

DAILY BULLETIN

MARKET OUTLOOK

TURKEY – Lira Stubbornness... A decent start to the week: The S&P traded at all-time highs, reflecting investor perceptions that the US economy could withstand a global weakness, while European shares rose on estimate-topping earnings. Emerging markets also rebounded, rising for the first time in six days, as the exchange link between Hong Kong and Shanghai bourses provided foreign investors with significant access to Chinese stocks, while a weaker US\$ and a stronger Ruble underpinned attempts for a tentative recovery. The Lira, however, failed to benefit from the US\$ pullback, and your favourite market slid amid muted investor interest. One could argue a strong US\$ and low interest rates is a paradox. Well, so is a weak US\$ and a weaker Lira... Index resistance +1% at 78,500; support -1% at 77,000.

In a day seemingly light in terms of news flow, the TRL looks poised to remain range-bound versus the US\$, having started the day above 2.2600. Initial support and resistance levels for the US\$/TRL lie at 2.2540 and 2.2780, respectively. The bond market should take its cue from the TRL's performance. The expected range for the yield on the benchmark bond 13-Jul-16 is 8.35%-8.75% comp.

HIGHLIGHTS

- 3Q14 Earnings assessments provided for Akfen Holding, **Alarko Holding**, **Aselsan**, Bank Asya, Bimeks, **Dogus Otomotiv**, Eczacibasi Ilac, **Gubre Fabrikalari**, Ipek Enerji, Kiler, Koza Anadolu, Net Holding, **Pegasus Airlines**, Royal Hali, **Sabancı Holding**, Selcuk Ecza, Turcas, **Turkish Airlines**, Yazicilar Holding (*Please see our Earnings Reviews for those marked in bold*)
- Money Market Outlook** -- No change in liquidity stance

AGENDA

- Nov 12** - Redemption to the market: TRL269mn
- Nov 13** - Sep'14 C/A Balance @ 10:00 am; *BurSec: -US\$2.5bn; Cons: -US\$2.6bn*
- Nov 14** - Nov'14 Expectations Survey @ 2:30 pm
- Nov 17** - Aug'14 Unemployment Rate @ 10:00 am
- Nov 17** - Oct'14 Budget Balance @ 11:00 am
- Nov 17** - Treasury Auction: 5yr fixed coupon (10-Jul-19) bond
- Nov 18** - Treasury Auctions: 2yr fixed coupon (16-Nov-16) and 10yr fixed coupon (24-Jul-24) bonds

Equity Market

BIST-100 (TRL)	77,743
BIST-100 (US\$)	34,600
Daily Change	-0.3%
Daily Volume (BIST-100)	US\$1,211 mn
Daily Volume (BIST-ALL)	US\$1,383 mn

Money & FX Markets

CBT Weighted Funding Rate	8.30%
CBT 1w Repo Rate	8.25%
CBT O/N Lending Rate to PD	10.75%
CBT O/N Lending Rate	11.25%
Interbank O/N Rate	10.40%
BIST O/N Repo Rate	9.52%

US\$/TRL @5:30pm	2.2550	-0.2%
Basket/TRL @5:30pm	2.5300	-0.2%

Local Bond Market (compound, avg.)

	Yesterday	Prev. Day
13/Jul/16	8.50%	8.62%
24/Jul/24	8.73%	8.87%

CDS & Eurobond Market

	Mid Trd	Δ
TR5yr	180	-1
Yield Bench.Sp		
TR30 11.875%	4.94%	264
TR40 6.75%	5.34%	231

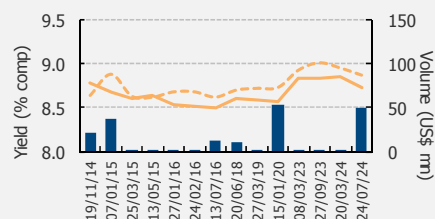
Country Data

	2013	2014E	2015E
GDP Growth	4.1%	3.0%	3.5%
CPI (eop)	7.4%	9.0%	7.0%
CA Bal./GDP	-7.9%	-5.8%	-5.7%
CG Budget Bal./GDP	-1.2%	-1.9%	-2.2%

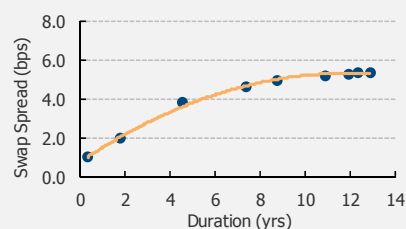
Sovereign Rating & Outlook

Fitch	BBB- / Stable
Moody's	Baa3 / Negative
S&P	BB+ / Negative

Local Bond Market (TRL-denom.)



Turkish Eurobond Market (US\$-denom.)



Equity Market

Total Market Cap	US\$250.3 bn
Free Float	29.0%
Avg. Daily Vol. (3m)	US\$1,653 mn

Valuation Data (TRL)

P/E (2014E)	11.0
P/E (2015E)	9.8
EV/EBITDA (2014E)	8.2
EV/EBITDA (2015E)	7.0

Returns (US\$)

1w / 1m	-3.8% / 7.3%
3m / 12m	-5.3% / -5.1%

Top Activity

	Vol (US\$mn)	Δ
Garanti Bankasi	242	-18.9%
Halk Bankasi	84	-52.5%
T. Vakiflar Bankasi	78	-10.5%
Kardemir (D)	60	23.7%
Is Bankasi (C)	60	-42.7%

Best Performers

	Close (TRL)	Δ
Tofas Otomobil Fab.	15.00	4.9%
Tupras	49.20	2.2%
Dogus Otomotiv	9.91	2.2%
Bim Birlesik Magazalar	49.50	2.1%
Turk Traktor	72.10	2.0%

Worst Performers

	Close (TRL)	Δ
Ipek Dogal Enerji Kaynaklari	1.56	-3.7%
Koza Anadolu Metal	1.62	-3.6%
Ihlas Holding	0.29	-3.3%
Koza Altin Isletmeleri	13.25	-3.3%
Coca Cola Icecek	46.50	-3.1%

MARKET SYNOPSIS

Equity Market

The Index ended the day 215 points lower (-0.3%) at 77,743 (US\$34,600). Trading volume was US\$1,383mn for the BIST-ALL (US\$1,211mn for the BIST-100), as 151 stocks advanced, 175 declined and 106 were unchanged. The most active stocks of the day were GARAN (-0.1%, US\$242mn); HALKB (-1.1%, US\$84mn); and VAKBN (-1.8%, US\$78mn).

Fixed Income Market

The TRL appreciated slightly against the US\$ and closed the day at around 2.2575. The benchmark 2-year bond yield traded between 8.49%-8.56%, and closed 4bp lower at 8.52%. The 10-year bond yield, which fluctuated between 8.70%-8.76%, was down 8bp to 8.74% at the end of the day. The most active bond, on the other hand, was 15-Jan-20.

NEWS

Corporate

Alarko Holding posted TRL0.4mn net profit for 3Q14, significantly below our and consensus estimates of TRL50mn and TRL30mn, respectively.

Comment: The weak results were due to heavy losses nursed by the Contracting segment, which posted a negative EBITDA. Consolidated EBITDA came in at negative TRL45mn, compared to our and consensus expectations of positive TRL30mn and TRL22mn, respectively. The poor results seem to be related to write-offs or cost over-runs at Contracting. Though quarterly losses in Contracting are likely to be over with the Bozshakol project (Kazakhstan) finally ending, we still do not rule out further write-offs, to be on the conservative side. We now include only the net cash in Contracting in our valuation, disregarding the value of the business, and **reduce our target price from TRL6.5 to TRL5.0/share**. Were it not for expected completion of financing for the 1,320MW Karabiga Imported Coal Fired plant, we would have downgraded the stock. We refrain from attaching a value to this plant, though the upside potential is significant.

ALARK (L/T: BUY, S/T: MP, TPrice: TRL5.0)

Akfen Holding announced TRL33mn net loss for 3Q14, worse than market expectations of a TRL23mn net loss.

Comment: EBITDA of TRL1mn lagged consensus estimate of TRL9mn. Net income again seems to suffer from severe FX losses, beyond market expectations.

Akfen Holding - Announced Financials (IFRS Basis; TRLmn)

<i>Income Statement</i>	<i>9M14</i>	<i>9M13</i>	<i>YoY Δ</i>	<i>3Q14</i>	<i>3Q13</i>	<i>YoY Δ</i>	<i>2Q14</i>	<i>QoQ Δ</i>
Net Sales	84	90	-7%	27	20	31%	31	-14%
Gross Profit	41	56	-27%	9	8	10%	16	-45%
Operating Profit	-6	14	n.m.	-4	-4	-9%	-4	-19%
EBITDA	8	27	-69%	1	-0	n.m.	0	n.m.
Net Profit	9	-77	n.m.	-33	-76	-57%	67	n.m.
Margins								
<i>Gross</i>	48.2%	61.6%	-13.4 pp	33.1%	39.2%	-6.2 pp	51.6%	-18.5 pp
EBITDA	9.9%	29.9%	-20.0 pp	4.4%	-1.3%	5.7 pp	0.8%	3.6 pp
<i>Operating</i>	-6.7%	15.7%	-22.5 pp	-13.5%	-19.3%	5.8 pp	-14.2%	0.7 pp
<i>Eff. Tax Rate</i>	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	4.8%	n.m.
Other Highlights								
Net Debt	1,618	1,101	47%	1,618	1,101	47%	1,472	10%
Equity (Cont. Int.)	1,323	1,306	1%	1,323	1,306	1%	1,337	-1%
Free Cash Flow	-12	-54	-78%	29	-151	n.m.	-6	n.m.
Total Assets	3,886	3,071	27%	3,886	3,071	27%	3,811	2%

Source: Burgan Research, The Company

Anadolu Cam, Soda Sanayi, Sisecam, Trakya Cam -- The sale of an aggregate 15.4% Pasabahce stake owned by Sisecam Group companies Anadolu Cam, Soda Sanayi and Trakya Cam to the European Bank of Reconstruction and Development (EBRD) was completed yesterday. To recall, Anadolu Cam, Soda Sanayi and Trakya Cam had decided to sell a 15.4% stake in Pasabahce Sanayi, the glassware arm of Sisecam Group, to the EBRD for EUR125mn. Accordingly, Trakya Cam sold a 6.6% stake for EUR54mn, while Anadolu Cam and Soda Sanayi sold a 4.4% stake each for EUR36mn. We expect Sisecam Group to register a TRL266mn post tax one-off gain on this sale in 4Q14.

Comment: We have already included the cash inflow through the asset sale in our model. This is neutral news for the related stocks.

ANACM (L/T: BUY, S/T: MP, TPrice: TRL2.5)

SODA (L/T: BUY, S/T: OP, TPrice: TRL4.8)

SISE (L/T: HOLD, S/T: MP, TPrice: TRL3.5)

TRKCM (L/T: BUY, S/T: MP, TPrice: TRL3.4)

Aselsan posted TRL47mn net earnings for 3Q14, ahead of our TRL20mn forecast and the TRL31mn consensus estimate.

Comment: EBITDA of TRL123mn was slightly above our estimate, yet right in line with consensus. Earnings exceeded our estimate mostly due to c.TRL21mn higher tax income than our estimate, and partly on the back of lower opex. A lower gross margin amid persisting depreciation of the TRL is a question mark, while the Company has done a good job limiting the opex. We think favourable expectations are largely priced in, and the valuation remains fair. We maintain our ratings, as well as our target price.

ASELS (L/T: HOLD, S/T: MP, TPrice: TRL10.0)

Bank Asya announced TRL301mn loss for 3Q14. Consensus estimate was TRL195mn loss.

Comment: Loans and deposits slid 24% and 26% qoq, respectively, bringing the ytd drop to 48% and 46%. NPL inflows remained elevated (TRL656mn), and gross specific CoR was 8.2%, as the Bank recorded TRL275mn specific provision expenses in the quarter. NPL ratio was 16.7%. With the help of the decline in RWA, CAR rose to 18.3%, the highest ratio in our coverage.

Asya Katilim Bankasi - Summary Income Statement (TRLmn)

	9M14	9M13	yoYΔ	3Q14	3Q13	yoYΔ	2Q14	qoqΔ
Net Interest Income	523	726	-28%	161	264	-39%	142	13%
Fee & Commission Income (net)	168	245	-31%	57	89	-36%	55	3%
Trading Income (net)	-37	23	n.m.	-13	0	2880%	-12	7%
Other Banking Income (net)	579	165	250%	53	73	-27%	384	-86%
Total Operating Costs	680	578	18%	281	205	37%	198	42%
Loan Loss Provisions	778	348	124%	264	130	102%	368	-28%
Other Provisions	40	33	23%	21	9	140%	-16	n.m.
Income from Associates	12	3	242%	0	0	n.m.	0	n.m.
Tax	-4	43	n.m.	-7	21	n.m.	9	n.m.
Net Income	-250	161	n.m.	-301	61	n.m.	11	n.m.

Asya Katilim Bankasi - Summary Balance Sheet (TRLmn)

	3Q14	4Q13	ytdΔ	2Q14	qoqΔ
Securities Portfolio	1,101	1,213	-9%	1,130	-2.5%
Loans (net)	10,513	20,062	-48%	13,897	-24.3%
Deposits	10,075	18,512	-46%	13,641	-26.1%
Shareholders' Equity	2,272	2,511	-10%	2,572	-11.7%
Total Assets	16,493	27,785	-41%	20,719	-20.4%

Asya Katilim Bankasi - Ratio Analysis

	3Q13	4Q13	1Q14	2Q14	3Q14
Profitability					
NIM	4.9%	4.5%	4.3%	3.1%	4.8%
ROE Quart. Ann.	9.8%	3.1%	6.4%	1.7%	-49.7%
Asset Quality					
NPL Ratio	3.8%	5.5%	6.9%	10.1%	16.7%
NPL Coverage	46%	44%	45%	30%	34%

Bimeks reported TRL2mn net earnings for 3Q14, above our estimate of TRL1mn. Net sales of TRL308mn came in line with our estimate, while the EBITDA of TRL20mn exceeded our forecast of TRL14mn. Accordingly, the Company posted a 6.2% EBITDA margin, above our estimate of 4.6%.

Bimeks Bilgi Islem - Announced Financials (IFRS Basis; TRLmn)

<i>Income Statement</i>	9M14	9M13	YoY Δ	3Q14	3Q13	YoY Δ	2Q14	QoQ Δ
Net Sales	875	437	100%	308	153	101%	294	5%
Gross Profit	170	77	119%	60	28	116%	64	-6%
Operating Profit	28	15	83%	14	6	120%	10	37%
EBITDA	46	25	84%	20	10	108%	16	24%
Net Profit	4	1	198%	2	0	n.m.	6	-62%
Margins								
<i>Gross</i>	19.4%	17.7%	1.7 pp	19.6%	18.2%	1.3 pp	21.9%	-2.4 pp
EBITDA	5.2%	5.7%	-0.4 pp	6.5%	6.2%	0.2 pp	5.5%	1.0 pp
<i>Operating</i>	3.2%	3.5%	-0.3 pp	4.5%	4.1%	0.4 pp	3.5%	1.1 pp
<i>Eff. Tax Rate</i>	29.0%	42.9%	-13.9 pp	40.4%	33.7%	6.7 pp	2.9%	37.5 pp
Net	0.4%	0.3%	0.1 pp	0.7%	0.3%	0.4 pp	1.9%	-1.2 pp
<i>Other Highlights</i>	9M14	9M13	YoY Δ	3Q14	3Q13	YoY Δ	2Q14	QoQ Δ
Net Debt	174	109	59%	174	109	59%	168	3%
Equity (Cont. Int.)	135	117	15%	135	117	15%	132	2%
Free Cash Flow	-89	-100	-11%	17	-38	n.m.	-30	n.m.
Total Assets	653	363	80%	653	363	80%	609	7%

Source: Burgan Research, The Company

Comment: The improvement in operating profitability was outstanding in 3Q14. Furthermore, Bimeks's free cash flow improved from negative TRL38mn to positive TRL17mn yoy as of 3Q14, supported by a substantial recovery in the cash cycle and yoy earnings growth. Accordingly, cash cycle declined by 30 days to 69 days. Following the strong results, we expect the Company to outperform the market. Thus, **we maintain our BUY/OUTPERFORM ratings.**

BMEKS (L/T: BUY, S/T: OP, TPrice: TRL2.50)

Dogus Otomotiv reported TRL67mn net income for 3Q14, significantly ahead of forecasts for the second quarter in a row (BurSec: TRL41mn; Cons: TRL54mn).

Comment: Revenue growth was solid in the quarter, and beat consensus estimates. It appears our average unit price forecasts were too low. EBITDA surpassed expectations thanks to a better-than-expected gross margin that improved from a year ago. Earnings exceeded estimates by a wide margin, which we believe could affect the share price performance positively in the short term.

DOAS (L/T: HOLD, S/T: MP, TPrice: TRL9.5)

Eczacibasi Ilac posted TRL12mn net loss for 3Q14.

Comment: The net loss came on a dismal operating performance, with a negative EBITDA of TRL18mn. FX gains on the long position were insufficient to avert losses, given a TRL20mn additional net loss coming from subsidiaries. Overall, a very weak set of results.

Eczacibasi Ilac - Announced Financials (IFRS Basis; TRLmn)

<i>Income Statement</i>	<i>9M14</i>	<i>9M13</i>	<i>YoY Δ</i>	<i>3Q14</i>	<i>3Q13</i>	<i>YoY Δ</i>	<i>2Q14</i>	<i>QoQ Δ</i>
Net Sales	784	892	-12%	268	307	-13%	259	3%
Gross Profit	136	157	-13%	33	52	-36%	49	-33%
Operating Profit	-20	21	n.m.	-18	8	n.m.	-7	145%
EBITDA	-6	31	n.m.	-13	11	n.m.	-2	n.m.
Net Profit	-17	50	n.m.	-12	31	n.m.	-14	-13%
Margins								
<i>Gross</i>	17.4%	17.6%	-0.2 pp	12.4%	16.9%	-4.5 pp	19.0%	-6.6 pp
EBITDA	-0.8%	3.4%	-4.2 pp	-5.0%	3.6%	-8.6 pp	-0.9%	-4.0 pp
<i>Operating</i>	-2.5%	2.4%	-4.9 pp	-6.6%	2.6%	-9.2 pp	-2.8%	-3.8 pp
<i>Eff. Tax Rate</i>	65.2%	22.8%	42.3 pp	104.7%	23.1%	81.6 pp	n.m.	n.m.
Net	-2.1%	5.6%	-7.7 pp	-4.6%	10.0%	-14.6 pp	-5.4%	0.9 pp
Other Highlights								
Net Debt	-509	-640	-20%	-509	-640	-20%	-495	3%
Equity (Cont. Int.)	2,814	2,855	-1%	2,814	2,855	-1%	2,825	0%
Free Cash Flow	-50	-46	8%	7	-10	n.m.	16	-57%
Total Assets	3,340	3,420	-2%	3,340	3,420	-2%	3,354	0%

Source: Burgan Research, The Company

Gubretas posted TRL31mn net profit for 3Q14, above our estimate of TRL26mn and consensus of TRL24mn.

Comment: The outperformance was driven by higher-than-expected EBITDA generation at both Razi and domestic operations. Consolidated EBITDA of TRL107mn exceeded estimates (BurSec: TRL77mn; Cons: TRL74mn) on a higher-than-forecast topline of

TRL753mn, up 49% yoy. FX losses incurred by Razi moderated the outperformance at the bottom line. Other than Razi, domestic operations also showed an improvement, on higher sales and profitability. **We upgrade Gubretas shares to OUTPERFORM (S/T)**, as the strong operating performance might produce a favourable market reaction. On the other hand, we maintain our HOLD (L/T) recommendation, since we believe the shares trade at fair earnings multiples.

GUBRF (L/T: HOLD, S/T: OP, TPrice: TRL4.35)

Ipek Enerji posted TRL22mn net earnings for 3Q14, up 8% yoy. Net sales and EBITDA declined by 18% and 25% yoy, respectively, to TRL124mn and TRL243mn.

Kiler reported TRL22mn net loss for the quarter, significantly worse than our estimate of TRL2mn loss and last year's TRL1mn loss. Revenues of TRL243mn were 16% below our estimate, while a massive 6.3% EBITDA margin in the quarter beat our estimate of 3.9%.

KILER (L/T: HOLD, S/T: MP, TPrice: TRL1.7)

Koza Anadolu recorded TRL33mn net earnings, TRL119mn EBITDA and TRL237mn net sales in 3Q14. Net earnings dropped by 31% yoy, given yoy weaker net sales and 270bp erosion in EBITDA margin.

Net Holding reported TRL5mn net income for the quarter, better than our estimate of a TRL15mn net loss. Revenues came in at TRL93mn (BurSec: TRL72mn). EBITDA margin was 23.6% (+470bp yoy) and beat our forecast of 22.9%.

Comment: These are overall strong results, though should have no major impact on the share price performance.

Net Holding started talks to operate the duty free shops at Ercan Airport at the Turkish Republic of Northern Cyprus for 25 years.

Comment: This is potentially positive news for the stock.

NTHOL (L/T: HOLD, S/T: MP, TPrice: TRL3.25)

Pegasus Airlines reported TRL251mn net income for 3Q14, more than double last year and significantly ahead of estimates (BurSec: TRL170mn; Cons: TRL209mn).

Comment: Very strong revenue growth beat estimates by a small margin, driven by robust passenger growth; better-than-expected international yields that improved from a year ago; and substantial ancillary revenues. Total CASK (cost per ASK) was higher than last year, driven entirely by fuel and operational leases, though both were in line with expectations. The improvement in opex/sales helped EBITDA margin beat forecasts by a wide margin. FX gains

supported the bottom line, though the impact (11%) was much less compared to Turkish Airlines (42%). Overall robust operational performance and strong earnings growth should bolster the share price performance in the near term.

PGSUS (L/T: BUY, S/T: OP, TPrice: TRL38.0)

Royal Hali posted TRL0.5mn net loss for 3Q14, significantly worse than our estimate of a TRL9mn net profit.

Comment: The earnings shortfall is attributable to a weaker-than-forecast EBITDA margin of 8% vs. our estimate of 19%.

ROYAL (L/T: HOLD, S/T: UP, TPrice: TRL3.70)

Royal Hali - Announced Financials (IFRS Basis; TRLmn)

<i>Income Statement</i>	<i>9M14</i>	<i>9M13</i>	<i>YoY Δ</i>	<i>3Q14</i>	<i>3Q13</i>	<i>YoY Δ</i>	<i>2Q14</i>	<i>QoQ Δ</i>
Net Sales	237	181	31%	68	64	5%	87	-22%
Gross Profit	57	52	10%	11	16	-31%	26	-58%
Operating Profit	22	24	-10%	1	8	-91%	12	-94%
EBITDA	32	32	-1%	5	11	-52%	14	-60%
Net Profit	18	14	27%	-0	4	n.m.	9	n.m.
Margins								
<i>Gross</i>	24.0%	28.5%	-4.5 pp	16.4%	24.9%	-8.5 pp	30.2%	-13.8 pp
EBITDA	13.4%	17.8%	-4.4 pp	8.1%	17.7%	-9.6 pp	15.9%	-7.8 pp
<i>Operating</i>	9.2%	13.4%	-4.2 pp	1.0%	11.7%	-10.7 pp	13.4%	-12.4 pp
<i>Eff. Tax Rate</i>	12.1%	21.4%	-9.3 pp	n.m.	14.2%	n.m.	17.6%	n.m.
Net	7.6%	7.8%	-0.2 pp	-0.7%	6.5%	-7.2 pp	10.5%	-11.3 pp
Other Highlights								
Net Debt	138	51	171%	138	51	171%	75	85%
Equity (Cont. Int.)	192	188	2%	192	188	2%	193	-1%
Free Cash Flow	-72	-58	23%	-60	-12	n.m.	2	n.m.
Total Assets	401	300	34%	401	300	34%	371	8%

Source: Burgan Research, The Company

Sabancı Holding posted TRL456mn net profit in its 3Q14 results, lower than both our TRL530mn estimate and the TRL490mn consensus forecast.

Comment: The deviation from our estimate was mainly due to larger-than-forecast financial expenses at Enerjisa, though the operational performance was in line with our expectations. Active management of the portfolio remains under way, as a loss making participation of Kordsa is sold and the turnaround at Carrefoursa and the two electricity distribution regions acquired last year is on track. Despite the positive steps taken towards enhancing the portfolio's performance, SAHOL is still trading at a 23% discount to

NAV, which we believe is not justified. We maintain our BUY (L/T) and OUTPERFORM (S/T) ratings on SAHOL.

SAHOL (L/T: BUY, S/T: OP, TPrice: TRL11.9)

Selcuk Ecza recorded 3Q14 net earnings of TRL34mn, trailing our estimate of TRL44mn (Cons: TRL43mn).

Comment: The topline was broadly in line with our estimate, while EBITDA of TRL37mn was below our forecast of TRL41mn, with a 2.4% EBITDA margin vs. our estimate of 2.7%.

SELEC (L/T: BUY, S/T: MP, TPrice: TRL2.9)

Selcuk Ecza Deposu - Announced Financials (IFRS Basis; TRLmn)

Income Statement	9M14	9M13	YoY Δ	3Q14	3Q13	YoY Δ	2Q14	QoQ Δ
Net Sales	4,700	3,876	21%	1,574	1,289	22%	1,544	2%
Gross Profit	340	320	6%	108	111	-3%	112	-4%
Operating Profit	117	113	4%	34	43	-21%	39	-13%
EBITDA	128	122	5%	37	46	-19%	42	-12%
Net Profit	128	118	9%	34	43	-20%	45	-23%
Margins								
Gross	7.2%	8.3%	-1.0 pp	6.8%	8.6%	-1.8 pp	7.2%	-0.4 pp
EBITDA	2.7%	3.1%	-0.4 pp	2.4%	3.5%	-1.2 pp	2.7%	-0.4 pp
Operating	2.5%	2.9%	-0.4 pp	2.1%	3.3%	-1.2 pp	2.5%	-0.4 pp
Eff. Tax Rate	23.2%	31.0%	-7.8 pp	22.6%	26.1%	-3.5 pp	23.6%	-1.0 pp
Net	2.7%	3.0%	-0.3 pp	2.2%	3.3%	-1.1 pp	2.9%	-0.7 pp
Other Highlights								
Net Debt	-186	-175	6%	-186	-175	6%	-193	-4%
Equity (Cont. Int.)	1,528	1,412	8%	1,528	1,412	8%	1,495	2%
Free Cash Flow	-14	-13	11%	-11	-19	-44%	-35	-70%
Total Assets	3,216	2,877	12%	3,216	2,877	12%	3,246	-1%

Source: Burgan Research, The Company

Turcas Petrol reported TRL14mn net profit for 3Q14 vs. our estimate of TRL22mn and consensus forecast of TRL8mn.

Comment: We do not expect any major reaction to the results. The deviation versus our estimate was mainly on account of a higher-than-expected tax expense (due to deferred taxes) and lower-than-foreseen financial income. A TRL11.4mn participation income was recorded from Shell-Turcas (Turcas's 30% participation) in the quarter and TRL0.6mn from RWE & Turcas (Denizli power plant). In total, Turcas recorded around TRL12mn profit from its participations in 3Q14 vs. TRL38mn in 3Q13 and -TRL8mn in 2Q14, in line with our estimate of TRL13mn. The Company also recorded TRL11mn net financial income in 3Q14 thanks to a firmer TRL versus the EUR in the quarter, as well as

some interest income. Finally, a TRL7mn worth tax expense pressured the bottom line. Yet, net profit was still up 58% yoy on reversal of financial expense to income, despite lower participation income.

TRCAS (L/T: BUY, S/T: MP, TPrice: TRL3.00)

Turcas Petrol - Announced Financials (IFRS Basis; TRLmn)

<i>Income Statement</i>	<i>9M14</i>	<i>9M13</i>	<i>YoY Δ</i>	<i>3Q14</i>	<i>3Q13</i>	<i>YoY Δ</i>	<i>2Q14</i>	<i>QoQ Δ</i>
Net Sales	47	33	43%	14	13	7%	14	1%
Gross Profit	0	2	-81%	-0	1	n.m.	0	n.m.
Operating Profit	-11	-9	19%	-3	-3	-4%	-4	-32%
EBITDA	-10	-8	18%	-3	-3	4%	-4	-34%
Net Profit	8	41	-79%	14	9	58%	-26	n.m.
<i>Other Highlights</i>	<i>9M14</i>	<i>9M13</i>	<i>YoY Δ</i>	<i>3Q14</i>	<i>3Q13</i>	<i>YoY Δ</i>	<i>2Q14</i>	<i>QoQ Δ</i>
Net Debt	244	315	-23%	244	315	-23%	232	5%
Equity (Cont. Int.)	708	727	-3%	708	727	-3%	694	2%
Total Assets	1,158	1,142	1%	1,158	1,142	1%	1,141	1%

Source: Burgan Research, The Company

Turkish Airlines reported a massive TRL1.37bn net income for 3Q14, almost double last year and beating estimates by a wide margin (BurSec: TRL1.18bn; Cons: TRL1.15bn).

Comment: The Company outperformed already strong expectations for the quarter. Revenues increased beyond forecasts, with strong yields that were higher than projected. EBITDA margin beat expectations on a wider gross margin (in line) and lower opex/sales (better-than-expected). Management expects flat-to-positive yields for 4Q14, which bodes well for margins, along with the recent decline in jet fuel prices. The stock has performed well recently, on expectations of strong results (based on analyst estimates), and we believe it should continue to outperform in the near term, given the results and near term outlook.

THYAO (L/T: BUY, S/T: OP, TPrice: TRL10.0)

Yazicilar Holding posted TRL58mn net profit for 3Q14, on TRL56mn EBITDA, up 22% yoy.

Comment: Decent EBITDA growth is positive, while the bottom line has also benefited from FX gains in the quarter. The results seem neutral for the stock.

YAZIC (L/T: HOLD, S/T: MP, TPrice: TRL21.2)

Yazicilar Holding - Announced Financials (IFRS Basis; TRLmn)

<i>Income Statement</i>	<i>9M14</i>	<i>9M13</i>	<i>YoY Δ</i>	<i>3Q14</i>	<i>3Q13</i>	<i>YoY Δ</i>	<i>2Q14</i>	<i>QoQ Δ</i>
Net Sales	1,415	1,204	18%	510	408	25%	514	-1%
Gross Profit	314	259	21%	106	91	17%	118	-10%
Operating Profit	101	72	40%	35	31	13%	47	-26%
EBITDA	162	120	35%	56	46	22%	68	-16%
Net Profit	158	1,226	-87%	58	441	-87%	105	-45%
Margins								
<i>Gross</i>	22.2%	21.5%	0.7 pp	20.7%	22.2%	-1.4 pp	22.9%	-2.2 pp
EBITDA	11.5%	10.0%	1.5 pp	11.1%	11.3%	-0.2 pp	13.2%	-2.1 pp
<i>Operating</i>	7.1%	6.0%	1.2 pp	6.9%	7.6%	-0.7 pp	9.2%	-2.3 pp
<i>Eff. Tax Rate</i>	17.5%	86.5%	-69.0 pp	18.2%	83.4%	-65.2 pp	16.9%	1.3 pp
Other Highlights								
Net Debt	786	36	n.m.	786	36	n.m.	571	38%
Equity (Cont. Int.)	4,132	4,035	2%	4,132	4,035	2%	4,105	1%
Free Cash Flow	-690	-235	193%	-156	455	n.m.	-258	-40%
Total Assets	7,331	6,755	9%	7,331	6,755	9%	7,054	4%

Source: Burgan Research, The Company

Economic & Political

Money Market Recap & Outlook -- No change in liquidity stance

- **Outstanding total funding of the banking system by the CBT rose to TRL38.7bn from TRL37.4bn**, of which TRL38.0bn was provided via 1-week repo at 8.25%; TRL0.4bn via the PD facility at 10.75%; and TRL0.3bn via BIST repo at 11.25%.
- **The CBT increased the total provision via 1-week repo slightly, while holding an intraday FX selling auction for US\$40mn**. Meanwhile, the TRL firmed by 0.25% in absolute terms against the FX basket (2.5300), and outperformed by 0.15% the average of EM currencies.
- The CBT held a 1-week repo auction for TRL4.0bn, while there was a TRL3.0bn repayment by the banks. Although liquidity provision had seemed adequate for the RRs, banks applied for more costly facilities (even PD), albeit in very limited amounts. The **weighted cost of CBT funding rose to 8.30%**, while the **average BIST interbank repo rate edged down to 10.40%**, diverging visibly from the theoretical maximum within the interest rate corridor system.
- Regarding today's money market operations, banks have a TRL7.0bn repayment due from 1-week repo and TRL0.7bn due from other facilities. The **preliminary reserve figure that includes all pre-determined cash flows indicates a net outflow of TRL8.0bn for today**.

- **The CBT should hold a 1-week repo auction at 8.25% for TRL7.0-8.0bn today, in order to keep the liquidity stance unchanged.** This would imply a similar blended cost of funding level, along with a probable range of 9.50-10.50% for BIST interbank O/N repo rates.

IP accelerates in 3Q14; not likely to fully translate into GDP growth -- Unadjusted industrial production (IP) rose 4.1% yoy in September, in line with market consensus of 4.0%, but slightly higher than our forecast of 2.5%. Trend annual growth (annualised 3m average) slightly accelerated to 3.6% as of September, from 3.4% a month ago. As for 3Q14, IP expanded by 3.5% yoy in this period, indicating a slightly stronger performance versus 2.6% yoy in 2Q14.

Comment: We do not expect the stronger IP performance to fully translate into a stronger GDP growth in 3Q14, mainly because of an expected contraction in agricultural production. We expect GDP growth rate to be within the 2.0-2.5% range in 3Q14, not quite different from the 2.1% annual GDP growth in 2Q14. Looking forward, we observe that the composition of growth has started to become tilted more towards domestic demand as of September/October, as opposed to external demand in 1H14. We maintain our GDP growth forecast of 3% for 2014, and see the risks to our forecast as balanced.

Burgan Securities - Equity Rating System

12-month Rating:

Our 12-month rating system comprises the following designations: **BUY (B)**, **HOLD (H)**, **SELL (S)**. The absolute upside to target value implied by the current market capitalisation is the main determinant of our rating system. Valuation tools employed most frequently are Discounted Cash Flow (DCF) and international peer group comparison, though other metrics such as historical relative valuation, price to book, return on equity, replacement value are also used wherever appropriate. Our analysts set the fair/target values with a 12-month investment horizon. Comparing the upside in a specific stock with the market's upside (determined through the aggregate upside of our coverage based on free float Mcaps), in addition to taking other yardsticks into consideration, analysts recommend **BUY (B)**, **HOLD (H)**, **SELL (S)** based on their 12-month total return views.

Sector Rating

Our investment horizon for industry ratings is again 12 months. This rating gives an indication as to how the analyst sees that particular industry for the next 12-month period in terms of growth, profitability, pricing power, competitive dynamics etc. The rating in this category thus reflects our analyst's assessment of the conjunctural outlook for the industry, without involving any specific benchmarks. The ratings employed are **Overweight (OW)**, **Neutral (N)**, **Underweight (UW)**.

Overweight (OW): Due to improving sector related fundamentals and/or attractive valuations, the sector index is expected to perform better than the BIST-100 in the next 12-months

Neutral (N): The sector index is expected to perform in line with the BIST-100 in the next 12-months

Underweight (UW): Due to worsening sector related fundamentals and/or expensive valuations, the sector index is expected to perform worse than the BIST-100 in the next 12-months

Short-term Rating:

Our short-term rating system comprises the following designations: **OUTPERFORM (OP)**, **MARKETPERFORM (MP)**, **UNDERPERFORM (UP)**. Considering possible triggers, catalysts, and/or company, sector & market views, we rate the stocks as:

Outperform (OP): If 3-month total return is expected to exceed the BIST-100 (sector index if specified) by more than 10%

Marketperform (MP): If 3-month total return is expected to be in line (+/- 10%) with the BIST-100 (Peerperform if sector index is specified)

Underperform (UP): If 3-month total return is expected to be below the BIST-100 (sector index if specified) by more than 10%

*To have a more balanced distribution of ratings, Burgan Securities has requested that analysts maintain **at least 20% of their ratings as Underperform** and **no more than 25% as Outperform**, subject to change depending on market conditions.*

Other Qualifiers Utilised:

NR: Not Rated

NC: Not Covered

UR: Under Review

Market Call

Our equity **market call** has an investment horizon of 3-12 months. **Our market calls are BUY, NEUTRAL, SELL.**

S/T Stock Rating Summary	Relative Return
Outperform (OP)	$\geq 10\%$
Marketperform (MP)	$< +10\% \ \& \ > -10\%$
Underperform (UP)	$\leq -10\%$



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