

### Agenda

#### 04 Monday

- TurkStat, November inflation
- U.S., October factory orders

#### 05 Tuesday

- CBRT, November inflation assessment and REER
- Eurozone, October retail sales
- U.S., October trade balance
- U.S., November ISM non-mfg

#### 06 Wednesday

- Germany, October factory orders
- U.S., November ADP employment

#### 07 Thursday

- Germany, October industrial production
- U.S., jobless claims

#### 08 Friday

- TurkStat, October industrial production
- U.S., November non-farm payrolls, unemployment rate and average hourly earnings
- U.S., October wholesale inventories
- U.S., December Michigan consumer confidence

#### Outlook:

Global stocks markets generally declined midweek. The BIST100 also closed 0.9% lower at 105,304, where the banking index shed 1.6%, in parallel with the global retreat among major stock indices. Total trading volume in the Turkish stock market was at TRY 6.1bn. Today, there are no major local data announcements. Market participants will, however, follow Germany's October industrial production and jobless claims data from the US. Meanwhile, as its impact on the markets diminishes, developments in the Zarrab case in the US will be followed. Asian markets have been trading mixed today, with the Chinese trading lower, while the European markets are expected to open positively. We expect the BIST to open on a slightly positive note, with some volatility to persist during the day. RESISTANCE: 106,000-106,800 SUPPORT: 105,000-104,300.

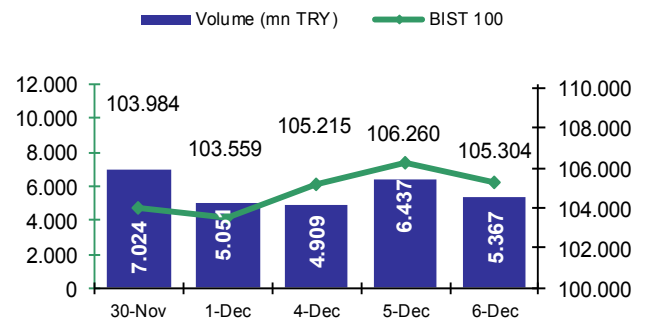
#### Money Market:

The Lira was positive yesterday, gaining 0.54% against the USD to close at 3.8515. Additionally, the currency appreciated by 0.64% against the basket composed of \$0.50 and €0.50. Meanwhile, the local fixed income markets were negative. The two-year benchmark bond ended at 13.36%, 4 Bps above its previous close.

#### Company News:

**TAV Airports Holding (TAVHL.TI; OP) - TAV Airports Holding's total Pax growth accelerated significantly to +20.0% YoY in November 2017 (9.0mn Pax), following a +12.0% YoY rise in October 2017.** According to figures shared by TAV, international traffic growth in the terminal operator's biggest operation Istanbul Ataturk International Airport has accelerated markedly to +20.4% YoY (Oct 2017: +12.4% YoY), attributable to a weak base and strong revival of demand throughout 2017. TAV Airports Holding's total Pax growth, thus, reached 9.1% YoY in 11M17, which exceeds the group's year-end guidance of 6-8%. We expect the announcement to reflect positively on the group's short-term share performance.

- Pax traffic at TAV's biggest operation Istanbul Ataturk International Airport continued recovering strongly with eye-catching acceleration, by +16.5% YoY (Oct 2017: +10.0% YoY), as international Pax traffic surged +20.4% YoY (Oct 2017: +12.4% YoY), supported by domestic Pax traffic growth of +8.8% YoY (Oct 2017: +4.7% YoY).** Growth in the total number of passengers served in TAV's other Turkish operations has remained strong, too, excepting Gazipasa (a summer tourist destination) in November 2017. Total Pax served in Ankara, for example, accelerated notably to +32.2% YoY in November 2017 (1.4mn, Oct 2017: +24.3% YoY) with the acceleration of domestic Pax growth to +31.8% YoY (Oct 2017: +23.7% YoY), while international Pax growth also accelerated to +36.7% YoY (Oct 2017: +29.4% YoY). Pax traffic in Izmir also accelerated to +11.4% YoY (Oct 2017: +8.9% YoY). Total number of passengers served in Gazipasa airport, however, has retreated by -16.1% YoY to ca.23k in November 2017 (Oct 2017: +25.0%), mainly with >>>



Indices (TRY)	Previous	Last	Chg.	YTD
BIST 100	106.260	105.304	-0,90%	34,77%
BIST 30	130.917	129.463	-1,11%	35,57%
BIST-Financial	125.479	124.047	-1,14%	19,74%
BIST-Industrial	119.099	118.166	-0,78%	41,37%
BIST-Services	75.971	75.826	-0,19%	52,80%

Advances		Declines		Most Active	
Stocks	(%)	Stocks	(%)	Stocks	Vol (TR)
VAKKO	16,26	KNFRT	-4,75	HALKB	715.325.036
HATEK	13,18	EDIP	-4,20	THYAO	627.689.444
ALYAG	7,89	ANELT	-3,85	GARAN	328.074.703
MRGYO	7,24	BTCIM	-3,59	KRDMD	264.670.307
DAGI	7,18	KERVY	-3,54	AKBNK	254.668.921

Money Market	Previous	Last	Pr. Mn	YE15
O/N Repo (%)	11,78	11,78	11,77	9,50
Euro Bond (30 year, \$)	151,53	151,53	151,53	147,10
Bond (Benchmark, %)	13,32	13,36	13,29	10,94

Currency	Previous	Last	Chg.	YTD
US\$	3,8725	3,8515	-0,54%	8,88%
Euro	4,5765	4,5435	-0,72%	22,62%
Euro/Dolar	1,1796	1,17913	-0,04%	12,51%

Commodity	Previous	Last	Chg.	YTD
Oil (Brent spot, \$)	61,2	61,3	0,20%	8,07%
Oil (NYMEX future, \$)	56,0	56,0	0,14%	3,99%
Gold (Ounce, \$)	1.264,8	1.262,2	-0,21%	9,62%
Silver (XAG, \$)	16,0	16,0	-0,25%	0,13%

Şeker Funds	Previous	Last*	Chg.	YTD
Şeker Portfoy Equity Fund	0,453458	0,449929	-0,78%	32,94%
Şeker Portfoy Debt Instruments	0,026366	0,026349	-0,06%	7,35%
Şeker Portfoy Money Market	1,217720	1,218061	0,03%	10,13%
Şeker Portfoy Mix Fund	0,023789	0,023901	0,47%	21,41%
Şeker Portfoy Gold Fund	0,024104	0,023902	-0,84%	16,38%
Şeker Portfoy Short T. Debt	0,014559	0,014563	0,03%	9,94%

\* Prices as of 07-Dec-17

- ◆ >>> international traffic growth decelerating to -41.1% YoY from a +27.2% YoY increase in October. Total Pax growth at Milas-Bodrum Airport also slowed to +18.9% YoY in November 2017 (Oct 2017: +4.1% YoY).
- ◆ **Growth remained eye-catchingly strong in Georgia as well, and has picked up markedly in Medinah; Pax growth in TAV's international operations (ca.13% of total Pax in Nov 2017) decelerated somewhat to +13.2% YoY in (Oct 2017: +13.6% YoY):** Total Pax growth in Georgia remained quite strong at +40.5% YoY (Oct 2017: +40.8% YoY) with increasing traffic from Russia, the CIS, Israel & Iran. In Medinah, passenger traffic growth showed a significant recovery reaching +48.0% YoY (Oct 2017: -14.5% YoY). Growth slowed notably down in Tunisia, to +8.6% YoY in November 2017 (Oct 2017: +35.4% YoY), and in Macedonia decelerated to +15.3% YoY (Oct 2017: +21.4% YoY). Pax growth also decelerated in Zagreb operations to +12.5% YoY (Oct 2017: +17.4% YoY).

**Turkcell (TCELL.TI; OP), Turk Telekom (TTKOM.TI; OP)** The planned reduction of the Special Communication Tax (SCT) to 7.5% on all communication services, which was applied at 25% on mobile voice revenues, 15% on fixed voice revenues, and 5% on data, has become law. Additionally, the wireless fee currently calculated and paid on the basis of a function of the number of base stations and channels is determined at 5% of the monthly net sales revenues of mobile operators. Telecom sector officials generally agree that these expected simplifications will be beneficial for all operators in terms of the predictability of such expenses; the new wireless frequency fee calculation method could also incentivize investments. We reckon that the decision may provide a relatively more level operating field for telecom operators, and in terms of its current revenue distribution, estimate that Turk Telekom might benefit from the simplification of the SCT rates to 7.5% in the short-to-medium term, in terms of placing its offers and customer perception.

**Turk Telekom (TTKOM.TI; OP)** At a press conference yesterday, Turk Telekom CEO, a position he has now also enlarged to Customer Experience Officer, has shared the operator's 5 year plan, which has two >>>

World Indices					
America	Previous	Last	Chg.	YTD	
Dow Jones (US)	23.377	24.181	3,44%	22,36%	
Nasdaq (US)	6.728	6.762	0,51%	25,62%	
S&P 500 (US)	2.575	2.630	2,11%	17,45%	
Bovespa (Brasil)	74.308	72.697	-2,17%	20,71%	
Europe	Previous	Last	Chg.	YTD	
Dax (Germany)	13.230	12.929	-2,27%	12,61%	
FTSE 100 (UK)	7.493	7.344	-1,99%	2,81%	
CAC 40 (France)	5.503	5.349	-2,81%	10,00%	
MIB30 (Italy)	22.794	22.315	-2,10%	16,01%	
PSI20 (Portugal)	5.476	5.367	-1,98%	14,70%	
ASE (Greece)	759	727	-4,19%	13,03%	
RTSI (Rusia)	1.113	1.130	1,51%	-1,92%	
Asia	Previous	Last	Chg.	YTD	
Nikkei (Japan)	22.012	22.177	0,75%	16,02%	
Hang Seng (Hong Kong)	28.246	28.225	-0,07%	28,29%	
Shanghai Comp. (China)	3.393	3.294	-2,93%	6,13%	
KOSPI (South Korea)	2.523	2.474	-1,94%	22,10%	
Sensex (India)	33.213	32.597	-1,85%	22,42%	
Turkdex (Set. Price)	Previous	Last	Chg.	YTD	
INX30 (DECEMBER 17)	132,150	130,775	-1,04%	35,83%	
USD (DECEMBER 17)	3,9660	3,948	-0,45%	10,73%	
EURO (DECEMBER 17)	4,7202	4,680	-0,85%	24,18%	
GOLD (DECEMBER 17)	157,99	157,98	-0,01%	18,51%	
Portfolio Recommend.	Inclusio Date	Inclusio Price	Last Close	Chg. (%)	BIST Relative
Tofas	30.01.17	25,84	31,50	21,9%	-3,0%
Turkish Airlines	06.12.17	12,80	12,73	-0,5%	0,4%
Migros	09.11.15	19,05	23,00	20,7%	-6,1%
Turk Telekom	02.08.17	7,08	5,94	-16,1%	-15,1%
Turkcell	22.02.17	11,80	14,94	26,6%	7,0%
Portfolio Yield (yoy)				36,2%	-0,4%
Portfolio Yield (mom)				-6,6%	-0,8%

\*Starting date of portfolio 30/11/2004

>>> main pillars i) touching individuals' everyday lives with new products and services and continuing profitable growth and ii) investing in next generation technologies and developing value added solutions to support the digital transformation of Turkish corporations. According to reports, Mr. Doany also shared the company's target of increasing Turkey's Internet penetration to 70% - the levels observed in EU countries - from the current 48%, and its mobile TV market share to 30%, in parallel to its mobile business growth. The CEO said that the company would continue carrying out venture capital investments, and aims to raise its EBITDA margin to 40% from current levels (Şeker Invest 2017E: ca.36%), while reducing its capex/sales ratio to 15% from ca.20% (Şeker Invest 2017: ca.18%) by investing in smaller telco companies. Doany mentioned Türk Telekom unit Argela's deal with Telefonica on radio slicing to carry out venture capital investments in healthcare and energy, and that it would announce 5 additional such investments soon to cooperate with power grid operators, which would support its Internet penetration without raising debt. Doany also shared that the IPO of TT units Innova and Argela is being considered. The CEO emphasized that Turk Telekom's own debt and operations were totally isolated from the Oger debt issue, and that it would address its debt once the owner issue was resolved. We believe the CEO's 5 year, long-term outline once again proves the company's commitment to its management and the Turkish market. Our LT EBITDA margin estimates are currently below the margins aimed at by the company, and our capex/net sales assumptions are higher, leading to a 12M TP of TRY 8.20/sh for the company shares. We believe we may raise our long term assumptions with the rising contribution of these changes. We therefore expect the CEO's sharing of long term plans to create a positive sentiment on the company's share performance.

**Türk Telekom (TTKOM.TI; OP)** Regarding the amendments in the tax code introduced on Tuesday, which enabled the restructuring of disputed Treasury fees in the electronic communication sector as well, Turk Telekom has shared that it will assess the related regulations, followed by its decision regarding wholly-owned subsidiary Avea's related litigation process. Recall that Avea had been alleged to have underpaid Treasury shares by a principal sum of TRY 117.4mn for its 2G, and TRY 66.7mn for its 3G services for periods including 2012-2013; the alleged underpayments were essentially due to invoice discounts. In addition to the principal amounts, interest payments were also claimed. Additionally, the ICTA had notified the operator of penalties at 3.0x principal amount of alleged underpayments for 2011, 2012 & 2013. The recently-introduced amendments in the tax code, which allow for the settlement of such disputed receivables of the Treasury, suggest that Avea may pay out the principal sum of alleged claims, plus interest at the DPPI rate provided that it waives all cases against these payments. We understand that the company feels rather positive on the claimed payments related to its 3G services, based on the Council of State's latest stay of order decision in favor of Avea for the year 2009, while the legal process continues. Therefore, we understand that the company will have to >>>

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>>> make and communicate an assessment. Turk Telekom had set a total of TRY 119.9mn of provisions aside for the additional Treasury claims. We calculate that the operator's decision on a settlement may roughly lead to additional TRY 100-150mn expenses, compared to our NI estimates of TRY 1.2bn and TRY 2.7bn for 2017E & 2018E, respectively, while choosing the other option would depend on the results of continuing litigation processes. Separately, the company has communicated that it will increase Avea's paid-in capital of TRY 11,200mn to TRY 15,800mn by converting its shareholder loan receivables, in order to strengthen its financial structure and reduce the impact of the financing costs of the shareholder loans on the Avea's balance sheet and financial structure. The reduction in Avea's financing costs would, on a consolidated basis, support Turk Telekom's net income by a somewhat lower effective tax rate.

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