Weekly Equity News

AKFEN Akfen Holding OUTPERFORM

Close TRY: 9.66 TL **Target Price TL / Upside % :** 14.08 TL 45.78% **Market Cap.mn(TL):** 1,406

Analyst: Basak Dinckoc **Phone:** +90 212 350 25 92 **E-Mail:** bdinckoc@isyatirim.com.tr

Date: 07/03/2011

(AKFEN, Target: TL14.1, Upside: 48%, Outperform)

Akfen Holding's Coupon Payment

Akfen Holding paid the interest amount of TL5.2mn regarding the second coupon payment of its TL100mn bond as of March 4, 2011. Neutral.

AKGRT Aksigorta MARKETPERFORM

Close TRY: 1.97 TL **Target Price TL / Upside % :** 2.28 TL 15.74% **Market Cap.mn(TL):** 603

Analyst: Kutlug Doganay **Phone:** +90 212 350 25 08 **E-Mail:** kdoganay@isyatirim.com.tr

Date: 08/03/2011

Aksigorta generated TL 145mn gross premiums in January, merely 2% higher on an annual basis. The growth almost solely stemmed from the MOD branch while the insurer lost market share in most of the profitable branches.

ANACM Anadolu Cam OUTPERFORM

Close TRY: 3.02 TL **Target Price TL / Upside % :** 3.65 TL 20.98% **Market Cap.mn(TL):** 1,046

Analyst: Nur Atasoy **Phone:** +90 212 350 25 34 **E-Mail:** natasoy@isyatirim.com.tr

Date: 09/03/2011

Anadolu Cam to increase capacity in Turkey

Anadolu Cam announced that the Yenisehir Plant's capacity will be increased by 120K tons, with a new furnace investment. The company has 360K tons of installed capacity in Yenisehir currently. Since we have already included the said investment in our model previously, in-line with the company guidance, we will not change our estimates and recommendation.

ANHYT Anadolu Hayat OUTPERFORM

Close TRY: 4.51 TL **Target Price TL / Upside % :** 5.90 TL 30.82% **Market Cap.mn(TL):** 1,128

Analyst: Kutlug Doganay **Phone:** +90 212 350 25 08 **E-Mail:** kdoganay@isyatirim.com.tr

Date: 10/03/2011

Higher opex distorted the bottom-line. Anadolu Hayat announced TL 13.6mn net earnings in its 4Q10 solo financials, slightly below our house call for TL 14.1mn while exactly in line with the consensus estimate of TL 13.5mn polled by Reuters. The quarterly net earnings were 25% qoq lower owing both to weaker technical and investment income figures. The Company continued to post higher revenues with its augmenting AuM size however higher underwriting costs and marketing expenses weighed on profitability while increasing its market share in the private pension business. Anadolu Hayat shares trade at 11.2x to 11E earnings and 2.1 11E BV. We think the Company deserves higher valuation with its cheap one-year forward looking multiples as compared to its historical levels.

ANSGR Anadolu Sigorta OUTPERFORM

Close TRY: 1.14 TL **Target Price TL / Upside % :** 1.50 TL 31.58% **Market Cap.mn(TL):** 570

Analyst: Kutlug Doganay **Phone:** +90 212 350 25 08 **E-Mail:** kdoganay@isyatirim.com.tr

Date: 08/03/2011

A strong start to 2011. Anadolu Sigorta generated TL 177mn gross premiums in January, up by 18% yoy. Gross premiums were also 49% above that of 2010 monthly average. Growth momentum in the MOD and MTPL branches extended to January while the health insurance portfolio squeezed down presumably owing to market share loss.

Weekly Equity News

Date: 10/03/2011

4Q10 should be a positive surprise for the market. Anadolu Sigorta posted TL 32.4mn net earnings in its 4Q10 solo financials, lower than our house call for TL 36.9mn while substantially above the consensus estimate of TL 24.5mn polled by Reuters. The insurer recorded TL 55.8mn technical profit as the recent regulatory change in the accounting of outstanding claims provisions trimmed down the total claims to a large extent, as we have anticipated. Note that, the positive impact will inherently be true for the following years though at a slower pace. TL 14mn of cancelled recourse and salvage revenues was a negative surprise for us, boosting the provision expenses. Anadolu Sigorta also recorded TL 8.8mn one-off profit from a land sale in 4Q which was also in our estimation. Trading at 0.6x to its 11E book value and 10.8x to its 2011 forecast net earnings, Anadolu Sigorta is still the cheapest asset among listed insurers.

ASUZU Anadolu Isuzu UNDER REVIEW

Close TRY: 7.78 TL **Target Price TL / Upside % :** **Market Cap.mn(TL):** 198

Analyst: Esra Suner **Phone:** +90 212 350 25 72 **E-Mail:** esuner@isyatirim.com.tr

Date: 14/03/2011

Anadolu Isuzu disclosed TL1mn net income in 4Q10 compared to TL1mn net loss in 4Q09, carrying 2010FY bottom-line to TL5mn net loss vs TL19mn in 2009. Strong top-line growth and higher operating margins lead to improvement in operational performance in 4Q10. However, higher financial expenses of TL4mn in 4Q10 compared to financial expenses of TL1mn lowered 4Q net income figure.

Turnover surged by 46% Y-o-Y reaching TL118mn in 4Q10 on the back of robust volume growth of 48% Y-o-Y. While gross margin remained same at 14.5% in 4Q10 compared to 4Q09, it improved by 2.4pp on quarterly basis. Decline in opex/sales ratio from 16.8% in 4Q09 and 12% in 3Q10 to 11.6% in 4Q10 supported the enhancement in operational profitability. As a result, EBITDA figure increased three-fold reaching TL6mn in 4Q10 from TL2mn in 4Q09. Accordingly, EBITDA margin rose to 4.8% in 4Q10, up by 4.2pp Y-o-Y and 2.0pp Q-o-Q.

All in all, ASUZU's 4Q results signal improvement thanks to turnover growth on the back robust domestic market demand. We don't have a rating for the stock.

ASYAB Bank Asya OUTPERFORM

Close TRY: 2.96 TL **Target Price TL / Upside % :** 3.18 TL 7.43% **Market Cap.mn(TL):** 2,664

Analyst: Bulent Sengonul **Phone:** +90 212 350 25 66 **E-Mail:** bsengonul@isyatirim.com.tr

Date: 10/03/2011

(ASYAB.IS, OP, PT: TL 3.18, Upside:11%)

According to HT Daily report Qatar Islamic Bank (QIB) gave a mandate to an international bank to make an acquisition in Turkey and that Bank Asya is the target. It was added that QIB is considering to buy A type shares at Bank Asya held by 6 major shareholders and to own 25% stake at the bank. 40% of the paid-in capital of the bank consist of A type shares having control privilege. Four largest shareholders control only 27% of the A type shares. Potential stake sale at Banka Asya is likely to trigger a tender call. However, the upside potential for the minority shareholders would depend on the split of the acquisition value between privileged and floated shares. The stock was already up by 9.2% in yesterday's trading following Reuters interview with a foreign bank stating to have a mandate from an international bank aiming to acquire a mid-size bank in Turkey.

Date: 14/03/2011

GM's resigned. Bank Asya announced that Cemil Ozdemir resigned his position as general manager and board member. Abdullah Celik has been nominated as the new board member, and the BoD decided to apply to the BRSA to appoint him as the general manager. Mr. Celik previously has been the Chairman and head of Turkish Development Bank.

AYGAZ Aygaz MARKETPERFORM

Close TRY: 8.58 TL **Target Price TL / Upside % :** 9.64 TL 12.38% **Market Cap.mn(TL):** 2,574

Analyst: Asli Ozata Kumbaraci **Phone:** +90 212 350 25 26 **E-Mail:** akumbaraci@isyatirim.com.tr

Date: 10/03/2011

AYGAZ: Higher than expected operating expense took its toll on the bottom line

Aygaz announced TL29mn of net profit in 4Q10 compared to a net profit of TL82mn in 4Q09. However, it is important to note that Aygaz's subsidiaries (Akpa and Mogaz) trasferred their 4% Opet stake to Koc Family at an amount of TL66.7mn in December'09. The announced net income is lower than our estimate of TL60mn and the CNBC-e consensus estimate of

TL48mn. The reasons for the deviation between the actual figure and our estimate is higher than expected operating expenses.
The company posted TL1,300 mn of revenues in 4Q10, 6% higher QoQ and 8% higher YoY thanks to higher prices in the gas segment. The total LPG consumption increased only by 1%YoY in 2010 reaching 3.65mn tons. The Turkish autogas consumption grew by 8% YoY, while cylinder volumes contracted by 8% YoY in 2010. Aygaz's retail sales volume was 1,046K tons in 2010 compared to 1,078K tons in the same period last year. The company's wholesale and export sales increased by 11% YoY to 554K tons in 2010 and resulted in an overall volume increase of 2% YoY.
The company announced an EBITDA of TL78mn in 4Q10, 49% higher compared to the same period last year, yet 16% lower compared to 3Q10, bringing 12M10 EBITDA to TL306 mn (lower than our estimate of TL341mn), 22% lower compared to the same period last year.The operating profit from the LPG division increased from TL43mn in 4Q09 to TL50mn thanks to higher prices in the gas segment. The operating loss from the electricity segment decreased from TL16mn in 4Q09 to a mere TL1mn in 4Q1 0, owing to the change in its sales breakdown. Entek (electricity arm of Aygaz) sold 52% of its electricity generation to Balancing and Settlement Market in 2010 down from 90% in 2009.
The equity income from the indebted Enerji Yatirimlari (EY), which owns 51% of Tupras and in which Aygaz holds a 20% stake turned into a loss of TL20mn in 4Q10 due to depreciation of TL, in line with our expectation of TL21mn of equity loss. The company had recorded an equity income of TL56mn in 4Q09.
Aygaz announced a net financial income of TL10mn in 4Q10 compared to a net financial loss of TL23mn in 4Q09. The company has a net cash position of TL151mn as of December 10 compared to 129mn as of September 2010.
In general, the results are in line with our expectation. We maintain our MARKETPERFORM recommendation for Aygaz shares.

Date: 14/03/2011

Aygaz will propose gross dividends of TL125mn (TL0.416/share) in the AGM- Positive

Aygaz will propose gross dividends of TL125mn (TL0.416/share) in its Annual General Meeting. If approved as is, the dividend distribution will start on April 6th. The dividend yield corresponds to 4.8%. Positive.

BIMAS BIM MARKETPERFORM

Close TRY: 49.50 TL **Target Price TL / Upside % :** 53.25 TL 7.58% **Market Cap.mn(TL):** 7,514

Analyst: Esra Suner **Phone:** +90 212 350 25 72 **E-Mail:** esuner@isyatirim.com.tr

Date: 09/03/2011

Successful set of results, as expected

Beating both our net income estimate of TL62mn and the consensus call of TL57mn, BIM posted TL70mn net income in its 4Q10 financials up from TL51mn in 4Q09 and TL64mn in 3Q10. Recorded net income in 4Q10 carried 2010FY bottom-line figure to TL246mn, implying 15% growth over 2009. While higher than anticipated operational margins appears to be the main reason behind the deviation in our 4Q1O bottom-line estimate, annual growth is due to higher operating margin and top-line.

In-line with our house forecast of TL1,729mn, yet slightly lower than the consensus call of TL1,757mn, Bim recorded TL1,724mn turnover in 4Q10, up by 22% Y-o-Y, bringing 2010FY top-line figure to TL6,574mn, signaling a sound 23% Y-o-Y growth. Gross margin of the company deteriorated to 17% in 4Q10 from 17.2% in 4Q09 on purposely investing in prices. On the other hand, lower opex/sales ratio of 12.2% in 4Q10 versus 12.8% in 4Q09 and 12.4% in 3Q10 thanks to increasing economies of scale and cost cutting measures, resulted in higher EBIT and EBITDA margins.

As a result, exceeding the estimates (IS Investment: TL90mn and Consensus: TL88mn) EBITDA came at TL101mn in 4Q10, up by 29% Y-o-Y and 7% Q-o-Q, thanks to aforementioned top-line growth and lower operational expenses as a percent of revenues. EBITDA margin improved by 0.3pp Y-o-Y and 0.4pp Q-o-Q to reach at 5.8% in 4Q10. The company's cumulative 12-month EBITDA figure grew by 13% Y-o-Y and reached TL356mn in 2010, corresponding to a 5.4% margin down from 5.9% in 2009FY.

Net cash position of TL167mn as of 2009-year end improved to TL250mn as of end of 2010. WCR over sales ratio showed an improvement declining to 4.1% in 2010 from 4.4% in 2009.

All in all, although BIM's 4Q10 results are better than expectations and indicate an improvement in profitability, we do not expect them to be deemed as a surprise by the market since previously announced tax financials were already signaling such a performance as they could be count as a good proxy for IFRS figures. The company will hold a conference call today and we

Date: 10/03/2011

In a press meeting to evaluate 2010 financials and 2011 outlook, BIM management stated that the company targets double digit revenue growth in 2011 but lower than the annual growth in 2010. Additionally, the company plans to open 350 new stores and 5 new warehouses in Turkey and 40 new stores Morocco. BIM plans TL200mn cap-ex in 2011.

Weekly Equity News

BRISA Brisa UNDER PERFORM

Close TRY: 187.00 TL **Target Price TL / Upside % :** 124.30 TL -33.53% **Market Cap.mn(TL):** 1,392

Analyst: Ilyas Safa Urganci **Phone:** +90 212 350 25 52 **E-Mail:** iurganci@isyatirim.com.tr

Date: 14/03/2011

In-line with our estimation of TL25mn, Brisa posted TL22mn net income in its 4Q10 financials remaining same compared to same period last year which carried 2010FY net income to TL57mn, up by 45% Y-o-Y. Despite robust top-line growth thanks to strong demand both in replacement and original equipment market, net income growth in 4Q10 is hindered by lower operating margins on the back of higher raw material costs.
Top-line of the company surged by 32% Y-o-Y reaching TL288mn in 4Q10 thanks to both volume growth and price hikes. Original Equipment sales grew by 17% in 2010 due to strong growth in the automotive industry's production. While replacement tire sales increased by 8% Y-o-Y due to consumers' postponed demand in 2009, Lassa export volume surged by 15% Y-o-Y in 2010. Meanwhile, the company recorded overall sales volume growth of 16% in 2010 on yearly basis. As a result, revenues of the company reached TL980mn in 2010 which is parallel to our estimate of TL973mn.
Gross margin of the company deteriorated by 4pp Y-o-Y in 4Q10 due to skyrocketed raw material costs-mainly natural and synthetic rubber. The company reflected partially these high raw material costs onto sales prices. Decline in op-ex / sales ratio to 11.6% 4Q10 from 16.8% in 4Q09 helped to mitigate EBITDA margin erosion. Therefore, EBITDA margin deteriorated from 18.7% in 4Q09 to 15.1% in 4Q10. Quarterly improvement in operating margins stemmed from increase in high- margin winter tire sales.
All in all, 4Q10 financial results of Brisa are in-line with our estimations. While quarterly improvement is seen in operational performance due to seasonality, high raw material costs results in weak profitability on yearly basis. Brisa will propose gross dividends of TL51mn which is slightly below our estimate of TL54mn. The dividend yield corresponds to 3.7% at the current share price. The stock trades at significant premium based on its 2011E P/E of 20.7x and 2011E EV/EBITDA of 10.8x compared to its international peers median of 10.7x and 5.3x, respectively. We maintain our UNDER PERFORM recommendation with a 12 month target share price of TL123 for the stock.

CCOLA Coca-Cola Icecek UNDER PERFORM

Close TRY: 18.35 TL **Target Price TL / Upside % :** 17.90 TL -2.46% **Market Cap.mn(TL):** 4,668

Analyst: Esra Suner **Phone:** +90 212 350 25 72 **E-Mail:** esuner@isyatirim.com.tr

Date: 08/03/2011

In a statement at Public Disclosure Platform, CCI announced that it utilized US$600mn long-term credit in order to refinance its US$360mn loan maturing in March 2013, as well as to meet its new borrowing needs. The company declared the cost of the loan as Libor +1.80% with a three year maturity. While US$425mn of the loan will be utilized by CCI, the rest of the amount will be utilized by its subsidiaries, namely - J.V. Coca-Cola Almaty Bottlers LLP, The Coca-Cola Bottling Company of Jordan Ltd and CCI International Holland BV. CCI is guarantor for the credits used by its subsidiaries.

Date: 11/03/2011

CCI's stake in CC Beverage Limited (CCBL) increased from 30% to 100%.

Coca-Cola İçecek A.Ş.'s (CCI) Board of Directors approved the purchase of 100% shares of SSG and 50% share of CCBI from TCCEC by CCI International Holland B.V. (CCI Holland). Upon payment of a total of US$36.90mn (including expenses), the referred SSG and CCBI shares have been registered to CCI Holland as of March 9, 2011. Out of the total US$36.90mn cash payment of CCI Holland, US$22.29mn was paid for SSG and CCBI shares and US$14.61mn to take over the shareholder loans of TCCEC from SSG and CCBI. Accordingly, CCI's indirect share in CCBL increased from 30% to 100%. CCBL is proportionately consolidated in CCI's financial statements based on CCI's effective ownership of 30% and CCBL's volume share in CCI's consolidated sales volume in 2010 was 0.9%. On the other hand, the purchase value represents 4.76%, 1.98% and 2.35% of CCI's consolidated tangible assets, total assets and net sales, respectively, based on the 2009 audited consolidated financial statements.

Please note that, CC Beverage Limited (CCBL) produces, sells and distributes Coca-Cola products in Northern Iraq since February 2007. 40% shares of CCBL were owned by SSG Investment Limited (SSG) and 60% shares were owned by The Coca-Cola Bottling of Iraq FZCO (CCBI). The Coca-Cola Export Corporation (TCCEC) owned 100% shares of SSG and 50% shares of CCBI. On the other hand, Coca-Cola İçecek A.Ş.'s (CCI) wholly owned subsidiary CCI International Holland B.V. (CCI Holland) owned 50% shares of CCBI and TCCEC has 20.1% share in CCI.

We think that the share purchase is positive regarding to CCI's long-term growth strategy which includes organic growth as well as strategic acquisitions.

Weekly Equity News

CLEBI Celebi — UNDER PERFORM

Close TRY: 25.00 TL **Target Price TL / Upside % :** 24.48 TL -2.06% **Market Cap.mn(TL):** 608

Analyst: Naz Okten **Phone:** +90 212 350 25 82 **E-Mail:** nokten@isyatirim.com.tr

Date: 10/03/2011

(CLEBI, PT: TL24.50, upside: 5%, UNDERPERFORM)
Celebi Handling is interested in partnership offers. Neutral.
As appeared both on mergermarket and Reuters, Celebi is interested in partnership opportunities. According to liste sources, main shareholders are in talks with potential investors in either Celebi Ground Handling or the parent group Celebi Aviation Holding. Note that the parent conglomerate has a 55% stake in the listed company, Celebi Ground Handling. The invesment may be a strategic partnership or a stake sale. Celebi's current free float rate is 23%.

ISCTR Isbank (C) — NOT RATED

Close TRY: 5.00 TL **Target Price TL / Upside % :** **Market Cap.mn(TL):** 22,500

Analyst: Bulent Sengonul **Phone:** +90 212 350 25 66 **E-Mail:** bsengonul@isyatirim.com.tr

Date: 07/03/2011

Isbank to distribute cash dividends. Isbank's BoD decided to propose TL 691mn cash dividends from its 2010 net earnings. C-Group shares will get TL 0.1535 gross cash dividends per share which implies 3.2% dividend yield at its current share price. Isbank's General Assembly will be held at March 31.

PETKM Petkim — MARKETPERFORM

Close TRY: 2.30 TL **Target Price TL / Upside % :** 2.40 TL 4.42% **Market Cap.mn(TL):** 2,300

Analyst: Nur Atasoy **Phone:** +90 212 350 25 34 **E-Mail:** natasoy@isyatirim.com.tr

Date: 14/03/2011

Better than expectations thanks to better product spreads

Petkim announced a net income of TL130mn in its 2010 full year financials, better than our estimate of TL111mn, yet in line with CNBC-e consensus estimate of TL131mn. The main deviation from our estimate seems to stem from better product spreads in the last quarter of the year.

Selling 1,566K tons of petrochemicals product, Petkim generated TL2,909 mn revenues in 2010, up 41% YoY. The increase in the sales volume and product prices are the main reasons behind the surge in top-line . EBITDA of the company jumped to TL52mn in 4Q10, carrying 2010 EBITDA figure to TL195mn, up 34% YoY.

The company will hold an analyst meeting today. After getting the details regarding the 2010 full year financial performances and outlook for the remainder of the year, we will go over our estimates.

PINSU Pinar Su — OUTPERFORM

Close TRY: 4.34 TL **Target Price TL / Upside % :** 5.44 TL 25.32% **Market Cap.mn(TL):** 56

Analyst: Ilyas Safa Urganci **Phone:** +90 212 350 25 52 **E-Mail:** iurganci@isyatirim.com.tr

Date: 11/03/2011

Pınar Su posted TL1.2mn net loss in its 4Q10 financials compared to TL0.2mn net loss in 4Q09. Recorded net loss in 4Q10 carried 2010FY bottom-line figure to TL3.8mn which is totally in-line with our net income estimation of TL4mn. Decline in top-line and weak operating margins in 4Q10 due to rise in raw material costs and competition resulted in higher net loss figure on annually.
Top-line of the company decreased by 11% Y-o-Y to TL12.5mn in 4Q10 on the back of 4% Y-o-Y decline in sales volume and 8% Y-o-Y decline in average sales prices. While total sales volume of the company reduced by 4% Y-o-Y to 393K tons, average sales prices decreased by 5% Y-o-Y in 2010 as a result of aggressive price competition in the industry. Accordingly, the company recorded TL69mn turnover in 2010FY, down by 8.3% Y-o-Y, which is parallel to our revenue estimation of TL64mn.

Gross margin deteriorated by 3.2pp Y-o-Y to 45.7% in 4Q10 due to higher raw material costs and high competition. Opex/sales ratio jumped to 58.1% in 4Q10 from 52.2% in 4Q09 and 43.3% in 3Q10 due to lower top-line figure. As a result, PINSU posted negative EBITDA figure of TL0.4mn in 4Q10 compared to positive EBITDA of TL0.6mn in 4Q09. Q-o-Q erosion in operating performance was solely due to seasonality.
Net debt position of the company declined to TL2.4mn as of 2010 year end from TL4.6mn as of end of 2009. Working capital

requirement of the company increased slightly to TL20mn as of 2010-year end from TL16mn as of end of 2009.
As a result, Pınar Su's 4Q10 financial results indicate weaker operational profitability and performance. We maintain our OUTPERFORM recommendation for the stock considering the long term growth prospects of bottled water sector in Turkey. PINSU shares trade at discount with its 2011E EV/EBITDA multiple of 7.1x compared to its international peers median of 8.2x EV/EBITDA.

PTOFS Petrol Ofisi UNDER PERFORM

Close TRY: 6.68 TL **Target Price TL / Upside % :** 6.69 TL 0.09% **Market Cap.mn(TL):** 3,858

Analyst: Asli Ozata Kumbaraci **Phone:** +90 212 350 25 26 **E-Mail:** akumbaraci@isyatirim.com.tr

Date: 09/03/2011

Petrol Ofisi's free float decreased to 3.02% from 4.28%

OMV raised its stake in Petrol Ofisi to 96.98% from 95.72% during the tender call which was held between Feb.23rd and March 8th. Petrol Ofisi's free float declined to 3.02% from 4.28%. We drop Petrol Ofisi from our coverage due its limited free float.

SASA Sasa NOT RATED

Close TRY: 1.62 TL **Target Price TL / Upside % :** **Market Cap.mn(TL):** 350

Analyst: Alper Akalin **Phone:** +90 212 350 25 18 **E-Mail:** aakalin@isyatirim.com.tr

Date: 09/03/2011

Strong 4Q10 financial results

Advansa Sasa disclosed a net income of TL30.5mn for FY10 corresponding to a TL15.1mn net profit for 4Q10 which reversed the picture of the last year when the company reported a net loss of TL35mn and TL1mn net income for 4Q09. The company also posted a strong FY10 EBITDA of TL58.6mn, which is slightly lower than our TL65mn expectation but still much better than last year's TL1.3mn. Positive

TOASO Tofas Fabrika MARKETPERFORM

Close TRY: 8.06 TL **Target Price TL / Upside % :** 9.74 TL 20.79% **Market Cap.mn(TL):** 4,030

Analyst: Esra Suner **Phone:** +90 212 350 25 72 **E-Mail:** esuner@isyatirim.com.tr

Date: 10/03/2011

Slightly above our estimate of TL231mn, Tofas will propose to distribute cash dividends of TL250mn, i.e. TL0.50 per share, in its Annual General Meeting that will convene on April 7th. The dividend yield corresponds to 6.2% at the current share price.

TUPRS Tupras MARKETPERFORM

Close TRY: 41.60 TL **Target Price TL / Upside % :** 47.04 TL 13.08% **Market Cap.mn(TL):** 10,417

Analyst: Asli Ozata Kumbaraci **Phone:** +90 212 350 25 26 **E-Mail:** akumbaraci@isyatirim.com.tr

Date: 10/03/2011

Tupras' financials are worse than the market consensus due to the provision for the tax penalty, yet operationally in line

Tupras posted its 2010 year-end financials. Net income decreased by 67% YoY from TL199mn in 4Q09 to TL65mn (IS Investment net income estimate: TL17mn, CNBC-e consensus net income estimate: TL157mn) in 4Q10, owing to the booked provisions of TL181mn. Recall that, we had assumed that the company would book TL242mn of provisions for the principal of the tax penalty.

Tupras had announced a net refining margin of US$4.51/bbl in its 2010 full year financials, compared to US$2.29/bbl in 2009. Recall that the realized benchmark gross Med- Complex margin was US$2.89/bbl in 2010. Tupras was again successful to optimize its crude cost, which had a positive effect on the refining margin. Iran was the largest source of crude oil with 7.4mn tons in 2010. Also Kazakhstan crude volumes were up from 0.58mn tons to 2.21mn tons in 2010.

Revenues increased by 32% YoY from TL5.6bn in 4Q09 to TL7.4bn (IS Investment estimate: TL6.5bn) in 4Q10, thanks to the increase in petroleum prices. Production volume increased by 17% YoY from 15.8 mn tons in 2009 to 18.5 mn tons in 2010 thanks to a higher CUR in that period as a result of the recovery in demand, while total sales volume increased by a mere 4%

YoY in 2010. Company announced an EBIT of TL327mn in 4Q10 compared to TL223mn in 4Q09. OPET's contribution to the consolidated EBIT was as an operating loss of TL13mn in 4Q10 worse than our EBIT estimate of TL10mn, owing to the increase in expenses related to the renewal of ususfructus agreements between the dealers and the fuel distributors.

Opet continues to maintain its position as the third largest retailer in Turkey, although the number of Opet stations declined from 1,324 to 1,224 at the end of the contract renewals but its volumes were up. The company gained a market share in gasoline. Opet had respective market shares of 18.6% and 16.7% in gasoline and diesel in 2010. The company had a market share of 17.4% in gasoline and 16.4% in diesel in 2009. Recall that Turkish Airlines and Opet found a JV (%50-%50), namely THY Opet Havacilik, to offer jet fuel delivery services in September 2009. Tupras began to consolidate the company via equity pick-up method and recorded an equity loss of TL3mn in 2010.

On October 20th, 2010, the tax authority had charged Tupras a total fine of TL605.4mn related to the investigation on 2005, 2006, 2007, 2008 and 2009 accounts. The 605.4mn tax fine on Tupras consist of two parts: While TL242mn is the unpaid special consumption tax of fuel oil mainly used for asphalt production during 2005-2009, TL363.4mn is the tax fine attached to it. Tupras recalculated the actual size of the tax fine in line with the draft law providing incentive on tax penalties. According to the draft law, tax penalties are expected to be eliminated while the original amount including the interest will be halved. In Tupras' case, the company cut the original amount of TL242mn unpaid special consumption tax by half to TL121mn and fully eliminated the tax penalties of TL363mn. The company forecasted an additional TL22mn for the unpaid special consumption tax of fuel oil mainly used for asphalt production during 2010. Tupras also calculated an interest of TL38mn attached to 2010 taxes. As a result, the company booked provisions of TL181mn compared to our estimate of TL242mn in its financials.

The company posted a net financial expense of TL112mn in 4Q10 compared to a net financial income of TL87mn in 3Q10 due to the depreciation of TL. Tupras has a net cash position of TL3bn as of December 2010, increased from TL1.85bn as of September 2010. Net working capital decreased due to the increase in short-term trade payables.

Please note that Tupras will hold its general meeting on April 1st . The parent SPV (Enerji Yatirimlari A.S.) needs to make around US$200mn debt repayment in 2011 regarding its loans obtained to finance Tupras acquisition back in 2006. This corresponds to a minimum US$392 mn (~TL599mn based on 2011E average US$/TL rate) dividend payment for Tupras. Based on a dividend pay-out ratio of 85%, we expect the company to distribute TL589 mn dividends from 2010 earnings, implying a dividend yield of 6%.

We will go over our estimates possibly with minor adjustments. Meanwhile, we maintain our MARKETPERFORM recommendation for Tupras.