Şeker Securities

October 22, 2009

EQUITY STRATEGY, TURKEY

Recommendation list	Rec.	Upside
ADANA	HOLD	-1%
AKBNK	HOLD	1%
AKCNS	BUY	20%
AKENR	BUY	35%
ALARK	BUY	31%
ARCLK	BUY	31%
BOLU	SELL	-8%
CIMSA	HOLD	-4%
EREGL	BUY	34%
GARAN	HOLD	8%
HALKB	BUY	24%
ISCTR	BUY	16%
MRDIN	BUY	25%
VESTL	BUY	37%
YKBNK	HOLD	9%

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What happened since the end of July?

Abstract of initial Call: "BUY" July 22, 2009

Within our base case scenario, we had mentioned that Turkey would continue diversifying itself from the rest of other emerging markets with increasing portfolio investment and capital inflow due to; 1) Global economy has bottomed up and V shape scenarios were most likely, 2) Higher expectations of an IMF agreement; 3) The CBRT's dovish tone on rate cut, sustainability of low interest rates 4) Government's stimulus packages.

In addition, highly bullish prospects for the 3Q and 4Q 2009 banking earnings would continue to boost the ISE Index. While the domestic demand began to revive with the government's tax cut in the second quarter, we believed that the positive impact of the CBRT's interest rate cut would physically be felt on the markets and industrial companies' balance sheets in Q4.

Since our initial call, the benchmark Treasury bond's rate declined to 8% from 11.50% while the ISE- 100 Index boosted over 50.000 levels from low 38.000s.

What we say today…

Abstract of this Call:"HOLD"

- The recovery in the economic activity will remain sluggish while there is less room to ease further in Turkish monetary policy relative to other emerging markets.
- MSCI Turkey has outperformed MSCI EM by 5.3% on a year-to-date basis.
- The financial sectors have driven the ISE so far on the back of more than anticipated aggressive rate cutting cycle. Thus, the banking sectors' valuations have reached our estimated targets.
- We argue that the factors which have supported our "BUY" recommendation have been mostly materialized and we revise our call to "HOLD".

Assessment

- **According to the IMF & World Bank meetings, the Global Economy is healing and the worst is over…**

Finance officials and executives all over the World gathered in Istanbul for the IMF/WB meetings in October 2009, but this time they were more optimistic about the global outlook since circumstances have improved compared to those of Lehman's bankrupt last year.

- **Turkish Central Bank, the world champion of rate cut, has shaped the ISE- Index's positive trend**

In spite of the global downturn, The Turkish Central Bank has cut a total of 1.000 basis points since November 2008 to 6.75% from 16.75% without a significant increase in risk perception.

- **Banks to continue driving ISE Index**

We expect strong earnings results in 3Q09 from the healthy Turkish Banking sector. We expect banks to continue to push further the ISE-100.

- **IMF deal, although its likelihood has diminished, could help ease Turkey's funding concerns and add to growth in 2010.**

In the past month, the momentum in the negotiation process with the IMF has positively influenced the ISE-100. In our opinion, speculations over the IMF deal may cause not more than anything else but volatility on the ISE-100 in the coming days…

- **Industrial picks based on specific drivers**

Macro indicators point to a weaknesses in industrial earnings, as the domestic demand and sentiment largely remain fragile. We recommend companies backed with specific success stories for now.

- **Risks Involved**

There are still concerns about the future of the global economy. The shape of recovery stays as a subject of discussion. Analysts and economists in the World discuss the likelihood of V, U, W and many other alternative scenarios. We believe that global recovery momentum can be decelerated by lower trend growth rates, damages in corporate balance sheets, and household purchasing power.

Portfolio Comparison with the initial report

Compared to our previous Turkish Equity strategy report, our top picks have outperformed the ISE-100 index since July 21, 2009. Below are previously initiated coverage stocks with their ratings and returns in the corresponding period:

In our top picks, Turkish Airlines (THYAO.TI, BUY), Arcelik (ARCLK.TI, BUY) and Tupras (TUPRS.TI, BUY) shares performed the benchmark by 57.6%, 44.5% and 13.3%, respectively.

Exhibit I: Portfolio returns

Stock	Rec:	Target P.	Return	Relative
AKBNK	SELL	7,87	24,5%	-7,3%
ALARK	BUY	5,80	36,4%	1,5%
ARCLK	BUY	6,10	94,1%	44,5%
BIMAS	BUY	70,00	5,2%	-21,7%
EREGL	BUY	8,70	41,9%	5,7%
GARAN	BUY	5,85	43,0%	6,5%
HALKB	BUY	9,60	45,0%	7,9%
ISCTR	HOLD	7,00	41,3%	5,2%
TCELL	BUY	11,00	26,2%	-6,1%
THYAO	BUY	3,70	111,7%	57,6%
TTKOM	BUY	6,20	3,1%	-23,2%
TUPRS	BUY	27,75	52,2%	13,3%
YKBNK	HOLD	3,45	42,4%	6,0%

End of the recession - World Bank & IMF meetings held in Istanbul

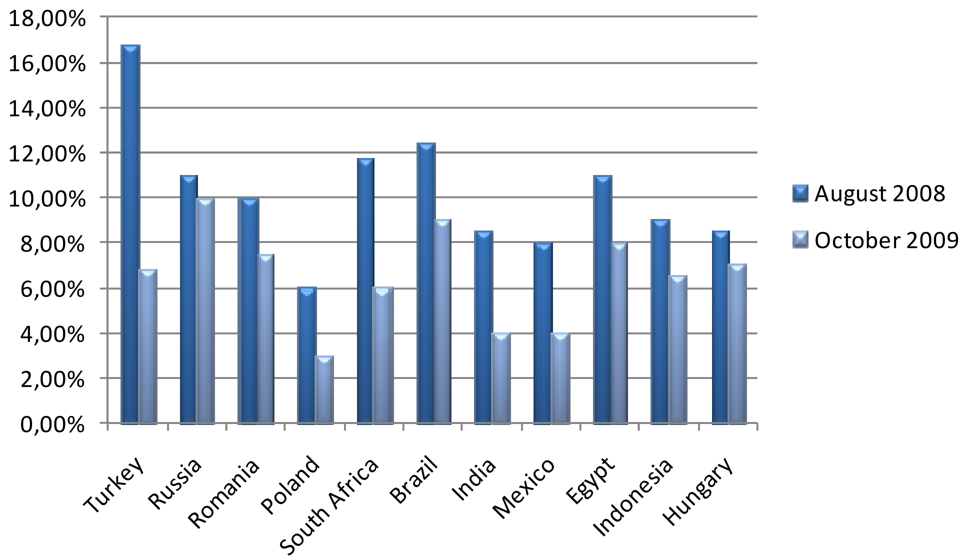
The general consensus in the world is that the recession has already ended. US Federal Reserve Chairman Bernanke has the first one mentioning the end of recession which has officially started in 2007. In the US, retail sales have climbed by 2.7% in August showing that the consumer confidence is coming back. However, Bernanke has also added that the economy still seems weak because of tight credit conditions and any downswing in the unemployment rate will probably happen gradually.

European Central Bank, Bank of England and OECD have all declared highly positive scenarios for the current recession and even exit strategy debates have already started. U.S. Federal Reserve officials left official interest rates near zero but suggested that the US economy was leveling out. The European Central Bank and the Bank of England have both held their benchmark interest rates at 1% and 0.5%, respectively.

Thus, risk appetite has accelerated in global markets. According to the IMF, World GDP figure will expand around 3.5% in 2010. Japan, Germany France and Brazil are among top 10 global economies pulling themselves out of recession. Thus, risk appetite has continued to soar in developed and emerging markets and markets have kept their bullish trends since March 2009 without any major correction. Combined with the increasing risk appetite in the global financial markets, the ISE Index has consistently surged and has tested 51,000 levels.

The Istanbul meetings of IMF & World Bank showed us that the emerging countries would be pulling the global economy out of recession. During the previous financial crises, emerging markets have been negatively more affected compared to the developed markets. However, this time, emerging markets have rebounded quicker combined with assets, particularly equities.

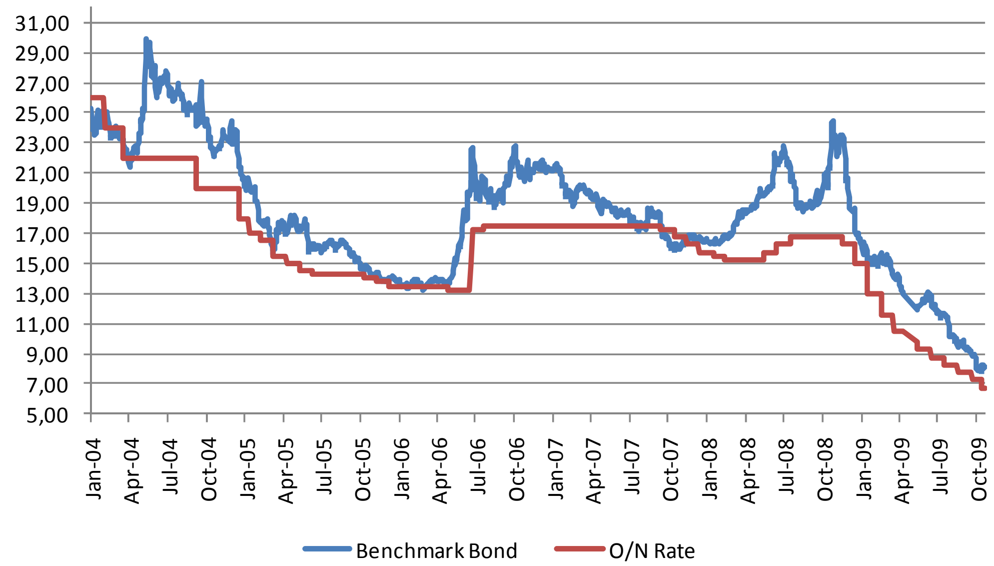
Exhibit II: CBRT, 2009 World Champion of rate cut



Despite the global turmoil, the CBRT has continued to cut its short-term interest rates by 50bps to 6.75% on its last meeting. In other words, the bank brought its short term rates insistently by 1000 bps from 16.75% levels since November 2008, without a significant climb in risk perception. According to the CBRT's statement, the inflation rate is expected to stay low in the coming period. On the growth side, although the Bank argues that the recent data releases pointed to a partial recovery in the domestic demand, ongoing credit tightness and weakness in the labor markets will put pressure on it. The CBRT remains biased on monetary easing and argues that further measured rate cuts could be necessary in the short-term unless the economic activity begins to recovery.

We expect the CBRT to maintain its dovish tone in the coming days and cut interest rates further by 25 bps each in November and December, stabilizing around 6.25% until the second half of 2010. Therefore, we believe that the current low levels of interest rates have not bottomed out yet but will stay at its historical levels at least until the second half of 2010. On the other hand, we estimate our year end inflation for 2009 to be 5.5% but slightly increase to 6.5% in 2010.

Exhibit III: CBRT Policy Rate vs. Benchmark Bond Yields



Shifting gears with or without IMF

The government seems reluctant to finalize the process on an IMF deal while it will keep the expectations on the matter alive till 1Q10 as they plan to announce fiscal rule for 2011. We preserve our neutral stance on the matter since it is a political will after all whereas we definitely prefer an IMF deal in such a fragile global economic recovery in 2010.

We argue that considerable external financing will improve Turkey's not only domestic but also external debt rollover ratios, support the growth dynamics, back the loosening monetary policy stance and inflation outlook and finally provide a buffer to any external shocks. Moreover, IMF becomes more flexible to work with in the light of the current global crisis. Nevertheless, our base scenario is not based on an IMF deal.

Without external funding, Turkey will grow at 3% in 2010, lower than the official estimate of 3.5%. The private consumption expansion and the turnaround in the inventories will lead this so-called technical growth while our lower-than-expected GDP growth is driven by almost stable investment outlook.

We expect year-end CPI at 5.5% for 2009 while its trend is likely to turn to up to 6.5% in 2010 as the activity in economy recovers and the commodity prices are inclined to increase in the second half of next year. We anticipate the CBRT to keep cutting the policy rate to 6.25% this year before partially reversing it next year.

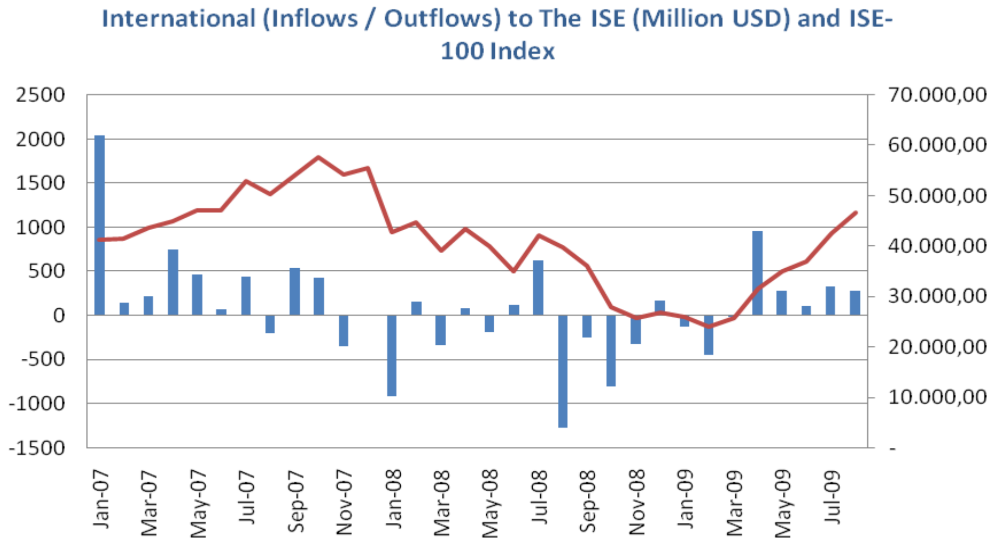
The budget outlook deteriorates again in 2010. We are more pessimistic on the 2010 budget than the official estimates as budget revenues that are based on a strong recovery in economic activity seem challenging.

The current account (CA) deficit will widen in 2010 after narrowing significantly this year. But, its widening pace and magnitude will remain at manageable levels for the coming 2 years.

Exhibit IV: Major Macro Variables

Major macro variables		2005	2006	2007	2008	2009E	2010E	2011E
GDP	TLbn	649	758	856	950	947	1,038	1,143
Real GDP growth	%	8.4%	6.9%	4.7%	0.9%	-6.2%	3.0%	3.9%
Budget balance / GDP	%	-1.1%	-1.3%	-2.0%	-1.8%	-6.7%	-5.5%	-4.0%
Current account / GDP	%	-4.6%	-6.1%	-5.8%	-5.6%	-2.0%	-3.1%	-3.9%
CPI	year-end	7.7%	9.7%	8.4%	10.1%	5.5%	6.5%	5.5%
US$/TL	average	**1.34**	**1.43**	**1.30**	**1.30**	**1.54**	**1.55**	**1.59**

Exhibit V: Relative Performance of Turkish Equities



The ISE Index has boosted since its lowest level in March benefiting mostly from the restoring risk appetite around the globe due to the high inflow. The positive trend is due to the banking sector stocks, which are in much better shape compared to its regional peers and achieved to post remarkable profits during 1H09. Thus, the ISE Index has outperformed its peers and has started to increase from 23,000 levels to its current levels around 51,000 since March 6. The Increase of ISE Index is due to:

- Perception that the global crisis has bottomed, and that a V shape recovery is more likely to take place.
- CBRT's more than expected rate cuts from 16.75% to 8.25%.
- Expectations on a Stand-by agreement with the International Monetary Fund.
- Governments all over the world have issued stimulus packets.

In addition to the above mentioned macro and micro measures, as well as the usual global investment cycle behavior, the MSCI Turkey had outperformed relatively compared to MSCI EM, MSCI EMEA and MSCI World Index by 5.3%, 3.5% and 29%, respectively since YTD.

Exhibit VI: MSCI EM Index vs. MSCI Turkey

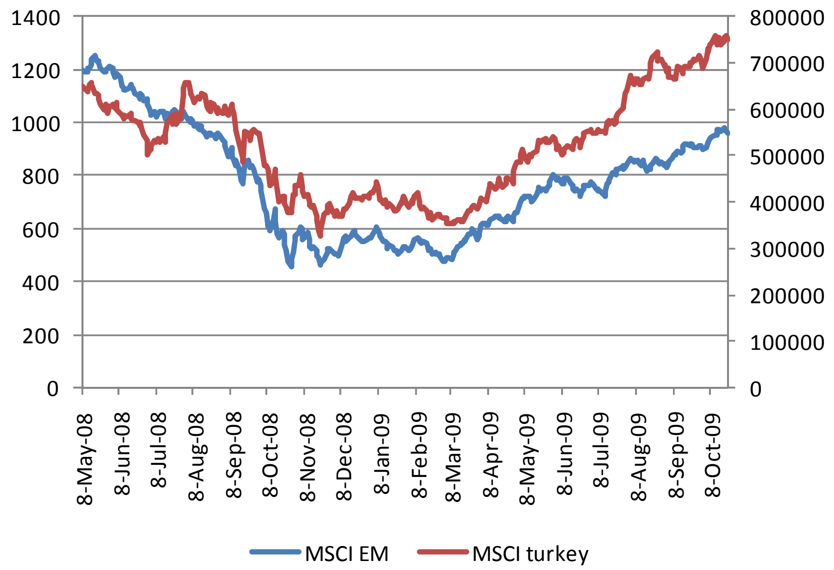


Exhibit VII: Relative Performance of MSCI Turkey

Relative to MSCI Turkey	1m	3m	12m	YtD
MSCI EM	-3%	-9%	-5%	-5,3%
MSCI EMEA	-1%	-5%	-5%	-3,5%
MSCI World	-5%	-12%	-32%	-29,0%

We change our "Buy" recommendation to "Hold"

Turkey will come out of recession in 4Q09 or start balancing on the back of loosening monetary and fiscal policies and relative improvements in the global financial and economic outlook but the recovery to remain sluggish. Moreover, we anticipate the pace of rate cutting cycle to slowdown. In our opinion, the CBRT will deliver 50bps rate cuts in the remaining of 2009 while the downside risks to our call remain. Nevertheless, there is less room to ease further in Turkish monetary policy relative to other emerging markets. Secondly, MSCI Turkey has outperformed MSCI EM by 5.3% on a year-to-date basis. Thirdly, the financial sectors have driven the ISE so far on the back of more than anticipated aggressive rate cutting cycle, thus the banking sectors' valuations have reached our estimated targets though we believe some of them have still upside potentials. In addition, there are also a number of mid-to-large cap industrials with specific stories that would contribute to the limited upward move of the benchmark. Therefore, we argue that the factors which have supported our "BUY" recommendation have been mostly materialized and we revise our call to "HOLD".

Our Recommendation List

Banking Index Stocks:

- **Garanti Bank (GARAN.TI, Current Mcap: TRY 26,460 mn, Upside Potential: 8%)**

Garanti Bank released its 1H09 bank-only financial statements with TRY 1,416 million net income (just above the market consensus of TRY 1,385 million) up by 42.3% yoy. On quarterly terms, the bottom-line figure came at TRY 765.1 million demonstrating a sharp increase of 41.2% yoy and 17.6% qoq. The bank was quite fortunate in recording high trading gains in 1H09 (up by 557% yoy) and consecutively managed to prove a solid top-line generation. The witty positioning in the securities portfolio allowed the bank to enhance a positive growth on its NIM in a quantitative easing period. Altogether with a legerdemain treasury management, Garanti was adequate enough to post record profits in the 1H09.

We have revised our 2009E bottom-line figure up by 4.3% to TRY 2,627million from TRY 2,299 million on the back of continuation pattern for decreasing costs of funding and hence lower COE. This revision leads us to adjust our year-end target price to TRY 6.80 from TRY 5.85 revising our "BUY" recommendation to "HOLD" since the bank's share price has gone up considerably in the recent periods. Our revised target price proves 8% upside with respect to current prices. Note that investors should take backward moving prices as signals for taking long positions on the bank.

- **Halkbank (HALKB.TI, Current Mcap: TRY 11,813 mn, Upside Potential: 24%)**

Halkbank reported a net profit of TRY 787 million in the first half of 2009, with an increase of 22.7% from the same period a year earlier, gaining market shares especially in deposit market. On quarterly terms, the bottom-line figure came at TRY 423 million showing an increase of 15.8% yoy and 23.8% qoq. As a bank with higher than average loan year-to-date growth of a fine 10.2%, Halkbank was able to produce TRY 2.1 billion interest income on its loans and TRY 1.5 billion net interest income corresponding to a NIM (12-m trailing) of 5.9%. That said, 61% of the net interest income came from core banking activities, such as lending whereas the remaining 37% came from government securities portfolio. Halkbank reported the highest ROE (tangible) ratio of 34.6% outpacing its closest private Tier-I rivals.

We have revised our 2009E bottom-line figure up by 9.5% to TRY 1,508 million from TRY 1,349 million. This revision on the back of declining COE led us to adjust our 2009 year-end target price to TRY 11.70 from TRY 9.60 maintaining our “BUY” recommendation for the bank and listing Halkbank as our Top-Pick. Our revised target price proves 24% upside potential with respect to current prices

- **Isbank (ISCTR.TI, Current Mcap: TRY 20,171 mn, Upside Potential: 16%)**

Isbank reported a net profit of TRY 1,370 million in the first half of 2009, with an increase of 18.8% from the same period a year earlier, maintaining its leader position in terms of market shares in total assets and deposits market. On quarterly terms, the bottom-line figure came at TRY 765 million showing an increase of 27.8% yoy and 26.2% qoq. As a bank with strong deposit base, Isbank managed to increase its net interest income by 27% qoq on the back of declining funding costs. In contrast with the remaining of the sector, the bank increased its deposit base by 3.6% qoq and 23.6% yoy to TRY 66.5 billion. Sound trading gains and strong dividend income were amongst the other contributors to the better than expected bottom-line figure. In the first half of 2009, total assets of the bank grew by 5.6% qoq and 18.0% yoy to TRY 104.1 billion. Furthermore, Isbank reported the strongest ROE compared to its private peers, with its 1H09 tangible ROAE standing at 31.6%.

We have revised our 2009E bottom-line figure with just a slight retouch of %1 to TRY 2,391 million from TRY 2,365 million. However, declining COE led us to adjust our 2009 year-end target price up by 8.5% to TRY 7.60 from TRY 7.60 maintaining our “BUY” recommendation for Isbank as another bank in our Top-Pick. Our revised target price proves 16% upside potential with respect to current prices.

- **Akbank (AKBNK.TI, Current Mcap: TRY 26,700 mn, Upside Potential: 1%)**

Akbank reported its 1H09 bank-only financial statements with TRY 1,349 million net income (outpacing the market consensus of TRY 1,292 million) up by 17.6% yoy. On quarterly terms, the bottom-line figure came at TRY 730 million registering an increase of 44.1% yoy and 18.1% qoq. Even though the bank still abstains from being active in the lending market, it has shown improvements in generating income from its interest earning assets with respect to previous quarters. On the other hand, there was a considerable improvement in the interest costs. Therefore, NII of the bank has increased by almost 30% yoy in 1H09, backing up better than expected bottom-line growth. On the downside, Akbank was not successful in originating solid mark-to-market gains due to its conservative portfolio structure. Most of the bank’s securities are held as fixed income and positioned as Held-to-Maturity securities inducing Akbank to record relatively weaker trading gains. Furthermore, decisive cost control measures supported the bank’s bottom line for the first half of the year.

We have revised our 2009E bottom-line figure up by 9.4% to TRY 2,515 million from TRY 2,299 million and lowered the bank's COE on the back of continuing pattern of decreasing costs of funding. This revision leads us to adjust our year-end target price to TRY 9.00 from TRY 7.87 up by 14.3% while revising our "SELL" recommendation to "HOLD". Our revised target price proves only 1% upside with respect to current prices. Akbank has a vast potential for further growth and places itself as one of the biggest banks in Turkey but comparatively more expensive than its peers.

- **Yapi Kredi Bank (YKBNK.TI, Current Mcap: TRY 15,128 mn, Upside Potential: 9%)**

Yapi Kredi Bank reported a net profit of TRY 924 million in the first half of 2009, with an increase of 28.4% from the same period a year earlier. On quarterly terms, the bottom-line figure came at TRY 431 million showing an increase of 94.5% yoy although it was down by 12.7% qoq. As a bank with strong fee and trading income, Yapi Kredi managed to increase its net interest income by 40% yoy. On the other hand, total assets of the bank shrank by 3.3% qoq to TRY 63,240 million where much of the decline stemmed from the 5% decrease in the bank's total deposit base. On annual terms, the bank increased its Trading Security Portfolio and curtailed its Available for Sale and Held to Maturity Portfolio both by 5% in 1H09. Loan to deposit ratio of the bank came in at 90.7% in 1H09, a ratio that is relatively higher than its peers. With an effective cost cutting measures, the bank announced one of the lowest cost-to-income ratios at 40%. In terms of branch networking, Yapi Kredi places itself as the 4th largest bank in Turkey with 844 branches. The bank is also the leader in the credit card market with its famous trademark "World Card". Currently the bank's CAR stands at 17.1%.

We have revised our 2009E bottom-line figure with an increase of 6.6% to TRY 1,512 million from TRY 1,420 million. On the other, hand further declining COE led us to adjust our 2009 year-end target price up by 10% to TRY 3.80 from TRY 3.45 maintaining our recommendation for the bank as "HOLD". Our revised target price proves 9% upside potential with respect to its current prices.

- **Vakifbank (VAKBN.TI, Current Mcap: TRY 12,408 mn, Upside Potential: 26%)**

Vakifbank reported a net profit of TRY 595 million in the first half of 2009, with an increase of 25.9% from the same period a year earlier. On quarterly terms, the bottom-line figure came in at TRY 300.8 million showing an increase of 27.8% yoy and 26.2% qoq. The bank's net interest income of the bank went up by 61.3% in 1H09 yoy on the back of decreasing funding costs allowing the bank to elevate its interest income coverage ratio to %186 from %146 with respect to the same period a year earlier. Even though the top-line and the bottom-line growth of the bank had been noteworthy, one-off trading gains and fee income couldn't prove satisfying results. Since the bank's fee and commission income is quite dependent on the bank's loan growth and volumes, it came down by 5% yoy in the first half. Highlights of the bank can be summarized as: (i) high NIM due to diminishing funding costs

(ii) relatively better top-line generation (iii) relatively lower fee and trading income (iv) strong growth in securities portfolio (v) relatively higher growth in loans and deposits.

We have forecasted 2009E bottom-line figure as TRY 1,150 million. Declining COE pioneered a 2009 year-end target price of TRY 4.80 meaning a “BUY” recommendation for the Vakifbank replacing it as another bank in our Top-Pick. Our target price proves 26% upside potential with respect to current prices.

- **TEB (TEBNK.TI, Current Mcap: TRY 2,431 mn, Upside Potential: 4%)**

TEB announced its 1H09 bank-only financial statements with TRY 140 mn net income up by 14.1% yoy. On quarterly terms, the net earnings of the bank has decreased by 33.9% qoq to TRY 56 mn (in line with the overall consensus of TRY 55 mn), whereas the bottom-line figure proved an increase of 4.1% yoy. Even though the top-line has shown some positive growth with respect to the last quarter, the net trading income figures as a non-recurring item lost its stance since 1Q09. Highlights of the bank for the 1H09 can be summarized as; (i) high NIM due to decreasing funding costs in spite of the decline in the loan portfolio (ii) continuing cost-cut measures (iii) high CAR (iv) relatively better asset quality (v) moderately increasing fee and commission income (vi) sound securities income (vii) continuing high liquidity (viii) continued down-sizing in total loans and total deposits. Overall, the financial performance of the bank can be deemed as average since the Turkish banking sector, unlike its international peers, has seen some record profit announcements since 1Q09.

We have revised our 2009E bottom-line figure by a decrease of 15% to TRY 208 million from TRY 244 million. However, continuing depletion in the COE led us to adjust our 2009 year-end target price up by 13.8% to TRY 2.30 from TRY 1.95 maintaining our “HOLD” recommendation for the bank. Our revised target price proves 4% upside potential with respect to current prices.

Durable Goods

- **Arçelik (ARCLK.TI, Current Mcap: TRY 4,178 mn, Upside Potential: 31%)**

Arçelik has released an encouraging TRY 204 million net profit during H109, exceeding the entire market consensus due to strong operational profitability. The company’s EBITDA margin that climbed from 10.07% to 10.75%, while it’s EBITDA has decreased by 2.4% from TRY 336.1 million to TRY 328.1 million. The company’s international revenues have grown during 1H2009, and accounts for almost 50% of its total sales. Euro zone market, the main international target for Arçelik represents almost 67% of its international sales. We set our target MCap at USD 2,851 million by weighing the DCF at 60% and international comparison method at 40%. Arcelik stock offers a 31% upside potential.

- **Vestel (VESTL.TI, Current Mcap: TRY 1,182 mn, Upside Potential: 36.6%)**

Vestel has focused on more profitable product lines during the global downturn Vestel has recently adopted a profitability centered strategy. The company is focusing in less diversified business segments during the downturn. Vestel moves forward in white good and TV segments. TV segment, its core competence, constituted approx. 57% of the group's consolidated revenues during 1H09. We set our target MCap at USD 811 million by weighing our DCF model at 60% and international comparison method at 36.6%.

Conglomerates

- **Alarko Holding (ALARK.TI, Current Mcap: TRY 1,276 million, Upside Potential: 31%)** Alarko offers a 31% upside with the positive impact of energy sector investments. We believe that the share performance will continue to be strong as Meram's financials will be consolidated with the company's operations. Alarko Holding has won the government tender for the Meram electricity distribution region by agreeing to pay USD 440 million for a license of 30 years. In addition, the company has been planning to reach 2,500 MW power capacities within 6-7 years, which require around USD 3.7 billion investment on a three new power plant projects.

Steel Industry

- **Erdemir (EREGL.TI, Current Mcap: TRY7.467 mn, Upside Potential: 34%)** Erdemir has increased its product prices since the end of 2Q09 in line with the surge in demand for steel following the signs of recovery in global economy. The company extended its product prices by 11-52% in the past four months as a result of its consecutive price hikes in June, July, August and early September. Although, the product prices are 40% lower than the prices of previous year, we expect the last price rise and the increase in sales volume to be reflected on the company's financials positively in 3Q and 4Q. We have derived TRY 9,994 million target market capitalization for Erdemir. Taking into consideration the Erdemir's current market capitalization which is around TRY 7,467 million, our target value represents 34% upside potential. Thus, we decided to upgrade our recommendation for Erdemir shares to BUY from HOLD.

Energy Industry

- **Ak Enerji (AKENR.TI, Current Mcap: TRY947 mn, Upside Potential: 35%)** Stunning capacity increase will definitely have positive influence on Ak Enerji's earnings in the coming years. Focusing mostly on hydro and wind power plant investments, the company aims to reach a production capacity from 373 MW to 1.646 MW at the end of 2012. While we expect the vertical integration with SEDAS to contribute to the company's development, the partnership with Cez A.S. will strengthen Ak Enerji for the new privatization tenders to be held in future. Based on our analysis, our target Mcap for Ak Enerji stands at TRY1.275 million with TRY19.50 per share. Taking into consideration the Ak Enerji's current target market capitalization which is around TRY947 million with TRY14.50 per share, our target value represents a 35% upside potential. In this respect, we maintain our "BUY" recommendation for the company.

Construction Industry: Cement Companies

- **Cimsa (CIMSA.TI, Current Mcap: TRY898 mn, Upside Potential: -4%)** Depending on the course of the weak domestic demand, the company's domestic sales volume narrowed by 9% while ready-mixed concrete volume boosted by 42% in the 1H09. The company's exports sales volume increased by 41% as well during this period. Africa & the Middle East for gray cement and Europe & the Middle East for white cement are among the company's export markets. We estimate an increase in Cimsa's sales prices in line with our expectation of an increase in average cement prices to TRY/tons 91. Depending on the recovery trend in Cimsa's sales hinterland, we reckon the company to announce TRY 614 mn of YE09 sales revenues indicating to an increase of 1% yoy. Despite our upbeat expectations in demand and prices, we have “HOLD” rating for Cimsa since the stock trades at our target value.

- **Akcansa (AKCNS.TI, Current Current Mcap: TRY1.558 mn, Upside Potential: 20%)** While Marmara Region consumes 30% of the total cement production, this region is Akcansa's main sales hinterland. However, the 25% decline of demand in this region affected company's financials negatively. The Company tried to reduce the negative impact of the fall in domestic demand on its financials by exports. We do not expect a significant recovery in the company's financial data in 2009. In line with this, we estimate that improvement can be seen at the earliest in 2010. Despite the negative financial performance in 2009, we maintain “BUY” recommendation for Akcansa due to its high upside potential and recovery expectations from which we believe the company will benefit most.

- **Adana Cimento (A) (ADANA.TI, Current Mcap: TRY440 mn, Upside Potential: -1%)** Compared to 2008, though Adana Cimento's gray cement markets preserve its consumption strength in 2009, the company's domestic and export sales volume shrinked by 6% and 3%, respectively. We estimate the company's total sales volume to reach 3 mn tons in 2009 as Mediterranean and Southeast Anatolia regions maintain robustness of demand. We have a positive expectation for Adana Cimanto due to supportive market conditions in its hinterland, 9% dividend yield with reasonable margins. However, according to our TRY 6.50 target price that offers 1% downside, we initiate HOLD recommendation for Adana Cimento (A).

- **Bolu Cimento (BOLUC.TI, Current Mcap: TRY212 mn, Upside Potential: -8%)** The company's main sales area is Marmara region that has contracted by 23% in 7M09. The company's sales volume went down by 17% to 1 million tons in 9M09. However, we believe the company's sales volume will surge in 2H09 compared to 1H09 due to expectations of recovery in demand. Despite recovery expectations, we estimate the company's sales revenues to go down by 24% yoy to TRY 127 million in YE09. We initiate the coverage of Bolu Cimento with a “SELL” rating and a target price of TRY1.65. The stock offers 8% downside potential to our target price on lower profit margin

- **Mardin Cimento (MRDIN.TI, Current Mcap: TRY891 mn, Upside Potential: 25%)** Mardin Cimento recorded 1.038 thousand tons of total sales volume in 1H09, with 556 thousand tons of exports and 482 thousand tons of domestic. In accordance with the first half trend, we project 2 mn sales volume for Mardin Cimento in YE09 whereas 1.1 mn tons of exports and 900 thousand tons domestic sales, representing a flat course in domestic sales versus 14% increase in exports. While the company's domestic sales revenues plunged by 5% in 1H09, export revenues boosted by 63.8%. We predict a recovery in EBITDA margin by 70 bps to 43% and TRY112.9 mn YE09 EBITDA due to high export prices combined with higher domestic charges than the country average We forecast TRY9.85 target price and 25% upside potential for Mardin Cimento. We initiate a “BUY” recommendation for Mardin Cimento due to the company’s higher profit margin than sector average.

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