

26.04.2006

Previous Report	-	Current MCAP (US\$ mn)	Target MCAP (US\$ mn)
Recom. Change	-	132.15	167.00

Free Float (%)	Price YTL		Price USc	
	26.04.06	Target Share	26.04.06	Target Share
20.00	3.90	4.92	2.97	3.71

INDEX is Turkey's major technology products distributor...

INDEX purchases IT products from suppliers as a broad line distributor in IT sector, with fixed prices and terms, and then sells these products to dealer networks that would sell them to the end user.

In between 2004-2009, IT Sector is expected to grow by 20% in average...

It is estimated that, in 2006, the IT sector will reach \$ 4.1 US billions. In order to reach \$ 4.1 US billions, the sector has to grow by 22.72 %. In between 2004-2009, it is expected that the sector will grow by 20% in average. Lately in Turkey, it has been observed that both in the corporate and domestic market, there has been an important increase in the use of computers and IT products. The number of the ADSL subscribers, a broadband technology providing faster Internet connection, has reached 1.9 millions. It is targeted that this number reach 10 millions in three years. It can be asserted that in reaching this target, the PC prices, the increasing governmental expenditures in the IT sector (i.e. e-government, ADSL investments), the sensitivity of the younger generation towards technology, and the efforts to increase the per capita PC number, which, in Turkey, is low compared to the world in general, would all be effective.

INDEX, as being the major player, will be positively affected by the growth of the sector...

In the days to come, the e-government and EU adaptation process projects, within the new structure of the telecommunication sector, the acceleration initiatives of the technical infrastructure and software investments of both the newcomers and existing players in order to be strong in the new competitive environment, the efforts of the SMEs in the information era to improve their company scales by using e-commerce, and the activation of the postponed investments of the banking sector, Turkey's leading sector as for the technology investments, and the efforts to grow by the foreign investors in the sector, would all contribute to the development of the Information Technologies sector. With the influence of all these developments, it is expected that in 2007, 2.07 millions of PCs will be sold. It is estimated that between 2004 and 2009, the PC market would grow by 29.60%, and that the share of the desktop computers would be 65% in the gross sales. We think that, as INDEX Computer has a market share of 28.07% in IT sector (excluding the Services) and 33% in Hardware, the Company will be positively affected by the growth of the sector.

Among the 2006 plans, there is also the establishment of a new company that would provide with on-demand logistic services in line with the needs of the partners...

INDEX Computer has purchased the shares and the 99.9% of the immovable of Karadeniz Örne Sanayi A.Ş., a firm in liquidation, for \$ 15 US millions. This amount has been paid through the loan taken from Akbank with an interest rate of 7.8%. The pay back period of the loan is 10 years. The Company will pay back to the Bank \$ 210.000-215.000 US per month. (This amount will decrease as the payments are made.) When we deduct the amount paid to the places, before the purchase of Karadeniz Örne AŞ, by the company that it used as warehouses, from the amount of loan paid back, there occurs \$ 80.000 US output. The place in Maslak purchased from Karadeniz Örne has been started to be exploited as warehouse. It is envisaged to move there in September 2006. The Company plans to make \$ 1.4 US millions of investment to this place.

When making the evaluation of the Company, we used three methods. In our first method, we reached a value of \$ 189 US millions according to DCF. According to the international equivalent company comparison, we reached \$ 147 US millions, while we reached \$ 125 US millions according to the national equivalent company comparison. When we calculate the average of the three evaluation methods, we used 60% for the DCF analysis, 20% for the international comparison and 20% for the national comparison, and reached an average value of \$ 167 US millions. With a comparison to the actual market value, the shares bear a discount rate of 26.37. For the stock, our recommendation is "BUY".

Reuters Code	Sector	RECOM. BUY
INDEX.IS	IT	

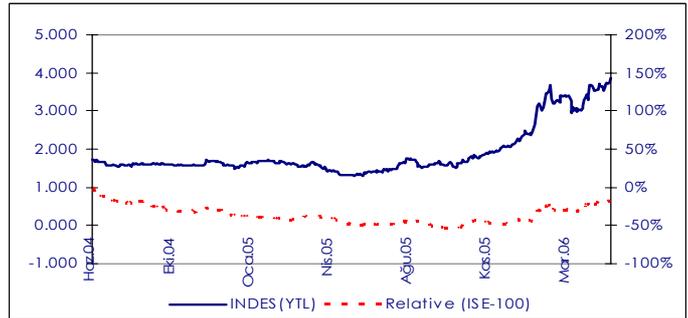
Market Ratios	2005/12	2006E	2007E
P/E	9.63	13.59	11.76
EV/Net Profit	10.20	15.87	13.80
EV/Net Sales	0.16	0.26	0.23
EV/EBITDA	4.55	7.21	6.32

FINANCIAL RATIOS (Mn USD)	2005/12	2006E	2007E
Total Financial Loans	18.00	33.00	37.00
Net Cash	-4.90	-28.00	-29.00
Net Sales	563.08	736.05	840.50
Operating Profit /Loss	34.19	44.16	50.43
EBITDA	19.30	27.04	31.02
Net Profit	8.62	12.29	14.20

E:Hedef Securities Inc. Research Department Estimations
N.A: Not Available

Shareholder's Title	Share (%)	Share Amount In Capital (YTL)
Nevres Erol Bilecik	39.96	17,981,719
Pouliadis and Associates	35.00	16,000,000
S.A		
Publicly Traded	19.89	8,949,130
Others	4.59	2,069,145

PERFORMANCE (ISE&INDEX)



Our Rating System: On iki aylık dönem için Dolar bazlı beklentimizi yansıtan derecelendirme ölçeğimiz, şirketin hesapladığımız uygun değeri (fair value) ile cari piyasa değeri arasındaki farka göre düzenlenmiştir. Buna göre;

STRONG BUY	%30 plus US\$ performance over the next 12 months
BUY	%15 to %30 US\$ performance over the next 12 months
BUY (KADEMELİ)	%5 - %15 US\$ performance over the next 12 months
HOLD	%0 - 5 US\$ performance over the next 12 months
MARKET PARALLEL	Piyasa değeri hesaplanan değerinden %0 - 5% oranında yüksektir.
SHORT-TERM SELL	Piyasa değeri, hesaplanan değerinden %5 - 15% oranında yüksektir.
SELL	Zayıf mali yapıya sahiptir ve/veya %15'den fazla değer kaybetme riski bulunmaktadır.

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INDEX is Turkey's major technology products distributor...

INDEX is an IT Holdings, controlling 5 companies...

INDEX purchases IT products from suppliers as a broad line distributor in IT sector, with fixed prices and terms, and then sells these products to dealer networks that would sell them to the end user.

When we examine the shareholding structure of the Company, there we conclude two major shareholders, namely, Nevres Erol Bilecik, holding 39,96% of the shares, and Pouliadis and Associates S.A., a Greek company holding 35,56% of the shares, who has purchased, in 2000, 50% of the shares of INDEX, and whose fields of activity, through the 30 IT sector subsidiary companies, are information technologies, software development, services, telecommunication, Internet and e-commerce. The Group Pouliadis is a leading IT products dealer of Greece. The four companies of the Group Pouliadis, namely, Pouliadis & Associates S.A., Despec Hellas S.A., PC Systems S.A. and Quality and Reliability S.A. are all quoted to the Athens Stock Exchange. **The Company holds 59,24% of Datagate, 70% of Neteks, 80% of Neotech, 99,8% of Infin Computer and 69,87% of Inko Communication, all Group companies. The rate of shares of the Company offered to the public is 19,89%.**

Chart 1: Shareholder Structure In Participations'

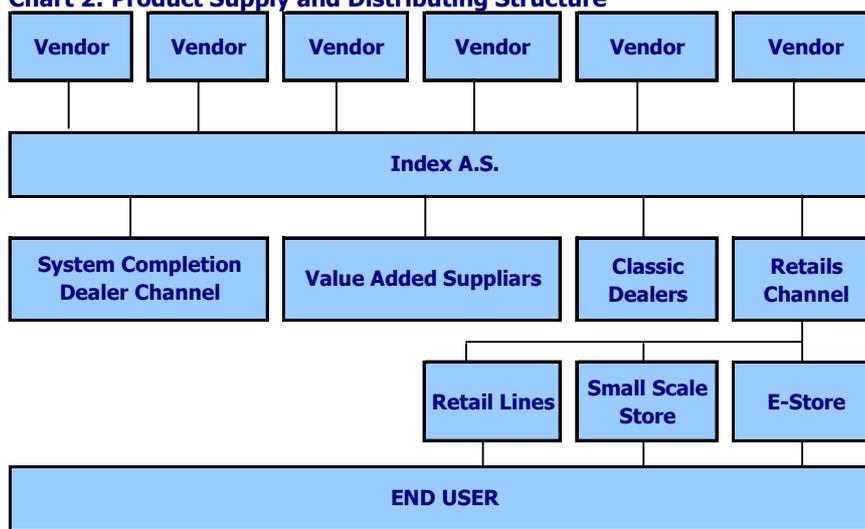
Company Name	Capital	Directly Participation %	Indirect Participation %
Datagate	6,600,000	59.24	59.24
Neteks	243,000	70.00	90.40
Neotech	100,000	80.00	80.00
Infin	50,000	99.80	99.80
Inko	150,000	69.87	69.87

Source:Company

90% of the sales volume are realized through the products of international companies....

The hardware and software suppliers of the Company are divided into three major groups. Two of these three groups are comprised of the international producers and suppliers. **It's noted that the 90% of the sales volume of the Company are realized through the products of these international companies.**

Chart 2: Product Supply and Distributing Structure



The global brands active in Turkey: These global companies (IBM, HP, CISCO, MICROSOFT, XEROX, APC, EPSON, TOSHIBA, FUJITSU SIEMENS, PANASONIC) prefer to work with distributors, lower in number, as they do not want to directly transact with a great number of customers and the distribution and collection operations. The global brands keep a close eye on the performances of the distributor companies, and control their work plans. They support the distributors by co-developing marketing campaigns. When selling to the grand customers, they generally direct those customers to their distributors.

DISTRIBUTION CHANNEL

The domestic PC suppliers and producers: It is the distributor companies who supply the production materials to the domestic PC producers (i.e. ESCORT, BEKO, VESTEL). The domestic producers don't distribute their products themselves; instead they started to carry out their distribution operations, in order to be able to focus on their production activities, through other vendors.

INDEX, as a distributor company, purchases the production materials from the suppliers, and then sells these products to the dealer networks that would alternately sell them to the end user. The dealer networks can be examined under three categories.

Solution-providing Dealer Channel: As for the number of staff, these are the companies with a staff number of at least 100 and over. The old companies of the sector take place within this group. These companies intensely share the projects they carry out with the producer and distributor companies. The main objective of the companies within this channel is to adapt the latest technologies to the corporate customers.

Classic Dealers: These are the quite small firms with a number of staff of about 5 to 25. The target audiences are the SMEs and the domestic market. With a numerical expression, there are approximately 4,000–5,000 of them in Turkey, and they constitute the largest group in the IT sector. Their rate of know-how is low, due to the fact that their target market is the customer groups using the technology at lower levels and that they have access to limited resources. These firms transact wholly through the sources of distributor companies. Instead of the trademarks, the sales cover mainly the OEM products and the peripherals.

Value Added Dealers: The staff numbers of these dealers vary between 25 and 100. The capital structures of these firms are more limited. Thanks to their young and dynamic structure, they can work with lower profit margins, through their relatively shorter decision-taking process and lower costs. The target markets are generally the corporate customers with one-location and the multinational companies. Although they don't take part in big projects, they have become the preference of their customers through their close pursue of technology as well as their young and dynamic structure. The main areas of support of the distributor companies towards those firms are financial, logistic and product info.

Retail Channel: The sales organizations of the stores with showcases take place in this category.

-Retail Chains: The Retail Chains are the big groups having more than one shop under the same name, such as CarrefourSA, Escortland and Teknosa. The main field of activity of some of them is computers. Computers are the secondary field of activity for some others, such as Metro Hypermarket.

-Classic Shops: In these shops only the shopkeeper and some sales consultants work, and they work with highly-limited resources. Their whole focus is on computers.

-E-retail: This chain is entirely composed of the online stores which had established a online shop on the Internet and active only via Internet.

INFORMATION TECHNOLOGIES SECTOR

The introduction of PCs to Turkey dates back to the early 90s. Although the sector has registered a great development between 1990 and 1995, the use of PCs has been limited with workplace and academic users. And at the late 90s, the increase in the use of PCs has made the information technologies industry become the fastest growing sector of Turkey. The Turkish IT industry, achieved its greatest volume of transactions in 2000 with \$ 2.4 US billions, has decreased this number in 2001 by 46% and thus realized \$ 1.31 US billions, as a result of the economic crisis in the late 2000, and the postponement of the needs of the private and the public sectors on IT industry. With the positive developments in macroeconomic indicators at the end of 2001, the IT sector has, in 2002 and 2003, continued to grow with a CAGR (Compound Annual Growth Rate) of 20%, just like the pre-crisis period, thanks, especially, to the realization of the expected IT investments of the private sector that were once postponed.

IT spendings of Turkey has been considerably below the World average with a \$ 143 US....

Annual IT Spendings to GNP Of Countries (1993-2001)					
Country	%	Country	%	Country	%
New Zealand	10.30	Colombia	7.00	Slovenia	3.70
Sweden	8.80	France	6.90	Mexico	3.50
Australia	8.70	Czech Rep.	6.80	Turkey	3.30
Switzerland	8.40	Israel	6.60	Bulgaria	3.10
Singapore	8.30	Belgium	6.50	Philippines	3.10
UK	8.00	Finland	6.40	Thailand	3.10
USA	7.80	Germany	6.20	Russia	2.90
Canada	7.70	Hungary	6.20	India	2.70
Holland	7.50	Norway	6.10	Egypt	2.20
Denmark	7.30	Ireland	5.80	Indonesia	2.10
Hong Kong (China)	7.20	Rep. Of Korea	5.80	Gulf Countries	1.80
Japan	7.10	Malaysia	5.80	Romania	1.50
South Africa	7.10	Austria	5.60		

Source: Phjola 2003 Pohjola M(2003). The adoption Diffusion OF ICT across Countries: patterns and Determinants. IN: The New Economy Handbook. Academic Press

Chart 3: Annual IT Spendings to GNP of Countries

The worldwide expenses to the information Technologies have gained a great momentum throughout the last forty years. The countries, by making important amounts of expenditures to the information

technologies, have not only set forth considerable improvements in becoming what is called "the information society", but also have showed, by increasing the technology expenses in GNP, major developments on the way to the "efficiency".

When we examine the information Technologies expenses of the countries, we see that the developed countries have a greater part. In this expenses ratio, great amounts of economic added value are being brought, with the multiplier effect of the economy.

Our country has been ranked the 41st country between 1993 and 2001 as for the IT expenses, and it has long been considered that it has to climb up in the ranks. The most important step to achieve greater improvements on the way to development and to make up the gap between our country and the developed countries is the need to increase the IT expenses ratio in GNP.

In 2001, the World average in per-capita information and information technologies expenses has been \$ 395.3 US. Whereas the high-ranking countries spent i.e. \$ 3618 US (Switzerland), \$ 3256 US (Japan), \$ 2924 US (USA), \$ 2804 US (Denmark), Turkey has been considerably below the World average with a \$ 143 US.

E-Government executions would bounce Public investment...

Some Ministries and Public Institutions have re-put on the agenda, beginning from 2003, the investments they postponed following the economic crisis the Country went through in 2001. Especially the Ministry of National Education, the Ministry of Internal Affairs, the Turkish Telecommunication Inc., the Ministry of Defense, Turkish State Railways and Agricultural Credits Co-op. will increasingly contribute to the growth of the IT sector with their investments. **With its vast geographic area and great population, our Country, requested to make up the development gap between the developed countries and itself by developing fast and to meet EU criteria in different fields within the EU accession negotiations process, has an important amount of public investment need in order to provide the technologic development on the way to the sustainable growth and exportation by increasing our competitive power on the global scale, and to proceed to the e-government applications.**

It seems that the e-government projects and the projects within the EU accession process would all leave a mark on the year 2006....

The e-government approach, adopted within the framework of the Transformation Turkey Project, is to create a governmental frame, where the users can access the public services offered electronically from different platforms, safely, from one point, and which has focused on the needs of the citizens and the business world, offering a range of interoperating and integrated services, and which is participatory, transparent and accountable. The major e-government applications are: Central Population Management System (MERNIS), Information Sharing System, Tax Office Automation Project (VEDOP I-II), National Legal Network Project (UYAP), Customs Modernization Project (GIMOP), Police Computer Network (POLNET), Accountancy Automation System (Say2000i), Social Security Institution e-report, and Prime Ministry Laws Information System. **INDEX has taken an active role in the realization of the networking of the MERNIS Project.** When we compare the offering of public services electronically with the European Union, we see that 5 over 12 principal public services provided by the European Union regarding the citizens (tax, social security premiums, passport, denunciation to the police, e-library services) and 4 over 8 principal public services regarding the business world (insurance premiums, corporate tax, VAT and the customs) are being provided in Turkey. **While the rate of those who access the e-government services among the 25 EU Member States is 22.1 % over the total population, in Turkey this rate is 6% according to survey held in 2004 by the State Institute of Statistics. The investments to be made by the Public sector to the Information Technologies would contribute to the growth capacity of the sector. In 2006, the EU accession process will generally be one of the major reasons of activation and growth in this field in Turkey.**

INDEX takes parts in tenders on behalf of its global players...

Within the EU accession process, all sectors would, by switching their investments towards IT, try to reach the EU standards. We are of the opinion that the negotiations with the EU and the World Bank funds, especially in the public domain, would contribute to receive positive outcomes in this field. It seems that the e-government projects and the projects within the EU accession process would all leave a mark on the year 2006.

The global players apply, through their distributors, to the tenders to be opened within the e-government transformation projects. INDEX, being the broad line distributor of the major global players, takes parts in tenders on behalf of its global players. **Furthermore, it can participate into tenders on behalf of more than one global player in the same time. We take it in the interest of the Company to be able to participate in a tender as the representative of more than one company. The tenders increase the chances of the Company for total sales.**

TELECOM INVESTMENTS: The year 2005 has been an important year of transformation for the Telecommunication sector in Turkey. The privatization of the Turkish Telecom is of vital importance not only for the sector but also for the privatization itself. The succeeding sale of Telsim has also widely contributed to the liberalization of the sector. Now we estimate that, with this new structure, both the newcomers and the existing players will fasten up their technical infrastructure and software investments in order to be strong in the new competitive environment. Besides, with the grant, in the late 2006 or the early 2007, of the 3rd generation licenses, the investment needs of the operators would considerably increase. We also expect that the new investments to be made in the Sector would positively affect the Information Technology Industry.

INVESTMENTS IN THE FINANCIAL SECTOR: The banking sector, the leading sector as for the amount of technology investments in Turkey, is continuously making considerable investments, as the way to provide its customers with better services is increasingly linked to the technology. While the big banks make their investments in the Internet Banking, the small and medium sized banks use their technology investments to strengthen their retail banking channels. The banks have started to refresh their IT investments that they had postponed during the 2001 crisis, in 2003, where they had had a quite profitable period as a sector in general. The quick transformation in the services provided to the banking sector has ended with the acceleration, since 2004, of the IT investments that were already postponed. We consider that the Information Technology sector will profit from the growth that took place the last year. This growth is closely related to the IT sector. The banking and finance sector is one of the leading sectors that uses the IT products and solutions at the most. The banking sector, by overcoming the hard times that it is in, has ended 2005 with an important rate of growth. Now, it is time, for the sector, to refresh the IT investments that it had long been postponing. Therefore, we think that the IT industry will receive, in 2006, a demand from the banking and finance sector. And this would be a factor for the sector to register a greater growth rate than 2005. **In 2004, the operating costs of banks have been 3 billions 165 millions 454 thousands YTL (New Turkish Liras), and the ratio of the IT investments in this amount has decreased to 305 millions 721 thousand YTL 2004, which represents only 10% in the total expenses. In 2003, the technology investments of banks have been 333 millions 20 thousands YTL (12% of the operating costs), and 357 millions 211 thousand YTL in 2002 (16% of the total operating costs). When taken into consideration the development in technology, we think that considerable investment activities are to be undertaken. The foreign banks would work, in Turkey, with the same company with which they work in their countries of origin. As it has a wide range of customer structure, INDEX Computer is to be positively affected by the investments in the banking sector. This sales operation will be carried out with a lower margin as compared to the domestic sales operations. This is because the sales are realized on the basis of the prices applied in the foreign market. Even though it does not bring great advantage to the companies as for the profit margin, the fact that the quantities of sales would be greater would also bring positive outcomes.**

SMEs: It's concluded that in order for Turkey, one of the major countries as for the foreign trade volume, to take bigger shares from the international commerce and to achieve sustainable economic and social growth, our country has to take more benefit from the e-commerce in our present information era, and spread this out to all business processes, and develop methods, within the framework of the strategies that should be established before the rivals.

The developing technologic structure has fastened up the investments related to the Internet, and thus the Internet Service Providers (ISPs) have increased the quality of the services and the product range. The increasing competition between the ISPs has accelerated the infrastructure investments,

and with the support of the Internet by the media, Internet and the demand for it among the low and middle income classes have increased. It is an unavoidable fact that companies will take greater roles in the international commerce with the possibilities the technology brings through the intense use of Internet during our information era, and the SMEs, which are the basic factors of the economy, will not only improve their company scales but also contribute considerably to the economies of their respective countries, by using the e-commerce in our actual information era. Nearly each and every big company has already installed their Internet connections. And among the SMEs also, there has started a fast development in this subject. Having a Web address has become a matter of prestige.

Especially for the SMEs, e-commerce is a very suitable commerce type. Thanks to e-commerce, the product alternatives and the quality of products have increased; there is more effective marketing, and the goods and services are delivered and paid in shorter periods of time. It gives the opportunity to the potential worldwide consumers to gain information on the products offered on the global scale, and to the new producers to enter into the world markets. The introduction to the market of the products with lower prices but higher qualities causes the increase of competition among the producers and the decrease of the costs of transactions.

The study dated 2000 and 2003, carried out by Microsoft (the SME Survey Report) has set forth the technologic situations of the SMEs, and striking results, as well. In the 2003 report;

Chart 4: SMEs Comparison In Respect Of Countries

SMEs Comparison In Respect Of Countries							
	USA	England	Germany	France	Brazil	China	Turkey
SMEs Number Using PC's	6,904,000	2,498,000	2,002,500	1,790,000	1,073,000	1,508,000	230,000
PC Penetration	91.00%	96.00%	90.00%	87.00%	72.00%	35.00%	23.00%
PC Total	43,090,000	12,045,000	16,800,000	16,700,000	5,090,000	9,815,000	855,500
Average IT Budget	7.533\$	6.440\$	12.000\$	16.850\$	35.79\$	14.711\$	5.162\$
Internet Usage	80.00%	79.00%	83.00%	77.00%	76.00%	70.00%	80.00%
Web Sites	45.00%	42.00%	57.00%	46.00%	34.00%	52.00%	53.00%
Total Users of E-Commerce	22.00%	16.00%	22.00%	35.00%	14.00%	30.00%	7.00%

Source: ProCon, GFK,AMI, Microsoft

✂ It's been concluded that the PC penetration among the SMEs is 23%. In developed countries, PC penetration ratio is 90%.

✂ The use of Internet has increased, in 3 years, from 72% to 80%. In developed countries, this ratio is approximately 80%.

✂ As for the Internet connection, the leading way, with a ratio of 79%, is the low-speed dial-up connection. In developed countries, this ratio is under 40%.

✂ E-commerce investments have increased, in 3 years, from 2% to 7%. In developed countries, this ratio varies between 20-30 %.

✂ The number of companies having a web site has increased, in 3 years, from 40% to 53%. In developed countries, this ratio is between 40-52 %.

Turkey is considered a country having considerable potential in the Internet market...

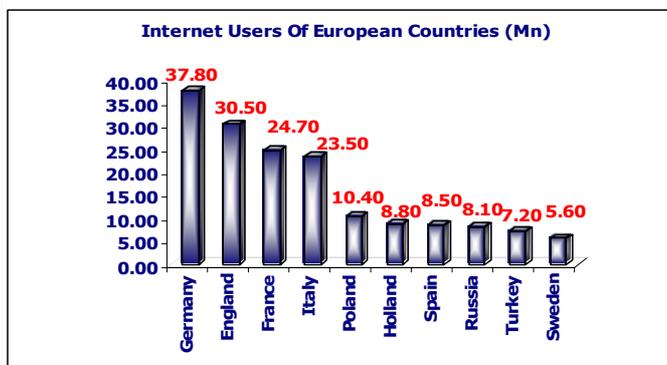


Chart 5: Internet Users of European Countries

The "European Online" survey, carried out by E-Marketer, has set forth that Turkey, even though not yet an EU Member, is amongst the top ten countries as for the number of Internet users. **According to the survey, the total volume of these ten countries, which includes 79% of the European Internet market, is**

composed of 165 millions of users. In general, the West European countries are ranked the highest, but it's been remarkable that countries like Turkey and Russia, non-members of the EU, have been ranked among the top ten. Turkey, ranked 9th over ten with its more than 7 millions of Internet users, is considered a country having considerable potential in the Internet market.

In between 2004-2009, IT Sector is expected to grow by 20% in average....

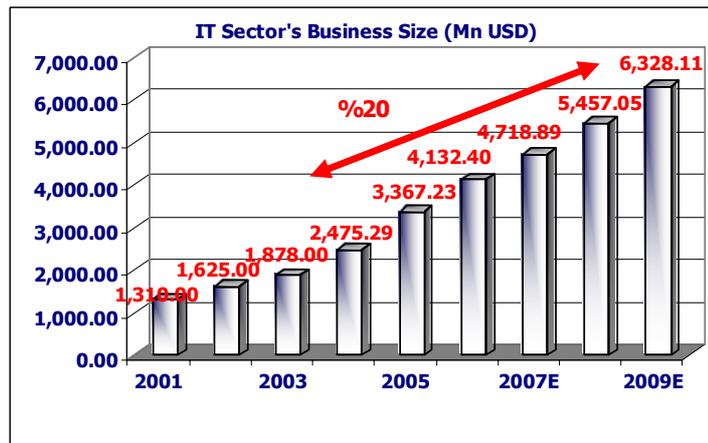


Chart 6: IT Sector Business Size

It is estimated that, in 2006, the IT sector will reach \$ 4.1 US billions. In order to reach \$ 4.1 US billions, the sector has to grow by 22.72 %. In between 2004-2009, it is expected that the sector will grow by 20% in average. Lately in Turkey, it has been observed that both

in the corporate and domestic market, there has been an important increase in the use of computers and IT products. The number of the ADSL subscribers, a broadband technology providing faster Internet connection, has reached 1.9 millions. It is targeted that this number reach 10 millions in three years. It can be asserted that in reaching this target, the PC prices, the increasing governmental expenditures in the IT sector (i.e. e-government, ADSL investments), the sensitivity of the younger generation towards technology, and the efforts to increase the per capita PC number, which, in Turkey, is low compared to the world in general, would all be effective.

INDEX, as being the major player, will be positively affected by the growth of the sector...

MARKET POSITION OF INDEX

	2004	2005
IT Sector (Except Services)*	1,923,000,000\$	24,040,000,000\$
Index Group Companies	520,000,000\$	675,000,000\$
Index Market Share	27.00%	28.07%
IT Sector (Hardware)*	1,422,000,000\$	1,792,000,000\$
Index Group (Hardware)	449,000,000\$	592,000,000\$
Index Market Share	31.57%	33.03%

Source: INDEX Estimations

Chart 7: Market Position Of INDEX Computer

In the days to come, the e-government and EU adaptation process projects, within the new structure of the telecommunication sector, the

acceleration initiatives of the technical infrastructure and software investments of both the newcomers and existing players in order to be strong in the new competitive environment, the efforts of the SMEs in the information era to improve their company scales by using e-commerce, and the activation of the postponed investments of the banking sector, Turkey's leading sector as for the technology investments, and the efforts to grow by the foreign investors in the sector, would all contribute to the development of the Information Technologies sector. **With the influence of all these developments, it is expected that in 2007, 2.07 millions of PCs will be sold. It is estimated that between 2004 and 2009, the PC market would grow by 29.60%, and that the share of the desktop computers would be 65% in the gross sales. We think that, as INDEX Computer has a market share of 28.07% in IT sector (excluding the Services) and 33% in Hardware, the Company will be positively affected by the growth of the sector.**

IT Sector Income Is Hardware Weighted...

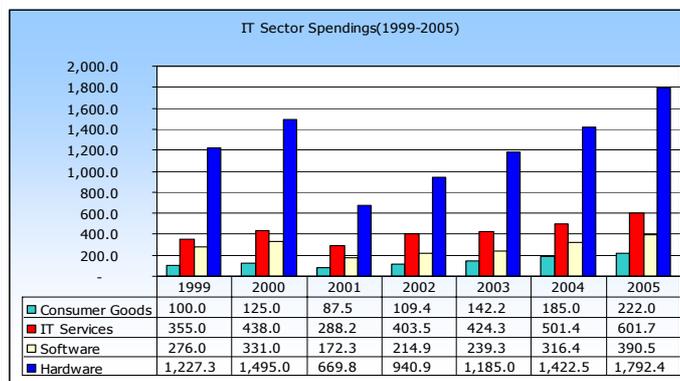


Chart 8: IT Sector Spendings In Turkey

The Turkish IT sector can be divided into four major groups: Hardware, software, consumer goods and IT services. The graph nearby shows the total sales of the sub-segments in the Turkish IT sector between 1999 and 2005. In 2005, \$ 3 US billions of IT sector expenditures have been realized.

In the total expenditures in 2005 within the Information Technologies market, the software has constituted the 12%, the consumer goods 7%, and the IT services 20%. The Turkish IT sector is "hardware" oriented, when examined on the basis of the revenues, and in 2005, the hardware sub-segment constituted the 59% of the revenues within the IT sector.

IT SECTOR SWOT ANALYSIS

Major Developments to Affect the Growth of the IT Sector

- Liberalization of the telecommunication sector. Through liberalization, the diversification of the telecommunication and Internet access services, the decrease in the prices, and the increase in quality would be provided.
- The foreign trade operations on the digital platform throughout the cooperation of the public and the private sectors.
- The expansion of the use of Internet, especially among the younger generation, and the will to make their transactions online.
- A population well-developed, broad-minded towards new technologies, highly adaptive, young and dynamic.
- A science and technology society, integrated to the international community.
- Scientific and industrial minds, working in the domestic and foreign strategic technology fields.
- Competitive workforce suites, created by the young population compared to the developed countries.
- Low computer and Internet penetrations.

The Weaknesses of the IT Sector

- Repeated operations in the public sector as for the e-business, e-commerce, e-service, the extravagance of the limited resources and their unproductive use.
- Insufficient budget share attributed to the IT sector
- Lack of full comprehension of the importance of production, sales, marketing, e-commerce and technology.
- Lack of information of the society on the e-business, e-commerce applications.
- Lack of infrastructure, access problems to Internet and the interruptions.
- The approach to e-commerce of the companies, and the insistence to use the traditional methods.
- Economic problems and the low income rates among the population.
- Bureaucratic infrastructure complicating the foreign investments.

Growth-Promising Developments for the Growth of the IT Sector

- European Union membership and the adhesion to the European Union e-Europe program.
- Modernization of the education system, the increase of the number of computers in schools and the installation of Internet access.
- Increase in the use of ADSL, with the increase in ADSL investments.
- Improvement and use of the financial opportunities.
- Competition in the Telecommunication sector.
- Foreign investments in the banking sector.
- Increasing number of web sites, portals and online markets, in the face of the day-by-day increasing demand.

Possible Threats to the Growth of the IT Sector

- Numerical gulf in the infrastructure and the education, the difficulty and insufficiency in expansion to all.
- Insufficient foreign investment to IT.

DESPEC

DESPEC Inc., which INDEX takes as a Sister Company but does not hold any shares, is one of the Group companies that INDEX is indirectly involved as for the capital and management issues. Despec Türkiye was established in 1999 with the Netherlander Van Dorp Despec Group NV (VDDG), one of the major IT consumer goods distributors of Europe, to distribute PC consumer goods in Turkey.

With the establishment of Despec, the IT Consumer goods have been taken out from the portfolio of INDEX, and have been transferred to Despec. Among the brands Despec distributes take place, HP, Fullmark, IBM, Canon, Maxell, Lexmark, Star, TDK, Brother, Panasonic, Verbatim, Oki and Epson.

On the other hand, DESBIL Inc., co-established with Despec Greece, is active, within the domestic market, in the fields of electronics importation and distribution, as well as PC paper goods production. Desbil is also one of the partners of Despec Turkey, with VDDG. Despec is a publicly-held company in Greece, and is quoted to the Athens Stock Exchange. It is planned to quote Despec, towards the end of 2006, to the ISE. As it is not one of the subsidiary companies of INDEX, the public offering would not have any financial effects on the Company.

DATAGATE

A subsidiary company of INDEX, with a ratio of participation of 59.2%, DATAGATE Inc. sales hard disks, micro processor memory units, optical products, internal lines, tapes, video cards, input devices, which are indispensable for the personal computer production, to 250 local producers in the Turkish PC market. It also carries out the representation, sales, marketing, distribution, logistics and after-sales services of a wide range of brands. With the headquarters in Istanbul, it has one branch in Ankara and one in Izmir.

It's been representing a wide variety of foreign products with two major brands, namely SEAGATE, the World's number one hard disk producer, and the IT gigantic, INTEL. In 2005, the Company has gained \$ 146 US millions from the sales. In 2006, the Company plans to reach \$ 196 US millions, with a rate of increase in the sales by 33%. The micro processors and the hard disks constitute the 85% of the total sales.

Among the domestic customers of Datagate take place Vestel, Casper, Beko and Escort. It meets the micro processor and hard disk needs of the domestic producers. In the years to come, the Company plans to make contract manufacturing in its own facilities on behalf of the new domestic producers.

NETEX

NETEKS Inc., whose 94% of shares are hold by INDEX, has been a company, since its establishment in 1996, focused only on network and communication products, as a value added dealer. Before INDEX, there were contracts in its body with the brands Nortel, Networking, Molex Premie Network, Panduit, Eicon and Netgear. The channel strategies, the value added operations, the efforts to become the sole address nationwide to meet the network needs of NETEKS, which has widened its portfolio with INDEX to include Cisco, IBM, ACS, Levelone and Micronet products, have all become, with this synergy, objectives easy and fast to achieve. The Company, through the dealers, works on project basis. The networking service of MERNIS has been realized by the Company. Public Registry Office and Sabanci Telecom are among the customers of the Company.

INKO

INKO Inc., another subsidiary company of INDEX with a share 70%, uses the vision of INKO İletişim ve Dijital Hizmetler Sanayi ve Ticaret A.Ş., established in 2004, "Information and communication technologies. INKO holds Type B license with a period of validity of 15 years. It has no investments related to its license. The Company closely follows the developments in the telecom sector. INKO will determine strategies according to the developments in the sector.

NEOTECH

INDEX holds 80% of the shares of NEOTEC. The sales of domestic electrical appliances are realized via this Company. It has a distribution channel structure to cover consumer electronics, ADSL, mobile products and telecommunication products. Neotech has adopted the sales model which is composed of supply through multi-producers and sales through multi-channels. Neotech, aiming to become the first company in the consumer electronics and communication products field, with, in addition to its traditional distribution channel, alternative channels, plans to offer, under its own trademark, its products with reasonable prices, good quality and smart technology to Turkish market in a near future. The Company has ended the year 2005 with \$ 13.7 US millions net sales revenue. We think that it will start to see, in 2006, the effects the transformation the Telecom sector has undergone in 2005. As a result of the liberalization of the Sector, the investments budget of the operators would be increased. We expect that, within the new structure, both the new partners and the existing players would increase their technical infrastructure investments in order to be strong in the competitive environment. **With the effects of these developments, the Company authorities expect that its sales would increase by 192%, and thus reach \$ 40 US millions in 2006.**

Online sales goes beyond its target...

Among the 2006 plans, there is also the establishment of a new company that would provide with on-demand logistic services in line with the needs of the partners...

Datagate is also the owner of the e-vendor www.dgpazar.com. The Company makes online sales through this web site. Although the target of the Company was to have 1200 e-vendors, it has gone beyond its target, and reached 1660.

In parallel with this, the Company has gone beyond its target as for the sales objective of 35%, and realized 37%, through online sales.

	2004	2005
Invoice Total	343,097	422,105
Distributed Box Total	5,418,340	7,591,305
Delivery Point/Total	6,319	6,832
Travelled Urban Road	671,000	803,265

Chart 9: Distribution Channel

INDEX Computer has purchased the shares and the 99.9% of the immovable of Karadeniz Örne Sanayi A.Ş, a firm in liquidation, for \$ 15 US millions. This amount has been paid through the loan taken from Akbank with an interest rate of 7.8%. The pay back period of the loan is 10 years. The Company will pay back to the Bank \$ 210.000-215.000 US per month. (This amount will decrease as the payments are made.) When we deduct the amount paid to the places, before the purchase of Karadeniz Örne AŞ, by the company that it used as warehouses, from the amount of loan paid back, there occurs \$ 80.000 US output. The place in Maslak purchased from Karadeniz Örne has been started to being exploited as warehouse. It is envisaged to move there in September 2006. The Company plans to make \$ 1.4 US millions of investment to this place. The Company authorities state that the aforementioned immovable would be a very good choice for a logistic center. Among the 2006 plans, there is also the establishment of a new company that would provide with on-demand logistic services in line with the needs of the partners. INDEX will hold the shares of this logistic company, and thus be one of the partners. The new company, besides providing with software, will provide with the transport and exploitation of it, according to the needs. **The Company has transported, in 2005, 7.5 millions of boxes. The amount of box transported is equal to middle logistics growth. In logistics, the distribution is made with the cars rented. It is planned to thus provide the IT sector with logistic service. One year later, in line with the needs of the partners, it is planned to start to provide with on-demand logistic service. Another plan of the Company is to provide with global and technical services. The service provider company will be a subsidiary company of INDEX Group. The Company has also a production project. It is planned to manufacture for producers that would like to produce under their own trademarks.**

When we examine the regional distribution of the sales of INDEX, the Marmara Region is in the first lead with 73%. The second is the Central Anatolia Region. In Central Anatolia Region, the governmental sales are predominant. The Aegean Region is in the third place, however, in this Region, during the last 5 years, there have been problems as for the growth rates. The fact that the SMEs are located in bigger cities leads to the result that the sales grow in the Regions with bigger cities. The Black Sea Region, even though it has a static structure, is expected to grow, with its high rate of mobilization.



Chart 10: Quarterly Sales

At the end of 2005, the IT sector has reached a growth of \$ 3.6 US billions. In 2006, the growth rate of the sector is expected to be 20%. The concentration in the IT sector is higher in the western part of the country. The main reasons of this concentration are the industrialization, bigger share of income distribution and the presence of universities.

In Anatolia also, activation is expected in the IT sector. We estimate that the new universities to be established in Anatolia would have a positive effect on this growth. Another reason for us to expect the IT sector in Anatolia to grow is that, we are of the opinion that the promising IT strategy of the Ministry of Education would continue.

According to our estimations, Index would complete 2006 with \$ 736 US millions of revenues...

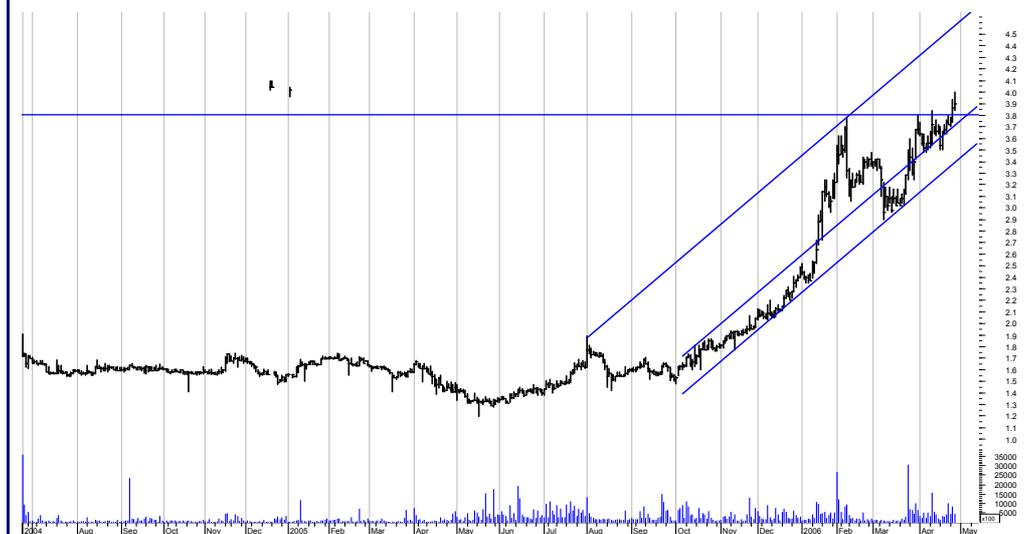
In 2006, it is estimated that 1.5 millions of new ADSL port users be subscribed. The increase in the use of ADSL would lead the PC users to use faster and latest IT products. And this would lead to the creation of the market "product renewal". With the effect of all these developments, we estimate that the company, acquired \$ 563 US millions of net sales in 2005, would increase its net sales in 2006 by 30%. And the 30% increase in sales equals to \$ 736 US millions of net sales revenue. The seasonal effects are predominant in the sales of the Company. In the latest trimester, an average of 34% of the annual sales is realized. We envisage that the increase in net periodical profit would be higher than its sales. With the influence of this expectation, we estimate that our net periodical income in 2006 would increase \$ 12.3 US millions. The Company realizes a given part of its sales through the free zones. The sales made in free zones are exonerated from the Corporate Tax; this is why there has been a 19% difference between the pre-tax and after-tax profits in 2005. We estimate that this difference would decrease towards 13%, following the decrease of the rate of corporate tax to 20%. This decrease would lead to the increase of the net profit margin of the company towards 1.80. There has been no new announcement during the time the report was prepared relating to the decrease of the corporate tax to 20%. We are of the opinion that, in 2005, the Company Management would achieve 1.67 in net profit margin through cost-cutting initiatives. Any news related to the corporate tax would cause a revision of our annual profit expectations. The EBITDA margin in 2005 was 3.41%. We estimate that this ratio would increase to 3.6%, with the increase in net sales, that we have been expecting, and through the cost-cutting initiatives of the Company Management. We expect that the Company end the year 2006 with an EBITDA of \$ 27 US millions.

INDEX shares bear a discount rate of 26.37...

When making the evaluation of the Company, we used three methods. In our first method, we reached a value of \$ 189 US millions according to DCF (Discounted Cash Flow). According to the international equivalent company comparison, we reached \$ 147 US millions. And we reached \$ 125 US millions according to the national equivalent company comparison. When we calculate the average of the three evaluation methods, we used 60% for the DCF analysis, 20% for the international comparison and 20% for the national comparison, and reached an average value of \$ 167 US millions. With a comparison to the actual market value, the shares bear a discount rate of 26.37. For the stock, our recommendation is "BUY".

TECHICAL ANALYSIS

INDEX Computer, which continues the upwards move that it had started in the last trimester of 2005, by creating a long-term increasing channel, has been lately observed to be in an effort to strengthen its 3.80 levels, which are also the medium support of the channel and its movable average support. As a matter of fact, the increase witnessed in the trading volume of the stock supports this observation in order to create new cost rates. In this respect, if it manages to hold the 3.80 levels, a new purchase wave would come, towards 4.50. In this context, we can expect that above 3.80, buyer potential would be more willing. And lastly, the support point and peak point of the stock are respectively 3.50 and 4.50 within the increasing channel.



FINANCIAL TABLES UFRS (USD)				
BALANCE SHEET	2004	2005	2006E	2007E
CURRENT ASSETS	126,444,607.13	163,546,452.13	205,054,000.00	239,124,000.00
LONG TERM ASSETS	8,413,319.43	8,213,196.48	24,051,000.00	21,125,000.00
TOTAL ASSETS	134,857,926.57	171,759,648.61	229,105,000.00	260,249,000.00
SHORT TERM LIABILITIES	95,953,936.10	125,045,819.10	153,701,000.00	180,014,700.00
LONG TERM LIABILITIES	982,725.11	355,188.16	15,902,000.00	14,504,000.00
SHAREHOLDERS EQUITY	37,506,726.74	45,602,808.06	59,502,000.00	65,730,300.00
TOTAL LIABILITIES	134,857,926.57	171,759,648.52	229,105,000.00	260,249,000.00
INCOME STATEMENT	2004	2005	2006E	2007E
NET SALES	458,715,374	563,087,059	736,058,176	840,504,831
COST OF SALES (-)	432,070,826	528,888,558	691,894,685	790,074,541
GROSS PROFIT (LOSS)	26,644,548	34,198,501	44,163,491	50,430,290
OPERATING EXPENSES (-)	14,346,618	15,628,414	17,113,114	18,738,860
OPERATING PROFIT (LOSS)	12,297,930	18,570,087	27,050,377	31,691,430
INCOME & PROFIT FROM OTHER OPERATIONS	11,039,397	11,114,443	11,670,165	12,253,673
EXPENSES & LOSS FROM OTHER OPERATIONS (-)	9,749,891	12,076,372	14,491,647	17,389,976
FINANCIAL EXPENSES (-)	5,997,455	6,624,292	7,949,151	9,141,523
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAX	7,589,981	10,983,865	16,279,745	17,413,604
NET PROFIT/LOSS	6,021,801	8,624,663	12,292,172	14,204,532

Source: Company Data, Hedef Securities Research Estimations

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