaken, the credits and guarantees provided,
- ◆ Arising of losses from the rescission of the sale contract before conveyance, due to a legislation or regulation put into force by the government of the debtor,
- ◆ Occurrence of losses during the period before the conveyance of exportation to the public purchasers,
- ◆ In case of a court decision, disadvantageous to the debtor, that does not have the ability of being executed as a result of the non-operating judicial system in the country of the debtor,
- ◆ Nationalization, appropriation, different exchange rate practices, state of war or transfer restrictions regarding the investments made by Turkish investors abroad.

Major Developments

In 2007, the Bank, which is also subject to the audit of State Auditing Board, subsidized the export sector with USD 8.4 billion; USD 3.7 billion of which was credit contribution in cash and USD 4.7 billion of which was insurance/guarantee facility.

Table 22: The Contribution to the Export Sector Made by Eximbank (USD million)

	2006	2007
Total Credit/ Guarantee/ Insurance Contribution	7.782	8.421

Reference: EXIMBANK

The total contribution made by the Bank to the export sector increased at the rate of 8 percent in comparison with the previous year.

Financial Status

In 2007, the assets of the Bank reached to TRY 4.2 billion with an increase of 0.6 percent, the share of the bank in the total assets of the development and investment banks declined from 27 percent to 22 percent.

The credits provided by the Bank decreased at the rate of 5.2 in 2007 and the share of the credits in the total assets decreased from 82.3 percent to 77.6 percent.

SELECTED INDICATORS	2006	2007	% Increase
Financial Assets (TRY million)			
Total Assets	4,141	4,164	0.6
Total Credits	3,408	3,233	-5.2
Equity Capital	2,304	2,579	11.9
Gross Profit	303	387	27.8
Net Profit	303	387	27.8
Ratios (%)			
Credits / Assets	82.3	77.6	
Share of Assets in Sector (*)	27.0	22.1	
Share of Credit in Sector (*)	34.5	28.3	
Non-performing Credits / Credits (gross)	1.5	1.4	
Share of Credits in Interest Incomes	78.0	78.3	
Share of Securities in Interest Incomes	13.2	7.8	
Non-interest Profits /Non-interest Expenses	88.7	96.6	
Return on Assets	7.3	9.3	
Return on Equity	13.1	15.0	
Net Interest Margin	7.6	9.4	
Capital Adequacy Ratio	126.9	99.7	

Reference: EXIMBANK

(*)The share in the total assets and total credits of the development and Investment banks

Equity capital reached TRY 2.6 billion increasing at the rate of 11.9 percent. The ratios of return on assets and return on equity increased and are above the sector average as result of the fact that the net profit for period reached TRY 387 million with an increase of 27.8 percent. The ratio of capital adequacy is quite above the sector average that is 67 percent.

On the other hand, in 2007, it was decided that TRY 71.4 million of the Bank's dividend share of 2006 which was accrued in favor of Treasury to be left to the Bank by means of being appropriated for its unpaid capital with the aim of enabling all the capital be paid and the TRY 83.6 million of the dividend to be transferred to Treasury.

The receivables of the Bank from the Treasury was paid in full as political risk, the collections made from the related countries were started to be transferred to Undersecretariat of Treasury in accordance with the Ministry of State Approval dated 12.07.2006 and USD 325 million was transferred in total, USD 50.2 million of which was in 2007.

Pursuant to the collection of USD 258.6 million regarding the abovementioned credits from the related countries, this amount is envisaged to be transferred to Treasury.

8.7. Provincial Bank Inc.

Members of the Board of Directors

- ◆ Hidayet Atasoy (Chairman and General Director)
- ◆ Şeref Kocabacak
- ◆ Salih Yılmaz
- ◆ Fahrettin Donat
- ◆ Feramuz Üstün

Related Ministry

Ministry of Public Works and Settlement

Capital Structure

Public Share: 100 Percent
Treasury Share: 0 Percent
Subscribed Capital: TRY 9.0 billion
Paid – in Capital: TRY 2.9 billion

Web Site

<http://www.ilbank.gov.tr>

Provincial Bank (Bank) was established as “Municipal Cooperation Bank” by the Law no. 2301 dated June 11th, 1933; however, the name, duties, authorities and liabilities of the bank were changed by the “Provincial Bank Act” no. 4759 dated June 13th, 1945 and gained its present status.

On the other hand, the Bank is subject to the Banking Law no. 5411 as it has the status of being a development and investment bank which lacks the authority to collect deposit and which is a legal entity subject to private law provisions.

In accordance with the Article 3 of the Provincial Bank Law no. 4759, the capital of the Bank consists of 5 percent of the annual incomes of the Municipalities and Local Authorities. Therefore, there is no single capital group that has an authority over the capital of the Bank directly or indirectly. The capital of the bank was increased to TRY 9 billion lastly by Decree of the Council of Ministers dated 01.10.2007, and as of 31.12.2007, TRY 2.94 billion of its capital is paid.

The field of activity of the Bank, which is an investment bank, was determined as; “Dealing with the issues related with the melioration of the annexed budget institutions and administrations that are incorporated or not and that are affiliated to the special provincial administrations and the administrations mentioned with the unions to be established by the municipalities and village administrations and the abovementioned administrations”.

In accordance with Article 1 of the Law, Provincial Bank the center of which is in Ankara, offers service with 21 head of departments, 18 district offices in the country and with a total of 3186 employees.

Major Developments

The Bank is subject to the Banking Law no. 5411. However, as a result of the fact that the Clause (a) of the Article 7 of the Law no. 5411 laid down the condition of being an incorporated company for the banks, it was indicated that the Provincial Bank needs to be restructured in the Seventh and Eighth Development Plans and in the annual reports prepared by Turkish Grand National Assembly SOE Commission.

Within this scope, restructuring activities of the bank started with strategic planning studies and a Draft was prepared within this framework. This draft is still on the agenda of Plan Budget Commission of TBMM. The aim of the abovementioned draft was to enable the accommodation to the changing conditions of Turkey and the World, and enable the activity areas, organization, personnel policy and manner of employment of the Bank to be reorganized by providing a more effective and productive service. According to this, in the event that the Draft becomes a law,

- All the shares of the Bank will be taken over by Treasury.
- There will be an increase in the partnership share ratio cut from the incomes of the local authorities.
- There will be no decline in the services being provided.
- The consultancy function will proceed. The Bank will withdraw from the manufacturing tenders, but will continue to provide support for the municipalities which do not have sufficient conveniences to call for tender.
- The Bank will continue to meet all the municipal necessities.

Financial Status

The assets of the Bank reached to TRY 5.6 billion with an increase at the rate of 26.3 percent in 2007. Total credits increased by the rate of 20.9 percent and the share of the credits provided by the Bank in the total credit size of the development and investment banks increased to 36.4 percent.

The Bank, which is subject to the control of the State Auditing Board, provided 825 million credit from its equity capital, and TRY 458 million of this amount was provided for the businesses, which are in the Bank investment program, and TRY 367 million of this amount was provided for the businesses which are in the works of municipalities within or out of their program.

Net profit rose from TRY 160 million to TRY 198 million increasing at the rate of 24.1 percent; the equity capital of the bank increased by 24.4 percent and grew to TRY 4.3 billion from TRY 3.4 billion.

SELECTED INDICATORS	2006	2007	% Increase
Financial Assets (TRY million)			
Total Assets	4,445	5,613	26.3
Total Credits	3,443	4,162	20.9
Equity Capital	3,427	4,265	24.4
Gross Profit	218	291	33.3
Net Profit	160	198	24.1
Ratios (%)			
Credits / Assets	77.5	74.2	
Share of Assets in Sector	29.0	29.7	
Share of Credit in Sector	34.8	36.4	
Share of Credits in Interest Incomes	80.0	78.5	
Non-interest Profits /Non-interest Expenses	22.1	20.9	
Return on Assets	3.6	3.5	
Return on Equity	4.7	4.6	
Net Interest Margin	7.7	7.3	
Capital Adequacy Ratio	-	79.2	

Reference: Provincial Bank

Chapter 9: Other Public Enterprises

As indicated in the Chapter 1, public enterprises mean the enterprises which belong to the central and local authorities and which have operations in the economic field using the public sources. Therefore, the enterprises, the companies in which central or local authorities are the *controlling shareholder* and the ones that have a commercial character but are not organized as a company, can be called public enterprise.

This chapter includes the information about the organizations and institutions which have operations in our country and which can be considered as public enterprises according to international definitions.

The main aim of this chapter is;

- ◆ To introduce the enterprises which are not included by the Public Financial Management and Control Law no. 5018 and cannot be reported in the public sector as they are not defined as SOE by our legislation,
- ◆ To make preparations for the possible problems which may occur during the EU negotiations especially regarding the chapter of European Union Competition Policy,
- ◆ To point out the financial relationships between public administrations and these organization and institutions,
- ◆ To raise awareness directed to all the public enterprises.

More detailed data regarding the foundations and companies provided in this chapter are available in the websites or annual reports.

Although it is defined under the public sector and Treasury has more than 50 percent of its shares, Central Bank of Turkey is not included in this Report due to its special status.

Amongst the enterprises and funds in this chapter, Türksat, TRT, AOÇ, TOKİ, Directorate General of National Lottery, Privatization Fund, Social Aid and Solidarity Promotion Fund are subject to audit of the State Auditing Board.

9.1. Türksat Satellite Communication and Cable TV Operation Inc.

Members of the Board of Directors

- ◆ Özkan Dalbay (Chairman and General Director)
- ◆ Muammer Türker
- ◆ Metin Arslan
- ◆ Özken Poyraz
- ◆ Süleyman Karaman

Related Ministry

Ministry of Transportation

Capital Structure

Treasury Share: 100 Percent
Subscribed Capital: TRY 775 million
Paid – in Capital: TRY 775 million

Web Site

<http://www.turksat.gov.tr>

Türksat Inc. was established by the Additional Article 33 of the Telegraph and Telephone Law no. 406 added by the Article 5 of the Law no. 5189 dated June 16th, 2004. According to this, it became operational in July 22nd, 2004 subject to the provisions of the Turkish Trade Law and private law. Its duties and authorities are as follows; holding the authority of administration and operation rights of the satellite orbit positions and performing its obligations regarding this, operating or enabling the operation of the satellites which are registered in its name or which belong to the other operators, running these satellites, setting up and operating the infrastructure of communication and telecommunication via the satellites belonging to national and foreign operators and having a commercial activity.²⁴

The main activities of Türksat can be explained as in the following:

□ **Satellites**

Türksat was given the authority on the issues such as national satellite program and human resources development by Decree of the Council of Ministers published in the Official Gazette dated October 8th, 2005. According to this, Türksat Cable and Satellite Operator Incorporated Company were given the authority on the issues of;

- a) Supplying and launching of a new satellite to be substituted for the Satellite Türksat 1C whose operational life will expire in the last quarter of 2007 at the latest,
- b) The production and the integration of the communication satellites, observation satellites, the scientific and other purpose satellites in the production plants under the guidance of foreign industry in order to satisfy the needs of the public enterprises

²⁴ <http://www.turksat.com.tr/turksat-in-kurulusu-ve-faaliyet-alanlari.html>

which will be an alternative for the Türksat satellites and which will cover the developing market needs, research institutions, universities, private corporations and companies,

c) The production, integration and testing of the satellites and subsystems in the production plants which were and will be constructed in the country, education and employment of expert labor force at home and abroad in order to meet the needs of the country for space and satellite technologies,

d) Establishment of new companies or participating in or taking over already established companies with the aim of penetrating into new markets, increasing the efficiency in the satellite market, keeping up with recent developments about satellite in the world.

Cable

The decision of “All the movables and immovables, service and infrastructure, all kinds of equipments, instruments, materials, software and hardware, intellectual properties, patent rights, other rights, debts and receivables, all kinds of contracts and credit contracts, all the court cases against and in favor of, all the executive proceedings, all the administrative investigations and inquisitions which are still being carried out or were finalized, authorities and obligations of Turkish Telecom regarding the cable TV are taken over by Türksat Inc exclusive of the common residential areas and common infrastructure facilities through which the cable TV network passes.” was put into force by the Law no. 5335, dated April 1st, 2005, and the cable infrastructure and the services being provided through this infrastructure were taken over by Türksat Inc. Therefore, Türksat Inc. undertook the duty of being a cable TV operator as well as being a satellite operator.

E-Government

The duty of establishing, operating and administrating e-Government Gate, which was prepared with the aim of enabling the public services to be provided in a common platform and by a single gate, and enabling the citizens to access the government services in the electronic environment safely and rapidly, was assigned to Türksat Inc. with the coordination of the Ministry of Transportation, by the Decree of Council of Ministers no. 2006/10316 which was put into force after being published in the official gazette dated April 20th, 2006,.

With the aim of enabling the public services to be provided in an electronic environment, in a common platform and in a citizen oriented way regarding the project, the studies about the revision of the business processes, content

management, and standards related to integration and the necessary legislation, will be performed by Türksat Inc. with the effective participation of the related public bodies and agencies in accordance with the Prime Ministry Circular no. 26255 which was put into force by being published in the Official Gazette dated August 10th, 2006 with the aim of supporting these studies.

Major Developments

The data related to the current satellites of the company are shown in the table below, and TÜRKSAT is preparing to launch the satellite Türksat 4A in 2011.

Table 23: Data Related to TÜRKSAT Satellites

Satellite	Orbit	Service period	Number of Trans.	Total Capacity
Türksat 1B	31E	1994-2006	16	792 MHz
Türksat 1C	42E	1996-2008	16	792 MHz
Türksat 2A	42E	2001-2015	32	1092 MHz
Türksat 3A	42E	2008-2023+	24	1296 MHz

Reference: TÜRKSAT

The company has 1.2 million Cable TV subscribers in 21 provinces and 25 centers. Only 4 percent of these subscribers are internet subscribers at the same time. The studies of transition to digital broadcast of the company, which provides only analog broadcast service via the current infrastructure, proceed.

The company provides E-Government services given to it by Decree of the Council of Ministers. Within this framework, the domain name of <http://turkiye.gov.tr> was reserved, and its system connection was provided. The connection of Address Information System was established and data sharing was started. E-signature and mobile e-signature software were completed for the E-Government Gate.

Financial Status

TÜRKSAT, which also incorporate Cable TV as of July 2005, have sustained its profitable structure since it was established. The reason of the increase of 39 percent in the sales of 2006 in comparison with the sales of 2005 is that the revenue of 2005 included the semiannual income of the Cable TV. The company managed to keep the level of 2006 in the financial year of 2007.

It caused a decline at the same rate in the cost of services sold profitability of the company, which increased at the rate of 53 percent in 2007. Within this framework,

the company, which had TRY 69 million profits in 2006, had TRY 46 million operating profit in 2007.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	158	149	-5.8
Cost of Sales	65	99	53.2
Operational Expenses	8	3	-62.1
Operational Profit and Loss	69	46	-34.1
Financial Expenses	0	0	-
Profit – Loss of the Period	159	89	-44.2
Balance Sheet			
Current Assets	527	525	-0.4
Inventories	0	0	-
Fixed Assets	438	532	21.5
Net Assets	965	1057	9.5
Corporation Tax Liabilities	57	77	36.9
LT Liabilities	0	0	-
Shareholder's Equity	908	979	7.8
Ratios			
Current Ratio	9.34	6.79	-27.3
Quick Ratio	9,00	6.78	-24.7
Debt Collection Period (Day)	317	268	-15.3
Cash Turnover Cycle (Day)	269	200	-25.4
Return on Equity %	14.01	7.52	-46.3
Employment			
Total number of employees (avg.)	514	534	3.9
Total Employment Expense	18.1	24.7	36.1
Other			
Value Added	181.6	123.1	-32.2
<i>Reference: TÜRKSAT, the Undersecretariat of Treasury and State Planning Organization</i>			

9.2. Turkish Radio - Television Co. (TRT)

Members of the Board of Directors

- ◆ İbrahim Şahin (Chairman and General Director)
- ◆ Prof. Dr. Ali Alp
- ◆ Dr. Lütfü Şahsuvaroğlu
- ◆ İhsan Cafer Elhan
- ◆ Prof. Dr. Yusuf Karakoç

Related Ministry

Ministry of State

Capital Structure

Treasury Share: 100 Percent
 Subscribed Capital: TRY 182 million
 Paid – in Capital: TRY 182 million

Web Site

<http://www.trt.gov.tr>

Turkish Radio - Television Company, which makes public broadcasting, was established by the Law no.359 dated 24.12.1963, and local radio stations were established in eight provinces after 1960, TRT-1, TRT-2 and TRT-3 radio stations were formed with the integration of the central and local radio stations of TRT in 1974. Turkish Radio - Television Corporation makes national broadcasting round the clock with Radio-1, Radio-2 (TRT FM), Radio-3 and Radio-4; and local broadcasting 20 hours for a day with Antalya, Erzurum, Trabzon, Çukurova, GAP- Diyarbakır and Hatay Provincial Radio Stations. Apart from these, the abroad oriented broadcast of Sound of Turkey proceeds in 26 languages including Turkish via short wave radio transmitters and satellite FM band.

The first television broadcast was started in Ankara in January 1968, Izmir television was started to broadcast in 1970, and Istanbul television was started to broadcast in 1971. The second television channel was put into service in 1986. The number of channel increased to four, TRT – 4 and TRT – INT started to broadcast in 1990.

It was proposed that the radio and television stations can only be established by the State and the administration shall be regulated by Law as an objective public legal entity by the Article 133 of the Constitution. The duties and authorities of TRT and Radio and Television Supreme Council were organized by the Turkey Radio and Television Law no. 2954 dated 11.11.1983 which is organized in accordance with this Article. In 1993 by changing the Article 133 of the Constitution, it was indicated that establishing and operating radio and television stations is free within the framework of the terms and conditions to be determined by the Law, and the autonomy of the only radio and television foundation of the council as a public legal entity and press agencies which receive help from public legal entities and the objectiveness of the broadcasts were adjudicated. TRT was excluded from being a constitutional entity

with the regulation made, and it became an entity which has a Constitutional origin. Turkish Radio - Television Company, whose monopoly status was terminated, was discussed to proceed from radio television broadcasting to public service broadcasting.

The term of public service broadcasting is based on the years of establishment of British Broadcasting Corporation BBC. It is considered as the broadcasting which is made for the public, which is financed by the public and controlled by the public. The implementation in which administrative and financial autonomy come into prominence is being carried out in our country by TRT with no discrimination in order to meet the needs of all the layers of the society.

The incomes of TRT were determined by the Radio - Television Corporation Incomes Law no. 3093 and the Articles 25 and 36 of the TRT Law no. 2954. These incomes are bill and advertisement incomes, entrance fee for concerts, shows and suchlike programs, banderole incomes related to television, radio and video devices, the shares from electricity energy revenue and the incomes from the production, publishing and sale of films, bands, notes, discs, books and suchlike products.

As there is no regulation which points out the difference between commercial and public broadcasting, TRT which competes with the private sector in the field of commercial broadcasting does not separate the banderole incomes and the services it provides by receiving support from the State with its electricity share as public and commercial legally and practically, and within this scope it does not keep its accounts separately.

TRT employs contracted personnel for the positions subjected to the legislation of State Retirement Fund and the contracted personnel who are not considered as workers subjected to the legislation of Social Insurance Institution and temporary personnel. Intensive studies have been carried out recently with the aim of satisfying the need of the Corporation for more dynamic and qualified personnel.

Financial Status

Electricity energy share, which is the most significant source of income of TRT, was reduced from 3.5 percent to 2 percent in 2003 by Decree of the Council of Ministers. Therefore, TRT took economizing measures and its financial status improved. While the electricity energy share income was TRY 304 million in 2006, it was TRY 335 million in 2007.

TRT which includes its electricity energy share within the sales revenues, executes its activities profitably, and while the pre – tax profit of the corporation was TRY 163 million in 2006, it was TRY 150 million in 2007.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	548	586	7.0
Cost of Sales	356	389	9.0
Operational Expenses	98	104	5.8
Operational Profit and Loss	87	89	1.6
Financial Expenses	0	0	0.0
Profit – Loss of the Period	163	150	-8.0
Balance Sheet			
Current Assets	508	505	-0.6
Inventories	27	39	45.4
Fixed Assets	330	486	47.4
Net Assets	838	991	18.3
Corporation Tax Liabilities	30	30	0.5
LT Liabilities	17	21	19.9
Shareholder's Equity	791	940	18.9
Ratios			
Current Ratio	17.02	16.85	-1.0
Quick Ratio	7.41	10.36	39.8
Debt Collection Period (Day)	6	5	-16.1
Cash Turnover Cycle (Day)	14	30	115.5
Return on Equity %	20,57	17,30	-15.8
Employment			
Total number of employees (avg.)	7.648	7.543	-1
Total Employment Expense	274	308	14
Other			
Value Added	171.2	163.0	-4.8
<i>Reference: TRT, the Undersecretariat of Treasury and State Planning Organization</i>			

9.3. Directorate of Atatürk Forest Farm and Zoo (AOÇ)

Administration

- ◆ Mehmet Emin Güzel (Director)

Web Site

<http://www.aoc.gov.tr>

Atatürk Forest Farm and Zoo, which was established in 1925 as the personal property of Atatürk on a land considered unsuitable for reclamation, with the aim of greening Ankara and its environs, leading and teaching the farmers of the area by applying modern agricultural and operational techniques, was donated to the Treasury in 1937 by Atatürk. Afterwards, it carried out its activities respectively as being incorporated with the State Agricultural Enterprises in 1938, and within the body of the State Production Farms in 1950. AOÇ was restructured as the subsidiary of the Ministry of Agriculture and Rural Affairs, which is the current status of the entity, by the AOÇ Law no. 5659 dated 24.03.1950.

The current activity fields of the Directorate of AOÇ are the production and marketing of the products such as husbandry, milk, dairy products, wine, honey, fruit juice etc. and notably field crop, vineyard and orchard cultivation, cattle breeding, and Zoo business.

In the Law no. 5659 the entity was designed to be composed of one legal issues service and 6 divisions responsible for general agricultural businesses, vineyard and orchard cultivation and forestation businesses, husbandry and zoo businesses, agricultural arts businesses, trade and supplies businesses and accounting. Those divisions became directorates by various Decrees issued by the Council of Ministers in the following years. Today, the entity carries out its activities with 7 technical directorates, 3 administrative directorates and a legal consultancy department and approximately 400 employees.

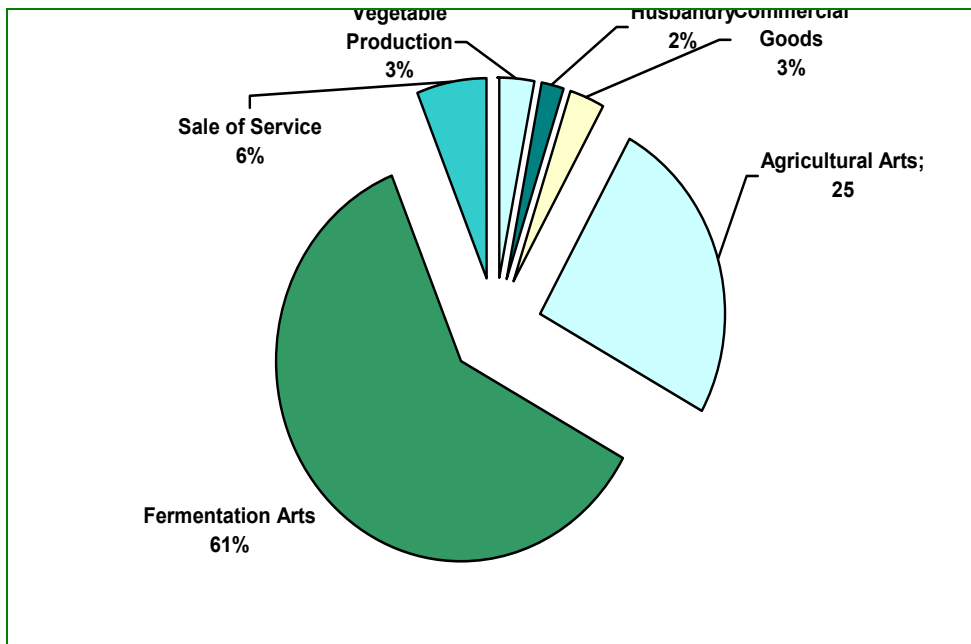
The entity was excluded from the general SOE system by being exempt from provisions of the Decree Law no. 233 by the Article 58 titled "Exceptions" of the Decree Law, and is subject to the audit of Supreme Audit Council and TBMM in accordance with the Laws no. 5659 and 3346.

The capital of the entity is determined as 500 million lira (TRY 500) by the Law no. 2580 dated 14.01.1982, and the Council of Ministers was given the authority of increasing the abovementioned amount one time more. This amount has not been

increased yet. The 25 percent of the net profit of the entity is allocated as legal reserves each year.

The entity has sales revenue of approximately TRY 30 million. It is seen that the 60 percent of this revenue is obtained from the sales of dairy products such as pasteurized milk, yoghurt, ice cream etc. which are classified as agricultural arts. The market share related to those products range from 8 and 10 percent. The 25 percent of the sales is obtained from the sales of wine, pickle, vinegar, fruit juice and honey which are classified as fermentation arts. These two items are followed by the sales of service which consist of the zoo incomes. The sales of field and vineyard orchard products (wheat, barley, beet etc.), husbandry products (meat, raw milk etc.) and other commercial goods and services have a relatively low share in the revenue of the entity.

Graphic 8: Distribution of AOÇ Proceeds



AOÇ performs most of its sales through dealers and groceries, direct sale from the factory to the rented shops of the entity can also be realized. Besides, the entity can reach to the customers through its 3 sales and promotion offices in Ankara. In this regard, the 4.4 percent of the dairy products sales and the 8 percent of the fermentation arts products sales were through these promotion and sale offices.

However, the entity makes losses due to the indicated operations. Within this scope, the operating loss of the entity was TRY 2.6 million in 2005 and TRY 0.4 million in

2006. However, the entity had TRY 3 million profits for the financial year of 2005, and TRY 6 million for the financial year of 2006.

SELECTED INDICATORS	2005	2006	% Increase
<i>(TRY million)</i>			
Gross Sales	28	28	-1.9
Operating Profit and Loss	-3	0	-
Profit and Loss for Period	3	6	100.7
Total Assets	42	48	13.8
Total number of employees (avg.)	404	402	-0.5
Total Employment Expense	8	9	10.2
Investment Expense	1	0	-87.4
<i>Reference: 2006 Report of Supreme Audit Council, AOÇ</i>			

9.4. Turkish Airlines Corporation (THY)

Members of the Board of Directors

- ◆ Dr. Candan Karlıtekin (Chairman)
- ◆ Asst. Prof. Temel Kotil (General Director)
- ◆ Hamdi Topçu (Deputy Chairman)
- ◆ Orhan Birdal (Member)
- ◆ Prof. Cemal Şanlı (Member)
- ◆ Muzaffer Akpınar (Member)
- ◆ Mehmet Büyükekşi (Member)

Related Ministry

The Minister whom PA is affiliated to

Capital Structure

Capital Share of PA: 49.2 Percent
 Subscribed Capital: TRY 175 million
 Paid – in Capital: TRY 175 million

Web Site

<http://www.thy.gov.tr>

Turkish Airlines Corporation was established in 20.05.1933 under the name of State Airlines Enterprise by the Law no. 2186. It was associated with the Ministry of Public Works in 1935 and with the Ministry of Transportation after it became “The Department of State Airlines” in 1938. Its Articles of Association was approved with the production of Turkish Airlines Corporation Law in 1955, and it started to operate under the name of Turkish Airlines Corporation.

THY, which became the subsidiary of the “Directorate General of State Aviation and Airports Administration” in 1983, was converted into a public economic institution by the Decree Law no. 233. Turkish Airlines became a State Economic Enterprise and then, it was included in the program and scope of privatization by the Law no. 4046 on Privatization Implementations.

Its capital, which was TRY 60 million during the establishment, was increased to TRY 60 billion in 1984, and this amount reached TRY 175 million as of the end of 2007.

23 percent of the company’s shares belonging to the Directorate of Privatization Administration were offered to public, and the state share declined to 75.18 percent.

After that, state share became 49.12 and the free float rate became 50.88 as a result of the public offering in May, 2006.²⁵

²⁵ The state holds less than 50 percent of the capital of Turkish Airlines Corporation. However, within the framework of international definitions, in terms of “administrative control”, Turkish Airlines Corporation can be described as a public enterprise.

Major Developments

The main field of activity of Turkish Airlines is the domestic and overseas passenger and cargo transportation. The market share of the company is 26 percent in international flights, 34 percent in domestic flights according to the data of 2007.

THY transported approximately 20 million passengers in 2007; and 49 percent of them were international, 51 percent were domestic passengers. The occupancy rate of the company is 72.6 percent in international flights and 73 percent in domestic flights.

The total seat number, which was 17,931 in 2006, decreased to 17,594 due to the decision on the 3 planes to be transformed into cargo planes in 2007.

Financial Status

As a result of the passenger number increasing at the rate of 20 percent in international flights and 12 percent in domestic flights in 2007, the sales revenue of THY reached to TRY 4.5 billion with an increase of 18 percent in 2007.

Due to the savings in the ground services, the cost of the sales showed an increase of only 6 percent. This enabled the operational profit of Turkish Airlines to increase significantly.

When the balance sheet size of the company is considered, it is seen that there is an increase of 40 percent in the current assets and an increase of 11 percent in the total assets and an increase of 18 percent in the equity capital of the company.

The return on equity of the company increased from 11.11 percent to 15.33 percent in 2007.

The current ratio and the quick ratio that show the liquidity of the enterprises were both more than 1 in 2007 for THY.

SELECTED INDICATORS	2006	2007	% Increase
<i>(TRY million)</i>			
Income Statement			
Gross Sales	3,812	4,522	18.6
Cost of Sales	3,253	3,454	6.2
Operational Expenses	713	773	8.4
Operational Profit and Loss	189	404	113.8
Profit – Loss of the Period	179	292	63.1
Balance Sheet			
Current Assets	1,061	1,487	40.2
Inventories	135	115	-14.8
Fixed Assets	3,374	3,434	1.8
Net Assets	4,435	4,922	11.0
Corporation Tax Liabilities	1,069	1,140	6.6
LT Liabilities	1,757	1,877	6.8
Shareholder's Equity	1,610	1,904	18.3
Ratios			
Current Ratio	0.99	1.30	31.3
Quick Ratio	0.87	1.20	37.9
Cash ratio	0.34	0.68	100.0
Return on Equity %	11.11	15.33	38.0
Employment			
Total number of employees (avg.)	10,324	10,453	1.2
Number of Passenger per Personnel	100	103	3.0
Number of Planes			
Passenger Plane	102	99	
Cargo Plane	1	2	
Number of Passenger (Thousand)			
Number of International Passengers	8,041	9,652	20.0
Number of Domestic Passengers	8,906	9,984	12.1
Total Number of Passengers	16,947	19,636	15.8
<i>Reference: THY 2006 and 2007 Annual Reports – Istanbul Stock Exchange Data</i>			

9.5. Anadolu Agency (AA)

Members of the Board of Directors

- ◆ Dr. Hilmi Bengi (Chairman)
- ◆ Tahsin Akti (Deputy Chairman)
- ◆ Salih Melek (Member)
- ◆ Asst. Prof. Dr. Ömer Demir (Member)
- ◆ Ahmet Tezcan (Member)

Related Ministry

Minister of State

Capital Structure

Treasury Share: 47.75 Percent
 Subscribed Capital: TRY 20,000
 Paid – in Capital: TRY 20,000

Web Site

<http://www.aa.gov.tr>

Anadolu Agency was established by a Circular issued by Mustafa Kemal ATATÜRK in April 6th, 1920 with the aim of satisfying the need of the domestic and foreign public opinion to be illuminated by the most accurate news. The first legal regulation related to the company was performed two months later than its establishment by the “Law on Formation of Printed Publication and Intelligence, Directorship of Public Broadcasting” which was introduced in June 7th, 1920. The company played important roles in illuminating the public opinion about the national struggle in the War of Independence.

The company underwent a structural change in 1925 and gained the status of an Incorporated Company which has a capital of 20.000 TL and 44 partners. The 41 of those partners were the personnel of the agency, and the others were Tevfik Kâmil Koperler the Member of Parliament for Istanbul, Yusuf Hikmet Bayur the Delegate of Belgrade and Member of Parliament for Izmir and Tevfik Rüştü Aras the Minister of Foreign Affairs who leaded the establishment of the company and who did not undertake a post in the company although he purchased half of the company shares. 955 of the company shares were acquired by Treasury by means of transfers made in time, and state’s share became 47.75 percent. As a result of the fact that the shareholders have passed away and their inheritors lost track of their claims, the owners of most of the private shares are not known.

The company carries out its activities with its 576 personnel and 839 domestic reporters and in 14 district offices and in 30 offices at home and 30 centers abroad, 20 of which are representative offices.

Major Developments

The company conveyed a total of 500,534 bulletins (daily average 1,371), 213,620 of which are general bulletins and 286,714 of which are provincial bulletins, to its subscribers in 2007. When compared with 2006, there was an increase of 4 percent in the number of the news items conveyed. The number of the news published in a foreign language was 19,109 in 2007, 15,672 of this number were the news in English and 3,437 were the news in French.

The total number of the photographs conveyed to the subscribers together with the ones retrieved from the archives is 160,207 in 2007. The daily average of the photographs conveyed was 439 with an increase of 9 percent in comparison with the previous year.

The company progressed on technological development in 2007 and in this respect, the Prime News Management System whose tenders for equipment and software were made in 2005 and which was put into service in 2006, became operational in the foreign representative offices and district offices intensively. In addition to this, the number of mobile live broadcast vehicles, which was 2 in 2006, increased to 3 and the number of the VTR devices increased to 39. In addition, the company started to provide video as well as flash news service provided for cellular phones by means of the agreement made with Turkcell in 2007.

In 2007, Teheran, Baghdad, Erbil and Nicosia were added to the centers, where video transmission can be provided, as in USA, Russia, China, England, France, Germany, Belgium, Hungary, Azerbaijan, Kyrgyzstan and Australia.

Financial Status

In accordance with the News Service Contract signed with the Directorate General of Press and Information, TRY 42 million was transferred from the Budget to Anadolu Agency in 2007 and 78 percent of the company incomes consisted of this source. The operational income of the company was TRY 12 million. The operational income of the company substantially consists of payments received from subscribers. As this income is considerably linked to dollar, it is affected by the fluctuations in foreign exchange rate.

The 71 percent of the expenses of the company in 2007 consisted of personnel expenses. The other significant expense items are the payments made to the domestic reporters and the expenditures of foreign offices. The domestic reporters

are paid per news. With the start of provincial bulletin service in 2007, domestic reporters started to make more news service and therefore, the payments made in this respect turned out TRY 2.1 million with an increase of 44 percent in comparison with the previous year

SELECTED INDICATORS	2007
<i>(TRY million)</i>	
Income Statement	
Gross Sales	54.5
Cost of Sales	53.2
Operational Expenses	3.6
Operational Profit and Loss	-2.3
Profit – Loss of the Period	-2.2
Balance Sheet	
Current Assets	4.1
Inventories	0.0
Fixed Assets	4.6
Net Assets	8.7
Corporation Tax Liabilities	6.8
LT Liabilities	0.5
Shareholder's Equity	1.4
Ratios	
Current Ratio	0.6
Quick Ratio	0.3
Cash ratio	0.1
Return on Equity %	-1.5
Employment	
Total number of employees (avg.)	576
Number of Passenger per Personnel	40.4
Other Data	
Number of Subscriber	909
Total Number of News (daily avg.)	1,371
Special Bulletin Service (daily avg.)	150
Number of Pictures Conveyed (daily avg.)	439
<i>Reference: Anadolu Agency</i>	

9.6. Housing Development Administration (TOKİ)

Administration

- ◆ Erdoğan Bayraktar (Chairman)
- ◆ Ahmet Haluk Karabel (Deputy Chairman)
- ◆ Ercan Tıraş (Deputy Chairman)
- ◆ Çağatay Göktaoğlu (Deputy Chairman)
- ◆ Mehmet Murat (Deputy Chairman)

Web Site

<http://www.toki.gov.tr>

Housing Development and Public Participation Administration was established in 1984 exclusive of the general government with the aims of solving the housing and urbanization problems which arise from rapid population growth and rapid urbanization and reducing unemployment by increasing production. An autonomous Collective Housing Fund was formed by the Collective Housing Law no. 2985 which was put into force in that date.

The function of the Housing Development Administration of Turkey (TOKİ) is determined as; to enable the rapidly increasing demand for housing to be supplied by encouraging the house building sector. TOKİ was provided with the ability of acting in a flexible manner and autonomously by the Collective Housing Law no. 2985. TOKİ had a sufficient and continuous source for the housing implementations by 2001 thanks to the Collective Housing Fund except the General Budget.

In 1990, the entity was organized as two separate administrations called Housing Development Administration of Turkey and Public Participation Administration by Decree Laws no. 412 and 414.

TOKİ had provided financial support for approximately 950 thousand houses through credits by 2002, and the construction of 43,145 houses on its own lands was completed.

The main authorities and duties of TOKİ were determined by the Collective Housing Law no. 2985 as follows:

- ◆ To issue bond and security,
- ◆ To decide to receive credit to capitalize in the areas of usage,
- ◆ To take the measures which will enable the participation of the banks for the finance of the houses,
- ◆ To support the house building industry

- ◆ To participate in the house building companies in the priority regions for development,
- ◆ To contract research and project chores.

However, the priorities related to the resolutions of the housing and urbanization problems has changed in the course of time TOKİ was required to participate in the whole process of housing and urbanization. Therefore, house building and planned urbanization were considered within the scope of housing mobilization which was given place in the Urgent Action Plan.

Within this scope, by the Law no. 2985 with the changes made by the Law no. 4966 dated 06.08.2003, new duties were added to the duties of TOKİ. These duties are as follows;

- ◆ To establish new companies or participate in the companies which have been already established in the housing sector;
- ◆ To provide personal and collective housing credit,
- ◆ To provide credits for the projects aiming the development of village architecture, transformation of the slum areas, maintaining and regeneration of the historical texture and regional architecture and to perform interest subsidy to all these credits when necessary;
- ◆ To develop projects directly or by means of its participations at home and abroad; to perform housing, infrastructure and social equipment implementations;
- ◆ To perform implementations with the profit seeking projects ensuring source supplement for the administration;
- ◆ To build, encourage and support the houses and social equipments together with their infrastructures in the regions where the natural disaster occurred when necessary.

Additionally, TOKİ has the authority of establishing a unit in the regions it operates in and employing temporary personnel from other public institutions in those units when necessary. In this regard, it was decided that units will be established in Istanbul, Bingöl, Erzurum, Diyarbakır and Van.

TOKİ had the authority of taking over the lands belonging to Treasury without paying any cost pursuant to the proposal of the related Minister and the Minister of Finance and with the approval of the Prime Minister.

Subsidiaries²⁶

In accordance with Decree of the Council of Ministers dated 03.04.2001, it was decided that the assets of the Emlak Bank Inc. except the ones related to its banking activities and its shares in the companies having activity in this field, commercial properties and idle real estates were taken over by TOKİ, and the protocol related to the principles to be imposed in this subject was signed in 14.12.2001. Within this scope, Emlak Bank's shares of three companies which had activity in fields other than banking were taken over by TOKİ.

TOKİ has 6 subsidiaries.

1. Emlak Housing Real Estate Investment Trust (Emlak Housing) Inc.

It was established with by merging of Ankara Reconstruction Limited Company which is incorporated with Emlak Bank and Timlo Company in 1950s. It was transformed to Emlak Housing Inc. in 1990, to Emlak Real Estate Investment Trust Inc. as of 01.08.2002 and lastly to Emlak Housing Real Estate Investment Trust Inc. in 28.02.2008. The company currently carries out its activities directed to manage the immovables in its portfolio.

39 percent of the company shares belong to TOKİ, 61 percent belong to KEY shareholders, and as the financial and administrative rights of this share belong to TOKİ as well, the company is administrated with 100 percent majority.

The capital of the company is TRY 649.1 million.

2. Emlak Marketing, Construction, Project Management and Trade Inc

The company deals with the project management and control of Bahçeşehir project, marketing and administration of the houses and maintenance activities before and after sale. In addition to this; any kinds of projects, management and controller consultancy services planning, project designing and engineering services in any field included in its activity area, marketing activities of any kind of immovable, business administration and commercial services are also included in the activity field of the company.

²⁶ This section was taken from the official website of TOKİ in 15.07.2008.

The company has 3 participations at home and abroad. These are; Bahçeşehir Gas Distribution Marketing Inc., Kazakhstan National Bank (KZI) and Collective Housing Metropolitan Municipality Construction and Real Estate and Project Inc. (TOBAŞ).

The capital of the company is TRY 65 million. 49 percent of the company shares belong to TOKİ.

3. GEDAŞ Immovable Valuation INC.

The company has been performing valuation and expertise of any kind of immovable (land, building, facility values and rent amounts) and movables (the value of machines, equipments, and ships, etc. movable and mobile goods) via on the spot investigation, since 1998 with “Capital Markets Board License”.

49 percent of the company shares belong to TOKİ, 20 percent to Emlak Bank Complementary Social Security Fund, 20 percent to AXA Oyak Insurance, 10 percent to the Republic of Turkey Ziraat Bank and T. Halkbank Members Retirement and Social Cooperation Foundation, 1 percent to Turkey Public Banks Employees Personnel and Retirement Health and Social Cooperation Foundation.

The capital of the company is TRY 500 million.

4. TOBAŞ (Collective Housing Metropolitan Municipality Construction and Real Estate and Project INC.) Company

It was founded with the aim of performing the consultancy and inspection services in the project within the framework of urban transformation project in the Ankara North City Entrance and the areas around by “Ankara North City Entrance Urban Transformation Project Law” no. 5104.

49.9 percent of the company shares belong to TOKİ, 49.9 percent to Ankara Metropolitan Municipality, 0.1 percent to Emlak Marketing Construction Project Management and Trade INC., the 0.05 percent to Ankara Electricity Bus Gas Enterprise and 0.05 percent to Ankara Water and Sewerage Administration.

The capital of the company is TRY 10 million.

5. Vakıf Real Estate Investment Trust INC.

With the Law no 5273 on the abrogation of the Directorate General of Building Land Office and transfer of its duties and authorities to Housing Development

Administration of Turkey, Vakıf Real Estate Investment Trust Inc. in which the Directorate General of Building Land has a share took its place among the partnerships of TOKİ.

14 percent of the company is registered to TOKİ, 27.63 percent to T. Vakıf Bank Turkish Corporation, 6.67 percent to Vakıf Bank Per. Special Social Security Services Foundation, 3.33 percent to the Foundation of T. Vakıf Bank Turkish Corporation Employee and Servant Retirement and Cooperation Fund, 1.67 percent to Güneş Insurance INC., 1.67 percent to Vakıf Deniz Leasing INC. and the 45.03 percent to the share certificates offered to public.

The registered capital of the company is TRY 100 million, while its issued capital is TRY 19.3 million as of 2008.

6. Vakıf Construction Restoration and Trade INC.

The main duty of the company is to perform businesses of project related to restoration businesses, consultancy, research - development etc.

The 50 percent of the company belong to TOKİ, the 24 percent of the company belong to the Directorate General of Foundations (Registered), the 4 percent of the company belong to the Directorate General of Foundations(Annexed), the 10 percent of the company belong to Güneş Insurance INC., the 7.34 of the company belong to Taksim Lodging INC., 1.42 percent of the company belong to the Foundation of Vakıf Bank Retirement and Health Cooperation Fund, the 3 percent of the company belong to Vakıf Immovable Expertise and Evaluation INC., the 0,0345 of the company belong to Güneş Automotive Tourism Int. Trade INC.

The capital of the company is TRY 10 million.

Financial Status

The Housing Development Fund was abrogated completely by the Law no. 4684. The abrogation of the fund decreased the sources of TOKİ significantly and caused TOKİ to be dependent on the allowances transferred from the budget. Currently, the income of TOKİ consists of the sale and estate revenues of real assets, collection back of credits, interest incomes and budget allowances.

When the activities of the company in 2006 are considered, it is seen that the real operating income is approximately 2.5 times the amount of the previous period. This increase resulted from the increase in the ordinary immovable sales of the company

substantially. Such sales constitute 82 percent of the administration's income. The other significant items within the total income are respectively, sales revenue based on sharing of income (8 percent), sale revenue of the assets taken over from Emlak Bank (6 percent), the interest income of the credits provided (2 percent). A large part of the bank's income from other activities consists of the charges for departures from the country transferred to the accounts of the administration in accordance with the Article 2 of the Law no. 2985.

The operating expenses of the bank are quite above the operational revenues, and 57 percent of such expenses consist of personnel expenses, 28 percent consist of marketing and promotion expenses.

SELECTED INDICATORS	2005	2006	%Increase
<i>(TRY million)</i>			
Net Operational Income	507	1,291	154.9
Operational Incomes	20	28	40.6
Other Net Ordinary Incomes	235	176	-25.2
Other Net Extraordinary Incomes	-1	-95	-
Net Receipts and Expenses for Period	721	1,343	86.3
Total Assets	5,732	10,214	78.2
Total Number of Employment (avg.)	370	422	14.1
Total Employment Expense	12	16	27.4
<i>Reference: 2006 Report of Supreme Auditing Company, TOKİ</i>			

9.7. National Lottery Administration (MPI)

Members of the Board of Directors

- ◆ Recep Biçer (Chairman and General Director)
- ◆ İsmail Yıldırım (Deputy Director General)
- ◆ Muammer Çolak (Deputy Director General)
- ◆ Ayşe Fert Dökmeci
- ◆ İsmail Koş
- ◆ Günaydın Çalışkan

Web Site

<http://www.mpi.gov.tr>

The first non official lottery in the late years of the Ottoman Empire was organized by the “Naval Force Association”. Presents from the public constituted the prizes of this lottery, which was organized with the aim of supplying battleships. As a consequence of the fact that this organization attracted attention, the first lottery drawing before republic whose winners were determined by lot was started with the aim of encouraging the sale of the East Railways and Ergani Copper Enterprises Bonds.

After the proclamation of the Republic, as of January 9, 1926 by the Law no. 710, the “Turkish Aeroplane Society” was given the authority of organizing and drawing a lottery with the condition of that it should be paid in cash. The draws, which were organized by the Society, had proceeded for 14 years under the name of “aeroplane lottery” with the aim of providing support for Turkish Air Force until the National Lottery Administration (MPI) was established by the Law no. 3670 dated 05.07.1939.

The Administration was also given the authority of organizing scratch card, Numerical Lotto and raffles as well as the lottery by the Decree Law no. 320 which was put into force in 06.06.1988 replacing the National Lottery Organization Law no. 3670. Among these games, scratch card was started in the July of 1989, and the numerical lotto was started in the November of 1996.

Giving permission for the non-cash draws and monitoring these draws, auditing the game of chance enterprises are also included in the duty and service area of MPI.

In summary, MPI was founded in order to provide fund for the activities determined by the laws, to organize lottery, scratch card, numerical lotto and suchlike games and to organize drawings, to audit games of chance and enterprises, to give permission for the organization and drawings of any kind of non-cash lotteries and to control them.

MPI is an autonomous public enterprise with its own budget and a separate legal entity. MPI, which is subjected to the provisions of the private law except the provisions being reserved by the Decree Law no. 320, is not subjected to the audit of the Court of Accounts and the Public Financial Management and Control Law no. 5018, but is subject to the audit of the State Auditing Board.

Privatization

It was allowed to issue chance games license within the regulations of the Decree Law no. 320 by the Law no. 4971 dated 01.08.2003.

The following issues were decided by the Additional Article 2, which regulates the principles and procedures related to issuing license, of the Decree Law no. 320.

- ◆ The license can be issued to a state economic enterprise which will be founded within the framework of the principles and procedures to be determined by the Council of Ministers or to incorporated companies which are founded in accordance with the provisions of Turkish Commercial Code individually or as a group,
- ◆ The decree related to the starting of the procedures of issuing license is issued by the Privatization High Council,
- ◆ The incorporated companies, which are founded in accordance with the provisions of the Turkish Commercial Code, can be given a license for a maximum of ten years,
- ◆ The procedures of valuation and tender related to the license issuing shall be performed by a commission consisting of five members; representatives one from PA, one from the Ministry of Finance, one from the Undersecretariat of Treasury, two from MPI. The head of commission is the representative of PA.
- ◆ Restricted procedures in the Law no. 4046 shall be applied in the tender,
- ◆ The result of the tender shall be confirmed by the Privatization High Council, and following the confirmation, the contract of license shall be signed by the company who won the tender and the Administration,
- ◆ Holder of the license cannot hand over this permission to anyone,
- ◆ MPI cannot organize the games of chance and drawings related to the license during the term of the license,
- ◆ The amount left after deducting the expenses covered by the Privatization Fund from the cost to be received from the issuing of the license shall be transferred to the Treasury.

In addition, MPI was given the authority of taking the necessary measures for enabling the implementation of contracts to be made related to the license issuing in a way that they will protect public interest and consumer rights, monitoring and auditing the performance of the games of chance activities in accordance with the provisions of the related legislation and contract, imposing administrative fine and avoiding the license in the event of disagreement with the provisions of the related legislation and contract.

With the Decree of the Privatization High Council dated 12.09.1003, the procedures related to the games of chance license issuing has started, and in 14.10.2003, a commission was formed in order to manage the valuation and tendering procedures related to the issuing of the license.

With the “Law on the Regulation of the Taxes, Funds and Shares from the Revenue of Games of Chance” dated 14.03.2007 and numbered 5602 which was put into force in 01.04.2007, the principles and procedures related to the taxes, funds and shares to be allocated from the revenue of the games of chance and the amounts to be transferred to the Treasury as public share were rearranged.

Financial Status

The gross sales of MPI showed an increase of 25.7 percent in 2007 and reached to TRY 1,2 billion, the prize amounted approximately TRY 650 million were distributed from these sales. The prizes distributed, which constitute more than the 50 percent of the gross sales revenue, increased at the rate of 20 percent in 2007.

Table 24: MPI 2007 Tax and Other Statutory Liabilities (TRY thousand)	2007	Percentage
Promotion Fund	10.474	3,2
Turkish Social Service and Children Protection Institution	1.047	0,3
Investment Expenditures	226	0,1
Res.Ren.Dev.Edu. Organization	5.570	1,7
Defense Industry Support Fund	62.574	18,9
Olympic Games Supp. and Org. Board	3.293	1.0
Public Share	248.567	74,9
Total *	331.751	100.0

* The total public share is TRY 314.4 million, and as the whole amount needs to be paid throughout the year in accordance with the Law no. 5602, the net profit of MPI for the period is zero.

Reference: MPI

A major part of the MPI's expenses consist of the marketing and sale expenses. As a result of the fact that the increase in the revenue was more than the increase in the costs, MPI increased its operational profit for the financial year of 2007 to TRY 67 million. MPI, which has no financial expense, closed the financial year of 2007 with a profit of TRY 332 million.

Income and Expenditures	2006	2007	Percentage
(TRY million)			(2007/2006)
Gross Sales	960	1.206	25,7
Domestic	953	1,198	25,7
Foreign	6	8	28,3
Sales Discounts	541	746	38,0
Other Discounts	0	97	-
Premiums Paid	541	649	20,0
Net Sales	419	460	9,8
Cost of Sales	25	26	6,1
Gross Sale Profit	394	434	10,0
Operational Expenses	142	167	17,6
Marketing, Sale and Distribution Expenses	123	147	19,3
General Administrative Expenses	19	20	6,6
Operational Profit and Loss	253	267	5,8
Profits and Losses from other Activities	43	42	-2,5
Interest Incomes	34	26	-23,6
Provisions no longer Required	0,01	0,035	250,0
Other Ordinary Incomes and Profits	9	16	74,7
Expenses and Losses from Other Activities	0,054	0.165	205,6
Financial Expenses	0	0	-
Extraordinary Incomes and Profits	23	24	4,1
Extraordinary Expenses and Losses	1	0.962	-27,9
Profit and Loss for Period	317	332	4,6
<i>Reference: MPI</i>			

MPI transfers its profit to the public as a resource. Within this framework, the Promotion Fund, Social Services and Child Protection Agency, and Defense Industry Support Fund are among the public organizations and institutions which benefit from the sources MPI creates (Table 24).

9.8. Directorate General of Spor – Toto

Administration

- ◆ Bekir Yunus Uçar (Manager)
- ◆ Mustafa M. Turgut (Deputy Manager)
- ◆ Ömer Aksoy (Deputy Manager)

Web Site

<http://www.sportoto.gov.tr>

In Turkey, the preparations for the foundation of Spor – Toto were started in 1949. The Law on Organization of Sweepstakes on Football Events no. 7258 was passed in April 29, 1959 and Spor – Toto was established officially.²⁷

The necessary preparations were started in accordance with the authority given to Directorate General of Physical Training by the Law no. 7258, and Hasan Örengil was put in charge of the Organization of Sweepstakes on Football Events by commission in October 1, 1959. It was set off on a quest of a suitable system for the conditions of our country in that period and it was seen that the German KOBLENZ system was the most suitable one. Hans Leizer, the General Director of Koblenz, was invited to Turkey for the adaptation process related to this system.

Sweepstakes on Football Events Regulation which was prepared in accordance with the Articles 3 and 6 of the Law No: 7258, was put into force by Decree of the Council of Ministers dated February 9, 1960.

Enabling the Spor – Toto to spread to broad communities was realized by means of a main dealer and dealers. A contract of service was signed with the Turkey Emlak Credit Bank with the aims of reaching to more participants and enabling the main dealership services to be carried out in good trim.

Spor – Toto, which aims to improve sports and increase the excitement of sports, gave speed to the construction of sports facilities in various points throughout the country. While there were 52 stadiums with wire fences or simple walls, 20 gymnasiums 8 of which were indoor, 5 swimming pools, 2 hotels, 10 ski houses, 6 polygons, 12 clubhouses in various provinces before the establishment of Spor – Toto, with the incomes obtained after 1981, these figures reached to 103 stadiums 20 of which are in construction, 93 training field, 74 gymnasium in various sizes, 34 tennis courts, 47 outdoor basketball and volleyball fields, 10 polygons, 13 outdoor

²⁷ This section is compiled from the address of <http://www.sportoto.gov.tr>.

swimming pools, 1 fencing gym, 1 horse show field and indoor maneage, 3 velodromes; one of which is under construction; 16 ski houses, 2 ice-hockey fields in 10 years.

Spor – Toto acquired currency in our country with the soccer events in March 26 – 27, 1960 in the football season of 1959 – 1960.

Directorate of Spor – Toto became Directorate General by the "Law on Organization of Sweepstakes on Football Events and Law on Making Change in Some Laws" no. 5583 which was put into force in 28.02.2007.

Financial Status

The revenue obtained from its games named Spor – Toto and İddaa between the years of 2004 – 2007 reached to TRY 4.9 million. The Treasury was paid TRY 844 million out of the total revenue by means of taxes. Spor – Toto, which is one of the two biggest sources of revenue, provided a financial support of TRY 348 million for our football clubs by means of paying for royalty, and TRY 61 million for Turkey Football Federation. In addition, TRY 2.4 billion was distributed as a prize.

It has extended financial aid amounted to TRY 10 million in 2004, TRY 25 million in 2005, TRY 52 million in 2006, TRY 75 million in 2007, in total TRY 162 million out of Spor – Toto incomes for the subsidy of our national and international sports organizations and investment projects.

As well as distributing prizes, Spor – Toto provides support to the budget with Games of Chance Tax and Added Value Tax. In addition, it provides support for the sports clubs, Social Services and Child Protection Agency, National Olympic Games Committee, the Directorate General of Youth and Sports, Defense Industry Support Fund, Promotion Fund and Credit and Dormitories Agency.

9.9. Extra Budgetary Funds

A great deal of extra budgetary funds, which were active in our country, were abolished by the laws regarding the liquidation of the funds between the years of 2000 and 2001 with the aim of increasing the fiscal transparency and accountability.

In this framework, there were only five extra budgetary funds left. These funds are excluded from the Law no. 5018 and do not have company status. However, they have been included in this Report as public enterprises with the purpose of achieving publicity, since they have their own incomes and expenses.

9.9.1 Savings Deposit Insurance Fund,

9.9.2 Social Aid and Solidarity Promotion Fund,

9.9.3 Privatization Fund,

9.9.4 Defense Industry Support Fund,

9.9.5 Promotion Fund

9.9.1. Savings Deposit Insurance Fund (TMSF)

Members of the Board of Directors

- ◆ Ahmet Ertürk (Chairman)
- ◆ Şakir Ercan Gül (Deputy Chairman)
- ◆ Ahmet Ragıp Çelebi (Member)
- ◆ Yüksel Görgeç (Member)
- ◆ Rasih Muhammed Danış (Member)
- ◆ Ali Hıdıroğlu (Member)
- ◆ M. Fatih Karaca (Member)

Web Site

<http://www.tmsf.org.tr>

Savings Deposit Insurance Fund (TMSF) was established by the Decree Law no. 70 on Banks dated 22.07.1983, possessing its legal entity in order to insure the saving deposits in the banks. Administration and representation duties, which were assigned to The Republic of Turkey Central Bank in its establishment, were inherited to Banking Regulation and Supervision Agency by Decree of the Council of Ministers No: 4389 as of 31.08.2000.

The Fund gained autonomy by the Law no 5020 dated 26.12.2003 and it was decided that the decision making body is the Fund Committee and the general administration and representation belong to the Head of the Fund Committee.

Amongst the duties of the Fund, the following we can be listed;

- ◆ In the framework of the authorities granted by Banking Law and other applicable legislation, the insurance of the deposits and the participation funds with the purpose of guaranteeing the rights and benefits of the depositors,
- ◆ Administration of the fund banks, and strengthening, reconstruction, consolidation, sale and liquidation of the financial structures,
- ◆ Performance of tracking and collecting procedures of the fund creditors,
- ◆ Management of the fund assets and sources.

Regarding deposit insurance, TMSF performs activities directed to determine the policies related to the deposit insurance and make the necessary arrangements, measures and manages the risks arisen from the deposit insurance, monitors the risks of the sector and the banks, and collects the insurance premiums.

Regarding resolution activities, the completion of the early warning system of the banks which have the possibility of being taken over by the fund or losing its activity license and optimization of the time and cost of the resolution process, and the recovery of the sources transferred to banks are being carried out.

Companies and Subsidiaries

The main activities of the fund are deposit insurance and resolution activities. The activities related to the subsidiaries and affiliates of the fund are also significant.

The subsidiaries and affiliates of the Fund are primarily prepared for sale by the Department of Subsidiaries which is one of the departments of TMSF. The procedures of preparing of the companies for sale, merging of the companies, making decisions on liquidation / insolvency, assigning members to the boards of directors and auditors and controlling and monitoring of their activities are carried out by TMSF.

There are 20 affiliates and 19 subsidiaries in the portfolio of the fund as of 31.05.2008. The subsidiaries and affiliates in the portfolio of TMSF are displayed in detail in the Table 25 together with dates of takeover and the share ratios possessed. The companies with the share ratio of above 50 percent are called affiliates, and more than half of the administrative and supervision units are assigned by TMSF in such companies.

The affiliates of the fund are considered as public enterprises as most of their registered capital belongs to the State and more than half of the administrative and supervision units are assigned by the public and therefore the public has their administrative control.

Financial Status

The 93 percent of the incomes of the fund consisted of non-interest incomes in 2007. The highest share in the stated incomes is evaluation profits with TRY 3.7 billion, and the stated item is respectively followed by extraordinary incomes with TRY 1.7 billion and insurance premium incomes with TRY 566 million. The basic reason for the increase in the extraordinary incomes in 2007, which was TRY 7 million in 2006, is that the allowance for uncollectible receivables amounting to TRY 1.65 billion were offset for the liability account of "Revenues from Rescheduled Receivables that were Uncollectible" as of December 31, 2007.

SELECTED INDICATORS	2006	2007	%Increase
<i>(TRY million)</i>			
Non-interest Incomes	6,162	6,727	9.2
Interest Incomes	463	544	17.6
Non-interest Expenses	6,475	1,220	-81.2
Interest Expenses	10,371	12,679	22.3
Net Income for Period	-10,221	-6,628	-
Total Assets	41,330	38,144	-7.7
Total Number of Personnel	411	406	-1.2
Total Personnel Expenses	24	26	5.7

Reference: TMSF

A great majority of the fund costs consist of the interest expenses regarding the credits from the Treasury.²⁸ Those expenses were TRY 12.7 billion in 2007 with an increase of 22 percent when compared to the previous year. On the other hand, while the non-interest expenses of 2006 were TRY 6.47 billion due to the evaluation losses amounting to TRY 5.73 billion, it was TRY 1.22 billion due to the decline in the evaluation losses at the rate of 89 percent when compared to the previous year.

As of 31.12.2007, the 46 percent of the total assets of the Fund consists of the duty loss accounts.

Table 25: Affiliates and Subsidiaries of TMSF

Affiliates and Subsidiaries	Date of Takeover to the Portfolio	TMSF Share (%)
K Leasing INC.	30.10.2001	100.00
Eti Leasing INC.	31.12.2001	100.00
Nergis Construction and Trade INC.	15.12.2004	100.00
Doğuş Steel Bolt INC.	17.03.2005	100.00
Demir Card Services INC.	25.10.2001	100.00
D Factoring INC.	25.10.2001	100.00
İnteraktif Telecommunication Ind. and Trade INC.	25.12.2001	100.00
Merkez Publishing Holding INC.	07.09.2007	100.00
YAZ Information Systems INC.	26.05.2003	100.00
Göl Investment Holding INC.	29.02.2008	99.99
Prizma Information Systems	30.11.2007	99.96
ES-EN Eskişehir Machine Industry and Trade INC.	31.12.2001	99.95

²⁸ It was asserted that the debts of TMSF to the Treasury until 31.12.2007 shall be written off by the Act on The Amendment of the Act on the Regulation of the Public Finance and Debt Management dated 16.07.2008 and numbered 5787.

Sakarya İpekyolu Valley Free Zone Founder and Operator INC.	29.09.2006	95.70
Es Factoring Services INC.	31.12.2001	95.00
ES-YEM Eskişehir Feed Industry INC.	31.12.2001	94.47
Atlas Leasing INC.	25.12.2001	9.95
	06.05.2008	88.70
Tank Internet Services and Marketing Trade INC.	13.03.2006	80.00
Kablonet Communication Systems INC.	25.12.2001	67.92
As Construction Industry INC.	30.10.2001	51.00
A-Tel Marketing and Serving Services INC.	18.10.2004	50.00
Ege Factoring Services INC.	30.10.2001	40.88
Newspaper and Printing INC.	31.12.2001	39.00
İktisat Leasing INC.	25.12.2001	25.60
Seçkin Support Services Auto Renting INC.	31.12.2001	21.86
Nergis Textile Industry and Trade INC.	31.12.2001	20.00
Yeşim Textile Industry and Trade INC.	31.12.2001	20.00
Aks Television Advertising and Film-making Ind. and Tr. INC.	18.04.2008	17.07
Bayındır Leasing INC.	22.07.2002	15.00
United Press Distribution INC.	31.12.2001	13.86
Media Holding INC.	13.02.2006	7.16
İzmir International Lodging INC.	31.12.2001	5.00
Bilgin Publishing INC.	31.12.2001	4.05
İMKB Bartering and Custodian Bank INC.	25.12.2001	3.14
İMKB Bartering and Custodian Bank INC.	28.12.2001	
Nergis Holding INC.	31.12.2001	1.73
Türk Nippon Insurance INC.	10.03.2005	1.57
Kazakistan - Ziraat International Bank	28.12.2001	0.61
Ekspres Investment Securities INC.	29.02.2008	0.02
RCT Asset Management INC.	06.06.2007	0.00
<i>Reference: Savings Deposit Insurance Fund</i>		

9.9.2. Social Aid and Solidarity Promotion Fund

Members of the Funding Committee

- ◆ Hayati Yazıcı (Head of the Committee)
- ◆ Efkân Ala (Member)
- ◆ Osman Güneş (Member)
- ◆ Orhan F. Gümrükçüođlu (Member)
- ◆ İsmail Barış (Member)
- ◆ Yusuf Beyazıt (Member)

Web Site

<http://www.sydgm.org.tr>

Social aid and Solidarity Promotion Fund (SYDTF) was established by Law of Social Help and Solidarity Promotion No. 4294, which became effective in 14.06.1986.

The administration of the Fund were carried out by the General Secretariat of the Fund, as a unit associated with the Prime Ministry as of the date when it was established until 09.12.2004; The General Secretariat of the Fund became a Directorate General associated with the Prime Ministry by the Law on the Organization and Duties of Directorate General of Social Aid and Solidarity No. 5263, which was put into effect by being published in the Official Gazette dated 09.12.2004.

The purpose of the Law No. 3294 which the establishes the Fund is to help the citizens in need and poverty and the people who came or were accepted to Turkey under any circumstance; to enable the income distribution to be distributed fairly by taking precautions which strengthens the social justice and to encourage the social aid and solidarity.

The incomes of the Fund consist of,

- ◆ The amounts up to 10 percent to be transferred from the funds, which are already established or will be established by laws and decrees, by Decree of the Council of Ministers,
- ◆ 2.8 percent of the total revenue of the income and corporate taxes,
- ◆ 50 percent of the traffic fines,
- ◆ 15 percent of the incomes of RTÜK,
- ◆ Allowances from the budget,
- ◆ Any kind of donation and aids,
- ◆ Other incomes.

The financial sources gathered are transferred to Social Aid and Solidarity Foundations by favor of the Directorate General of Social Aid and Solidarity in accordance with the decisions taken by the Fund committee, and the aids are conveyed to the citizens by the Foundations.

Financial Status

The revenue of the Fund was TRY 1.6 billion in 2007, and the expenses were TRY 1.4 billion. These figures were respectively TRY 1.38 billion and TRY 1.39 billion in 2006.

SELECTED INDICATORS	INCOMES	EXPENSES
<i>(TRY million)</i>		
2003	827	652
2004	1,261	1,348
2005	1,358	1,305
2006	1,380	1,390
2007	1,598	1,414

Reference: The Directorate General of Social Aid and Solidarity

In 2007, TRY 1.55 billion was transferred to the Fund from the General Budget allowances, TRY 1.38 billion of this amount was from the shares allocated from the income and corporate tax, TRY 181 million was from the shares allocated for the traffic fines and TRY 22 million was from other budget transfers. TRY 11.5 million was also transferred to the Fund from the budget of Regulatory and Supervisory Authorities because of the shares allocated from the RTÜK incomes. Therefore, the total equities transferred from the central budget to the Fund in 2007 were TRY 1.56 billion, which constituted 98 percent of total Fund incomes.

Table 26: The Budget Transfers to SYDTF in 2007

<i>TRY million</i>	
Share Allocated from Income and Corporate Tax	1,347
Share Allocated from Traffic Fines	181
Other Budget Transfers	22
Total General Budget	1,550
Transfers from Radio and Television Supreme Council Incomes	11.5
Total Transfers	1,561
<i>Reference: Public Accounts Bulletin</i>	

9.9.3. Privatization Fund

The Privatization Fund was founded within The Republic of Turkey Ziraat Bank with the aims of providing the necessary financial resource for the implementations of privatization and the financing of the various fields indicated in the Law on Regulation of the Privatization Implementations and Amendment of Certain Laws and Decree Laws no. 4046 dated 24.11.1994. The Fund is administered by the Privatization Administration.

The sources of income of the Fund are proceeds from privatization implementations, the dividends from the companies which were taken over by the administration and the revenues from the sale of the securities to be issued within the framework of privatization implementations, financing from outside provided for the companies taken over by the administration and other incomes. Such incomes are utilized for severance payments and service procurement, preparation studies for privatization, the expenses required by the administrative, financial and judicial expenditures of the companies taken over by the Privatization Administration, capital increases of the companies in which the Fund has share, purchasing of good and services necessary for privatization implementations, providing finance for the company taken over by the administration as loan, in the budget of the administration, liquidation of the debts left of the privatized assets and in the other various fields.

When the incomes of the privatization fund are examined by years, major portion of the income seems to be privatization proceeds. Such incomes were substantially obtained from the privatizations of the TÜPRAŞ and ERDEMİR by means of block sale of shares in 2006. The public offering of the shares of Halkbank, which are the property of the administration at the rate of 23 percent and the sale of the land, which is the property of Directorate General of Highways in Levent, Istanbul, are among the most important activities in 2007. Unlike the previous years proceeds from sale of enterprises, plants and the privatization incomes acquired from the public offerings became prominent while the proceeds from the block sale of the shares were quite low in 2007.

The second important income item of the Fund consists of the dividend incomes obtained from the companies in the privatization portfolio. While the dividend incomes from TÜPRAŞ had an important place before 2006, a substantial part of the dividend income was acquired from Halkbank in 2007.

The expenditures of the Fund are quite below its incomes, and the expenses related to employment and the transfers to the administrative budget were the most important items among the expenditures in 2007.

Table 27: 2002 – 2007 The Revenues and Expenses of the Privatization Fund

\$ million						
	2002	2003	2004	2005	2006	2007
Revenues	451	281	1,309	3,090	8,307	4,949
<i>Privatization Proceeds</i>	316	155	949	2.657	7.911	4.163
<i>Block sale of shares</i>	0	8	631	1.754	7.178	1
<i>Sale of enterprise and plants</i>	0	82	54	28	109	1.307
<i>Public offering</i>	167	0	162	265	187	1.831
<i>Sales in İstanbul Stock Exchange</i>	71	40	0	466	5	1
<i>Sale of assets</i>	6	18	33	138	353	929
<i>Paid Handovers</i>	72	7	69	6	79	95
Dividend Incomes	80	63	223	343	197	468
Interest	15	7	25	44	66	243
Other Revenues	39	56	112	47	133	75
Expenses	133	71	204	266	216	56
Transfers to Administrative Budget	6	5	8	7	10	14
Announcement - Advertisement Exp.	4	2	7	6	2	7
Consultancy Payments	1	3	1	10	29	2
Expenses related to Employment	13	13	54	76	43	21
Interest Expenses	107	41	117	161	127	8
Other	3	7	18	7	5	5
Income - Expense Balance	317	209	1.105	2.825	8.091	4.893
<i>Reference: Privatization Administration</i>						

The surplus in the Fund is transferred to Treasury accounts to be used in the domestic and foreign debt repayments in accordance with the Law No. 4046.²⁹ Such stated transfers are not registered as incomes in the budget of the central government and assessed as below-the-line financial item. In this scope, the budget surplus acquired from the privatization revenues had an important share in the finance of the central administration especially in 2006 and 2007.

The Court of Accounts audits the applications of the Privatization Fund within the framework of the Law no. 5018.

²⁹ By the Provisional Clause 23 of the Act dated 15.05.2008 and numbered 5763, a part of the surplus to occur between the periods of 2008 – 2012 of the Privatization Fund shall be allocated for the Southeast Anatolian Project (GAP) transportation and energy investments.

9.9.4. Defense Industry Support Fund

By the Article 12 of the Law No. 3238, Defense Industry Support Fund (SSDF) was established within the Central Bank of the Republic of Turkey and in command of Undersecretariat of Defense Industries (SSM) with the aim of supplying resources consistently and steadily exclusive of the general budget, for the establishment of a modern defense industry in our country and the modernization of Turkish Armed Forces.

In line with the decisions of the Defense Industry Executive Committee, the expenses of the Fund consist of the credits extended, capital contributions and projects. Although, it was aimed that the finance of the projects being carried out in charge of SSM shall be provided by SSDF, the opportunity of acquisition of state guaranteed credit from abroad for the projects requiring large scale financing, was provided by the Law no. 3238.

The resources of the fund consist of;

- ◆ Allowances from the budget each year,
- ◆ Transfers from the foundations which were established with the aim of strengthening the Turkish Armed Forces,
- ◆ The incomes indicated in the Article 1 of the National Lottery Organization Law no. 3670,
- ◆ Share allocated in accordance with the Law no. 1473 dated 25.08.1971, all or portion determined by the Council of Ministers of the avail to be obtained from any kind of tote-betting which was or will be organized.
- ◆ The transfers from the foundation, which were established by law (except the tax laws), of the amount to be determined by the Council of Ministers,
- ◆ The allowances granted for modern weapons, equipments and instruments from the Budget of the Ministry of National Defense,
- ◆ The gross proceeds to be obtained from the points where the games of chance are being operated, which are given the permission by the Article 19 of the Law for the Encouragement of Tourism no. 2634, of the ratio with a maximum of 50 percent to be determined by the Council of Ministers, to be distributed to Defense Industry Support Fund and Collective Housing Fund,
- ◆ The incomes from the assets of the Fund,
- ◆ Revenues from Military Service Compensation Fee in accordance with the

Article 10 of the Military Service Law No. 1111.

- ◆ Donation and aids,
- ◆ Other incomes.

In addition, the municipalities and the special provincial administrations cannot have a share from the incomes which are paid to the Defense Industry Support Fund and which are collected by the departments and foundations included in the General Budget according to the Law No: 2380.

Financial Status

Table 28: Resources of SSDF	
SSDF Incomes	\$ million
Transfers from Turkish Armed Forces Foundation (TSKGV)	
Share from National Lottery	186
Share from Tote-betting	30
Share from the Revenue of Income and Corporation Tax	814
Transfer from the Budget of MSB (Acc. to the Decree No: 2000 / 16)	
Transfer from the Budget of MSB (Private Consumption Tax Share / 232)	127
Incomes from the Assets of the Fund	
Interests on Deposits / Repurchase Agreements	2
Interests on Government Bonds and Treasury Bills	70
Revenues from Participations	3
Credit Interests	1
Repayments of the Credits Extend	12
Revenues from Military Service Compensation Fee	
Donations and Aids	
Revenue of the Sale of Light Arms (MKEK)	5
Other Incomes	7
Total SSDF Incomes	1.256
Other Cash Inflows	
Transferred from the Budget of MSB regarding Projects	1.059
Transferred from Other Institutions' Budgets in the Scope of Projects	89
Transferred from TSF	55
Total Cash Inflow	1.203
Grand Total	2.459
<i>Reference: 2007 Annual Report of The Undersecretariat of Defense Industry, p.41</i>	

The resources of the Fund according to the 2007 Annual Report are displayed in the Table 28 in million dollars.

In addition, according to the 2007 Annual Report, while the incomes of SSDF were TRY 1.13 billion in 2006, this figure was TRY 1.26 billion in 2007. The expenses, which were TRY 1.04 billion in 2006, increased to TRY 1.20 billion in 2007.

Table 29: SSDF Expenses

2007 Expenditures	\$ million
Project Expenditures	1.016
Research and Development Project Expenditures	31
Credit Repayments	73
Credits Extended	34
Other Payments	40
SSDF Total Expenses	1.194
Other Institutions Budget-Based Project Payments	333
TSF - Based Project Payments	55
Grand Total	1.581

Reference: The Undersecretariat of Defense Industry 2007 Annual Report, p.42

9.9.5. Promotion Fund

By the clause annexed to the Article 4 of the Law no. 3230, a “Promotion Fund” was established in the command of the President within the Central Bank of Turkish Republic in order to provide resources for the institutions responsible for the promotion of our country at home and abroad, to provide the dissemination of the Turkish cultural assets, to make the State archive services effective and to try to direct the international public opinion in line with the benefits of our country.

The resources of the Promotion Fund are:

- ◆ The allowance issued to the Prime Ministry budget for this reason,
- ◆ The transfers from the funds established by law in the amount to be determined by Council of Ministers,
- ◆ Donations, aids and other incomes.

While the 10 percent of the gross proceeds of the National Lottery and the share of 5 percent to be allocated from the total revenue of a tote-betting organization before the distribution of the allocated part as a prize were initially included in the resources of the Fund, those items are excluded from the resources of the Fund by the Article 11 of the Law no. 5602.

The expenses of the promotion fund are spent with the approval of the President, in accordance with the law.

20 percent of the money to be collected in the fund is registered as an income for the budget and an allowance as well in the related layout of the Prime Ministry budget by the Ministry of Finance.

9.10. Turkish Armed Forces Foundation (TSKGV)

Members of the Board of Trustees

- ◆ Minister of National Defense M. Vecdi Gönül (President)
- ◆ Vice Commander of the Turkish Armed Forces General Ergin Saygun (Member)
- ◆ Undersecretary of Ministry of National Defense Lieutenant General Ahmet Turmuş (Member)
- ◆ Ministry of National Defense Undersecretary of Defense Industry Murad Bayar (Member)

Web Site

www.tskgv.org.tr

Turkish Armed Forces Foundation was established by merging Land, Naval and Air Forces Foundations, which were established in various dates, with the aims of strengthening our Armed Forces, minimize the dependence on foreign sources by establishing a defense industry to produce the necessary weapons, equipments and devices within the country in accordance with the Law no. 3388. The Foundation is administered by the Board of Trustees which consists of the Minister of National Defense, Vice Commander of the Turkish Armed Forces, Undersecretary of Ministry of National Defense and Ministry of National Defense Undersecretary of Defense Industry.

The authorities granted to the Foundation for enabling it to reach its goals are establishing commercial enterprises, participating in the commercial enterprises and assigning foundation representatives for these enterprises. Within this framework, the Foundation participates directly or indirectly in 18 companies in total.

Among these participations, the ones in which shares of the Foundation is above 50 percent are;

- ◆ TAI (Tusaş – Turkish Aerospace Industry INC.),
- ◆ Aselsan,
- ◆ Havelsan,
- ◆ İşbir and
- ◆ Aspilsan.

As the control of the management of this Foundation, which has shares in these companies having activity in accordance with the provisions of the Private Law, is performed by the government officers, these companies are included in the report as public enterprises.

TAI (TUSAŞ): TAI, the center of technology in design, development, modernization, manufacturing, integration of manned and unmanned aerospaces, and after sale support in Turkey, was established in May 15, 1984. The shareholders of TAI are Turkish Armed Forces Foundation, the Undersecretariat of Defense Industry and Turkish Aeronautical Association.

ASELSAN: It is an enterprise of electronic industry that designs, develops, produces the electronic products and systems and performs the after sale services of them and has a wide range of high-tech products. ASELSAN carries out its activities in the fields of telecommunication devices, defense system technologies, radar, electronic warfare and intelligence systems and microelectronic guidance and electro-optic. The majority share of ASELSAN belongs to TSKGV and 15 percent of it is listed in İstanbul Stock Exchange.

HAVELSAN: HAVELSAN in which the foundation has 99 percent contribution, has activity in the fields of command and control information system, e-State applications, simulation and training systems, air and defense systems and the security of the motherland as a software company.

İŞBİR ELECTRICITY INDUSTRY INC.: İşbir Electricity Ind. Inc. which was founded in 1977 in the province of Balıkesir and started the production of Synchronous Alternator and Diesel Generator Set in 1981. It is the biggest corporation of our country which produces synchronous alternators, static and dynamic frequency converters, military and civil purpose mobile dual sets, ship type diesel generator sets used in the coast guard boats and tugboats and wagon generators which are used by TCDD and notably generator sets. The 99.8 percent of the company belongs to the Foundation.

ASPILSAN: It was founded with the donations of the local people of Kayseri in 1981, and the 98.7 percent of its shares are still the property of the Foundation. The main product types are weapon, optronic, meditronic devices and any kinds of batteries / battery packs and accumulator systems. In addition to these, the corporation produces chargers for military and civil market needs and performs the design and production of laboratory test systems. Today, ASPILSAN INC. is in a position that it will be able to provide all the battery and battery pack needs of Turkish Armed Forces in terms of its product range and product quality.

Table 30: The Companies in which TSKGV has Shares

Company Name	TSKGV Share (%)
İşbir Electricity Industry INC.	99.76
Havelsan Air Electronic Industry and Trade INC.	98.90
Aspilsan Military Battery Industry and Trade INC.	97.70
Aselsan Electronic Industry and Trade A.Ş	84.58
TAI Tusaş Aerospace Industry INC.	54.49
Roketsan Rocket Industry and Trade INC.	35.50
TAPASAN Precision Mechanic and Electronic Ind. and Trade INC.	25.00
Turktıpsan Health Tourism Education and Trade INC.	20.00
DİTAŞ Maritime Management and Tanker Shipping INC.	20.00
Netaş Nortel Networks Netaş Telecommunication INC.	15.00
Mercedes – Benz Türk INC.	5.00
TEI Tusaş Motor Industry INC.	3.02
HEAŞ Airport Management and Aviation Industries INC.	1.18
HTR Havelsan Technology Radar Industry and Trade INC.	0.01
<i>Reference: www.tskgv.org.tr</i>	

9.11. Revolving Funds

The revolving funds were established in order to make use of idle capacities, which arise in the public service productions of the public administrations within the scope of the general government. Moreover, they were formed as a part of the main activities of those public administrations. They are the enterprises, which operate with the capital allocated for them in order to assure the performance of the production of the private good and service that is not possible to be produced according to general administration principals.

With the revolving funds, much more administrative and financial autonomy is provided and the expenditures have been done more easily as being kept out of the restrictions and procedures regarding the central government budget. In addition, the income opportunities of the personnel have been increased by allocating shares for the personnel from the incomes earned by the revolving funds.

The first revolving fund in our country was founded by the “Law No. 549 on Fixed Capital Impose for Agricultural Enterprises” which was enacted in 1925 with the purpose of improving the schools and agricultural enterprises associated with the Ministry of Agriculture and making use of the sales revenues of them effectively.

In accordance with the Article 49 of the General Accounting Law No: 1050 which was put into force in 1927, a general regulation for revolving funds was included for the first time, however the number of the revolving funds, which were founded in accordance with the provisions of the Article, remained limited. In the following years, a great number of revolving funds were established in accordance with the Article 40 and Provisional Article 2 of the Law on The Establishment and Duty Principles of Ministries no. 3046, the Article 58 of the Higher Education Law no. 2547 and various articles in the paramount laws of the related public administrations.

The revolving funds, which started operation in various dates and with various aims and legislations, moved away from a standard financial and administrative structure. For example; while some revolving funds are obliged to pay corporate tax or value added tax, some have exemption. Yet, while some revolving funds are obliged to pay their profits to the Treasury, the profits of some of them are added to their capitals or the revenues of the following year. While the function of decision and administration in some revolving funds are performed by the Executive Board, such functions are

performed by different bodies like central management or enterprise management in some of the revolving funds; or there is no such a body in some.

Whereas it was proposed that the revolving funds shall be liquidated as of 31.12.2007 by the Provisional Article 11 of the Public Financial Administration and Control Law no. 5018 and the principles and procedures related to the liquidation shall be determined by a regulation to be issued by the Council of Ministers, the stated article was amended by the Article 10 of the Law no. 5436, and it was decided that the revolving funds shall be reconstructed until 31.12.2007. The abovementioned date was amended as "31.12.2008" by the Article 28 of the 2008 Central Management Budget Law dated no. 5724.³⁰

1,119 revolving funds associated with general budget institutions, 307 revolving funds associated with special budget institutions and in total 1,426 revolving funds are active in our country as of the end of 2007. 492 of those enterprises are associated with the Ministry of National Education, 331 of them are associated with the Ministry of Environment and Forestry (including the Directorate General of Forestry), 214 of them are associated with the Ministry of Health, and 187 of them are associated with the Ministry of Agriculture and Rural Affairs.

The gross sales of the revolving funds were approximately TRY 17 billion in 2007 with an increase of 8.6 percent. Although there is an increase of approximately 21 percent in the operating profit of those enterprises in comparison with the previous year, the enterprises had a loss amounting to TRY 570 million at the end of the period as the ordinary expenses and losses from the other activities were approximately 4 times of the amount of 2006. The increase in the ordinary expenses and losses from other activities substantially originated from the writing off of the receivables of the revolving funds associated with the Ministry of Health in accordance with the Law dated no. 5615.

The revolving funds prepare their annual operating budgets apart from the budgets of the institutions they are associated with; the stated budget is approved and implemented by the authorized bodies of the associated institutions. The accounting and budgeting principles to be applied in the revolving funds were determined by the "Revolving Funds Budget and Accounting Regulation" which was prepared by the Ministry of Finance in accordance with the Public Financial Administration and Control Law no. 5018 and Decree Law on Organization and Duties of the Ministry of Finance and which was published in the official gazette dated 01.05.2007.

³⁰ This date was extended to 31.12.2010 by the Act dated 24.07.2008 and numbered 5793.

Table 31: Number of Revolving funds **2006** **2007**

Revolving funds Associated with General Budget Administrations		
1 - Prime Ministry	42	45
2 - Ministry of Finance	1	
3 - Ministry of Agriculture and Rural Affairs	196	187
4 - Ministry of National Defense	59	59
5 - Ministry of Health	215	214
6 - Ministry of Justice	2	2
7 - Ministry of Foreign Affairs	1	1
8 - Ministry of Interior	1	1
9 - Ministry of National Education	483	492
29 - Ministry of Culture and Tourism	4	4
11 - Ministry of Labor and Social Security	2	2
12 - Ministry of Public Works and Settlement	27	27
13 - Ministry of Environment and Forestry	84	84
14 - Ministry of Transportation	1	1
TOTAL	1,118	1,119

Revolving funds Associated with Special Budget Administrations		
1 - Prime Ministry (Directorate General of Foundations)	3	3
2 - Universities	53	57
3 - Ministry of Environment and Forestry (Directorate General of Forestry)	247	247
TOTAL	303	307
TOTAL GENERAL AND SPECIAL BUDGET ENTERPRISES	1,421	1426

Reference: Directorate General of Public Accounts

The control and monitoring procedures of the financial statements such as the budget statement, balance sheet and income statement are carried out by the Ministry of Finance, Directorate General of Public Accounts. Moreover, this unit conveys the annual changes occurred in the capitals of the revolving funds associated with the administrations with general budget to the Undersecretariat of Treasury in a scheme, the registrations of the stated capital amounts of the enterprises to the State accounts are performed by the Undersecretariat of Treasury Internal Payments Accounting Unit. The capital amounts of the stated enterprises are kept in the account of “capitals invested for the enterprises with revolving funds” No: 242 and the amounts in this account as of the end of 2007 are as the following:

Table 32: Income Statement of Revolving funds		2006	2007	% Increase
(TRY million)				
A-	Gross Sales	15,676	17,028	8.6
B-	Sales Discounts (-)	393	425	8.2
C-	Net Sales	15,283	16,603	8.6
D-	Cost of Sales (-)	5,783	6,784	17.3
	Gross Sales Profit or Loss	9,500	9,820	3.4
E-	Operating Expenses	7,703	7,642	-0.8
	Operating Profit or Loss	1,797	2,177	21.1
F-	Ordinary Incomes and Profits from other Activities	295	379	28.5
	Ordinary Expenses and Losses from other			
G-	Activities (-)	779	3,047	291.4
	Ordinary Profit or Loss	1,314	-491	-
H-	Extraordinary Incomes and Profits	79	171	116.4
I-	Extraordinary Expenses and Losses (-)	129	153	18.5
J-	Profit or Loss for Period	1,264	-472	-
	Profit for Period Tax and Other Legal			
	Obligations (-)	73	98	33.3
	Net Profit or Loss for Period	1,191	-570	-

Reference: Directorate General of Public Accounts (Ministry of Finance, MOF)

Table 33: Capital Amounts of Revolving funds in 2007 (TRY million)

Prime Ministry Revolving Funds.	15,000
Mint and Stamp Print House Revolving Funds	98
Religious Publications Revolving Funds	12,000
Turkey Statistic Institute Revolving Funds	785
State Personnel Department Revolving Funds	500
Directorate General of SHÇEK Revolving Funds	963
Court of Appeal Publications Revolving Funds	50
Forensic Medicine Institution Revolving Funds	12,093
Main Depot, Maintenance Shop and Factories Revolving Funds	3,925
Gülhane Military Medical Academy Revolving Funds	0
Military Hospitals Revolving Funds	1,077
Center of Special Care Revolving Funds	0
Population and Citizenship Affairs Revolving Funds	82
State Guest House Revolving Funds	329
Liquidation Transactions Revolving Funds	6,366
Various Revolving funds	7,664
Directorate General of Constructive Works Revolving Funds	963
Directorate General of Technical Research and Implementation Revolving Funds	402
Medical Establishments Revolving Funds	4,180,798
Undersecretariat of Maritime Affairs Revolving Funds	6,080
Technique Agriculture	68,397
Agricultural Combat and Quarantine Department Revolving Funds	0
Working Capital Ent. Established by the Laws no. 867 and 170	0
Occupational Health and Safety Center Revolving Funds	330
Near and Middle-East Labor Training Centre Revolving Funds	204
Various Revolving funds II	60,092
Ministry of Environment and Forestry Revolving Funds	41,500
Directorate General of State Meteorology Affairs Revolving Funds	21,358
Directorate General of Forestry Working Capital Ent.	82,440
Revolving funds Associated with Special Budget Administrations	1,728
TOTAL	4,525,222

Reference: Directorate General of Public Accounts (MOF), Internal Payments Accounting Unit (the Undersecretariat of Treasury)

The audit of the revolving funds can be performed by the audit staff of the institutions they are associated with, Accounting Auditors and Financial Inspectors (MOF). In addition, the Court of Accounts audits the revolving funds and the results of the audit are reported to the Turkish National Assembly if necessary in accordance with the Article 28 of the Law of Court of Accounts no. 832.

9.12. Local Administration Enterprises

In the Article 3 of Public Finance Management and Control Law No:5018, local administrations are defined as the municipalities being in a public activity, the authorities of which are limited to a certain geographical area and certain services, special provincial administrations and the unions and administrations which are established or associated with them.

Local Administrations were granted the authority to establish a company within the duty and service areas assigned to them.

In the Articles 52 and 53 of the Special Provincial Administrations Law No: 5302, it was ensured that the *administrations can establish capital companies and perform its services with special income and expenses by establishing an in-budget enterprise by the approval of Ministry of Interior in the duty and service areas assigned to them in accordance with the procedures specified in the related legislation.*

In the Article 70 of the Municipal Law No:5393, it was stated that *the municipalities can establish companies in the duty and service areas assigned to them in accordance with the procedures specified in the related legislation.*

In the Article 26 of the Metropolitan Municipality Law No:5216, it was stated that *“Metropolitan Municipality can establish companies in the duty and service areas assigned to them in accordance with the procedures specified in the related legislation. The secretary general and the personnel possessing the managerial title in the municipalities and its subsidiaries can be assigned in the board of directors or board of audit of these companies. Metropolitan Municipality can operate buffets, parking lots and tea gardens belonging to it or can hand over the operations of these places for a period and with an amount to be determined by the city council without being subject to the provisions of the State Bidding Law No: 2886 to the companies which it associates more than 50 percent of the municipalities or the associated foundations of these places and the companies in which it has a share of more than 50 percent of these companies.*

As the control of administration of the companies which the local administrations participate in or established³¹ is under the responsibility of public administrations,

³¹ These enterprises are sometimes called Municipality Owned Enterprises (BİT). However, special provincial administrations can also be an owner of a company.

they are classified as public enterprises.

The activities and financial positions of the local administrations are monitored by the central government, and the studies directed to monitoring and reporting the activities of the companies belonging to the stated administrations continue to be carried out. Now, it is not possible to reach the consolidated data of the enterprises belonging to the stated administrations. However, according to the data of the Ministry of Finance Revenue Administration, the number of the enterprises which are taxpayer and which were classified under the name of Municipality Owned Enterprise is approximately 700.

Local Administration enterprises are not subject to the direct control of the State, but they are controlled by the local administrations indirectly. The control of special provincial administrations, metropolitan municipalities and other municipalities is performed by the Court of Accounts which has the authority of auditing the public institutions. However, there is no specific regulation regarding the authority of the Court of Accounts over the local administration enterprises.

On the other hand, the Law on Regulation of State Owned Enterprises and the Funds by the Turkish Grand National Assembly no. 3346, which was produced in accordance with the provision of "The principles of the control of the public foundation and partnerships the more than the half of capitals of which belong to the State directly or indirectly by Turkish Grand National Assembly" in the Article 165 of the Constitution, does not include the enterprises in which the local administrations have a share.

In the Municipality Law No. 5393, the administrative procedures of the municipalities exclusive of the financial transactions were ensured to be controlled by the Ministry of Interior in terms of justification and the integrity of the administration. The controls carried out within this scope concern the municipality companies not directly but indirectly over the municipality.

Local administrations participate directly or indirectly to the various enterprises in variable shares. These companies are often established as an incorporation company or limited company and have activity in the fields such as transportation and mass transportation, the distribution of natural gas, construction, tourism, landscape architecture and consultancy.

It is important for the promotion of competition that the financial relationships between the local administrations and enterprises should be traced and reported in a

transparent way, their executive boards should conform to the corporate governance principles including the establishment of the boards and selection of their members and such enterprises should be audited in a healthier way.

The enterprises that the municipalities participate in more than 50 percent share also benefit from the exchanges and write offs of debts and receivables among the public institutions and organizations. These sorts of implementations that enable the reconstruction of the debts by calculating the debt interests again have also an impact over the fiscal balance of the central government.

On the other hand, within the framework of the Law on the Regulation of the Public Finance and Debt Management No. 4749, the enterprises which the municipalities have more than 50 percent shares are enabled the debt opportunity with a guarantee of repayment and an advance loan and the investment guarantee can be provided for the stated enterprises by means of municipalities. In this scope, it is very important that central government monitors these administrations and its companies.

Here are the websites that can be gathered information regarding the municipality participations:

<http://www.ankara.bel.tr/AbbSayfalari/Kurumsal/Sirketler.aspx>

http://www.antalya.bel.tr/tr/bel_kurumsal/sirketler.cfm

<http://www.eskisehir-bld.gov.tr/belediye/link4.php>

<http://www.gaziantep-bld.gov.tr/belediyesirketleri.php>

<http://www.ibb.gov.tr/tr-tr/kurumsal/sirketler/Pages/IBBSirketler.aspx>

<http://www.izmir.bel.tr/Firms.asp?menuID=33&MenuName=İbb%20şirketleri>

Chapter 10: Annexes

ANNEX 1: FINANCIAL STATEMENTS OF SOEs - TREASURY PORTFOLIO

Table 1: Income Statement

(Current Prices - TRY million)	2002	2003	2004	2005	2006	2007
Gross Sales	24.057	25.314	27.443	33.084	42.099	45.211
Domestic	21.981	23.466	25.410	30.095	38.030	38.746
Foreign	1.224	1.122	1.123	1.382	1.552	1.453
Duty Losses	687	542	692	1.364	1.403	699
Sale Discounts	112	164	192	218	529	1.083
Cost of Sales	19.428	21.610	23.558	29.362	38.126	38.602
Operating Costs	1.767	1.451	1.608	1.755	2.037	2.862
Operating Profit - Loss	2.750	2.088	2.085	1.749	1.407	2.665
Ordinary Revenues and Profits from Other Activities	1.528	1.498	3.340	1.108	3.735	4.401
Ordinary Costs and Losses from Other Activities	303	538	2.040	522	2.235	2.997
Provisions	141	148	71	264	217	83
Financing Costs	1.760	794	663	421	991	909
Interest Costs	592	471	372	272	437	734
Exchange Differences	1.152	318	288	146	552	171
Extraordinary Revenues and Profits	372	400	362	1.151	631	906
Extraordinary Costs and Losses	902	1.365	1.422	1.601	1.314	2.236
Period Profit - Loss	1.685	1.289	1.663	1.463	1.233	1.829
Net Profit - Loss for the Period	989	815	1.171	990	866	1.237
Net Profit - Loss for the Period / GDP	0,28	0,18	0,21	0,15	0,11	0,14

Reference: SOEs, Companies and Undersecretariat of Treasury

Table 2: Balance Sheet

(Current Prices - TRY million)	2002	2003	2004	2005	2006	2007
TOTAL ASSETS	34,685	41,736	52,424	58,547	69,875	82,764
Current Assets	14,922	17,159	22,412	27,577	36,686	44,180
Liquid Assets and Securities	2,591	1,886	1,921	2,619	2,882	4,211
Commercial and Other Receivables	9,665	11,774	15,247	18,390	26,285	31,921
Inventories	2,177	2,441	2,824	3,505	3,771	4,088
Fixed Assets	19,763	24,577	30,012	30,971	38,584	33,188
Commercial and Other Receivables	858	1,112	1,012	1,912	1,737	1,472
Financial Fixed Assets	207	705	1,058	1,186	1,219	1,125
Tangible Fixed Assets	18,397	22,359	27,313	26,978	28,780	33,870
Short Term Liabilities	11,448	13,036	16,386	19,115	25,397	30,549
Financial Loans	3,035	2,656	2,654	2,242	3,835	4,633
Commercial and Other Liabilities	6,056	6,964	9,143	11,670	15,739	18,055
Taxes and Other Liabilities Payable	607	657	921	990	1,191	2,768
Long Term Liabilities	5,953	5,541	5,740	7,052	8,471	9,389
Financial Loans	5,630	5,085	5,045	5,548	6,175	6,303
Commercial and Other Liabilities	30	17	59	48	554	763
Equities	17,284	23,160	30,298	32,381	36,006	42,825
Nominal Capital	9,617	11,947	15,120	17,091	21,302	31,611
Paid - in Capital	8,457	10,971	12,407	14,847	17,254	24,580
TOTAL ASSETS/ GDP	9.9	9.2	9.4	9.0	9.2	9.7

Reference: SOEs and Undersecretariat of Treasury

Table 3: Financial Ratios

	2002	2003	2004	2005	2006	2007
LIQUIDITY RATIOS						
Current Ratio	1.30	1.32	1.37	1.44	1.44	1.45
Quick Ratio	0.88	0.86	0.84	0.95	0.99	1.05
Cash Ratio (Disposable cash reserves ratio)	0.15	0.11	0.08	0.13	0.10	0.13
Inventory Turnover Ratio	2.39	2.34	2.24	2.32	2.62	2.46
Average Collection Period (Days)	113	134	157	171	194	227
Cash Turnover Cycle (Days)	66	84	89	87	88	103
Capital Structure and Long Term Financing						
Financial Leverage	0.50	0.45	0.42	0.45	0.48	0.48
LT Liabilities / Equities	0.34	0.24	0.19	0.22	0.24	0.22
Equities / Assets	0.50	0.55	0.58	0.55	0.52	0.52
Interest Coverage Ratio	1.96	2.62	3.51	4.47	2.24	3.01
Rate of Return on Investments						
Return on Assets (%)	7.83	3.59	3.47	2.31	2.43	2.46
Return on Equity (%)	7.84	4.03	4.38	3.16	2.53	3.14
Operating Ratios						
Profit Ratio on Gross Sales	0.19	0.14	0.14	0.11	0.08	0.13
Operating Profit / Sales	0.11	0.08	0.08	0.05	0.03	0.06
Profit before Tax / Sales	0.07	0.05	0.06	0.04	0.03	0.04
Net Period Profit / Sales	0.04	0.03	0.04	0.03	0.02	0.03
Asset Utilization Ratios						
Sales / Liquid Assets	13.57	17.25	20.22	13.07	16.00	11.51
Sales / Receivables	3.18	2.69	2.30	2.11	1.86	1.59
Sales / Assets	0.69	0.60	0.52	0.56	0.59	0.53

Reference: Undersecretariat of Treasury

Table 4: Non - Tax Revenues**(Current Prices - TRY million)**

Revenues	2006	2007	% Increase
DIVIDEND PAYMENTS	3.428	1.597	-53,4
ETİMADEN	32	116	262.5
TELEKOM (1)	3,140	990	-68.5
DMO	20	30	50.0
DHİMİ	200	344	72.0
KIYEM	10	10	0.0
TPAO	26	38	46.2
PTT		70	
PAYMENTS FOR TREASURY LEVY (2)	191	230	20.4
DMO	22	17	-22.7
DHİMİ	73	103	41.1
KIYEM	14	13	-7.1
TPAO	82	96	17.1
DIVIDEND PAYMENTS OF PUBLIC BANKS	1,385	2,615	88.8
ZİRAAT BANK	1,080	1,507	39.5
HALK BANK	297		-100.0
DEVELOPMENT BANK	8	103	1187.5
EXIMBANK		84	
CENTRAL BANK		921	
OTHER PAYMENTS OF PUBLIC BANKS	671	193	-71.2
ZİRAAT BANK (3)	26	7	-73.1
HALK BANK (3)	3	0.5	-83.3
EXIMBANK (4)	433	60	-86.1
EMLAKBANK (3)	231	125	-45.9
REVENUES FROM SUBSIDIARIES	0	2	
TOTAL NON – TAX REVENUES	5,696	4,637	-18.6

Explanations

- (1) Cash Dividend, Transfer of Claims and Cash Transfers
(2) Collection from SOEs pursuant to the Law No. 5018
(3) Collection realized pursuant to the Laws No. 4603 and 2004
(4) Political Risk payment

ANNEX 2: EMPLOYMENT DATA OF SOEs - TREASURY PORTFOLIO

Table 1: Employment Figures and Costs

Employment Figures	2000	2001	2002	2003	2004	2005	2006	2007
Civil Servant + Contracted Worker	95.205	92.701	89.547	85.900	80.455	76.313	75.755	76.195
Worker	112.066	109.720	102.419	91.006	85.644	83.201	81.285	79.880
Total	207.271	202.421	191.966	176.906	166.099	159.514	157.040	156.075
Employment Costs (TRY million)	2000	2001	2002	2003	2004	2005	2006	2007
Civil Servant + Contracted Worker	549	811	1.203	1.446	1.582	1.673	1.832	2.055
Worker	1.214	1.651	2.019	2.436	2.467	2.795	2.872	3.272
Total	1.763	2.463	3.222	3.882	4.049	4.469	4.705	5.327
Personnel Cost (TRY / Month)	2000	2001	2002	2003	2004	2005	2006	2007
Civil Servant + Contracted Worker	480	729	1.120	1.403	1.638	1.827	2.015	2.247
Worker	903	1.254	1.643	2.231	2.400	2.800	2.945	3.413
Total	709	1.014	1.399	1.829	2.031	2.334	2.497	2.844
Employment Costs / (COGS + Operational) (%)	2000	2001	2002	2003	2004	2005	2006	2007
Civil Servant + Contracted Worker	9.9	7.1	5.3	6.1	6.5	5.9	5.0	5.4
Worker	18.7	12.2	7.8	9.7	9.5	9.0	7,3	8.2
Total	28.6	19.2	13.0	15.8	16.0	14,9	12.4	13.7

Reference: SOEs and Undersecretariat of Treasury

Explanation: Data in the Table contains data of SOEs and companies under the portfolio of the UNDERSECRETARIAT OF TREASURY and the PRIVATIZATION ADMINISTRATION as of 31.12.2007. Thus, it does not contain the enterprises which previously used to be under the portfolio but got out before 2007. See "Tale 8.1: Employment Data" in the web site http://www.hazine.gov.tr/stat/kit_ist.htm for all employment data.

Table 2: Personnel Profile³²

Service Period		
	Number	%
0-4 Years	17.148	10,5
5-9 Years	24.005	14,7
10-14 Years	21.114	13,0
15-19 Years	28.395	17,4
20-24 Years	40.233	24,7
25 and Above	32.110	19,7
GRAND TOTAL	163.005	100,0

Age Groups		
	Number	%
0-19	78	0,0
20-29	13.942	8,6
30-39	46.625	28,6
40-49	76.454	46,9
50-59	24.666	15,1
60 and Above	1.240	0,8
GRAND TOTAL	163.005	100,0

Educational Background		
	Number	%
Literate	662	0,4
Primary School	54.725	33,6
High School	32.561	20,0
Vocational High School	34.606	21,2
Junior College	18.179	11,2
Bachelor's Degree	20.923	12,8
Master's Degree	1.262	0,8
PhD	87	0,1
GRAND TOTAL	163.005	100,0

³² Total personnel number in these tables indicates number of persons by the end of 2007. Personnel numbers included in the tables within the report and in previous page indicate average personnel number. The reason of the large difference in numbers is temporary workers. For all profile tables, Reference: SOEs

Gender		
	Number	%
Men	149,521	91.7
Women	13,484	8.3
GRAND TOTAL	163.005	100,0

Foreign Language Knowledge		
	Number	%
One Foreign Language	973	0.6
Two or More Foreign Languages	14	0.0
Does not Know	162,018	99.4
GRAND TOTAL	163.005	100,0

Employees Working Outside of the Institution		
Institution	Number	%
TBMM	63	20.9
Presidency of Turkish Republic	3	1.0
Prime Ministry of Turkish Republic	48	15.9
Privatization Administration	7	2.3
Ministries	169	56.1
Other SOEs	0	0.0
Other Public Institutions	11	3.7
GRAND TOTAL	301	100.0

Workers Employed Due to Legal Obligations		
Status	Number	%
Disabled	3,791	18.4
Convicted Previously	2,069	10.0
Veteran – Martyr Relatives	296	1.4
Child Protection Agency	621	3.0
Special Security Personnel	7,342	35.5
Other	6,538	31.7
GRAND TOTAL	20,657	100.0

ANNEX 3: OTHER SELECTED INDICATORS OF SOEs –TREASURY PORTFOLIO

Indicators / Amounts	2002	2003	2004	2005	2006	2007
Value Added (TRY million)						
Period Profit / Loss	1.685	1.289	1.663	1.463	1.233	1.829
Interest Cost	592	471	372	272	437	734
Cost for Allowances + Exchange Differences	1.294	466	359	410	769	254
Amortization Cost for Current Year	1.796	1.682	1.946	1.870	1.856	2.736
Employment Costs	3.222	3.882	4.049	4.469	4.705	5.327
Total	8.589	7.791	8.389	8.483	8.999	10.879

Other Indicators (TRY million)						
Investment Expenditure	2.410	1.759	1.472	2.204	2.718	2.547
Primary Surplus	3.490	992	1.889	675	1.741	1.772
Transfers from Budget *	1.944	1.549	1.266	1.422	2.602	2.223

* Capital, duty losses and assistance

Value Added (Ratio of GDP - %)						
Period Profit / Loss	0.0	0.4	0.5	0.3	0.3	0.2
Interest Cost	0.1	0.1	0.2	0.1	0.1	0.0
Allowances (Cost for Allowances + Exchange Differences)	0.1	0.3	0.4	0.1	0.1	0.1
Amortization Cost for Current Year	0.1	0.2	0.5	0.4	0.3	0.3
Employment Costs	1.1	1.0	0.9	0.9	0.7	0.7
Total	1.4	2.1	2.5	1,7	1,5	1.3

Other Indicators (Ratio of GDP - %)						
Investment Expenditure	0.40	0.37	0.69	0.39	0.26	0.34
Primary Surplus	-0.02	0.12	1.00	0.22	0.34	0.10
Transfers from Budget *	0.39	0.31	0.55	0.34	0.23	0,22

* Capital and duty losses

ANNEX 4: FINANCIAL STATEMENTS OF SOEs UNDER THE TREASURY AND PA PORTFOLIO ³³

³³ In tables, Portfolio of the Privatization Administration consists of TEDAŞ, SUMER HOLDING, TEKEL, PETKİM, SUMER HALI, TŞFAŞ and TDİ.

Table 1: Income Statement

(Current Prices - TRY million)	2002	2003	2004	2005	2006	2007
Gross Sales	39,736	43,810	46,063	51,661	64,520	68,031
Domestic	36,926	41,429	43,537	48,223	59,629	60,943
Foreign	1,593	1,558	1,587	1,826	2,357	2,073
Duty Losses	696	542	692	1,364	1,408	701
Sale Discounts	3,196	3,849	3,647	3,744	4,592	3,975
Cost of Sales	29,967	34,105	36,638	42,456	54,843	57,557
Operating Costs	3,271	3,332	3,590	3,878	4,573	5,673
Operating Profit - Loss	3,302	2,524	2,189	1,583	513	826
Ordinary Revenues and Profits from Other Activities	2,387	2,275	4,364	2,626	4,336	6,133
Ordinary Costs and Losses from Other Activities	572	895	2,658	776	2,685	3,486
Allowance costs	212	219	190	414	476	450
Financing costs	1,971	904	768	456	1,029	951
Interest Costs	659	560	453	305	456	768
Exchange Differences	1,297	340	311	149	570	178
Extraordinary Revenues and Profits	502	603	588	1,437	6,068	2,110
Extraordinary Costs and Losses	1,370	1,951	2,488	2,586	5,233	3,599
Period Profit - Loss	2,279	1,653	1,227	1,827	1,970	1,034
Net Profit - Loss for the Period	1,264	890	346	966	1,435	421
Net Profit – Loss for the Period / GDP	0.36	0.20	0.06	0.15	0.19	0.05

Reference: SOEs, PA Companies and Undersecretariat of Treasury

Table 2: Condensed Balance Sheet

(Current Prices- TRY million)	2002	2003	2004	2005	2006	2007
TOTAL ASSETS	48,042	58,276	73,143	82,879	109,091	127,067
Current Assets	22,725	25,389	34,558	43,499	65,339	74,898
Liquid Assets and Securities	3,412	2,465	2,592	3,114	3,590	4,766
Commercial and Other Receivables	13,711	16,404	23,365	29,935	50,319	58,158
Inventories	4,905	5,237	5,896	7,014	6,961	7,360
Fixed Assets	25,317	32,886	38,586	39,380	43,751	52,170
Commercial and Other Receivables	1,413	1,716	1,479	2,035	1,845	1,502
Financial Fixed Assets	236	1,354	1,856	1,853	1,665	4,329
Tangible Fixed Assets	23,358	29,397	34,595	34,576	36,407	41,623
Short Term Liabilities	18,050	19,170	26,351	33,593	51,410	62,575
Financial Liabilities	3,066	2,923	3,015	3,465	4,161	4,724
Commercial and Other Liabilities	10,004	11,648	17,650	23,276	40,140	48,812
Taxes and Other Liabilities to be Paid	1,895	1,524	1,770	2,436	2,141	3,623
Long Term Liabilities	6,956	6,958	7,659	8,800	10,830	10,476
Financial Liabilities	6,101	5,567	5,550	5,858	7,563	6,413
Commercial and Other Liabilities	258	513	469	445	1,066	1,388
Equities	23,036	32,147	39,133	40,486	46,851	54,017
Nominal Capital	12,955	15,782	19,751	22,423	31,479	47,187
Paid - in Capital	11,497	14,340	16,491	19,572	27,027	36,900
TOTAL ASSETS / GDP	13.7	12.8	13.1	12.8	14.4	14.8

Reference: SOEs, PA Companies and Undersecretariat of Treasury

Table 3: Financial Ratios

	2002	2003	2004	2005	2006	2007
Liquidity Ratios						
Current Ratio	1.26	1.32	1.31	1.29	1.27	1.20
Quick Ratio	0.77	0.82	0.81	0.83	0.72	0.67
Cash Ratio (Disposable Cash Reserves Ratio)	0.13	0.10	0.07	0.08	0.06	0.07
Average Collection Period (Days)	104	119	160	187	200	209
Inventory Turnover Ratio	1.75	1.68	1.65	1.64	1.96	2.01
Cash Turnover Cycle (Days)	60	70	72	73	72	77
Capital Structure and Long Term Financing						
Financial Leverage	0.52	0.45	0.46	0.51	0.57	0.57
LT Liabilities / Equities	0.30	0.22	0.20	0.22	0.23	0.19
Equities / Assets	0.48	0.55	0.54	0.49	0.43	0.43
Interest Coverage Ratio	2.16	2.83	2.60	5.00	2.91	2.09
Rate of Return on Investments						
Rate of Return on Assets	5.50	2.61	1.21	1.55	1.98	0.86
Rate of Return on Equity	5.49	2.77	0.88	2.39	3.06	0.78
Operating Ratios						
Profit Ratio on Gross Sales	0.18	0.15	0.14	0.11	0.08	0.10
Operating Profit / Sales	0.09	0.06	0.05	0.03	0.01	0.01
Profit Before Tax / Sales	0.06	0.04	0.03	0.04	0.03	0.02
Net Period Profit / Sales	0.03	0.02	0.01	0.02	0.02	0.01
Asset Utilization Ratios						
Sales / Liquid Assets	15.12	20.37	21.61	16.98	19.35	14.89
Sales / Receivables	3.47	3.03	2.25	1.93	1.80	1.72
Sales / Assets	0.76	0.69	0.58	0.58	0.55	0.50

Reference: Undersecretariat of Treasury

ANNEX 5: EMPLOYMENT DATA OF SOEs UNDER THE TREASURY AND PA PORTFOLIO

Table 1: Personnel Figures and Costs

Personnel Figures	2000	2001	2002	2003	2004	2005	2006	2007
Civil Servant + Contracted Worker	106,194	118,222	114,491	108,662	99,289	93,666	91,758	91,369
Worker	166,145	194,320	177,893	160,423	148,799	140,401	134,582	131,647
Total	272,339	312,542	292,384	269,085	248,088	234,067	226,340	223,016
Employment Costs (TRY million)	2000	2001	2002	2003	2004	2005	2006	2007
Civil Servant + Contracted	614	1,039	1,547	1,844	1,970	2,052	2,245	2,484
Worker	1,777	2,995	3,663	4,454	4,312	4,787	4,846	5,334
Total	2,391	4,034	5,210	6,298	6,281	6,838	7,091	7,818
Personnel Cost (TRY / Month)	2000	2001	2002	2003	2004	2005	2006	2007
Civil Servant + Contracted	482	732	1,126	1,414	1,653	1,825	2,039	2,266
Worker	891	1,284	1,716	2,314	2,415	2,841	3,001	3,376
Total	732	1,076	1,485	1,950	2,110	2,435	2,611	2,921
Employment Costs / (Sales + Operation) (%)	2000	2001	2002	2003	2004	2005	2006	2007
Civil Servant + Contracted	6.5	5.6	4.7	4.9	4.9	4.4	3.8	3.9
Worker	18.8	16.3	11.0	11.9	10.7	10.3	8.2	8.4
Total	25.3	21.9	15.7	16.8	15.6	14.8	11.9	12.4

Reference: SOEs and UNDERSECRETARIAT OF TREASURY

Explanation: Data in the Table contains data of SOEs and companies under the portfolio of the UNDERSECRETARIAT OF TREASURY and the PRIVATIZATION ADMINISTRATION as of 31.12.2007. Thus, it does not contain the enterprises which previously used to be under the portfolio but got out before 2007. See "Table 8.1: Employment Data" in the web site http://www.hazine.gov.tr/stat/kit_ist.htm for all employment data.

Table 2: Personnel Profile³⁴

Service Period		
	Number	%
0-4 Years	26,196	11.2
5-9 Years	39,436	16.9
10-14 Years	35,032	15.0
15-19 Years	39,921	17.1
20-24 Years	55,329	23.7
25 and Above	37,807	16.2
GRAND TOTAL	233,721	100.0

Age Groups		
	Number	%
0-19	123	0.1
20-29	21,349	9.1
30-39	71,982	30.8
40-49	106,599	45.6
50-59	32,227	13.8
60 and Above	1,441	0.6
GRAND TOTAL	233,721	100.0

Educational Background		
	Number	%
Literate	1,265	0.5
Primary School	81,224	34.8
High School	49,626	21.2
Vocational High School	48,666	20.8
College	23,692	10.1
Undergraduate Education	27,594	11.8
Graduate Education	1,540	0.7
Postgraduate Degree	114	0.0
GRAND TOTAL	233,721	100.0

Gender

³⁴ Total personnel number in these tables indicates number of persons by the end of 2007. Personnel numbers included in the tables within the report and in previous page indicate average personnel number. The reason of the big difference in numbers is temporary workers for all profile tables. *Reference: SOEs*

	Number	%
Men	213,183	91.2
Women	20,538	8.8
GRAND TOTAL	233,721	100.0

Foreign Language Knowledge

	Number	%
One Foreign Language	1,277	0.5
Two or More Foreign Languages	20	0.0
Does not Know	232,424	99.5
GRAND TOTAL	233,721	100.0

Workers from outside of the institution

Employer Institution	Number	%
TBMM	71	18.3
Presidency of Turkish Republic	4	1.0
Prime Ministry of Turkish Republic	62	15.9
Privatization Administration	46	11.8
Ministries	192	49.4
Other SOEs	2	0.5
Other Public Institutions	12	3.1
GRAND TOTAL	389	100.0

Workers Employed Due to Legitimate Reasons

Status	Number	%
Disabled	5,714	20.7
Convicted Previously	3,242	11.8
Veteran – Martyr Relatives	519	1.9
Child Protection Agency	1,066	3.9
Special Security Personnel	10,450	37.9
Other	6,555	23.8
GRAND TOTAL	27,546	100.0

ANNEX 6: OTHER SELECTED INDICATORS OF SOEs of THE TREASURY and PA PORTFOLIO

Indicators / Amounts	2002	2003	2004	2005	2006	2007
Value Added (TRY million)						
Period Profit / Loss	2,279	1,653	1,227	1,827	1,970	1,034
Interest Cost	659	560	453	305	456	768
Allowance Cost + Exchange Differences	1,509	559	502	562	1,045	627
Amortization Cost for Current Year	2,200	2,178	2,521	2,455	2,513	3,318
Employment Costs	5,210	6,298	6,281	6,838	7,091	7,818
Total	11,856	11,247	10,984	11,987	13,076	13,565

Other Indicators (TRY million)						
Investment Expenditure	3,057	2,354	1,973	3,153	3,597	3,518
Primary Surplus	2,573	1,371	1,998	1,418	4,109	1,160
Transfers from Budget *	2,312	2,153	1,569	1,940	5,244	2,459

* Capital, duty losses and assistance

Value Added (Rate to GDP - %)						
Period Profit / Loss	0.7	0.4	0.2	0.3	0.3	0.1
Interest Cost	0.2	0.1	0.1	0.0	0.1	0.1
Allowances (Allowance Cost + Exchange Differences)	0.4	0.1	0.1	0.1	0.1	0.1
Amortization Cost for Current Year	0.6	0.5	0.5	0.4	0.3	0.4
Employment Costs	1.5	1.4	1.1	1.1	0.9	1.0
Total	3.4	2.5	2.0	1.8	1.7	1.8

Other Indicators (Rate to GDP - %)						
Investment Expenditure	0.87	0.52	0.35	0.49	0.47	0.46
Primary Surplus	0.73	0.30	0.36	0.22	0.54	0.15
Transfers from Budget *	0.66	0.47	0.28	0.30	0.69	0.32

* Capital and duty losses

ANNEX 7: OFFSET AMOUNTS BY YEARS

Offset Amounts by Years (TRY million)

LIABILITIES OFFSET	1998	1999	2001	2002	2003	2004	2005	2006	2007
TRANSFERRED FOREIGN DEBT	50.4	55.6	506.2	738.5			1,368.5		
GUARANTEED FOREIGN DEBT	12.3	15.8	459.3	775.3					
DIVIDEND	48.7	80.3	276.7	339.9	809.9	402.0	257.5	511.9	402.0
PUBLIC PARTNERSHIP FUND	4.4	4.4	4.4						
TREASURY LEVY				829.5					
FUND OF SUPPORT AND PRICE STABILITY			252.9	145.6	20.8				
ONLENT FOREIGN DEBT	9.2		33.4						
SOCIAL SECURITY INSTITUTION DEBT				43.0					
OTHER				6.4	0.0				
TOTAL	125.0	156.0	1,533.0	2,878.1	830.7	402.0	1,626.1	511.9	402.0

RECEIVABLES OFFSET	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
DUTY LOSS	10.8	67.6	510.9	708.3	0.7	3.3	972.3		10.5
UNPAID CAPITAL	114.2	88.4	1,022.0	2,169.8	830.0	398.8	346.3	511.9	0.4
OTHER							307.4		
TOTAL	125.0	156.0	1,533.0	2,878.1	830.7	402.0	1,626.1	511.9	402.0

Reference: UNDERSECRETARIAT OF TREASURY

ANNEX 8: AFFILIATES AND SUBSIDIARIES

List of Affiliates and Subsidiaries by the end of 2007				
		%		%
Name of SOE	Name of Affiliate	Capital	Name of Subsidiary	Capital
		Share		Share
Mechanical and Chemical Industry Corporation			Mercedes - Benz Turk Inc.	2,96
			Tapasan Inc.	27,00
			Roketsan – Raket Ind. and Trade Inc.	15,00
Directorate General of ETI Mine Works			Hidrojen Per Ind. and Trade Inc.	28,20
			Eti Soda Inc.	26,00
			Eti Mine S.A.	75,00
			AB. Eti Products Inc.	50,00
			T. M. Metek Metal Inc.	20,00
			T. Chrome Inc.	_5,00
			T. Mercury Inc.	40,00
Turkish Coal Institute			Coal Enterprise Corp.	48,00
			Yeni Çeltek Coal and Mine Inc.	16,00
Electricity Production Company	Soma Electricity Generation Co.	100.00	Birecik Dam Management Co.	30,00
	Hamitabat Electricity Generation Co.	100.00	NUR-TEK Electricity Plant Management Co.	30,00
	Yeniköy Electricity Generation Co.	100.00	SOYTEK Electricity Plant Management Co.	15,00
	Kemerköy Electricity Generation Co.	100.00	TGT Electricity Plant Management and Trade Co.	0.30
Turkish Electricity Transmission Company			ETITAS – Electricity Equipment Manufacturing System Co.	48,00
			ELTEM-TEK Electricity Facilities Engineering and Trade Co.	47.00
			MİTAŞ	0,00
Turkish Electricity Trade and Contracting Corporation			Aktaş Electricity Trade Co.	15,00
			Kayseri ve Civarı Electricity Trade Co.	20,00

Public Enterprises Report

Turkish Petroleum Corporation	TPIC – Turkish Petroleum International Company Ltd.	100.00	Kazak – Türk – Munay Ltd. Co.	49.00
	TPBTC - Turkish Petroleum Baku Tbilisi Ceyhan Ltd.	100.00	AIOC - Azerbaijan International Operating Company	6.75
	TPSCP - Turkish Petroleum SCP Ltd	100.00		
	TPOC - Turkish Petroleum Overseas Company	100.00		
Turkish Petroleum Pipeline Corporation	BIL - Botaş International Ltd,	100.00	Turusgaz Contracting, Marketing and Trade Inc.	35.00
			Nabucco International Holding Company	20.00
Directorate General of Tea Enterprises			Çaysan Industry Inc.	28.28
Directorate General of Agricultural Enterprises			Directorate of Vasfi Diren Agricultural Enterprise	25.00
			Turkey – Libya Common Agriculture and Livestock Breeding Inc.	49.70
State Railways of the Republic of Turkey	TÜLOMSAŞ – Turkish Locomotive and Engine Industry Co.	99.00	National Reinsurance Inc.	1.00
	TÜDEMSAŞ – Turkish Railway Machines Industry Co.	99.00	Central Bank of Turkey	0.00
	TÜVASAŞ – Turkish Wagon Industry Co.	99.00	İzmir Suburban Transport Inc. (İZBAN)	1.00
			EUROTEM - Railway Vehicles Ind. and Trade Co.	15.00
			Eurofima	0.00
			Intercontainer Enterfrigo	1.00
			BCC - Buresu Central de Compansation	1.00
			Baghdad Railway Co.	0.00
Directorate General of Coastal Safety			Turkish Cypriot Coastal Safety Limited Company	48.89
TÜRKSAT Corporation	Eurasiasat	75.00	ICO – International Communication Organization	0.04
			Eutelsat – Service Consortium	0.04
Turkish Radio and Television Association			Anten Inc.	20.90

Public Enterprises Report

Turkish Electricity Distribution Company	Akdeniz Electricity Inc.	100.00		
	Aras Electricity Inc.	100.00		
	Çoruh Electricity Distribution Inc.	100.00		
	Dicle Electricity Distribution Inc.	100.00		
	Fırat Electricity Distribution Inc.	100.00		
	Gediz Electricity Distribution Inc.	100.00		
	Göksu Electricity Distribution Inc.	100.00		
	Menderes Electricity Distribution Inc.	100.00		
	Çamlıbel Electricity Distribution Inc.	100.00		
	Osmangazi Electricity Distribution Inc.	100.00		
	Toroslar Electricity Distribution Inc.	100.00		
	Uludağ Electricity Distribution Inc.	100.00		
	Vangölü Electricity Distribution Inc.	100.00		
	Yeşilırmak Electricity Distribution Inc.	100.00		
	Başkent Electricity Distribution Inc.	100.00		
	Boğaziçi Electricity Distribution Inc.	100.00		
	İstanbul Anadolu Yakası Electricity Distribution Inc.	100.00		
Meram Electricity Distribution Inc.	100.00			
Sakarya Electricity Distribution Inc.	100.00			
Trakya Electricity Distribution Inc.	100.00			
SÜMER HOLDING			Tümaş Turkish Engineering, Consulting and Contracting Co.	49.00
			Beslen Pasta Food Ind. and Trade Co.	23.84
			Turkish – Saudi Investment Holding Inc.	15.00
			Mannesman Pipe Ind. and Trade Co.	1.35
			Beydağı Lime Ind. Inc.	12.00
Turkish Maritime Enterprises Inc.	Kıbrıs Türk Denizcilik Ktd. Şti	51.00	MESBAŞ - Mersin Free Trade Zone Enterprise	21.00
	Marmara Inc in Liquidation	100.00	JTİ Central Asia (Kazakistan Tengesi) Tenge	20.00
TEKEL A.Ş.	Kıbrıs Türk Tütün Endüstrisi Ltd. Şti	51.00		
	Sigara Sanayi A.Ş.	100.00	Reytek Tobacco Ind. and Trade Co.	48.00

ANNEX 9: PUBLIC ENTERPRISES IN THE ISO 500 IN 2007

PUBLIC ENTERPRISES IN 500 BIGGEST INDUSTRY COMPANIES OF TURKEY

500 Biggest Firm in 2007	Name of Firm and Organization	Sales from Production Net (TRY million)
Order		
3	EÜAŞ – GENERAL DIRECTORATE OF ELECTRICITY PRODUCTION CORPORATION	4,624,293
14	PETKİM - GENERAL DIRECTORATE OF PETROCHEMICALS HOLDING	2,181,756
18	TKİ - GENERAL DIRECTORATE OF TURKISH COAL ENTERPRISES	1,672,860
20	TŞFAŞ – TURKISH SUGAR FACTORIES CORPORATION	1,478,408
35	TPAO – TURKISH PETROLEUM CORPORATION	925,506
40	ÇAYKUR - GENERAL DIRECTORATE OF TEA ENTERPRISES	815,963
45	TEKEL - TOBACCO, TOBACCO PRODUCTS, SALT AND ALCOHOL ENTERPRISES INC	742,609
78	GENERAL DIRECTORATE OF ETİ MINE WORKS	516,131
86	SEAŞ SOMA ELECTRICITY PRODUCTION AND TRADING COMPANY	492,346
93	MKEK - GENERAL DIRECTORATE OF MECHANICAL AND CHEMICAL INDUSTRY CORPORATION	455,211
206	İSTANBUL ASPHALT FACTORIES INDUSTRY AND TRADE COMPANY	229,353
295	İSTON İSTANBUL CONCRETE ELEMENTS AND READY MIXED CONCRETE FACTORIES CO.	166,483
313	TÜLOMSAŞ TURKISH LOCOMOTIVE AND MOTOR INDUSTRY CORPORATION	152,355
453	TÜVASAŞ –TURKISH WAGON INDUSTRY INC.	105,812
473	TÜDEMSAŞ – GENERAL DIRECTORATE OF TURKISH RAILWAY MACHINES CO.	101,561