

3Q10 (TLmn)	Revenues	EBITDA	Net Income
Announced Figures	13,879	1,495	659
Consensus Estimate	14,877	1,217	633

Koc Holding announced a net profit of TL659mn in its 3Q10 financial statements slightly above the consensus estimate of TL633mn. The Company recorded TL466mn net profit in the same period a year ago. We find the 3Q10 results healthy with 9% growth at the top line and 41% at the bottomline. Bottomline bolstered with the TL179mn financial income compared to TL37mn income a year ago. While domestic demand in automotive sales exhibited impressive growth, YKB posted an excellent performance in terms of volume growth in loans and deposits in 3Q10. All in all, we observed improvement in margins in 3Q10, especially at the EBITDA level with the exception of Durables segment. Meanwhile, Koc Holding's net cash position stood at \$775mn. We believe Koc Holding will continue to benefit from the strong demand environment until year-end. The stock is currently trading at an 10% discount to its current NAV. The two year historical average discount for the Holding stands at 11%. Our 2011-end target price of TL8.60 implies 14% upside potential. While we maintain our Market Perform rating we keep a close eye on the stock.

Koc Holding's total revenues reached TL13.87bn in 3Q10, up by 9% YoY. Revenues from Energy segment marked the highest growth with 14% on the back of higher oil prices. Despite the lack of tax incentives, automotive sales were also up by 4% YoY on the back of strong demand. The durables sector contracted by 1% YoY; the finance segment also exhibited 3% YoY growth. Energy segment continue to dominate the revenue with 58% contribution followed by durables (14%) and automotive (13%). Finance accounted for a mere 10% of the Holding's top line.

Koc Holding generated TL1,495mn of EBITDA in its consolidated 3Q10 results, up by 18% YoY, compared to TL1,265mn of EBITDA in 3Q09. Except the durables segment all other segment exhibited EBITDA growth with finance segment taking the lead with 75%. The contribution of energy segment remained the highest with 36% followed by finance segment with 30%.

On a QoQ basis, Koc Holding's 3Q10 EBITDA was up by 9% due to the strong performance of the automotive and finance segments.

Financial strength continues, but some deterioration in net cash. Koc Holding's net cash position at the Holding level inched by US\$55mn from US\$720mn to US\$775mn. Koc Holding recorded an FX gain of TL24mn in 3Q10 versus an FX gain of TL88mn in 3Q09.

Privatizations on the watch-list. Koc Holding plans to use its net cash to strengthen its position in core businesses through restructuring and consolidation, to evaluate opportunities for organic and inorganic growth and increase its competitiveness in its core sectors as stated in its 2010 targets including energy business. We expect Koc Holding to be more active in the gas distribution privatizations and energy generation asset privatizations.

Summary Financials (mn TL)	3Q09	4Q09	1Q10	2Q10	3Q10	9M09	9M10	% Change		
								3Q10/3Q09	3Q10/2Q10	9M10/9M09
Net Sales	12,729	12,125	11,104	13,492	13,879	32,707	38,475	9%	3%	18%
Gross Profit	2,468	2,173	1,978	2,224	2,494	6,712	6,695	1%	12%	0%
Operating Profit	1,229	1,011	847	1,113	1,228	2,794	3,250	0%	10%	16%
EBITDA	1,265	1,271	1,102	1,376	1,495	3,459	3,973	18%	9%	15%
Net Income	466	296	359	407	659	1,133	1,425	41%	62%	26%
Cash and Near Cash	11,267	11,960	14,072	14,228	13,387	11,267	13,387			
Total Financial Debt	14,376	14,920	14,503	15,677	14,410	14,376	14,410			
Net Cash	-3,109	-24,397	-432	-26,289	-25,822	-3,109	-25,822			
Working Capital	4,101	4,025	2,657	3,244	3,628	4,101	3,628			
Shareholders Equity	18,126	18,782	19,309	19,386	20,500	18,126	20,500			
Ratios										
Gross Margin	19.4%	17.9%	17.8%	16.5%	18.0%	20.5%	17.4%	-1.4 pp	1.5 pp	-3.1 pp
Operating Margin	9.7%	8.3%	7.6%	8.3%	8.8%	8.5%	8.4%	-0.8 pp	0.6 pp	-0.1 pp
EBITDA Margin	9.9%	10.5%	9.9%	10.2%	10.8%	10.6%	10.3%	0.8 pp	0.6 pp	-0.2 pp
Net Profit Margin	3.7%	2.4%	3.2%	3.0%	4.7%	3.5%	3.7%	1.1 pp	1.7 pp	0.2 pp

Segmental Breakdown

Sales Breakdown

mn TL	2Q09		3Q09			1Q10		2Q10			3Q10			9M09		9M10		Growth			Segment Contribution		Change
	2Q09	3Q09	1Q10	2Q10	3Q10	9M09	9M10	3Q10/ 3Q09	3Q10/ 2Q10	9M10/ 9M09	3Q09	3Q10											
Energy	5,867	7,348	6,303	7,835	8,341	17,636	22,478	14%	6%	27%	58%	60%	2.4 pp										
Automotive	1,514	1,712	1,549	1,841	1,780	4,211	5,170	4%	-3%	23%	13%	13%	-0.6 pp										
Durables	1,816	1,812	1,539	1,914	1,796	5,046	5,248	-1%	-6%	4%	14%	13%	-1.3 pp										
Finance	1,496	1,220	1,164	1,217	1,252	4,183	3,633	3%	3%	-13%	10%	9%	-0.6 pp										
Other	536	637	549	686	711	1,630	1,946	12%	4%	19%	5%	5%	0.1 pp										
Total	11,231	12,729	11,104	13,492	13,879	32,707	38,475	9%	3%	18%	100%	100%											

EBITDA Breakdown

mn TL	2Q09		3Q09			1Q10		2Q10			3Q10			9M09		9M10		Growth			Segment Contribution		Change
	2Q09	3Q09	1Q10	2Q10	3Q10	9M09	9M10	3Q10/ 3Q09	3Q10/ 2Q10	9M10/ 9M09	3Q09	3Q10											
Energy	506	458	316	479	535	1,287	1,330	17%	12%	3%	36%	36%	-0.4 pp										
Automotive	153	168	149	188	189	437	526	12%	0%	20%	13%	13%	-0.6 pp										
Durables	266	314	199	247	232	668	678	-26%	-6%	1%	25%	16%	-9.3 pp										
Finance	327	258	387	399	450	896	1,236	75%	13%	38%	20%	30%	9.7 pp										
Other	61	68	51	63	90	171	204	32%	43%	20%	5%	6%	0.6 pp										
Total	1,313	1,265	1,102	1,376	1,495	2,193	3,974	18%	9%	81%	100%	100%											

EBITDA Margin

mn TL	2Q09		3Q09			1Q10		2Q10			3Q10			9M09		9M10		Change		
	2Q09	3Q09	1Q10	2Q10	3Q10	9M09	9M10	3Q10/ 3Q09	3Q10/ 2Q10	9M10/ 9M09										
Energy	9%	6%	5%	6%	6%	7.3%	5.9%	0.2 pp	0.3 pp	-1.4 pp										
Automotive	10%	10%	10%	10%	11%	10.4%	10.2%	0.8 pp	0.4 pp	-0.2 pp										
Durables	15%	17%	13%	13%	13%	13.2%	12.9%	-4.4 pp	0 pp	-0.3 pp										
Finance	22%	21%	33%	33%	36%	21.4%	34.0%	14.8 pp	3.1 pp	12.6 pp										
Other	11%	11%	9%	9%	13%	10.5%	10.5%	1.9 pp	3.5 pp	0 pp										
Total	12%	10%	10%	10%	11%	6.7%	10.3%	0.8 pp	0.6 pp	3.6 pp										

Garanti Securities

Etiler Mahallesi Tepecik yolu Demirkent Sokak
No.1 34337 Beşiktaş, İstanbul

ICM: +90 212 384 11 50
Facsimile: +90 212 352 42 40
E-mail: research@garanti.com.tr

The information in this report has been obtained by Garanti Securities Research Department from sources believed to be reliable. However, Garanti Securities cannot guarantee the accuracy, adequacy, or completeness of such information, and cannot be responsible for the results of investment decisions made on account of this report. This document is not a solicitation to buy or sell any of the securities mentioned. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice. This report is to be distributed to professional emerging markets investors only.