

HOLDING COMPANIES
 COMPANY UPDATE

Koc Holding

Revisiting the outlook and updating NAV

■ 2/Outperform rating reiterated

We maintain our positive stance on Koc Holding and expect the conglomerate to continue to be the main beneficiary of a growing Turkish economy, while its diversified business portfolio should enable Koc to move safely through times of economic volatility. Despite the potential of some near-term headwinds on the macro front, Koc Holding is expected to be one of the safe havens in the stock market based on its low-risk energy operations, and export-oriented auto and consumer durables activities.

■ The energy segment will be in the spotlight

Rising global oil prices have put Koc Holding's energy segment into the spotlight and led investors to be more focused on the upside risks related with these operations. Furthermore, we expect potential near-term energy projects, such as expansion in electricity generation, distribution and natural gas distribution, trade to deliver growth and value to Koc Holding after 2011. In 2011, we expect the energy segment to deliver 13% EBITDA growth, based on a stronger performance expected from Tupras and Aygaz.

■ New projects will act as near-term catalysts

Koc's management is very focused on sizable energy projects that are set to deliver growth and value to Koc Holding. A major development is the establishment of the JV between Koc Holding and US-based AES with the aim of building electricity generation capacity of 3,000MW. In the short term, the tender for the Istanbul natural gas grid will be on Koc's agenda. In the long term, we expect Koc-AES to focus on hydro, coal, and wind capacity in order to diversify its existing natural-gas fired capacity.

■ We raise our target price by 17% to TRY8.54

Based on our recent revisions to the target prices of Koc's subsidiaries, our revised NAV model indicates a TP of TRY8.54, after a 10% holding discount. In our models, we have not yet factored in the potential growth in the electricity or natural gas segments, which provides upward potential for the share price.

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To 31/12 (TRY)	2008	2009	2010	2011E
Sales (m)	55631.1	44840.6	53812.4	63750.3
EBITDA (m)	4523.1	5275.2	5232.7	5739.6
EBIT (m)	3700.0	4350.5	4264.7	4753.1
Net att. profit, rest. (m)	2023.6	1429.2	1734.5	2029.5
Free cash flow (m)	0.0	0.0	0.0	0.0
Clean EPS	0.84	0.59	0.72	0.84
Net dividend	0.00	0.00	0.13	0.23

Rating: 2/Outperform

Target price: +7% TRY8.54

Price (11/04/2011) TRY8

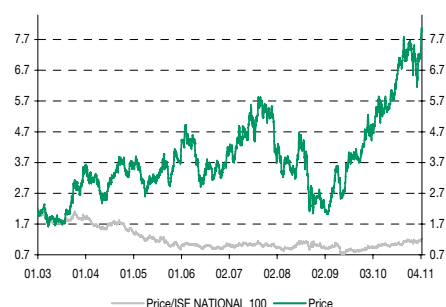
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Stock data

Market capitalisation	EUR8881m / TRY19321m
Free float	EUR1984m / TRY4318m
Enterprise value	EUR9578m / TRY20837m
No. of shares, adjusted	2415.1m
Daily volume	EUR11.8m / TRY 25.82m

Performances

	1 m	3 m	12 m
Absolute perf.	13.0%	8.4%	49.5%
Relative perf.	5.7%	7.6%	29.8%


Shareholders

Temel Ticaret 42.4%, Koc Family 26.0%, Free Float 22.4%, Vehbi Koc Foundation 7.2%, Koc Pension Fund 2.0%

	2008	2009	2010	2011E
Listed assets val. (m)	0.0	0.0	0.0	20148
Unlisted assets val. (m)	0.0	0.0	0.0	1568
Net debt (m)	0.0	0.0	0.0	-1208
Tax liability (m)	0.0	0.0	0.0	0
NAV after tax (m)	0.0	0.0	0.0	22294
NAV aft. tax/share	0.00	0.00	0.00	9.5
Disc. to NAV aft. tax (%)	0.00	0.00	0.00	16

I – Investment case

A safe bet for all times

We maintain our positive stance on Koc Holding and expect the conglomerate to continue to be the main beneficiary of a growing Turkish economy, while its diversified business portfolio is expected to enable Koc to move safely through times of economic volatility. Despite the potential of some near-term headwinds on the macro front, Koc Holding is set to be one of the safe havens in the stock market based on its low-risk energy operations, and export-oriented auto and consumer durables activities.

Investor focus was on consumer-related segments in 2010...

In 2010, investor focus was on Koc Holding's consumer-oriented businesses, such as the automotive, consumer durables and financial services activities, based on the strong operating performances of these segments. Although we remain positive on the outlook for these businesses, we also think that growth will decelerate on the back of higher base effects and the regulatory measures implemented by the Central Bank of Turkey. Nevertheless, we project 8% growth in the aggregate EBITDA figure for the aforementioned sectors (16% y-o-y growth excluding financial services), which will be lower than 10% growth in the consolidated EBITDA.

...expected to shift to the energy segment in 2011E and thereafter

Conversely, rising global oil prices have put Koc Holding's energy segment into the spotlight, and investors are likely to be more focused on the upside risks associated with this segment in 2011E. Our view is mainly based on two factors: 1) higher oil prices will prompt higher refining margins, both in the short and medium terms, and Tupras is likely to benefit from this trend, supported by its ability to process heavy crudes and by domestic product price premium charges; and 2) higher oil prices are set to prompt faster petrol-to-LPG conversions in passenger cars due to the rising nominal price differential, which should be supportive for Aygaz's auto-LPG sales.

Electricity and gas segments to be priorities for near-term investments

Koc's management is very focused on sizable energy projects that are set to deliver growth and value to Koc Holding. A major development is the establishment of the JV between Koc Holding and US-based AES with the aim of building electricity generation capacity of 3,000MW. With respect to financing, Koc Holding has adequate resources based on its under-leveraged balance sheet with a net cash position of USD980m on a consolidated basis, excluding the financial services division, and a USD798m net cash position at the holding company level. We think that Koc Holding can undertake projects up to USD2.3bn on its own and much larger-scale projects with its JV partners.

We revise up our target price by 17% to TRY8.54

Based on the upward revisions made to the target prices of Koc's subsidiaries, our revised sum-of-the-parts valuation, after a 10% holding company discount, indicates a TRY8.54 target price, up 17% vs. TRY7.30 previously. For listed subsidiaries under coverage, we incorporate our target prices, whereas we use market prices for the other listed companies. For unlisted participations, we employed a multiples analysis based on their 2010 financials. At this stage, we did not incorporate the growth prospects of the electricity or gas businesses into our target NAV calculation. Accordingly, we reiterate our 2/Outperform rating for Koc Holding, as we believe that the conglomerate offers broad exposure to the Turkish economy with a low risk profile, with potential projects acting as upward potential for the stock price.

We expect the auto and consumer durables segment to deliver EBITDA growth in the low teens in 2011

The energy segment will remain in the spotlight

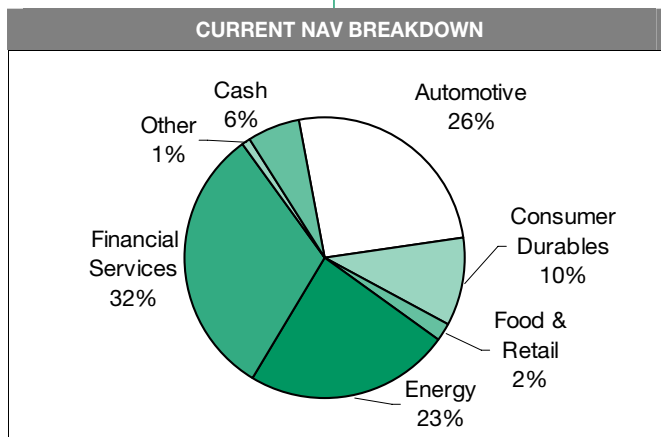
Electricity generation privatisations will be the main focus

II – Raising our TP to TRY8.54

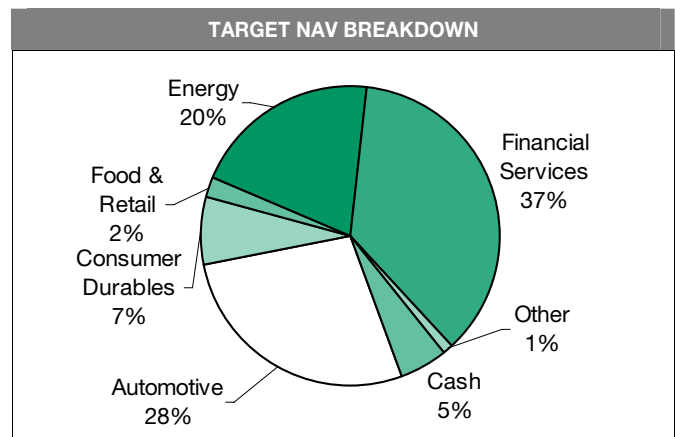
We continue to value Koc Holding using a sum-of-the-parts model, which is based on the target prices of its subsidiaries and also incorporates a 10% conglomerate discount that we derived from the average over the past four years. Our revised NAV model indicates a target price of TRY8.54, which is 17% higher than our previous target price of TRY7.30.

In our target NAV calculation, we incorporate our target prices for listed subsidiaries under coverage, whereas we use market prices for the other listed companies. For unlisted participations, we employed a multiples analysis based on their 2010 financials. In our NAV models, based on both current and target prices, the financial services activity is the major contributor, followed by the automotive sector. In our models, we have not yet factored in the potential growth in the electricity or natural gas segments, which provides a risk on the upside for the share price.

Financial services and consumer-oriented sectors form 75% of the NAV

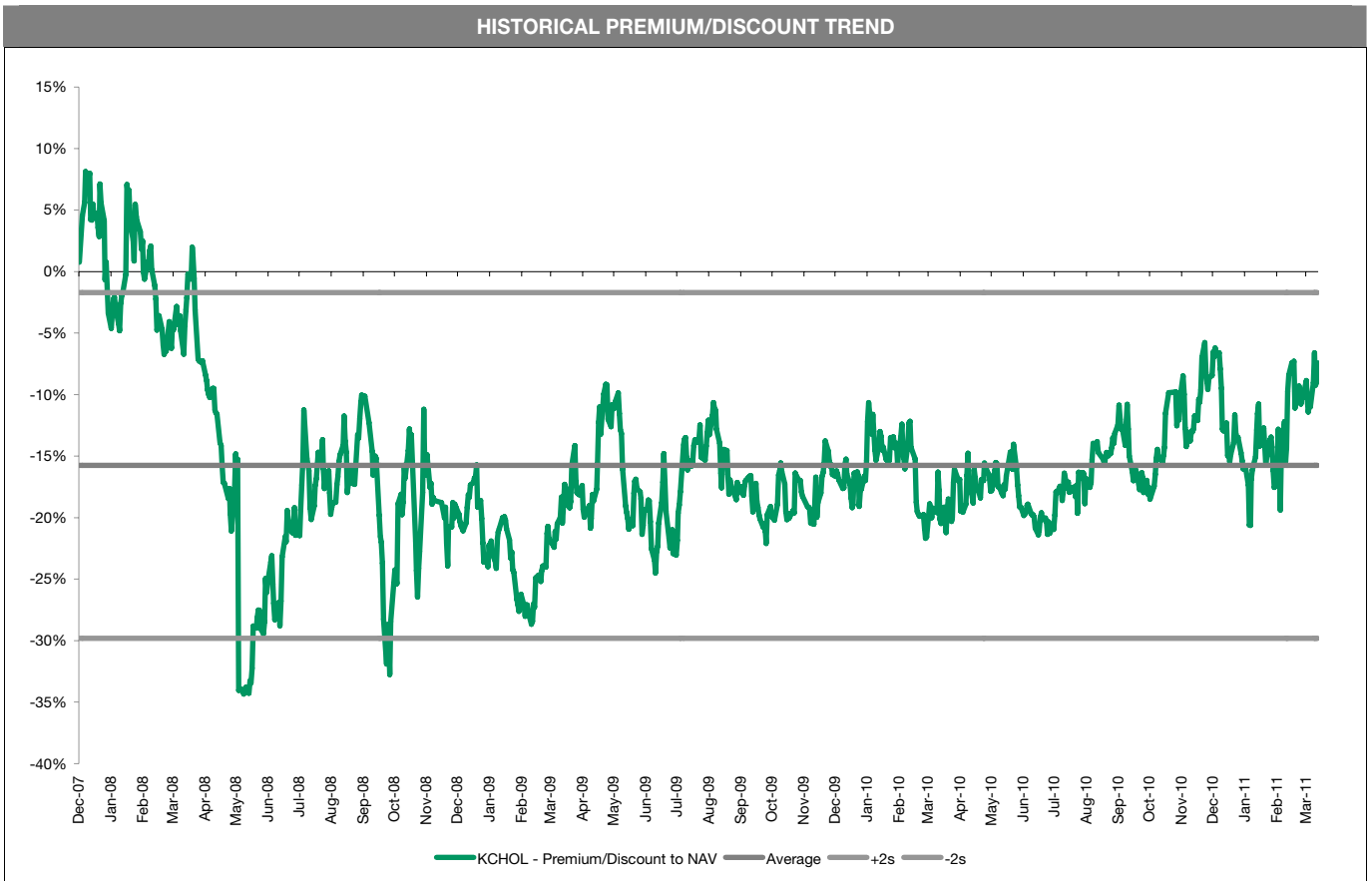


Source: CA Cheuvreux



Source: CA Cheuvreux

We applied a 10% holding company discount, which we derived by taking the average discount levels over the past four years. We think that this low discount level is justified given the well-diversified business portfolio, proven track record of strong management execution, delivering growth without sacrificing profitability, and strong balance sheet with a net cash position.



Source: CA Cheuvreux

(TRY m)	Direct stake	CURRENT NAV				TARGET NAV					
		Valuation method	Valuation multiple	Total value	Value of Koc Holding's stake	Share in NAV	Valuation method	Valuation multiple	Total value	Value of Koc Holding's stake	Share in NAV
Automotive											
Ford Otosan	38.46%	Market Value	N/A	4,860	1,869		DCF	N/A	5,965	2,294	10%
Tofas	37.59%	Market Value	N/A	4,260	1,601		DCF	N/A	5,200	1,955	9%
Otokar	44.68%	Market Value	N/A	622	278		DCF	N/A	617	276	1%
Turk Traktor	37.72%	Market Value	N/A	1,686	636		DCF	N/A	1,975	745	3%
Otokoc	96.32%	2010 sales & P/Sales	0.47x	962	927		2010 sales & P/Sales	0.47x	962	927	4%
Total					5,311	25%				6,196	27%
Consumer Durables											
Arcelik	40.51%	Market Value	N/A	5,284	2,141	10%	DCF	N/A	4,190	1,697	7%
Food & Retail											
Kocdas	37.13%	2010 sales & P/EBITDA	5.9x	758	281	1%	2010 sales & P/EBITDA	5.93x	758	281	1%
Tat Konserve	43.65%	Market Value	N/A	511	223	1%	Market Value	N/A	511	223	1%
Total					505	2%				505	2%
Energy											
Aygaz	40.68%	Market Value	N/A	2,958	1,203	6%	Sum-of-the parts	N/A	3,420	1,391	6%
Enerji Yatirimlari	75.00%	Market Value	N/A	4,727	3,545	17%	DCF & EV/EBITDA	N/A	4,177	3,133	14%
Tupras		Market Value	N/A	11,594	1,187				10,518		
Less: EYAS debt					4,748	23%				4,524	20%
Total											
Financial Services											
Koc Finansal Hizmetler	40.20%	Market Value of YKB x 81.8%	N/A	16,784	6,747	32%	TP of YKB x 81.8%	N/A	20,980	8,434	37%
Koc Tuketici Finansmani	44.50%	2010 P/BV	1.00x	134	60	0%	2010 P/BV	1.00x	134	60	0%
Total					6,807	32%				8,493	37%
Other					300	1%				300	1%
Total value from participations					19,812					21,716	
Listed					18,244	87%				20,148	88%
Unlisted					1,568	7%				1,568	7%
Stand alone net cash					1,208	6%				1,208	5%
Total NAV					21,020					22,924	
Conglomerate discount					2,102					2,292	
Adjusted NAV					18,918					20,632	
Current Mkt. Cap.					19,321					19,321	
Premium / (Discount) to NAV					-8%					-16%	
Premium / (Discount) to NAV, including conglomerate discount					2%					-6%	
Current share price (TRY)					8.00					8.00	
Target share price (TRY)					8.70					9.49	
Target share price, including conglomerate discount (TRY)					7.83					8.54	

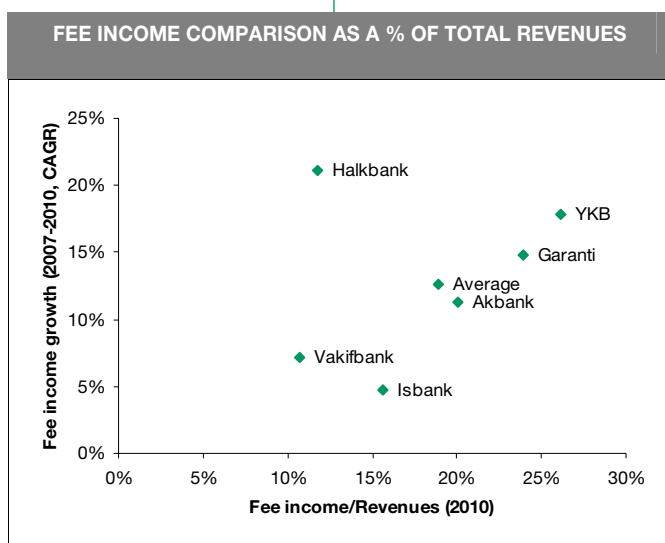
Source: CA Cheuvreux

III – Outlook for the major sectors

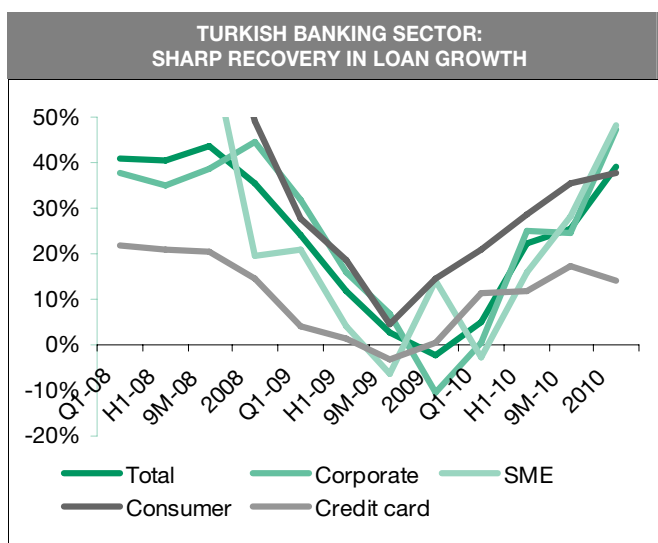
■ Financial services (37% of target NAV)

After achieving strong growth and profitability in 2009 and 2010, the Turkish banking system will be facing slower growth and lower profitability in 2011E due to higher reserve requirement ratios and rising interest rates. We think that Yapi Kredi Bank is likely to face similar pressure in its operations, but still remain highly profitable with a core ROE of 24% in 2011E, vs. 30% in 2010.

We expect management to focus further on the commercial effectiveness aspect in operations and to generate higher revenues from its distribution platform. While achieving this goal, we expect management to grow in segments that show high profitability, namely consumer and SME lending, and do not expect them to get involved in any sort of price-based competition, either in lending activities or in deposit collection. In order to offset the adverse effects at the NII level, we expect YKB's management to focus on fee income generation. Although YKB had the highest share of fee income in its revenues among the large-sized Turkish banks, at 26% in 2010, management still thinks that there is more room for improvement and plans to increase fee income by ca. 20%, which will be highly supportive for the revenues.



Source: CA Cheuvreux



Source: CA Cheuvreux

On the cost side, Yapi Kredi Bank's management has been implementing strict cost containment measures since 2006 and has managed to bring down the Cost/Income ratio to around a 40% level by end 2010 vs. the 66% level in 2006. We expect similar trends to prevail in 2011E as well, and look for a 6% increase in costs. This will be achieved by simplification of the major processes and capitalising further on the IT infrastructure to boost operational efficiencies.

With regard to provisioning, we expect YKB to operate with a lower cost of risk at 174bp, down from its 2010 level of 232bp. Coming from a high base in 2010, we also expect provision reversals to decline slightly, which will result in the cost of risk (net of collections) remaining almost flat in y-o-y terms in 2011E.

At the bottom line, we look for mid-single-digit growth, which will bring the core ROE, adjusted for the income from participations, participations and goodwill, to a 24% level vs. 30% in 2010. In the medium term, we expect core ROE to stabilise at around 21%.

On valuation grounds, we have valued Yapi Kredi Bank using a sum-of-the-parts model, in which we valued the core banking operations via a Gordon Growth Model and added the market value of the participations after applying a 20% discount. In our Gordon Growth Model, we assumed a sustainable ROE level of 21% for YKB, which we adjusted for participations and goodwill. Also, we incorporated a cost of equity of 14.4% and used a target P/BV of 2.5x to value the banking operations. Consequently, we set our target price for YKB at TRY5.90 per share.

In addition to Yapi Kredi Bank, Koc Tuketici Finansmani is a small part of Koc Holding's finance segment that is primarily involved in auto and consumer durables financing activities. As of 2010, Koc Tuketici Finansmani had a market share of 19%. Its profitability remained under pressure as the company posted 2010 ROE of 11%. We expect financial services to remain a major contributor to Koc Holding's EBITDA in the medium term by forming approximately one-third of the consolidated figure.

FINANCIAL SERVICES: KEY FINANCIAL METRICS

(TRY m)	2007	2008	2009	2010	2011E	2012E	2013E
Revenues	5 383	5 864	5 382	4 990	5 137	5 632	6 139
% group revenues	12%	11%	12%	9%	8%	9%	9%
EBITDA	1 022	1 280	1 942	1 713	1 721	1 876	2 229
% group EBITDA	24%	28%	37%	33%	30%	32%	34%
EBITDA margin	19.0%	21.8%	36.1%	34.3%	33.5%	33.3%	36.3%

Source: CA Cheuvreux

The energy segment accounted for 33% of consolidated EBITDA in 2010

■ Energy (20% of target NAV)

Contribution to become more visible in the NAV over time

With the acquisition of Tupras in 2006, the energy segment has become one of the core sectors in Koc's portfolio and generated TRY31.4bn in revenues and TRY1.6bn in EBITDA in 2010, representing 58% and 33% of the consolidated figures, respectively. On the other hand, it accounts for just 20% of our target NAV, as we include the USD850m debt (down from USD1.1bn through Tupras's dividend on 4 April) on the Special Purpose Vehicle (EYAS) in this segment. Over the long term, we expect the segment's NAV contribution to become more visible with declining EYAS debt, expansion in the electricity segment, the value-enhancing residium upgrade refining project, and further market share gains in the petroleum and LPG distribution businesses.

Revised TP for Tupras and Aygaz in the past month

We raised our target price for Tupras by 38% to TRY42.0 and for Aygaz by 11.4% to TRY11.4, making a contribution of TRY2,159m and TRY170m to Koc Holding's target NAV, respectively. We think that growth in the electricity and natural gas distribution businesses, which is not reflected in our models for the time being, could further enhance the valuation of the electricity segment.

One more step towards becoming an energy company

At the end of 2010, Koc Holding made yet another step towards diversifying its energy business by signing a partnership agreement with US-based AES Corporation to expand in the electricity segment. Koc Group, which is targeting a top three ranking in all sectors it operates in, plans to expand its electricity operations substantially and to become a

major player, as it did in the oil refining business through the acquisition of Tupras, in the petroleum distribution business through OPET, and in LPG distribution with Aygaz.

ENERGY: KEY FINANCIAL METRICS

(TRY m)	2007	2008	2009	2010	2011E	2012E	2013E
Revenues	26 231	34 370	24 488	31 412	39 203	38 635	39 014
% group revenues	56%	62%	55%	58%	61%	59%	58%
EBITDA	1 842	1 852	1 632	1 755	1 979	1 992	2 077
% group EBITDA	43%	41%	31%	34%	35%	34%	32%
EBITDA margin	7.0%	5.4%	6.7%	5.6%	5.0%	5.2%	5.3%

Source: CA Cheuvreux

The deal with AES is a step to grow in generation

A major player in emerging markets

ELECTRICITY SEGMENT

Substantial growth targeted in generation

Koc Holding was a latecomer in the electricity business compared to groups such as Sabanci-Verbund, teaming up in 2006, and Akkok-CEZ in 2007. However, we think that Koc Holding acted with a results-oriented focus and teamed up with AES Corporation just before the expected electricity generation asset privatisations, as AES is a global company whose expertise is buying inefficient State-owned assets and turning them around. Considering that other major groups focus mostly on greenfield investments to grow, Koc Holding-AES is a major candidate in the State asset privatisation tenders in the upcoming period, promising rapid growth in the short term. Officially, Koc-AES aims to raise its current 305MW capacity to 3,000MW in three years. We think this figure will be shaped by opportunities on the electricity market.

AES is a global giant in the power generation area

AES is a global power company with generation and distribution businesses, operating 132 power plants in 29 countries around the world. It generates electricity from diverse sources such as coal, diesel, hydropower, gas, oil and biomass, except nuclear. In 2009, AES generated revenues of USD14bn and managed USD40bn in assets. The company especially excels in operations in emerging markets, buying State-owned assets and improving the efficiency of the plants. We think this unique characteristic of AES makes the Koc Holding-AES partnership a major candidate to succeed in privatisation tenders.

The shareholder structure within Koc is not certain at this stage

Prior to the Koc-AES agreement, electricity activities were carried out under Entek, the group's electricity generation company, 86%-owned by Koc's LPG distribution company Aygaz. In December 2010, Aygaz sold a 49.62% stake in its electricity generation company Entek to AES for USD136.5m, leaving Aygaz with a 36.47% stake and the remainder owned by Koc Group companies. Koc Holding communicates that the exact shareholder structure of Entek has not been decided on yet.

We raised Tupras's TP by 38% recently

REFINING SEGMENT

Strong outlook for the refinery business

On 1 April, we revised up our target price for Tupras by 38% to TRY42.0, based on the improved prospects and our overall changes to global oil sector projections. Our TP revision was the result of: 1) the increase in Cheuvreux's 2011E (+9%) and 2012E (+6%) crude oil price estimates following recent geopolitical developments; 2) a widening Ural-Brent spread; 3) a valuation upgrade, derived from the peer comparison method after the recent strong performance of global markets; 4) a better environment to charge a domestic price premium on top of CIF prices as a result of stronger demand; and 5) a minor upward revision in volumes. Our new target price takes us to around the stock's current valuation and does not offer upside potential at this stage.

We raised our long-term EBITDA estimate by 13% on average

The net impact of our revised model was an average 13% hike in EBITDA, with net profit up 10% over the period 2011-20E. We now estimate a CAGR of 5.3% in EBITDA and 7.0% in net profit for the refining segment over 2011-2020E in USD terms. Our estimates indicate a 10-year EBITDA average of USD1,314m vs. our previous estimate of USD1,160m. We think that construction for the residuum upgrade project is likely to start in 2011 and will be one of the major contributors to the 5.3% EBITDA CAGR over 2011-2020E. These assumptions also include OPET, Koc Holding's petroleum distribution arm. Although OPET experienced a temporary contraction in its operating profitability in 2010 y-o-y, due to one-off re-contracting costs for stations, we expect OPET to return to growth in 2011E based on continued market share improvement and the contribution of the OPET-THY partnership in the aviation industry.

Aygaz continues to increase market share in a growing business

We think that the overall LPG business in Turkey will continue to grow at a 2% CAGR in volume terms in the long term, based on the increased attractiveness of LPG as a transportation fuel and on stability in the household LPG segment. As the No. 1 player in Turkey, Aygaz is set to continue to benefit from this volume growth and may continue to be one of the consolidators in the market. Readers may recall that Aygaz recently finalised the purchase of Total's household-LPG business and raised its market share in the household segment from 39% to 43%.

■ Automotive (27% of target NAV)

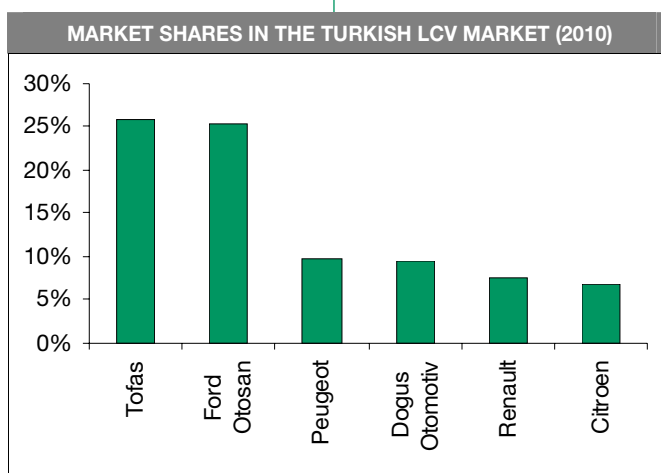
Turkish automotive sales soared 38% y-o-y to 793,173 units in 2010 and registered record-high sales by outpacing the previous all-time high of 2004 by 5%. Record-high passenger car sales, which were boosted by a low interest rate environment, strong consumer sentiment and a weak euro, contributed to the very strong sales volume in the Turkish automotive industry. Following record-high sales volumes in 2010, we estimate a flat Turkish passenger car sales in 2011E, due to the relatively higher interest rates and anticipated volatility in the Turkish lira. On the other hand, we expect demand for commercial vehicles to remain intact in 2011E as we think that the strong domestic trading activities and a relatively high level of locally-produced vehicles, which have a cost advantage over imports, should be supportive factors.

ANNUAL AUTO SALES BY SEGMENTS AND ANNUAL GROWTH RATES

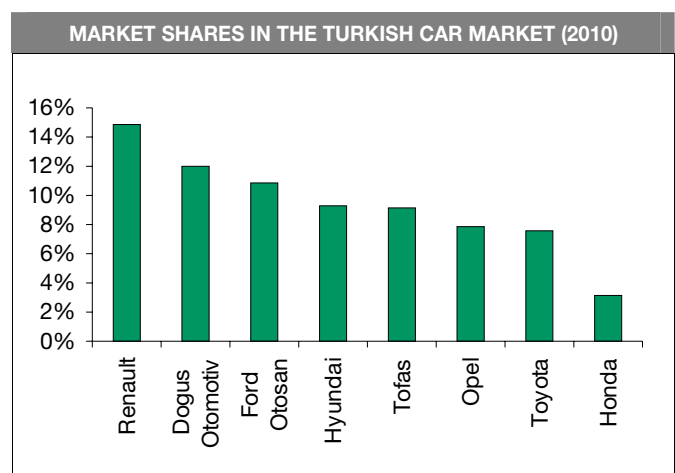
(units)	2009	2010	2011E	2012E	2013E
Passenger cars	369 819	509 784	502 467	512 363	531 252
% Change (y-o-y)	21%	38%	-1%	2%	4%
LCVs	187 307	251 129	271 219	285 718	301 657
% Change (y-o-y)	0%	34%	8%	5%	6%
Trucks	14 915	28 362	32 049	35 254	38 074
% Change (y-o-y)	-43%	90%	13%	10%	8%
Buses	1 623	1 525	1 754	1 894	1 951
% Change (y-o-y)	-7%	-6%	15%	8%	3%
Coaches	2 205	2 373	3 322	3 821	4 050
% Change (y-o-y)	-51%	8%	40%	15%	6%
Total of above	575 869	793 173	810 811	839 050	876 983
% Change (y-o-y)	9%	38%	2%	3%	5%
Farm tractors	13 758	36 036	38 272	39 808	41 002
% Change (y-o-y)	-49%	162%	6%	4%	3%
Total, incl. tractors	589 627	829 209	849 084	878 858	917 985
% Change (y-o-y)	7%	41%	2%	4%	4%

Source: AMA, CA Cheuvreux

The Turkish LCV market is the second-largest LCV market in Europe after France, and stands out as a highly appealing market for international auto companies. There are 21 players in the market, as most international auto companies are present in Turkey; however, when market shares are analysed, we observe that the LCV market is a relatively concentrated market, as Tofas and Ford Otosan command more than half of the LCV market, while the top five players represent 78% of the market. The strong market presence of Tofas and Ford Otosan is mainly attributable to the cost advantage as these companies operate as local producers. In our view, Koc Holding is the main beneficiary of the strong demand in the LCV segment, as the group boosted its market share to 51% in the Turkish LCV market in 2010.



Source: ADA



Source: ADA

2011E LCV and HCV estimates raised

We raised our estimates for Ford Otosan, Tofas, Otokar and Turk Traktor recently

Following better-than-expected Q1-11 auto sales figures in Turkey, we raised our 2011E LCV and HCV market estimates by 14% and 26%, respectively, on the back of strong trading and construction activities that prevail in the domestic market. As Ford Otosan, Tofas and Otokar's operating performances are highly connected to the Turkish commercial vehicle market, our estimate change for the Turkish CV market resulted in major estimate changes for these companies.

Higher domestic sales and higher capacity utilisation rates lead to higher operating margins for Tofas and Ford Otosan. On the back of our new estimates for the Turkish LCV market, we raised our 2011E revenues by 11% and 2011E EBITDA by 14%, for Koc Holding's listed auto companies (excluding Turk Traktor).

We have also raised our estimates for Turk Traktor on the improving outlook of the Turkish agriculture sector and our positive expectations for the competitive landscape of the Turkish farm tractor market in 2011. In our view, the Turkish farm tractor market is set to post another stellar year in 2011, on the back of: 1) the expected increase in agricultural output due to favourable weather; 2) a likely increase in agricultural prices due to the drought in China; and 3) the 8% increase in government subsidies to the agriculture sector ahead of the June 12 general elections. We thus estimate that the Turkish agri-vehicle market will grow 6% y-o-y to 38,270 units in 2011. Given strong domestic sales and a new export deal with CNH, we estimate that Turk Traktor's revenues will grow 15% y-o-y in 2011E.

We estimate an 8% depreciation in the Turkish lira in 2011 and this is set to increase costs for importers, which represent 20% of the farm tractor market in Turkey. We expect that the weakness in TRY will put Turk Traktor on easy street as the company is the largest farm tractor producer in Turkey and is almost immune to volatility in the TRY. In addition, flat cast iron prices indicate no major cost increases for Turk Traktor in 2011. On the back of a supportive pricing environment and positive expectations on the cost side, we estimate that Turk Traktor's EBITDA margin will widen 95bp y-o-y to 21.8% in 2011E.

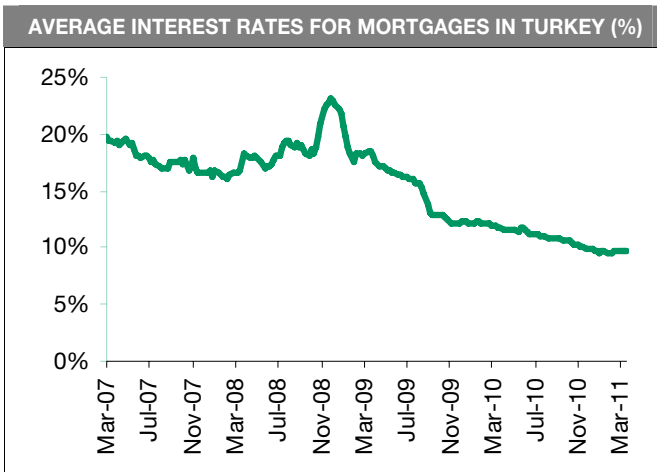
AUTO SEGMENT: KEY OPERATING INDICATORS

(TRY m)	2007	2008	2009	2010	2011E	2012E	2013E
Revenues	6 510	6 435	5 948	7 767	8 785	9 225	9 604
% group revenues	14%	12%	13%	14%	14%	14%	14%
EBITDA	595	660	583	771	915	968	1 009
% group EBITDA	14%	15%	11%	15%	16%	16%	16%
EBITDA margin	9.1%	10.3%	9.8%	9.9%	10.4%	10.5%	10.5%

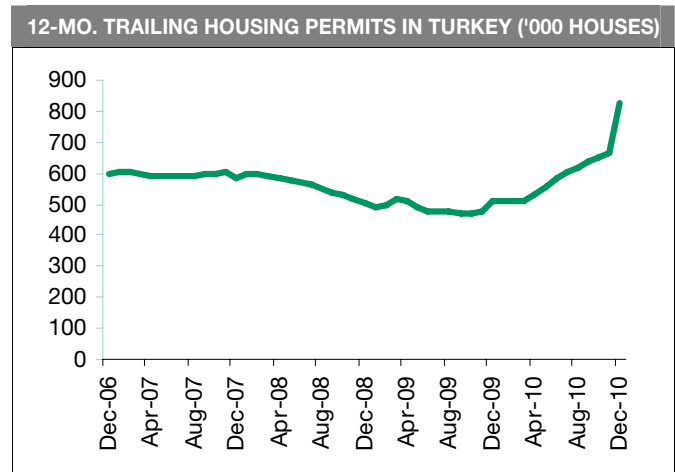
Source: CA Cheuvreux

■ Consumer durables (7% of target NAV)

Koc Holding enjoys strong demand in the Turkish consumer durables market through its flagship company Arcelik, which dominates 50% of the Turkish consumer durables market. Although we estimate a 5% y-o-y increase in consumer durables sales in Turkey in 2011E, an outstanding increase in construction permits offers major potential upside for our estimates as new houses may boost white good sales in Turkey in 2011E. In 2010, construction permits soared by 61% y-o-y, thanks to the declining mortgage loan interest rates in Turkey as low financing facilities underpinned house sales.



Source: CBT



Source: Turkstat

On the exports side, Arcelik is likely to enjoy a weak Turkish lira against the euro in 2011E, as a result of the CBT's recent actions to control the current account deficit. In our view, the weak Turkish lira may contribute to Arcelik's competitive edge for shipments to Europe, which form ca. 40% of Arcelik's total revenues. On the back of strong demand conditions in Turkey and anticipated increase in exports, especially to Europe, we estimate that Arcelik's revenues will increase by 10% y-o-y in 2011E.

Apart from the organic growth prospects, Arcelik is also keen on entering new export markets such as India, Australia, Africa and/or the Americas via acquisitions or establishing new marketing companies in these regions.

Arcelik's operating margins were depressed by increasing commodity prices and a strong TRY in 2010, and thus the EBITDA margin contracted by 236bp y-o-y to 10.9% in 2010. We look for a gradual normalisation in the operating margins and estimate a 20bp y-o-y increase in the EBITDA margin in 2011E, on the back of a weak Turkish lira.

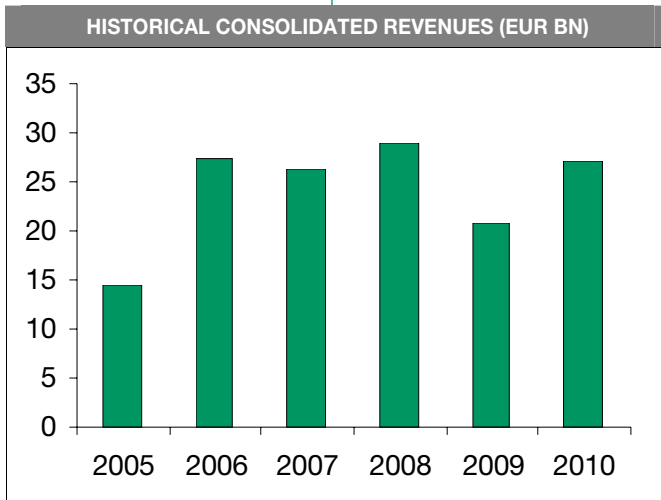
CONSUMER DURABLES SEGMENT: KEY OPERATING INDICATORS

(TRY m)	2007	2008	2009	2010	2011E	2012E	2013E
Revenues	7 110	6 953	6 810	7 052	7,774	8,324	8,935
% group revenues	15%	12%	15%	13%	12%	13%	13%
EBITDA	696	627	894	779	882	900	962
% group EBITDA	16%	14%	17%	15%	15%	15%	15%
EBITDA margin	9.8%	9.0%	13.1%	11.0%	11.4%	10.8%	10.8%

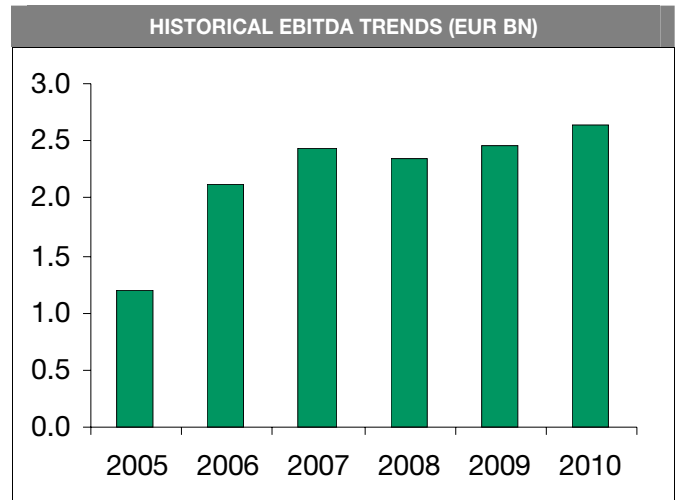
Source: CA Cheuvreux

IV – New projects will be value enhancing

After successfully conducting hefty acquisitions and divestitures between 2005 and 2008, Koc Holding's management has a proven track record in terms of delivering growth, using the balance sheet efficiently and creating value for shareholders. Between 2005 and 2010, Koc Holding's consolidated revenues attained a CAGR of 13% in EUR terms (17% in TL terms), 1.5x times higher than nominal GDP growth over the same time span. Meanwhile, consolidated EBITDA also outpaced revenue growth by 17% p.a. in EUR terms between 2005 and 2010.

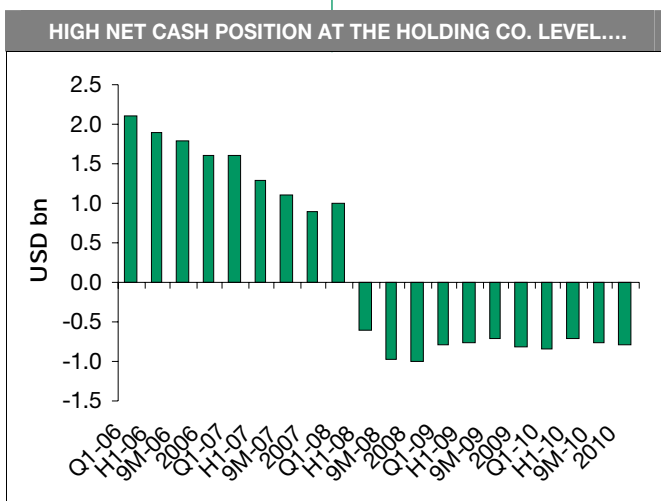


Source: CA Cheuvreux

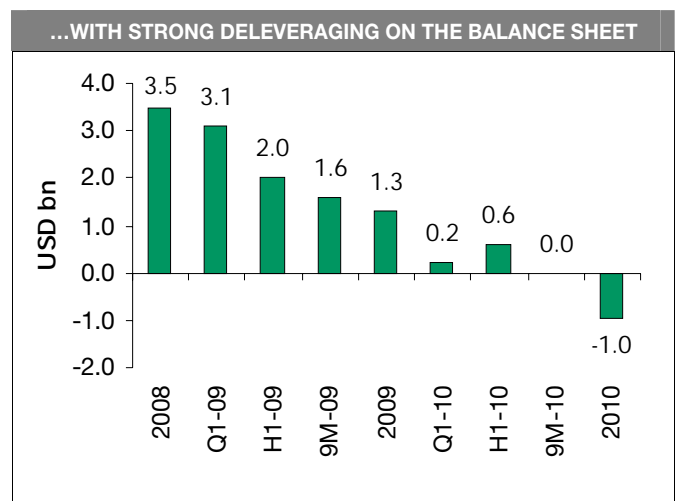


Source: CA Cheuvreux

On the financing side, management divested some non-core assets and managed to reduce leverage on the balance sheet. Coupled with the strong operating performances of the underlying businesses, Koc Holding had a net cash position, both on a consolidated basis (excluding the finance segment) and at the holding company level, with USD980m and USD798m, respectively, at end 2010.



Source: CA Cheuvreux



Source: CA Cheuvreux

**We think Koc Holding
can easily finance
projects up to
USD2.3bn**

Focus will be on the energy segment for growth

We expect that energy-related privatisations, namely electricity generation and distribution and natural gas distribution, and greenfield investments will be major projects that Koc Holding will be interested in the near term. In the medium-term, we expect Koc Holding to be interested in the block sale of Halkbank via Yapi Kredi Bank, as such acquisitions will strengthen Yapi Kredi Bank's market positioning. Also, capacity expansion and new product investments at the automotive subsidiaries and a potential distribution channel acquisition by Arcelik will be other projects that will contribute to Koc Holding's growth.

Regarding energy-related projects, we welcome the establishment of the JV between Koc Holding and AES with the aim of building electricity generation capacity of 3,000MW. We recognise this move as management's solid commitment to implementing new projects.

Although details on the ownership structure of the projects are not known at the moment and considering the facts that Koc Holding has JV partners in the automotive and financial services businesses, we only considered the net cash position at the holding company level and made two scenario analyses to gauge Koc Holding's project absorption capacity.

In the first scenario, we assumed that Koc Holding will conduct all kinds of new projects on its own and will target a debt/value ratio of 66%. Accordingly, we calculate the total size of projects that can be financed by Koc Holding at around USD2.3bn. We regard this level as the minimum level, as Koc Holding may use the balance sheets of group companies that do not have any JV partners and generate strong cash flows. On the other hand, Koc Holding may prefer to use a leverage ratio of 80-85%, as financing is conveniently available for energy projects with attractive rates and grace periods.

In the second scenario, we focused on the electricity generation projects and tried to assess Koc Holding's project absorption capacity together with AES. As we have mentioned earlier, the final ownership structure between Koc Group companies and AES is not known at the moment. Therefore, we assumed that there will be a JV structure in place between Koc Holding and AES in the electricity projects. In this scenario, we again considered the net cash position at the holding company level, i.e. USD798m, and refrain from incorporating Aygaz's net cash position in order to remain cautious. In this scenario, we also think that leverage ratios could be higher, as Koc Holding will be teaming up with AES, which has good access to international debt markets.

ELECTRICITY GENERATION CAPACITIES UNDER DIFFERENT SCENARIOS

(MW)		Debt/Value						
		50%	55%	60%	65%	70%	75%	80%
EV/MW (USD m)	1.00	3 192	3 547	3 990	4 560	5 320	6 384	7 980
	1.25	2 554	2 837	3 192	3 648	4 256	5 107	6 384
	1.50	2 128	2 364	2 660	3 040	3 547	4 256	5 320
	1.75	1 824	2 027	2 280	2 606	3 040	3 648	4 560
	2.00	1 596	1 773	1 995	2 280	2 660	3 192	3 990

Source: CA Cheuvreux

In conclusion, both scenario analyses indicate that Koc Holding can easily enter new projects and finance them without encountering any problems. However, the challenges ahead for management lie in obtaining projects at the right price and creating value for their shareholders. We strongly believe that the management team will remain extremely sensitive to the valuation of new projects. The most recent example illustrating our view was the sale of Istanbul Ferry Company's operating rights for 30 years, in which Koc Holding teamed up with Stena Lines, the Swedish ferry and transportation company. After hearing the first bids from competitors, the consortium withdrew from the tender without submitting a bid.

V – Introducing our new P&L estimates

Having incorporated the revised estimates for Koc Holding subsidiaries into our model, we have revised our estimates accordingly. Although our 2011 revenue growth estimate is higher than management's guidance, mainly stemming from the energy segment, our 2011E EBITDA growth estimate is in line with management's guidance.

KEY FINANCIAL METRICS

(TRY m)	2010	2011E	% Chg., y-o-y	2012E	% Chg., y-o-y	2013E	% Chg., y-o-y
Revenues	53 812	63,750	18%	64,952	2%	67,142	3%
EBITDA*	5 233	5,740	10%	6,004	5%	6,570	9%
EBIT*	4 265	4,753	11%	4,992	5%	5,514	10%
Net profit	1 734	2,030	17%	2,145	6%	2,357	10%

*Excluding the "other income/expense" item

Source: CA Cheuvreux

A comparison with consensus estimates also indicates that we are in line with the consensus on key items, except for revenues. In 2011E revenues, we are 9% higher than consensus, as our revenue estimate for the energy segment is higher than the consensus.

CHEUVREUX VS. CONSENSUS ESTIMATES

(TRY bn)	2011E				2012E	
	Cheuvreux	Consensus	Difference	Guidance	Cheuvreux	Consensus
Revenues	63.8	58.6	9%	57.1	65.0	65.4
EBITDA	5.7	5.7	0%	5.6	6.0	6.1
EBIT	4.8	4.6	2%	4.5	5.0	5.1
Net profit	2.0	2.0	3%	n.a.	2.1	2.2

*Excluding the "other income/expense" item

Source: CA Cheuvreux

COMPARISON OF OUR REVENUE & EBITDA ESTIMATES WITH CONSENSUS

(TRY m)	2011E sales		2011E EBITDA		2012E sales		2012E EBITDA	
	Cheuvreux	Consensus	Cheuvreux	Consensus	Cheuvreux	Consensus	Cheuvreux	Consensus
Arcelik	7 646	7 761	851	877	8 187	8 449	866	967
Aygaz	5 212	5 053	356	340	5 239	5 411	373	345
Ford Otosan	8 513	7 964	862	798	8 924	8 598	918	875
Otokar	703	614	69	72	753	714	89	85
Tofas	7 365	7 040	786	727	7 785	7 851	842	809
Tupras	33 258	32 719	1 559	1 474	32 673	34 541	1 554	1 603
Turk Traktor	1 378	1 240	300	244	1 406	1 268	281	243
Total	64 075	62 392	4 783	4 531	64 967	66 832	4 923	4 929

Source: Bloomberg, CA Cheuvreux

QUARTERLY KEY FINANCIAL METRICS FOR KOC HOLDING

(TRY m)	Q1-09	H1-09	9m-09	2009	Q1-10	H1-10	9m-10	2010
Revenues								
Energy	4 421	5 867	7 348	6 852	6 303	7 835	8 341	8 934
Automotive	985	1 514	1 712	1 737	1 549	1 841	1 780	2 597
Consumer durables	1 402	1 832	1 812	1 763	1 539	1 914	1 796	1 804
Finance	1 467	1 496	1 220	1 199	1 164	1 217	1 252	1 357
Other	457	536	637	583	549	686	711	646
Total	8 731	11 246	12 729	12 134	11 104	13 492	13 879	15 338
% of total								
Energy	51%	52%	58%	56%	57%	58%	60%	58%
Automotive	11%	13%	13%	14%	14%	14%	13%	17%
Consumer durables	16%	16%	14%	15%	14%	14%	13%	12%
Finance	17%	13%	10%	10%	10%	9%	9%	9%
Other	5%	5%	5%	5%	5%	5%	5%	4%
Total	100%	100%	100%	100%	100%	100%	100%	100%
EBITDA								
Energy	322	506	458	415	316	479	535	323
Automotive	116	153	168	166	149	188	189	262
Consumer durables	88	266	314	158	199	247	232	176
Finance	312	327	258	150	387	399	450	324
Other	42	61	68	54	51	63	90	15
Total	880	1 313	1 265	942	1 102	1 376	1 495	1 100
% of total								
Energy	37%	39%	36%	44%	29%	35%	36%	29%
Automotive	13%	12%	13%	18%	14%	14%	13%	24%
Consumer durables	10%	20%	25%	17%	18%	18%	16%	16%
Finance	35%	25%	20%	16%	35%	29%	30%	29%
Other	5%	5%	5%	6%	5%	5%	6%	1%
Total	100%	100%	100%	100%	100%	100%	100%	100%
EBITDA margin								
Energy	7.3%	8.6%	6.2%	6.1%	5.0%	6.1%	6.4%	3.6%
Automotive	11.8%	10.1%	9.8%	9.5%	9.6%	10.2%	10.6%	10.1%
Consumer durables	6.3%	14.5%	17.3%	8.9%	12.9%	12.9%	12.9%	9.7%
Finance	21.3%	21.8%	21.1%	12.5%	33.2%	32.8%	35.9%	23.9%
Other	9.2%	11.5%	10.7%	9.3%	9.4%	9.1%	12.6%	2.4%
Average	10.1%	11.7%	9.9%	7.8%	9.9%	10.2%	10.8%	7.2%

Source: CA Cheuvreux

QUARTERLY KEY FINANCIAL METRICS FOR KOC HOLDING (CONTINUED)

(TRY m)	Q1-09	H1-09	9m-09	2009	Q1-10	H1-10	9m-10	2010
Adjusted EBITDA*								
Energy	314	497	456	365	304	464	540	448
Automotive	122	142	164	154	148	188	187	248
Consumer durables	82	262	322	228	196	199	237	147
Finance	464	576	435	467	387	396	448	481
Other	28	60	80	57	46	62	76	31
Total	1 009	1 537	1 457	1 272	1 081	1 309	1 487	1 355
Adjusted EBITDA margin*								
Energy	7.1%	8.5%	6.2%	5.3%	4.8%	5.9%	6.5%	5.0%
Automotive	12.4%	9.4%	9.6%	8.9%	9.5%	10.2%	10.5%	9.5%
Consumer durables	5.8%	14.3%	17.8%	13.0%	12.8%	10.4%	13.2%	8.2%
Finance	31.6%	38.5%	35.7%	39.0%	33.3%	32.6%	35.8%	35.5%
Other	6.0%	11.2%	12.5%	9.7%	8.4%	9.0%	10.6%	4.8%
Average	11.6%	13.7%	11.4%	10.5%	9.7%	9.7%	10.7%	8.8%
Depreciation								
Energy	83	89	85	97	91	92	94	90
Automotive	45	47	49	55	57	55	58	55
Consumer durables	47	46	59	39	47	52	50	52
Finance	23	23	23	23	22	23	24	26
Other	16	18	12	46	18	20	21	21
Total	213	223	229	260	235	242	246	245
% of sales								
Energy	1.9%	1.5%	1.2%	1.4%	1.4%	1.2%	1.1%	1.0%
Automotive	4.6%	3.1%	2.9%	3.2%	3.7%	3.0%	3.2%	2.1%
Consumer durables	3.3%	2.5%	3.2%	2.2%	3.1%	2.7%	2.8%	2.9%
Finance	1.6%	1.5%	1.9%	1.9%	1.9%	1.9%	1.9%	2.0%
Other	3.5%	3.3%	1.9%	7.9%	3.3%	2.9%	2.9%	3.2%
Average	2.4%	2.0%	1.8%	2.1%	2.1%	1.8%	1.8%	1.6%
Capital expenditure								
Energy	137	106	142	112	65	73	84	167
Automotive	67	97	90	121	81	76	70	130
Consumer durables	33	50	60	69	36	46	59	117
Finance	14	24	28	37	10	24	28	59
Other	35	58	-2	166	19	33	23	45
Total	287	335	318	505	211	252	264	518
Capex as a % of sales								
Energy	1.6%	0.9%	1.1%	0.9%	0.6%	0.5%	0.6%	1.1%
Automotive	0.8%	0.9%	0.7%	1.0%	0.7%	0.6%	0.5%	0.8%
Consumer durables	0.4%	0.4%	0.5%	0.6%	0.3%	0.3%	0.4%	0.8%
Finance	0.2%	0.2%	0.2%	0.3%	0.1%	0.2%	0.2%	0.4%
Other	0.4%	0.5%	0.0%	1.4%	0.2%	0.2%	0.2%	0.3%
Average	3.3%	3.0%	2.5%	4.2%	1.9%	1.9%	1.9%	3.4%

* Excluding other income/(expense) item

Source: CA Cheuvreux

Koc Holding

FY to 31/12 (New Turkish Lira m)	2006	2007	2008	2009	2010	2011E	2012E
Profit & Loss Account							
EBIT	2,977.3	3,514.3	3,700.0	4,350.5	4,264.7	4,753.1	4,992.3
% Change	146.2%	18.0%	5.3%	17.6%	-2.0%	11.5%	5.0%
Other exceptional items	(19.2)	79.8	1,335.8	(874.3)	(159.9)	(50.0)	(50.0)
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net attributable profit [loss]	560.8	2,295.4	2,023.6	1,429.2	1,734.5	2,029.5	2,145.1
NAP [Loss], restated after goodwill	560.8	2,295.4	2,023.6	1,429.2	1,734.5	2,029.5	2,145.1
% Change	-6.2%	NS	-11.8%	-29.4%	21.4%	17.0%	5.7%
Cash Flow Statement							
Net cash flow	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	0.0	0.0	0.0	0.0	310.0	550.0	710.3
Capital increase	0.0	417.5	0.0	0.0	0.0	0.0	0.0
Other cash flow	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dec. [inc.] in net debt	0.0	417.5	0.0	0.0	310.0	550.0	710.3
Balance Sheet							
Shareholders' equity [group share]	5,087.2	7,852.1	9,749.5	11,170.0	12,574.2	14,053.7	15,488.5
Minority interests	6,566.2	7,206.3	6,382.2	7,612.1	8,403.7	10,075.0	11,841.5
Other provisions	(4,372.4)	(9,398.8)	(11,317.5)	(11,767.7)	(16,434.9)	(19,453.2)	(19,818.3)
Net debt [cash]	10,432.2	7,952.2	8,516.2	2,850.3	2,316.8	1,516.4	(1,180.7)
Gearing [%]	89.5	52.8	52.8	15.2	11.0	6.3	(4.3)
Capital invested	17,713.2	13,611.8	13,330.4	9,864.7	6,859.8	6,191.9	6,331.0
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Intangible assets	4,754.4	880.8	1,186.0	1,319.9	1,384.2	1,384.2	1,384.2
Tangible assets	10,548.2	9,898.5	10,383.7	10,629.5	10,445.9	10,695.9	10,945.9
Financial assets	6,346.6	6,641.6	6,859.8	6,034.9	8,370.3	9,916.1	10,103.1
Associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Working capital requirement	(3,936.2)	(3,809.1)	(5,099.1)	(8,119.7)	(13,340.5)	(15,804.1)	(16,102.1)
WCR as a % of sales	(8.0)	(8.1)	(9.2)	(18.1)	(24.8)	(24.8)	(24.8)
Capital employed	17,713.0	13,611.8	13,330.4	9,864.6	6,859.9	6,192.1	6,331.1
Per Share Data (Euro)							
Dividend	0.00	0.00	0.00	0.00	0.13	0.23	0.29
Cash flow	0.00	0.00	0.00	0.00	0.00	0.00	0.00
% Change							
Book value per share	2.1	3.3	4.0	4.6	5.1	5.6	6.1
No. of shares, adjusted	2415.100	2415.100	2415.100	2415.100	2415.100	2415.100	2415.100
Av. number of shares, adjusted	2415.100	2415.100	2415.100	2415.100	2415.100	2415.100	2415.100
Treasury stock, adjusted	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Share Price (Adjusted)							
Latest price	3.63	5.52	2.62	4.42	7.52	8.00	8.00
High	5.01	5.96	5.57	4.46	7.98	8.12	-
Low	2.83	3.47	1.98	1.98	4.34	6.14	-
Average price	3.76	4.77	3.58	3.17	5.85	7.16	-
Market capitalisation	4,592.0	9,636.3	5,273.0	10,674.7	18,161.6	19,320.8	19,320.8
Enterprise value	15,024.2	17,588.5	13,789.2	13,525.0	20,478.4	20,837.2	18,140.1

Important Disclosures

APPLICABLE DISCLOSURE CLAUSES

Company	Closing Price	Rating	Disclosures
Koc Holding	TRY4.42	2/Outperform	

- A - One or more companies in the Crédit Agricole S.A. group owned more than 1% of the total issued share capital of the Company as of the end of the second most recent month preceding the publication date of this report.
- B - One or more companies in the Crédit Agricole S.A. group owned more than 5% of the total issued share capital of the Company as of the end of the second most recent month preceding the publication date of this report.
- C - The Company owned more than 5% of the total issued share capital of Crédit Agricole SA as of the end of the second most recent month preceding the publication date of this report.
- D - One or more companies in the Crédit Agricole S.A. group held, as of the end of the second most recent trading day, a net sales position higher than 1% of the total issued share capital of the Company.
- E - The trading portfolio of one or more companies in the Crédit Agricole S.A. group contained shares of the Company as of the end of the second most recent trading day.
- F - Crédit Agricole Cheuvreux and/or a company in the Crédit Agricole S.A. group is a market maker or a liquidity provider for the financial instruments of the Company.
- G - Crédit Agricole CIB and/or a company in the Crédit Agricole S.A. group has been involved within the last three years in a publicly disclosed offer of or on financial instruments of the Company.
- H - Crédit Agricole CIB and/or a company in the Crédit Agricole S.A. group has concluded or is party to a non confidential agreement relating to the provision of investment banking services (except publicly disclosed offers mentioned under G) to the Company during the past 12 months or that has given rise during the same period to the payment of compensation or to the promise to get a compensation paid.
- I - This research has been communicated to the Company and following this communication, its conclusions have been amended before its dissemination.
- J - A director or a board member of the Crédit Agricole S.A. group is an officer, director, or board member of the Company.

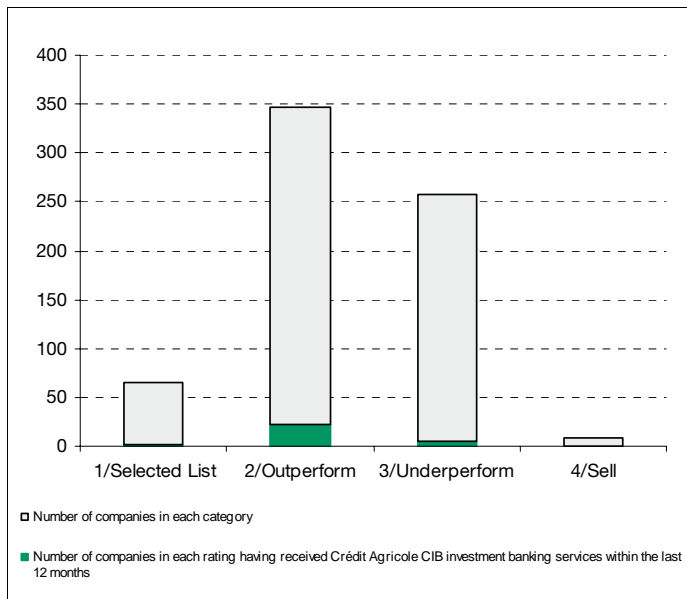
SPECIFIC DISCLOSURE CLAUSES

None

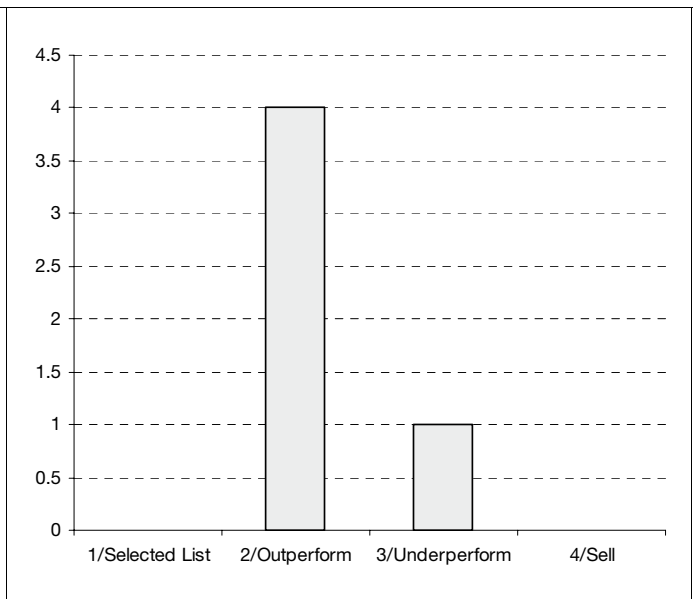
CHEUVREUX'S RATING AND TARGET PRICE SYSTEM

Ratings are built for a 6 to 12 month time horizon.	
1/Selected List	Expected to outperform the market and is in our country selected list
2/Outperform	Expected to outperform the market
3/Underperform	Expected to perform at best in line with the market
4/Sell	Expected to underperform the market substantially
No Rating or Suspended	The investment rating and target price have been suspended. Such suspension is pursuant to Cheuvreux's policy in circumstances when Cheuvreux's parent company, Crédit Agricole CIB, is acting in an advisory capacity in a merger or strategic transaction involving this company or when Calyon or Crédit Agricole has a beneficial interest in this company and in certain other circumstances.
Target price methodology	Cheuvreux's target prices are derived from one or more of the following methodologies: DCF, SOP, peer comparison and EVA.
Quote definitions	Unless specified, all quotes that appear on Institutional research reports are closing prices the last business day.

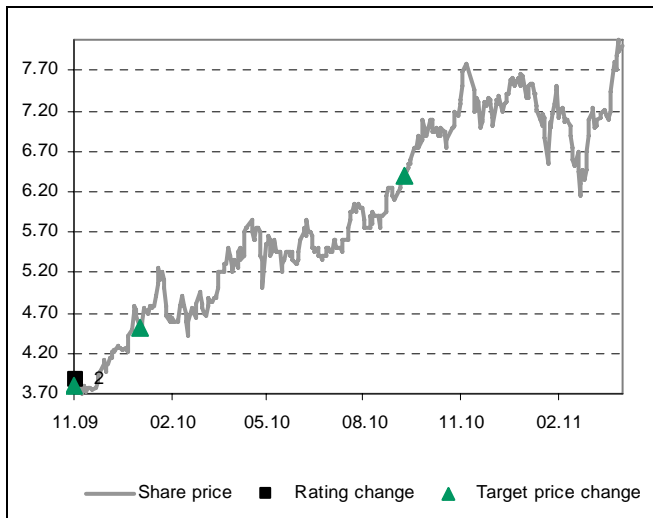
OVERALL RATING BREAKDOWN (AS AT 16/01/2011)



RATING BREAKDOWN IN THE SECTOR (AS AT 16/01/2011)



SHARE PRICE TREND AND DATES OF CHANGES IN RATING AND/OR TARGET PRICE



DATES OF CHANGES IN TARGET PRICE AND/OR RATING

	Date	Rating	Target price
1	10.11.2009		TRY5.00
2	11.11.2009	2/Outperform	TRY5.00
3	11.01.2010		TRY5.50
4	17.09.2010		TRY7.30
5			
6			

LOCAL REGULATORY AUTHORITIES

Country	Cheuvreux legal entity	Regulatory authority
Austria	Crédit Agricole Cheuvreux Zweigniederlassung Wien	Finanzmarktaufsicht (FMA)
France	Crédit Agricole Cheuvreux SA	Autorité des Marchés Financiers (AMF)
Germany	Crédit Agricole Cheuvreux Niederlassung Deutschland	Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)
Greece	Crédit Agricole Cheuvreux Regus Hellas SA	Capital Market Commission (HCMC)
Italy	Crédit Agricole Cheuvreux – Milan Branch	Commissione Nazionale per le Società e la Borsa (Consob)
The Netherlands	Crédit Agricole Cheuvreux - Amsterdam Branch	Autoriteit Financiële Markten (AFM)
Spain	Crédit Agricole Cheuvreux Espana SV SA	Comisión Nacional del Mercado de Valores (CNMV)
Sweden	Crédit Agricole Cheuvreux Nordic AB	Finansinspektionen
Switzerland	Crédit Agricole Cheuvreux - Zurich Branch	Autorité fédérale de surveill. des marchés financiers (FINMA)
UAE	Crédit Agricole Cheuvreux - Middle East Branch	Dubai Financial Services Authority (DFSA)
United Kingdom	Crédit Agricole Cheuvreux International Ltd	Financial Services Authority (FSA)
Turkey	Crédit Agricole Cheuvreux Menkul Degerler A.S.	Capital Markets Board (CMB)

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