

EYE ON TURKEY

Editor's Window:

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Editor in chief

Guler Manisali Darman
Principal
CGS Center

Editorial Board

Guler Manisali Darman
Dr. Cagri Bagatur
Necati Turker
Semsettin Akçay
Prof Dr. Can Simga Mugan
Associate Prof. Guray Kucukkocaoglu

Recent Developments & Some News in Capital Markets and Foreign Investments

Turkish Regulators Relax Corporate Bond Restrictions

Turkish regulators are easing restrictions on corporate bond issuance and taking steps to help cash-strapped companies raise funds in a year of scarce bank financing. In that respect Capital Markets Board of Turkey (CMB) revised rules that were not actually practiced much to ease companies in bond issues. This would reduce the minimum maturity from two years to one year, with no maximum maturity, for longer-term instruments.

The issuers after having the CMB approval can begin the sale one day after publishing details online. The new system would allow companies to issue convertible bond without, needing to make a public offering, as opposed to present practice

It would also cover sukuk-type instruments compatible with Islamic finance - although bankers are skeptical about the volume of funding Turkey might attract in this way from the Gulf or elsewhere.

Other rule changes will allow companies whose share price has fallen below one Turkish lira - currently the minimum at which new stock can be sold to raise capital through secondary offerings. The CMB estimates this could allow listed companies whose share price has slid in recent months to raise TL8bn (\$4.8bn) in 2009.



Turkey sees USD 16.05 billion in FDI inflow in 2008

Turkey received USD

16.05 billion in foreign direct investment (FDI) in the first 11 months of 2008. The net FDI inflow to Turkey totaled USD 16.05 billion between January and November 2008.

Net capital inflow to Turkey was USD 13.2 billion in the first 11 months of 2008, and it was USD 599 million in November alone. Nearly 160 enterprises operating in global markets were established in November, while this figure was 2,600 for the first 11 months of the year.

Turkey is still a promising land of investment, in the midst of global financial crises.

Guler Manisali Darman
Founder Partner,
Principal
CGS Center

FURTHER INCENTIVES PROPOSED FOR THE RENEWABLES IN TURKEY

Turkish renewable energy law of 5346 was approved by the Turkish Parliament on May 10th, 2005.

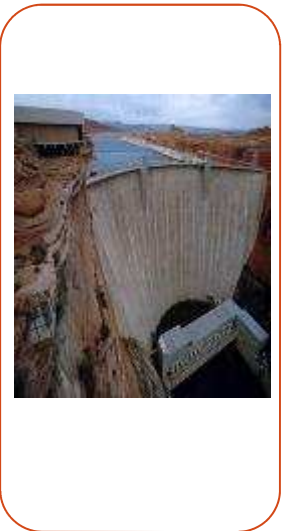
The head of the related commission Dr. Soner Aksoy made a proposal for the Turkish Parliament for further incentives and changes on October 27th, 2008. Proposed first change is the deletion bio-gas from the coverage of incentives and the second change is related to the zoning of the public lands for the production electric power. With the proposed change, the authority to handle the related project request is given to the General Directorate of Electrical Power Resources Survey and Development Administration.

The third change is the monetary incentives and buy-back guarantees. The minimum price will not be less than the wholesale prices announced by the government regulatory agency, the Energy Market Regulatory Agency (EMRA). The following incentives will be up to January 1st, 2016:



Source	Incentive for the first 5 years, Eurocent/kWh	Incentive for the second 5 years, Eurocent/kWh
Wind	6	5
Biomass	14	10
Geothermal	7	6
Solar	18	18
Hydraulic	5	5

Prices after January 1st, 2016 will be as accepted by EMRA. But, the Cabinet is given power to adapt a higher prices than EMRA. The last change is related to the use of public lands. In the original form this articles gives power to the power generating companies to use the land up to year 2011 with a 85 % costs reduction. The proposed new date is 2015. The most significant impact of the proposed changes are for the renewable energy purchased guarantees till 2016. The original law only permits 5 to 5.5 eurocents. Once legislated the amended changes will stimulate the Turkish renewable energy market.



Şükrü Boğut
Energy Consultant

BUSINESS LEGISLATION

Turkey's business legislation system, offers investors equal rights which is simple and compatible with international standards. Developments in investment environment and improvements in the existing law helps Turkey go further to become a country to invest.

What Turkey Offers?

BILATERAL AGREEMENTS

Bilateral agreements on encourage and protection of investments:

Turkey has been developing a network of bilateral agreements which contains 80 countries*, since 1962. The object of bilateral agreements is to assure foreign investors economically and legally, to provide con-

stancy in investment environment, to support investment flows between members, and to ensure a favorable economic cooperation environment.

Agreements for prevention of double taxation:

68 countries* are included in an agreement that prevents double taxation. This enables tax paid in one of two countries to be offset against tax payable in the other, thus preventing double taxation.

Turkey is expanding this agreement's network by adding new countries to provide a larger area.

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Social security agreements:

Agreements are signed between Turkey and 22 countries* about social security. These Agreements make it easier for expatriates to move between countries. The number of these countries will increase with the increased sources of Foreign Direct Investment (FDI).

BILATERAL FREE TRADE AGREEMENTS

Turkey has signed free trade agreements with 15 countries* which provides a tax-free environment in intra-trade on an agreed list of goods. This shows why many global companies choose Turkey to be a second supply source. This is not only valid for

the European Union and Turkish markets, but also valid for the Middle East, Black Sea and North African markets. On the other hand, Turkey has an advantage in labor market.

These advantages can be listed as relatively cheaper but well-educated labor force with cost-effective transportation.

Turkey is still negotiating with the Faroe Islands, member countries of the Gulf Cooperation Council, Jordan, Lebanon and existing countries to attract investors.

* <http://www.invest.gov.tr/InvestorsGuide.aspx?ID=10>

Sera Görkey
Research and Publishing
Coordinator
CGSCenter

**COMPANIES ESTABLISHED WITH FOREIGN CAPITAL IN TURKEY**

Turkey applies non-discrimination and equal treatment principles for the companies established with foreign capital which means foreign investors have the same status with the Turkish local companies. Almost all sectors are open

to foreign capital. Companies established with foreign capital in Turkey are entitled to benefit from the same rights and exemptions that are granted to domestic companies engaged in the same field of activity. Foreign companies also have the same obligations with the domestic companies. Foreign investors are required to notify the Undersecretariat of Treasury and Foreign Trade after their establishment. For the settlement of disputes, foreign investors can apply either to the authorized local courts, or to national or international arbitration. Foreign investors can employ expatriates. Work permits for expatriates are issued by the Ministry of Labor and Social Security.

Foreign companies can open a liaison office in Turkey provided that these offices do not engage in any commercial activities in Turkey. While setting up a company you need to submit the notarized Articles of Association and you need to deposit %0,04 of the capital at the Central Bank or a state bank. You need to complete the Company Establishment Form and register with Trade Registry Office. The forms of companies which can be established are joint-stock company, limited company, Commandite Company

and co-operative association. Foreign investors to participate to a previously established company in Turkey can be done in two ways through either share transfer or contribution to the companies capital increase.

For foreign investors Turkey is a suitable country because Turkey is located between Europe, Central Asia and the Middle East with a population of over 70 million and with an average age of 28,3. Turkey has a fast growing domestic market. Turkey has qualified cost-effective and motivated labor force.

Mehmet Çağrı Bağatur Ph.D
Attorney-at-Law, Partner
CGS Center



IMMOVABLE OWNERSHIP OF FOREIGN COMPANIES

The last “*Regulation on the Immovable Ownership of the Companies with Foreign Capital*” has been adopted and published in the Official Gazette with date November 12, 2008 and number 27052. This Regulation is adopted based on the Article



36 of the Land Registry Code in order to regulate the procedures and merits of the ownership and usage rights of the foreign capital companies. The “*companies*” contained herein this Regulation only refer to the companies which the foreign investors participate and/or establish in Turkey according to Turkish Laws.

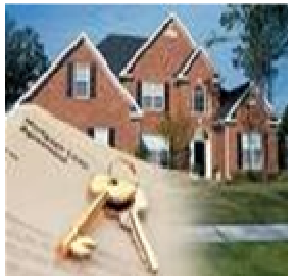


According to the last arrangements in the Regulation; it is stated that the relevant Governorship where the immovable is located shall apply to the institutions below upon the recourse of the foreign capital company with the intent to own immovable.

According to the last arrangements in the Regulation; it is stated that the relevant Governorship where the immovable is located shall apply to the institutions below upon the recourse of the foreign capital company with the intent to own immovable.

- The Province Industry and Trade Directorate to check and answer in 7 days whether the planned immovable ownership is related to the field of activity of the company,

- The General Military Directorate to examine and answer in 30 days whether such immovable is suitable to be purchased by the foreign companies and also falls within the boundaries of military zones or not,



- The Security General Directorate to examine and answer in 20 days whether such immovable falls within the boundaries of private safety zones or not.

In case the examinations before the three institutions listed above have been answered positively, the companies will be entitled to purchase or hold usage rights of the immovable. As will be derived from the interpretation of the provision explained above, the current situation subjugates the companies to a standby period of minimum 1 month.



Mehmet Çağrı Bağatur Ph.D
Attorney-at-Law, Partner
CGS Center



Corporate Governance & Sustainability Center

42.Cadde 451.Sokak No: 5/3
Cukurambar
Ankara/TURKEY

Phone: +90 (312) 220 22 20
Fax : +90 (312) 220 35 34
E-mail: info@cgscenter.com

www.cgscenter.org



EYE ON TURKEY

is a free monthly
newsletter of
CGSCENTER

Corporate Governance and Sustainability Center is composed of eligible partners, in the field of corporate governance, and related services ranging from assessment to research and from raising awareness to compliance.

Associates of CGSCenter assists Turkish companies active in various fields such as finance, IT, insurance, energy, tourism, real estate development, and construction, that seek finance (equity or debt), open for partnership opportunities, interested in sell-outs, or buy-outs, or mergers and acquisitions.

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GMD Global Advisors

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Bagatur Law Company

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Opportunity List

1. Ankara Shopping Mall with 104.000 sqm GLA & 5 star 263 rooms Hotel Complex for sale.
2. Brokerage House for sale.
3. Department Store Chain for equity financing.
4. Boutique Shopping Mall for sale in Istanbul.
5. A boutique hotel for sale on Bosphorus in Istanbul.
6. Thermal Clinic Spa Hotel for sale.
7. Cement Factory Complex for equity or debt financing.
8. IT Software Company for equity financing.
9. Hydro Electric Power Plant Investments.
10. Steel Service Center Project.
11. Trabzon Hospital investment.
12. Izmir Hospital Complex Investment.