

TURKISH BULLETIN

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ECONOMY & MARKET

MARKETS

At Monday's close, market situation was:

O/N for ISE Repo market & TLR Interbank market		TRY/USD
6.50%		1.4856
Most actively traded T-Bills		
Date	Maturity	C/Rate
24/11/09	03/08/11	8.80%
ISE-100 index		ISE- 100 Ref \$
45,801		30,830

Auctions between 11th Nov. – 24th Nov. 09

Issue	Mat.	Bid TRL mn	Sales TRL mn	Net sales mn	Ann. Comp Yield
18.11.09	08.12.10	4066	1130	1040	8.16%
18.11.09	03.08.11	8670	2405	2083	8.76%
18.11.09	01.10.14	2115	910	1021	

Central Bank cut the O/N borrowing rate by 25 bps from 6.75% to 6.50% and the lending rate from 9.25% to 9.00%. Total rate cut reached 1025bps since Nov. 08. The Bank pointed at the slower than expected economic rebound, weak labor market conditions and the easing inflation outlook to justify cuts.

Budget deficit reached a level of TL43.2bn in Jan.-Oct09, from a deficit of TL4.9bn in Jan.-Oct08. The deficit widened to TL2.4bn in Oct09, down from a deficit of TL71mn in Oct08. Primary Budget posted a surplus of TL7.0bn in Jan-Oct09 vs. a surplus of TL38.4bn in Jan-Oct08.

- In Oct09, revenues posted a 158%/y increase mainly thanks to the transfer of TL2.0bn from the "Unemployment Insurance Fund". Tax revenue remained flat in Oct09 but keeps a declining trend in Jan-Oct09 with a 7%/y contraction.

- Non-interest expenditures increased by 21%/y in Oct09 and by 15%/y in Jan-Oct09, mainly on the back of increasing social and health expenditures.

Current Account posted a deficit of US\$0.9bn in Sept 09 (vs. surplus of US\$127mn in Aug09)

on the back of lower tourism receipts. The deficit amounted to US\$8.6bn in Jan.-Sept09, down from a deficit of US\$35.9bn in Jan-Sept08. The 12 month-rolling deficit increased to US\$14.6bn

Capital account gave a surplus of US\$469mn in Sept09 (vs. a US\$3.1bn surplus in Aug). FDI inflows went down to US\$0.3bn while portfolio account registered an outflow of US\$0.7bn.

- Corporates continued to be net debt payers in Sept with US\$1.0bn (implying a 64% roll-over ratio). In Jan-Sept09, private sector's roll-over ratio reached 70%.

- The "Net error & omission" item posted an inflow of US\$0.3bn while repatriation by Banks of FX deposits hold abroad (US\$1.9bn) contributed to the financing of the BoP.

FDIs in 9M09 declined by 57%/y to US\$6bn. The energy sector got the highest investment with US\$1.5bn, manufacturing and real estate sectors are the other centre of attractions by drawing both US\$1.3bn FDI flows.

Central Gov't Debt was recorded at a level of TL438bn in Oct09, up by TL7bn compared to Sept09 due to the increase in domestic debt stock. As the Treasury debt roll-over ratio was at 110% on average during the 10M09 period, current debt stock rose by 12% since Jan. 09.

Unemployment rose to 13.4% in Aug09 from 12.8% in July.

Capacity Utilization rate rose to 71.8% in Oct09 from a level of 70.1% in Sept, but still far from previous year CUR of 77%.

Consumer Confidence: declined for the 4th consecutive month in Oct09 to 80.5 from previous month level of 82.

POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

SECTOR NEWS & PRIVATISATION

Cement sales volume growth reached 6%/y/y in Aug09. Domestic sales contracted by 4%/y/y but were compensated by the 50%/y/y increase in export volume sales.

Nuclear Power: TETAS, the state's electricity wholesale company stated that the tender (dated Sept08) for the construction of a nuclear power plant had been cancelled. Energy Ministry plans to hold in 2010 a new double tender for nuclear power plants to be constructed in Mersin and Sinop. The tender plan would involve the participation of state companies at around 15-25% besides the private consortium.

Steel: MMK-Atakas partnership closed the financing for a vertically-integrated flat steel producing complex, which comprises a €384mn export credit facility (BNPP was co-arranger), a US\$450mn commercial facility and a US\$60mn working capital facility. This new complex should be commissioned by end-2010 and will have a capacity of 2.3mn tons/yr.

- Domestic production increased by 25.5%/y/y in Oct09 but contracted by 10.4%/y/y in 10M09.

Tourist arrivals rose by 6.28%/y/y to 2.62mn in Oct09, bringing the year-to-date arrivals to 24.5mn, implying a 1.95%/y/y slight increase.

COMPANY NEWS

Garanti rolled over its dual tranche syndicated loan with a US\$700mn dual tranche loan, implying a roll-over ratio of 110%. Cost was set at Libor/Euribor +200bps.

Vakifbank's net income went up by 260%/y/y and 15%/q/q to TL345mn in 3Q09, mainly thanks to substantial trading & derivative income and strong fees. Loans, especially housing & consumer ones, grew by 3.2%/q/q while securities' portfolio increased by 19%/q/q. Asset growth was funded through a slight increase in deposits (+1%/q/q) and through a substantial surge in money market funding (+37%/q/q). NIM declined to 5.5% from 5.7% in 2Q09 and C/I ratio decreased to 37.5%. NPL's ratio increased to 5.7%.

Yapi Credit (Koç group – Unicredit JV) posted a net profit of TL276mn in 3Q09 (-36% q/q, -3% y/y). The TL loan book increased by 2%/q/q while FX lending keeps on shrinking by 3.8%/q/q. Securities' portfolio rose by a limited 2.8%/q/q and constitutes only 20% of total assets. Deposits (mainly FX) increased by 3.5%/q/q. NIM went up by 40bps to 6.6%, as it was helped by a 300bps decline in borrowing costs. Fee income increased by 3%/q/q and negative gain from trading & derivatives activities was recorded at a level of -TL59mn. NPL stood at 6.3% versus 5.7% in 2Q09.

AkEnerji reported a US\$10mn net income in 3Q09, down by 36%/y/y but up by 100%/q/q,

which led to a US\$19.7mn result for 9M09. Sedas electricity distribution grid (in which the Company has a 45% stake) contributed by US\$7.4mn to the bottom-line. Due to declining electricity sales volume (-16%/q/q), revenues decreased by 55%/y/y and by 20%/q/q to US\$61.2mn. Ebitda declined by 63%/y/y and 38%/q/q to US\$7.2mn while Ebitda margin dwindled to 11.7% from 15% in 2Q09. Net debt increased to US\$434mn from US\$369mn in the previous quarter.

Enka posted a US\$178.7mn net income in 3Q09, up by 115%/y/y and 38%/q/q, mainly thanks to better operating profitability and to a financial result of +US\$20.3mn due to its US\$670mn-equivalent long € position. Company's revenues declined by 39%/y/y and by 5%/q/q to US\$1.2bn. Ebitda went up by 17%/y/y and 64%/q/q to US\$246.8mn thanks to increasing profitability in the construction (20% Ebitda margin), energy (12.6% Ebitda margin) and retail segments (37.5% Ebitda margin). Company's net result for 9M09 finally amounted to US\$367mn (-34%/y/y).

Koç Holding recorded a net profit of US\$312mn in 3Q09, down by 54%/y/y and 26%/q/q. Revenues went down by 35%/y/y but increased by 19%/q/q to US\$8.5bn, mainly due to higher oil prices which helped pushing Tupras's revenues. Ebitda remained almost flat on a q/q basis to US\$976mn while company's Ebitda margin dwindled by 2.3 pts to 11.5% in

3Q09, mainly because of declining profitability in the finance and energy sectors and despite improving performances in the durables segment. Net Debt declined by 23% to an amount of US\$2.1bn and financial result remained positive at US\$25mn. Finally, net income in 9M09 reached US\$777mn, 65% lower than in 9M08 (US\$2.0bn).

Tupras's net income declined by 47%/y/y and by 21%/q/q to US\$188mn in 3Q09. Total revenues slumped by 43%/y/y to US\$4.4bn in 3Q09, but the figure is 53% higher than in 2Q09. Gross margin declined to 7.2% in 3Q09 from 10.4% in 2Q09. Ebitda reached US\$225mn, down by 4%/q/q and Ebitda margin decreased by 300bps to 5.0% in 3Q09 as net refining margins also declined from US\$2.62/bbl in 2Q09 to US\$1.87/bbl in 3Q09. Financial income dwindled to US\$30mn from US\$66mn in 2Q09 mainly because of a limited appreciation of the TL that didn't benefit to the company short FX position. Finally, net income in 9M09 (US\$390mn) was 58% lower than in 9M08.

Dogan Holding's net income declined by 47%/y/y to US\$26.4mn in 3Q09, but improved by 29% on a q/q basis. Revenues dropped by 28%/y/y to US\$1.9bn but increased by 16%/q/q thanks to a surge in Petrol Ofisi's income. Ebitda remained flat compared to 2Q09 but went down by 34%/y/y to US\$106mn. Company's net debt rose to a mere US\$62mn while financial result posted a net loss of US\$13mn. Finally, net income in 9M09 dwindled by 71% to US\$38.3mn.

- The Company and OMW closed the negotiations regarding the 52% stake sale in Petrol Ofisi.

Dogan Yayin Holding posted a US\$13mn net loss in 3Q09, down from the positive figure of US\$24mn in 2Q09 and negative one of -US\$10mn in 3Q08. Revenues declined by 34%/y/y and 3%/q/q to US\$386mn, mainly due to decrease in ad revenues. Ebitda declined by 36%/y/y and 12%/q/q to US\$28.5mn and Ebitda margin stood at 7.5%, still penalized by the negative profitability in the broadcasting segment despite sharp operating cost cuts. Net debt declined by US\$130mn to US\$882mn in 3Q09.

- Axel Springer will acquire 29% of the company for TL357mn as soon as tax and regulatory proceedings are resolved.

Hurriyet posted a US\$13mn net income in 3Q09, up by 53%/y/y but down by 42%/q/q. Revenues plunged by 38%/y/y and 5%/q/q to US\$129.1mn in 3Q09, mainly due to the deterioration in ad revenues, both for the local Company and its Russian subsidiary TME. Ebitda margin stood flat at 21.7% in 3Q09 (US\$28mn) following sharp cuts in cost of sales and in operating costs (-40%/y/y). Net debt position declined by 26%/q/q to US\$235mn in 3Q09. Finally net income in 9M09 stands at US\$3.1mn vs. US\$46.1mn in 9M08.

Sabanci Holding's net income in 3Q09 increased by 68%/y/y and 19%/q/q to US\$304mn, mainly thanks to improving performances in the retail and energy segments. Revenues reached US\$2.9bn in 3Q09 (-7%/q/q and -28%/y/y) and Ebitda increased to US\$741mn (+1%/q/q; +144%/y/y) while Ebitda margin improved by 2.0 pts to 25%. Finally, company posted a net income of US\$673mn in 9M09, down by 19%/y/y.

Turcas reported US\$13mn net income in 3Q09 vs US\$0.2mn net income in 3Q08. US\$12mn profit came from Shell & Turcas JV net income, whose net profit in 3Q09 was at US\$39mn (-40%/q/q). Neither profit nor loss was recorded from STEAS (Socar-Turcas JV which has 51% stake in Petkim) in 3Q09.

Turkcell's net income declined by 45%/y/y to US\$333mn in 3Q09, but went up by 35%/q/q. Revenues decreased by 23%/y/y but rose by 14%/q/q to US\$1,6bn. Ebitda margin increased by 224bps q/q to 34.3% (US\$545mn), however still below previous year's margin of 40.7%. Market share inched down by 58bps q/q to 56.4%, mainly to the benefit of Vodafone. The Company increased its post-paid subscribers by 6%/q/q while total subscriber number declined by 0.8%/q/q to 36mn. Blended ARPU increased by 6%/q/q to TL19.7.

Vodafone Turkey's mobile operations in 3Q09 posted revenues of TL703mn (+12%/q/q). Subscribers increased by 0.7mn q/q to 15.7mn.

Turkish Airlines posted a US\$255mn net income in 3Q09, down by 25%/y/y but up from negative figure of -US\$34mn recorded in 2Q09. Revenues went down by 6%/y/y but rose by 30%/q/q to US\$1.5bn on the back of strong traffic results (RPK increased by 18.9%/y/y in

3Q09). Ebitdar surged by 19%/y/y and by 72%q/q to US\$442mn mainly thanks to drastic cuts in operating costs (personal & jet fuel). Net income in 9M09 amounted to US\$303mn, down by 43%/y/y.

- Company's number of passengers increased in Oct09 by 9.5%/y/y to 2.31mn and by 10.1%/y/y in 10M09. Revenues per passenger and km increased by 22.8%/y/y in Oct09 and by 15.1%/y/y in 10M09. However, due to increasing capacity, the PLF (passenger load factor – capacity usage rate) went down by 0.4pts y/y to a rate of 76.1% in Oct.

Erdemir: Moody's affirmed the Company's B2 corporate rating but changed the outlook to "negative".

Zorlu Energy Group is in talks with banks to raise US\$2bn loan to finance the group's projects in Russia, Israel and Turkey.

Celebi won the tender held for Delhi ground handling operations. The company will operate at the terminal for a 10-yr time. Note that the airport serviced 23mn passengers and 220K aircraft in 2008.