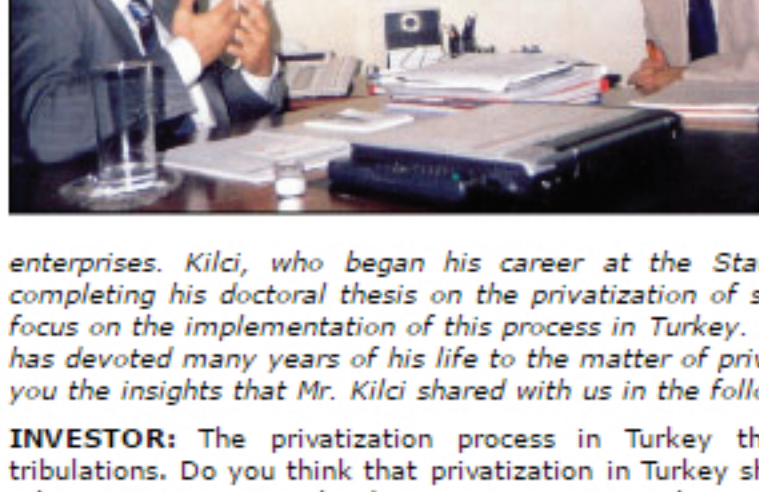


PRESS

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At the threshold of key privatization projects

President of Turkish Privatization Administration Mr. METİN KILCI: "Turkey promises high returns in a vibrant market for Investors."

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Turkey is in the process of privatizing an impressive portfolio that includes some of the region's largest, most impressive companies. In the previous issue of The Investor we heard from Turkey's Minister of Finance Mr. Kemal Unakitan about the determination with which the state is now backing privatization. In this issue, we talk with President of the Turkish Privatization Administration, Mr. METİN KILCI, about the latest developments in the privatization of Turkish state enterprises. Kilci, who began his career at the State Planning Organization (DPT) after completing his doctoral thesis on the privatization of state-owned enterprises, with a special focus on the implementation of this process in Turkey. In other words, he is a bureaucrat who has devoted many years of his life to the matter of privatization. Now, we'd like to share with you the insights that Mr. Kilci shared with us in the following interview...

INVESTOR: The privatization process in Turkey thus far has been full of trials and tribulations. Do you think that privatization in Turkey should be characterized as unsuccessful? What are you going to be doing now to improve this process?

METİN KILCI: Turkey's history of privatization is a long one. Although we were one of the first countries to actually seriously take up the issue of privatization, we now find ourselves lagging way behind the Eastern Bloc countries, which started privatizing ten years later than we did. Whereas virtually everything there has been privatized, we are still just getting started. Of course, there are reasons for this that need to be taken into consideration: first of all, Turkey has suffered for a long time now from an inadequate legal framework, a situation that was especially true in the 80's. Then in the 90's we experienced a vacuum in terms of the political resoluteness that was absolutely necessary for the successful implementation of the privatization process. Now, however, we find ourselves in the year 2003, at the threshold of a period in which we are witnessing important developments with regard to the legal framework and government support. Our current government is determined to see a successful privatization process undertaken in Turkey and is putting its full weight behind the privatization accordingly. This resolute ness on the part of the government is of particular importance because without support from the political sphere, making headway with the state-run enterprises is extremely difficult. Equally as important as political support, however, is that our markets be prepared for privatization, by which I mean that the markets act in accordance with the conditions of free competition. Another crucial ingredient is the demand for privatization. Turkey has come a long way over the last 20 years, such that I believe conditions in Turkey are ripe for the privatization of the large state-run enterprises. I mean, the rigid monopoly that used to define the state-run sector is not what it used to be. In addition to all of these positive conditions, you also need a demand for the companies that you are going to privatize, in other words, investors who have the funds to pour into these companies as well as the knowledge about them that is necessary to take on the their privatization. Attracting these investors is of the utmost importance, so that is what we strive to do. Essentially, we perform the task of marketing for those companies that are on the verge of undergoing privatization. Right now, we are expending a lot of effort determining appropriate investors and providing them with information about the companies they are interested in, or we think they should be interested in.

INVESTOR: So you're operating a pro-active model.

METİN KILCI: Yes, we are. It's extremely important that we employ such a model both in the domestic as well as foreign markets. Of course, we have our own way of implementing this, as you correctly refer to it, pro-active program. So far it's been a successful way, and we hope it continues to be so in the future as well.

INVESTOR: Several structural changes have been carried out recently in the legal framework. Could you tell us a little about that?

METİN KILCI: Now, in general we had no problems with the legal framework insofar as it affected the "traditionally privatized companies." However when it came to companies like Turk Telekom, serious additions and changes needed to be made with regard to the conditions involved. It was necessary to add certain instruments and measures that would enable us to privatize in such areas. One of our goals was to have Parliament pass legislation that would remove many of the obstacles slowing us up as well as provide us with the tools we needed to carry on with privatization in Turkey as planned. This recent legislation did just that, plus it removed any obstacles that previously stood in the way of the privatization of the National Lottery (Milli Piyango).

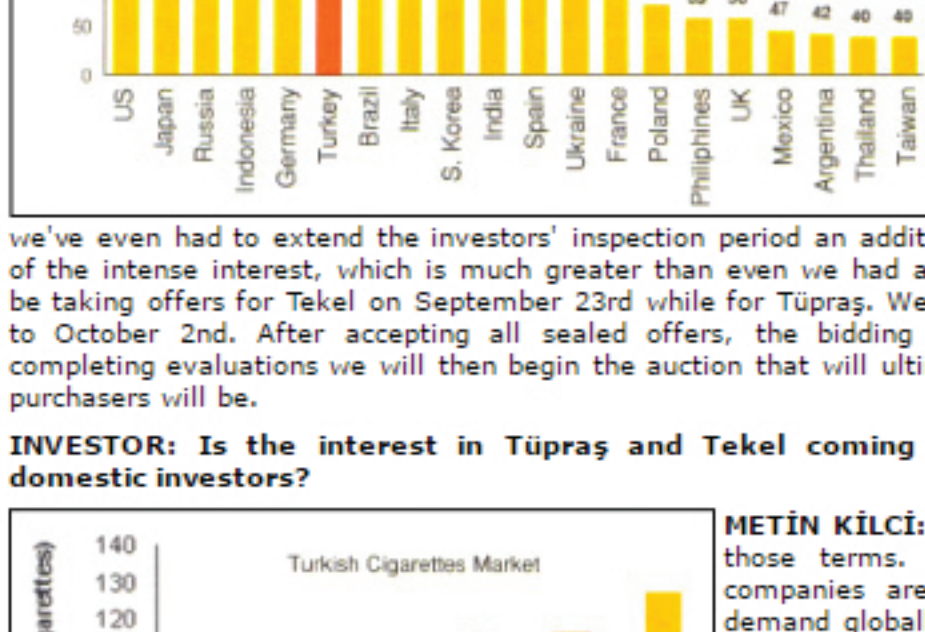
INVESTOR: It seems that a primary triad consisting of Petkim, Tekel and Tüpraş, are the real heavyweights in your privatization program. As we know, Petkim was off the market for a while, but as a result of some problems originated from the buyer, has found its way back onto the list. If you're successful with these three, then the National Lottery and Telekom stand to be next in line. Yet each of these companies has a very unique story. Could you tell us some more about the specifics of this privatization program?

METİN KILCI: Now, the program for 2003 can be summarized under three main headings. First, we have the privatization, now complete, of those companies referred to as "traditionally privatized companies," which had already been part of the privatization process for some time. Second is the privatization of three large scale companies, Petkim, Tekel and Tüpraş that had also been on the privatization agenda for some time. Thirdly was the preparation of those companies to be privatized in 2004 and the following years. Companies belonging to this latter group include Turk Telekom, National Lottery, Sugar Factories and the energy sector. To the first category belong the factories of Sümer Holding and the companies under Et. Balk, as well as their assets, buildings and lands etc. These have been on the privatization agenda for years now and, seeing as the Privatization Administration has neither the tools to manage these companies nor is it its function to do so, the fact that the privatization of these companies has been such a long and drawn out process has made it especially painful for the current company management. In short, these companies need to be privatized immediately.

INVESTOR: This has been a tedious and exhausting matter for the Privatization Administration over the past few years, hasn't it?

METİN KILCI: Most definitely. Our top priority right now is that the privatization of these companies be completed immediately so that they no longer take up space on our agenda. We might not see much income from these in the year 2003, but nevertheless it is still best for all parties involved that the people be relieved of the burdens imposed upon them by these companies. Now, when I say that we won't reap much from these companies, don't misunderstand me, I don't mean to imply that we'll just give the companies to the first bidder, no matter what the price. Of course there is a minimum below which we cannot accept. The most important thing to remember, though, is that the privatization of these companies will be a great relief for the state and its psychological effects will be nothing other than positive. So, this first priority is absolutely imperative. Second on the list are Petkim, Tekel and Tüpraş. While Petkim was to be privatized as soon as possible, preparations for the privatization of Tekel and Tüpraş were to be completed in the first six months and the actual privatization of those companies to take place in the subsequent six months. And we actually did achieve our goal of privatizing Petkim within the first six months, so in that regard we were right on schedule. Actually, the privatization of Petkim went extremely smoothly.

INVESTOR: How about Tüpraş and Tekel?



METİN KILCI: As you know, with Tüpraş and Tekel, we're looking at the privatization of two of Turkey's most exclusive companies. It was extremely efforts, but we successfully completed the preparation stage and officially began taking bids for both of the companies on the 7th of June. As you, they are extremely large companies and so naturally they attracted enormous interest from international investors. So far everything has gone very well. In fact, we've even had to extend the investors' inspection period an additional three weeks because of the intense interest, which is much greater than even we had anticipated. We're going to be taking offers for Tekel on September 23rd while for Tüpraş, we've extended the deadline to October 2nd. After accepting all sealed offers, the bidding process will begin. After completing evaluations we will then begin the auction that will ultimately determine who the purchasers will be.

INVESTOR: Is the interest in Tüpraş and Tekel coming more from foreign or domestic investors?



METİN KILCI: It's difficult to put it in those terms. Basically, both of these companies are objects of interest and demand globally, which is fabulous. Our hope now is to keep this interest and demand alive until the very final stages of the bidding. Whereas all of Tekel will be privatized, only the remaining 64% of non-public-offered Tüpraş shares will be privatized. We foresee heated competition over Tekel's cigarette assets in particular. Foreign investors are eagerly awaiting to make their bids. As far as I know, five large companies are actively showing interest, and of course they aren't alone.

So far, there are over 10 investors seriously interested in Tekel. I say "seriously" interested because they are the ones that have paid the \$100,000 fee for the bidding specifications, and they've paid additional money to gain access to information sessions as well. If they weren't serious, these companies wouldn't be spending hundreds of thousands of dollars in initial fees, not to mention hiring between 100 and 150 experts to attend the information sessions. In short, we couldn't be more pleased with the number of interested investors. The process is right on track.



INVESTOR: You mentioned earlier that the Turkish privatization process has now entered a new marketing phase. Could you share with us which specific messages you are trying to convey to international investors community in this context?

METİN KILCI: First of all, we want to let international investors know that Turkey's most distinguished companies are for sale and on the market. We're saying that, if you're thinking of coming to Turkey, you should do so, because Turkey is a promising, developing market that offers various advantages to investors. We are inviting investors to become a part of this market via these companies that will be privatized because they are already well-established companies with mature markets and know-how. It is to the advantage of foreign investors to buy these up-and-running establishments rather than start from scratch by purchasing land and building a new facility on it. Of course, they know the reality of the situation as well. Another important message we are sending is that Turkey is reliable. We are taking measures to ensure that the Turkish market doesn't experience crises like it has in the past. We make it clear that Turkey has remained loyal to the terms and agreements it has made with international institutions. We stress that Turkey is doing this not because of pressure from the international community, but because first and foremost this country and we ourselves need to implement economic reform policies. The Turkish economy will be stronger, more durable and healthier in the coming period than it has been in the past. That's for certain. All indicators point in a positive way for the Turkish economy. When you put all of these factors together, you see that the economic atmosphere here is extremely promising and attractive for foreign investors.

INVESTOR: In Turkey, a state of extreme disarrangement pervades as part of the privatization process are confronted with such a market and bureaucracy, as they inevitably are, critical problems arise. At times, this has served to deter investors. Although it isn't actually as part of your mission, do you provide support with regard to such issues?

METİN KILCI: Of course we cannot remain irresponsive to those problems that may arise after a company has been privatized. We've had bad experiences in the past and we've learned from those. Now we try to handle any potential problems before the privatization takes place, insofar as this is impossible. In short, our approach is like this: The thing that you ultimately look to privatize must be privatizable, which means that you have to present something for which there is a demand in order for the process to be a successful one. This is only possible if we take into consideration the desires and preferences of the potential investors. If you don't take the investor's desires into consideration, then you cannot successfully privatize anything. Before opening any company up for tender, during the stage that we refer to as market analysis, we have done our utmost to make certain that the investors' preferences be reflected in the process so that we minimize any problems that could potentially arise after the privatization. Other than that, as it is we already have a unit that works intensively on solving problems after privatization.

INVESTOR: Are you going to operate capital markets in the Turkish privatization?

METİN KILCI: We'll definitely make use of the capital markets, yes. Of course, the appropriate conditions need to be in place for that to happen. Maybe not now, but certainly at a later stage we'll use capital markets and Initial Public Offerings.

INVESTOR: Could you tell us about the privatization process for Turk Telekom and the privatizations in the energy markets?

METİN KILCI: We have definite timeline for energy and Turk Telekom. Our consulting partner Ernst & Young, is just about done with its valuation assessment for the Telekom privatization. The announcement will deliver its decision regarding the sale towards the end of October, from which point on a detailed sales strategy will be developed. Right now we're hard at work preparing for that. I estimate that we'll be done with our preparations regarding for the bidding stage by November-December. As I'm sure you are aware, we have a different way of partnership for the Mobil Telekom operator (Aysel), but that is an arrangement outside of the matter at hand. For Turk Telekom, however, we're looking at three options: block sale, strategic partnership or public offering. The final decision will be made in late-October.

INVESTOR: In 2004 there's going to open a full liberalization in the telecom markets. Do you think this will effect the scenario you have planned for Turk Telekom?

METİN KILCI: Of course it will have an effect, but I really don't think the effect will be a big one at the earlier stages. All in all, we don't expect this to be a big impact at all. We have taken this factor into consideration, all of the pluses and minuses it might entail, when preparing our feasibility reports for 2002 and 2003. But the making a impact is that the telecom markets is not a short-term market; people are not going to be able to instantaneously start digging up streets and laying down cables just because of liberalization. It will develop over time. Besides, Telekom is a giant company, so I can't imagine that it will be facing any major competition all of a sudden.

INVESTOR: The energy markets are not without their problems. What are your priorities with regard to these markets?

METİN KILCI: Our first priority for these markets? We are currently in the process of determining consultants who will work on these sales. At the end of the year, we're going to add to our program all of those distribution companies that can feasibly be privatized and then begin privatizing as of the beginning of 2004.

INVESTOR: What exactly do you say to people interested in taking part in these types of large privatizations? For example, what do you say to someone who would like to take part in the bidding for Tekel? For example, what do you suggest? What do you tell them your expectations are?

METİN KILCI: We don't say anything in those regards. We are not looking to tell anyone what our demands are; what we do is tell them about our companies, our country, our market, and ourselves. Of course, if they have demands, that's different...

INVESTOR: What kind of demands do they have? What sort of questions do they pose to you?

METİN KILCI: They ask, for example, whether or not we're really going to privatize. Even if they don't ask us this word for word, they hint at it in other ways. And we tell them, yes; we're really going to do this. That's what we told them on the road show in April. We gave them deadlines, presented them with our schedule. We've stood by our word in all regards, which means that we've also remained true to our schedule.

INVESTOR: Looking ahead from the end of August 2003, what goals do you expect to have accomplished by the end of the year?

METİN KILCI: We don't really have a definite financial goal, but the amount of 4 trillion dollars has been on our tongues, so that is an amount that we are aiming to reach, or surpass even. If we stay on schedule, we'll surpass 4 trillion.

We've been observing that some of the major competitors of tobacco industry have recently shown strong interests in state tobacco monopolies in surrounding countries. Will this have an effect upon Turkey's privatization process?

METİN KILCI: No, I don't think it will have an impact because the situation is simply different for Turkey. We're talking about one of the world's largest tobacco markets, the sixth largest excluding China and probably the market with the greatest growth potential. Of course, what you refer to may effect those investors working with limited funds, but a major market like Turkey is extremely important for key investors, so those are the ones we have to take seriously at this stage. I think that in this regard, the investors' abilities to fund themselves or gain access to fundings will be a primary issue.

INVESTOR: Do you think that the fact that Tekel's facilities are so outdated will deter potential investors?

METİN KILCI: I don't think that's the case at all because what we are selling is its market, its market share and brand name. Of course, the facilities and production capacities are important, but then the need for further investment in sectors such as this one is always a constant one anyway...

The privatization of Tüpraş is of a dualistic character. On the one hand, you have Russian petroleum giants who are looking to become more aggressive in the region and consider Tüpraş a springboard into the European retail oil markets, and we're looking at company that is a strategically key one for domestic industry.

Tüpraş, an excellent company. It is one of those rare companies that are able to consistently renew itself. Tüpraş's refineries are some of the very best in the region. It's a company with the potential for consistent growth and development. Those investors who are interested in the company certainly recognize this as well. There's no doubt that the private sector company that takes over Tüpraş will be coming a regional powerhouse.

INVESTOR: Is there any prejudice regarding the nationality of the company that will take over Tüpraş?

METİN KILCI: There is definitely a misconception prevalent in this regard. There appears to be this idea that some companies just can't do business in Turkey, but of course it is completely false. Business is business, and if a firm has the appropriate qualifications and meets the required conditions, then which country it happens to come from should be of absolutely no importance whatsoever. The world is now completely global, this is the reality that we all must accept. I mean, how aware are we really of the origins of the companies whose products we eat and drink every day? It's simply immaterial.

INVESTOR: Is there any interest in Tüpraş, coming from the Middle East?

METİN KILCI: Yes, there is. We observed this especially during our visit to the Middle East. But we also realized something else; that we were very late in going to the Middle East; we should have gone there much earlier. We are very pleased that there is interest in Tüpraş from the region. Now we'll just have to wait for the bidding stage to see what their exact intentions really are.

INVESTOR: Any final thoughts you'd like to add?

METİN KILCI: I just hope Turkish privatization goes as well as we are predicting it will.

REPUBLIC OF TURKEY, PRIME MINISTRY, PRIVATIZATION ADMINISTRATION
ANNOUNCEMENT FOR THE PRIVATISATION OF PETKİM PETROKİMYA HOLDİNG A.Ş. ("PETKİM")

Company Whose Shares Are Being Offered	Company Share Capital (TL)	Percentage of Shares Being Offered (%)	Amount of the Required Bid Bond (US\$)
PETKİM Petrokimya Holding A.Ş. ("PETKİM")	204,750,000,000.00.- (Two hundred fourty million seven hundred fifty billion)	88.88	10,000,000.- (Ten Million)

- Within the framework of Law No. 4046, the Republic of Turkey, Prime Ministry, Privatization Administration (the "PA") announces the commencement of the privatization process of PETKİM, Turkey's sole domestic petrochemicals producer. Currently, approximately 88.86% of the shares of PETKİM are owned by PA, 7% of the shares of PETKİM are owned by T.C. Emekli Sandığı, and the remaining 4.14% of the shares are traded on the Istanbul Stock Exchange.
- The Sale Tender shall be undertaken in the form of negotiations after receipt of bids in sealed envelopes. If deemed necessary by the Tender Commission, the tender may be finalized through a public auction attended by the bidders selected to participate in the negotiations.
- To participate in the bidding process, Bidders are required to deliver a duly executed Confidentiality Agreement and obtain the Information Memorandum and Tender Specifications pertaining to the Company.
- The Information Memorandum and Tender Specifications can be obtained from the PA's offices at the address indicated below starting from **September 1, 2003** upon delivering to the PA a Confidentiality Agreement signed by the bidders or their authorized representatives together with the company circulars of such persons. Confidentiality Agreement forms can be obtained from the PA's address below starting from **September 1, 2003**. Bidders must also pay a non-refundable fee of **US\$ 5,000** (five thousand) to the PA (to Account No. 321502 at T.C. Ziraat Bank, Central Branch), or the equivalent in Turkish Lira, which shall be calculated according to the US\$ sell rate of the Turkish Central Bank as of the date of payment (to Account No. 282487 at T.C. Ziraat Bank, Central Branch) and present to the PA, a bank receipt evidencing that such **US\$ 5,000** (five thousand) payment was made and clearly indicating the names of the real persons and/or legal entities participating in the tender. The payment made for the Information Memorandum and Tender Specifications is non-refundable under all circumstances.
- Bidders who have signed a Confidentiality Agreement and who, having obtained the Information Memorandum and Tender Specifications, wish to carry on with their evaluation of the Company shall be given access to the Company Data Room in order to review the information available prior to the submission of the bids. The Data Room will be available to Bidders from **September 29, 2003** until **October 31, 2003**. Bidders willing to access the Data Room will be subject to prior payment of an additional non-refundable payment of **US\$ 20,000** (twenty thousand) (to Account No. 321502 at T.C. Ziraat Bank, Central Branch), or the equivalent in Turkish Lira, which shall be calculated according to the US\$ sell rate of the Turkish Central Bank as of the date of payment (to Account No. 282487 at T.C. Ziraat Bank, Central Branch). Bidders should present to the PA a bank receipt evidencing that such **US\$ 20,000** (twenty thousand) payment has been made at least **three** days before their entry into the Data Room. The deadline for applications to gain access to the Data-Room is **October 9, 2003**. The payment made for gaining access to the Data Room is non-refundable under all circumstances.
- Real and legal persons and bidding consortia can participate in the tender. To participate in the tender, Bidders shall be required to submit a bid bond for the amount of **US\$ 10,000,000** (ten million). Following the evaluation of the bids by the Tender Commission, a short list of Bidders who have submitted bids.
- Bids shall be prepared in accordance with the instructions as set out in the Tender Specifications and shall be delivered by hand in a sealed envelope labelled "**BID FOR PETKİM - PETKİM PETROKİMYA HOLDİNG A.Ş. - CONFIDENTIAL**" to the PA's offices at the address indicated below not later than **4:00 PM (Ankara time) on November 18, 2003**. Bids delivered after the bidding deadline will not be taken into consideration.
- This tender is not subject to State Tender Law No. 2886 and the PA reserves the right at its sole discretion to proceed or not to proceed with the bidding process, to void the contract with any person or entity at its own discretion and to amend the bidding deadline. The sale of shares of the Company to parties interested abroad is subject to existing laws and regulations regarding foreign capital, copies of which can be obtained from the Under secretariat of Treasury, General Directorate of Foreign Investment. Date: August, 26, 2003