

## İNDES.IS İndeks Bilgisayar Sistemleri

OUTPERFORM

RESEARCH DEPARTMENT

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## The market leader with an expanding product and services portfolio

## A market leader in IT distribution

İndeks Group is the leading player in the Turkish IT distribution sector with a 24% market share and operates through five companies. These companies are the broadline distribution company, İndeks Computer A.S. - the flagship of the group - , Datagate, an OEM component distributor and Neteks, which is engaged in the distribution of network products. The Company operated in the consumer and home electronics distribution segment in 2005, through the establishment of Neotech, which will be consolidated under İndeks Computer from 2006. İndeks also has a stake in Despec, which operates in consumables distribution but is not consolidated by the group. İndeks Computer was established in 1989 and became a joint stock company in 2000, after forming a partnership with the Greek based Pouliadis Group. İndeks Computer was offered to the public in 2004.

## Strong growth in Turkish IT sector

Both the İndeks Computer and İndeks Group are estimated to have outperformed the overall growth of the IT sector in 2005, hence preserving market leader position. As the leader in the market with a large distribution network and rich product portfolio, as well as experience in the sector, İndeks Computer will be one of the biggest beneficiaries of the growth in the sector.

## Expanding product and services portfolio

While the Company already takes advantage of being in a team such as İndeks Group, they seek to further capitalise on this advantage by establishing a logistics firm - a business in which they are already active due to their wide distribution network. They also aim to expand their operations abroad, as well as positioning themselves in the PC production and technical service segments.

## Vulnerable to volatility in economic activity

While the sector offers strong prospects, it is highly vulnerable to fluctuations in economic activity, which may pose a risk for the sector.

## We initiate our coverage for the stock with an OUTPERFORM recommendation

We employed Discounted Cash Flow (DCF) analysis and peer comparison based upon multiples to value the Company. By taking a weighed average approach to DCF analysis, international peer comparison and domestic peer comparison, we reached a fair value target of \$160 mn (\$3.55/share) implying 43% upside potential.

İndeks (\$ mn)	2004	2005	2006E	2007E
Sales	461	563	714	861
EBITDA	13	19	22	26
Net Income	6.1	9.0	12.2	17.8
EV/EBITDA	4.1	2.6	4.9	4.1
EV/Sales	0.12	0.09	0.15	0.13
EBITDA margin	2.8%	3.4%	3.1%	3.0%
Net Profit margin	1.3%	1.6%	1.7%	2.1%
P/E	8.1	6.1	9.2	6.3

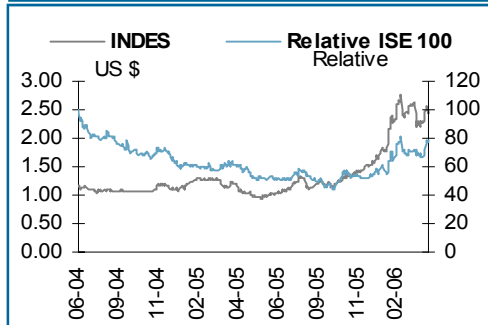
Reason of the Report			
Company report			
General Company Information			
Sector:	Information Technology		
Shareholder Structure			
39.96% Nevres Erol Bilecik			
35.56% Pouliadis and Associates S.A.			
19.89% Float			
2.37% Ayse Inci Bilecik			
2.23% Other			
Stock Data		TRY	US \$
Share Price	3.40	2.50	\$
ISE-100	42,507	3.12	¢
Number of Shares	45 mn		
Float	20%		
Market Cap.	153 mn	112 mn	

Stock Performance	1 Mn	3 Mn	12 Mn
TL % Change	0.6	41.7	114.0
US\$ % Change	-2.5	40.3	118.4
Rel.İndex % Change	10.8	32.8	23.2
Average Volume mn\$	0.76	0.93	0.57

Stock Performance	1 Mn	12 Mn	YTD
Share Price Minimum (\$)	2.21	0.93	1.78
Share Price Maximum (\$)	2.63	2.77	2.77

Estimated Value		YTL
Target Mcap	222 mn	
Target Share Price	4.92 YTL	

Date	Cash Div.(mn\$)	Dividend Yield
02/05/2005	0.7	1.4%



## Investment Rationale

### *Investment Positives*

#### **Group synergy**

Indeks Group has Indeks A.S. (INDES), Datagate, Neteks, Despec, and Neotech in its business structure. These companies of the Group operate in different sub-sectors of the IT business from IT services to software, hardware and consumables.

Positioning itself in different sub-segments through its participations gives the Company the strength of capturing the growth dynamics of the total IT sector across all segments, while creating synergies.

#### **Strong cost management**

Through its group-model, the Company has independent front offices for its participations, which operate in the various sub-segments of the IT sector, but share the fixed costs of the back offices, thus increasing the cost efficiency for the Company.

These participations operate through independent sales channels. However, Indeks Group companies share all other operating expenses through an agreement with some proportions, which lies in the core of the cost management.

The Company aims to convert its processes into profit centres, such as its logistics facility. Other processes that do not serve as a profit centre are outsourced.

#### **Increasing IT spending**

The Turkish IT sector reached a size of US\$ 3 bn, after hitting a low of \$1.2 bn in the post-crises period. This strong recovery was in line with the recovery in the economy. The Turkish economy has managed to overcome many difficulties thanks to structural changes, fiscal discipline and two strong international anchors - EU convergence and the IMF Stand-by programme. This relatively stable environment, where inflation has fallen to single digit levels with an accompanied fall in real interest rates and rising per capita income, raises both households' IT spending and the real sector's IT investment. Meanwhile, the public sector's IT investment is also increasing in line with governmental institutions' re-structuring with the EU convergence and introduction of e-government applications. Therefore we foresee strong growth in the IT sector (18% CAGR between 2004-2008). Indeks Computer will be one of the principal beneficiaries of this growth trend as a leading player in the sector, thanks to its involvement in all of the sub-segments of the IT sector.

#### **Expanding product portfolio and services**

Indeks Computer seeks to take the group synergy advantage further by establishing a logistics firm, which is a business they are already operating in due to their wide distribution network. They also aim to expand their international operations, as well as positioning themselves in the PC production and technical service segments.

Expanding the product and service portfolio will turn the Company into a more integrated player in the sector.

## Investment Rationale

### *Investment Negatives*

#### **Vulnerable to volatility in economic activity**

IT spending has a tendency to rise with increasing per capita income during times of economic stability. Since it is highly sensitive to the level of economic activity, it is also highly vulnerable to economic distress. Therefore, this sector is a good bet during the times of economic recovery and stability but will be among the first to fall during a possible recession.

#### **Increasing share of big retailers might pressure margins**

Big retailers such as Teknosa, Vatan, B-mex and etc each currently have a 12-15% share in total sales and are aggressive in further increasing this proportion. Big retail chains' increasing share might cause some pressure on the Company's mark-ups in the future.

#### **No exclusivity agreement with the vendors**

Sustaining a rich product portfolio is the sine qua non for survival in the retail IT sector. However, the Company does not have an exclusivity agreement with vendors, which may pose a risk for the sustainability of distribution agreements. It is still worth noting that this is not a special case for Indeks Computer, but the same non-exclusive terms of agreement apply to every player in the market.

The Company aims to keep the share of each vendor in total sales at less than 20%, as a hedging strategy against fluctuations in sales or the cancellation of sales agreements.

#### **Financial troubles of its foreign partner**

Indeks Computer became a joint stock company after forming a partnership with Greek based Pouliadis and Associates in 2000. Pouliadis and Associates had a 35.56% share in the Company. However, the Greek company is in financial distress due to EUR 8.8 mn (\$10.3 mn) in overdue debts to NBG and EUR 3.1 mn (\$3.6 mn) to EFG Eurobank Ergasias. Therefore in late December last year, the Greek EFG Eurobank Ergasias and the National Bank of Greece (NBG) demanded the immediate liquidation of the Company, and the shares in the Company were temporarily suspended on the Athens Stock Exchange (ASE).

Pouliadis and Associates gave bulk of their holding in Indeks Computer to Eurobank as collateral.

It is worth noting that the share types owned by the Greek Group do not have any controlling rights and therefore a possible change in the ownership would not affect the management of the Company.

We neither expect a possible sale-off for these shares in the short term nor any pressure over the stock stemming from the current situation. However, a question mark will remain in the minds of the market players.

Meanwhile, due to the bright prospects of the Turkish IT sector, domestic companies might be acquisition targets for international players, especially those currently operating in Europe. However, Indeks Computer already has a foreign partner, ruling it out as a candidate for acquisition. If any other competitor became an acquisition target for a foreign company, this would increase competition in the sector.

## Company Background

### About Indeks GROUP

#### A highly integrated Group

Indeks Group's business structure covers Indeks A.S. (INDES), Datagate, Neteks, Despec, and Neotech. The table below summarizes the group companies and their core business areas. These companies operate in different sub-segments of the IT sector, enabling strong synergies for the Group.

Company Name	Distribution Business Model	Share %
Index A.Ş. *	Broadliner Dist	100%
Datagate A.Ş. **	OEM Component Dist	85%
Despec A.Ş.	Consumable Dist	-
Neteks A.Ş.	Network Products Dist	94%
Neotech A.Ş.	Consumer & Home Electronics Dist	80%

\*Public Offered in ISE, on June 24, 2004  
 \*\* Public Offered in ISE, on February 09, 2006

Source: The Company

Meanwhile, Indeks A.S. (INDES.IS) consolidates Datagate Computer and Neteks A.S. in its financials. Neotech will be included in the consolidated financials starting from FY2005. Datagate was offered to the public in February 2006, and the share of Indeks A.S. in Datagate decreased from 85% to 59.2% following the IPO, which will impact the 2006 financials, the full effect of which will be seen in 2007 and onwards.

The Group has a rich product portfolio comprising of numerous brands. As it enriches its vendor portfolio with many large international players, the Group's competitive position in the sector is strengthened.

The Group has a significant share in the IT sector through Indeks A.S. It commands a high market share in the hardware segment of nearly 30%. Therefore, while the market is growing, Indeks Group, is certain to be among the leading beneficiaries.

(USD mn)	Market Share of Index Group	
	2004	2005E
IT Sector (Excluding Services)	1,875	2,404
Index A.S.	432	563
Index Market Share	23.08%	23.42%
IT Sector (Hardware)	1,400	1,792
Index A.S. (Hardware)	403.8	532
Index Market Share	28.84%	29.68%

Source: The Company

## Company Background

### About Indeks A.S.

#### Operates with a foreign partner

Indeks Computer A.S. was established in 1989 to operate in the computing industry and became a joint stock company in 2000, after forming a partnership with the Greek based Pouliadis Group. The company is based in Istanbul and deals with IT, the purchase and wholesale of computers, technical support and trade in software, data transfer equipment and computing consumables. Indeks Computer (INDES) became an listed public company on 24 June, 2004. As of 9M2005, the partnership structure of the Company was as follows:

Index's Ownership Structure		
As of 30.09.2005	Value of the Stake (TRY)	Proportion of the stake
Pouliadis and Associates S.A.	17,002,446	37.78%
Nevres Erol Bilecik	17,981,719	39.96%
Free Float	8,949,130	19.89%
Other	1,066,705	2.37%
<b>Total</b>	<b>45,000,000</b>	<b>100%</b>

Source: The Company

It is worth noting that the Indeks Computer shares owned by Pouliadis and Associates were given to Greek Eurobank as collateral against Pouliadis' debt.

Indeks Computer has five subsidiaries operating in sub-segments of the IT and communication business. The Company consolidates Datagate, Neteks, and Neotech which we will explain in detail later. Inko Communication is not currently active and therefore not included in the consolidation. Indeks Computer's subsidiaries are shown in the table below.

Company	Field of Operation (Trade of)	Capital (TRY)	Direct participation	Indirect participation
Datagate Computer	Computer and spare parts	1,550,000	85%	85%
Neteks Communication	Network products	243,000	70%	90%
Neotech Technology	House electronic appliances	100,000	80%	80%
İnfin Computer	Computer and spare parts	50,000	100%	100%
Inko Communication	Telecommunications	150,000	70%	70%

Source: The Company

#### Country-wide distribution network

The Company has been based in Istanbul since its foundation. The Ankara branch was opened in 1992, followed by the opening of the Izmir branch in 1995. These branches serve their own regions, but in the event of an inventory shortage, the head office intervenes to the process and supplies. Additionally, the Company has two contact offices, one established in Elazig (Northern Anatolia Region) in 1998 and the other established in Diyarbakir (Southern Anatolia Region) in 1999.

Positioning itself in other cities in addition to its head office in Istanbul has provided a geographical advantage to the company, speeding up its delivery operations while reducing its delivery time.

Office	Establishment Date	City	Number of Staff
Headquarters	Jul-89	Istanbul	181
Branch	Apr-92	Ankara	24
Branch	Apr-95	Izmir	16
Contact Office	Jul-98	Elazig	1
Contact Office	May-99	Diyarbakir	1
			<b>Total:223</b>

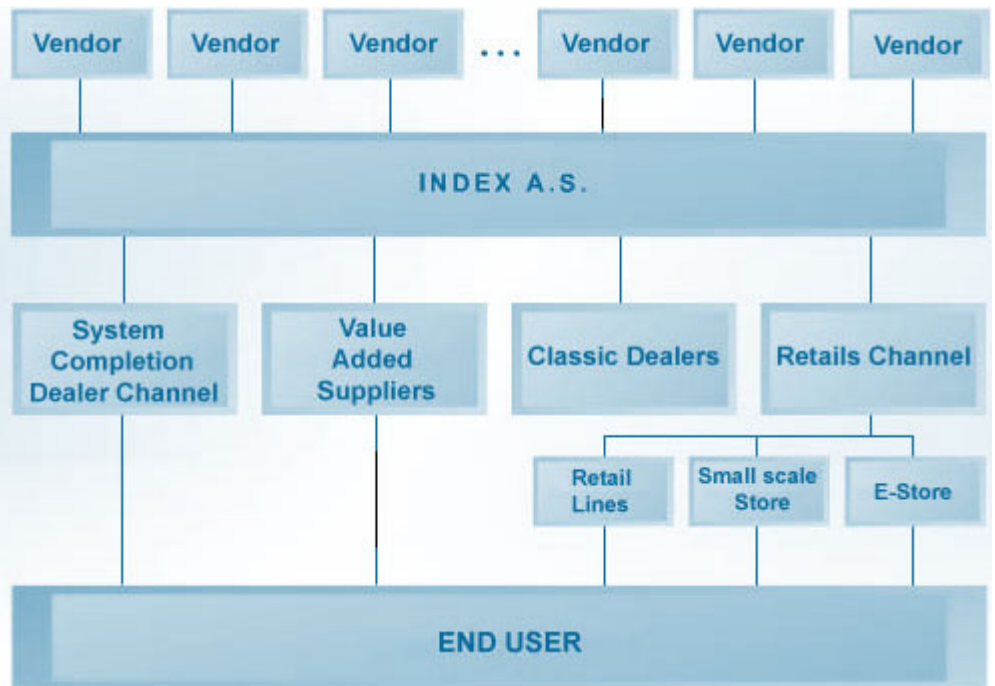
Source: The Company

## Business Model

### Simplicity is strength

In its distribution model, Indeks Computer buy products from vendors and distribute them through different channels. These channels differ in some ways, such as size or target market, but all enable the transportation of products, purchased by Indeks Computer from vendors, to end-users.

*The simple business model is an advantage of the Company, where it has no direct contact with the end user*



Source: The Company

### System Completion Dealer Channel

Companies with 100 or more employees, targeting solely corporate clients as end users form the system completion dealer channel. This channel is named "Systems Integrators" and they run shared projects. They share their projects with the vendors and the distribution company. All stages of the project are shared and completed in an organized manner.

### Value Added Suppliers

Value Added Suppliers, which were established relatively recently (in the last decade) operate with between 20 and 100 staff. They have a limited financial structure due to their small size, but their young and dynamic structures create an advantage, allowing decisions to be taken rapidly. These dealers play a significant role in the IT sector.

### Classic Dealers

Classic dealers, which employ between 5-20 people, mainly target small domestic firms. There are 4,000-5,000 such firms in Turkey. They conduct all of their business with distribution companies.

**Retailer Channel**

Large retailers with shop windows enabling visual presentation of products form the retail channels. The Company categorizes retailers into three main groups

**Large groups with more than one shop**, such as CarrefourSA, Continent, Escortland e.t.c., mostly selling PCs and related products.

**Classic shops (small firms)** These firms employ a small number of people. They only concentrate on sales of PCs and related products.

**E-Retailers**, conduct their businesses solely from a web platform, operating in the e-commerce field. Some examples are E-store.com, Hepsiburada.com e.t.c.

E-commerce has recently gained popularity in Turkey, and will see higher business volume in the coming periods.

**Vendors**

The rich structure of the numerous hardware and software products which are numerous makes Indeks Computer works with many different vendors. The Company's competitive position in the sector will strengthen as it enriches its vendor portfolio with many large international players.

The largest portion of the sales volume comprises of global brands. These are large international companies like **IBM, HP, Cisco, Microsoft, Toshiba, Fujitsu Siemens, APC, Epson, OKI** etc.

These global brands prefer to outsource their distribution activity and usually appoint 2-3 distributors at the same time. This system enables vendors to focus on their core business (marketing activities, providing business plans for distributors, project management for end-users etc) and they not have to deal with a large number of customer accounts.

They closely track the performance of distributors. The sustainability of their agreements depends on the success of distributors. Most have local offices in Turkey and Indeks Computer purchases products directly from them.

*A rich product portfolio and widely available distribution network are the two success criteria of the business, and Indeks A.S. has both*

Index Group Brands			
IBM	Nortel Networks	Newbridge	Server pSeries
Hp Invent	OKI	Air Ties Wireless Networks	Kingmax
Cisco Systems	NEC	Veritas	Checkpoint Software Tech. Ltd.
Toshiba	3 Com	HCS Hes Cabling Systems	Veritech
Intel	BenQ	Siemens	Imation
Microsoft	Kingston Tech.	Symantec	Tellabs
Fujitsu- Siemens	APC	Targus	MSI
Acer	Sony	Linksys	Liteon
Seagate	Epson	Asus	Novell
PC Express	Philips	Server iSeries	

Source: The Company

## Datagate

### A successful subsidiary

Datagate was founded in 1992 and operates as an OEM component distributor. In addition to its head office in Istanbul, it has two sales offices, one in Ankara and one in Izmir.

The table below summarizes Datagate's major product lines.

Major Product Lines of Datagate	
CPU (Micro Processor)	Server Products
Hard Disks	Optic Drivers
Mother Boards	Monitors
Graphic Cards	Network Products
Memory Cards	Peripherals
Notebook	

Source: The Company

### Recently offered to public

In early February this year Datagate was offered to the public. The Company raised its paid-in-capital from TRY 1.55 mn to TRY 6.6 mn. After the IPO, Index's share in Datagate decreased from 85% to 59%. This will affect the consolidated financials of Indeks A.S.

The table below summarizes Datagate's net sales projections, supplied by the Company itself for IPO purposes. Accordingly the Company foresees a CAGR of 26% between 2005-2010.

In FY2005, the Company outperformed its own estimates and achieved a top line of \$146 mn versus the estimated \$140 mn level.

(USD 000)	2002	2003	2004	2005E	2006E	2007E	2008E	2009E	2010E
Net Sales	75,075	62,163	104,430	140,272	189,367	240,497	305,431	366,517	439,820
YoY growth %		-17%	68%	34%	35%	27%	27%	20%	20%

Source: The Company

### Internet sales is growing

Datagate also owns an e-dealer at [www.dgpazar.com](http://www.dgpazar.com). Through this web site the Company generates online sales. The Company's target was to have 1200 datagate e-dealer but reportedly the Company exceeded its target and this number was realised at 1660.

While the Company aimed at achieving 35% of the sales through online methods, the realized performance was over the target at 37%.

Datagate – B2B ( <a href="http://www.dgpazar.com">www.dgpazar.com</a> )	2005 Target	2005 Actual
Number of Datagate e-Dealer	1,200	1,660
Number of e-Purchase Received %	35	37

Source: The Company

## Neteks A.S.

### Another subsidiary operating in the network segment

Neteks was founded in 1996 and operates as a network product distributor through its head office in Istanbul and two sales offices in Ankara and Izmir. Indeks A.S. had 70% stake in Neteks and fully consolidates the Company.

The table below presents the major product lines of the Company.

Major Product Lines
Network Products
Cabling Products
Modem Products
Network Security Products

Source: The Company

### Owns a rich product portfolio

The Company has leading international vendors in its product portfolio and is the market leader in most of the technologic products. In addition to being a distributor, the Company also works as a wholesaler of modems produced by Tellabs and Newbridge.

Vendor	Status	Technology	Market Share
Cisco	Distributor	End to end Network Solutions	52%
Nortel Networks	Distributor	Data and Voice Networking, SDH	95%
3Com	Distributor	Data Networking	55%
Checkpoint	Distributor	Network Security	90%
LinkSys	Distributor	Networking for SoHo and SMB	35%
AirTies	Distributor	Wireless and ADSL	60%
Siemens	Distributor	ADSL Modem	70%
HCS	Distributor	Data Cabling	70%
Allied Telesyn	Distributor	Converters	10%
Tellabs	Wholeseller	Modem	
Newbridge	Wholeseller	Modem	

Source: The Company

## Neotech A.S.

### Another subsidiary operating in the network segment

Neotech which operates in the consumer and home electronics segment, was founded in February 2005. Indeks Computer has 80% share in Neotech. The Company has sales offices in Ankara and in Izmir, in addition to its Istanbul head office.

Consumer electronics currently have a small share in Indeks Group's total sales but is expected to outperform other segments in terms of growth, increasing its share significantly. The Company already works with many vendors such as Sony, Toshiba, Apple, Kodak and etc.

Neotech will be consolidated in the Indeks Computer's financials from FY2005.

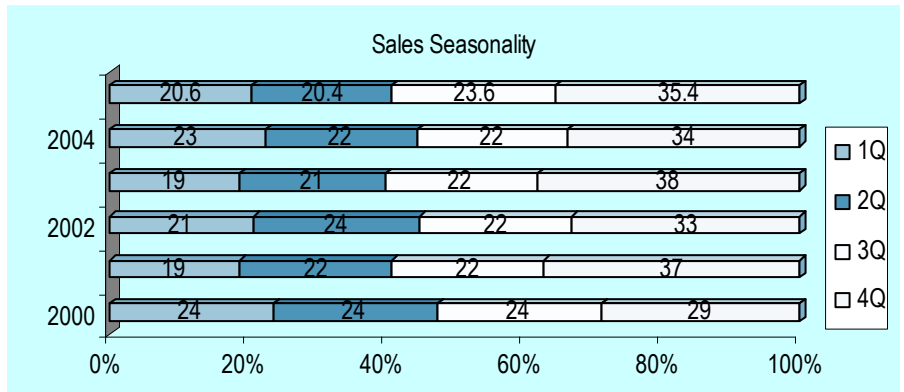
### Sales of Indeks A.S.

## Sales

#### Seasonality in sales

There is seasonality in the IT sector sales, where the last quarter is the peak season while sales in the first three quarters of the year are broadly even.

*The fourth quarter is the peak season for sales*



Source: The Company

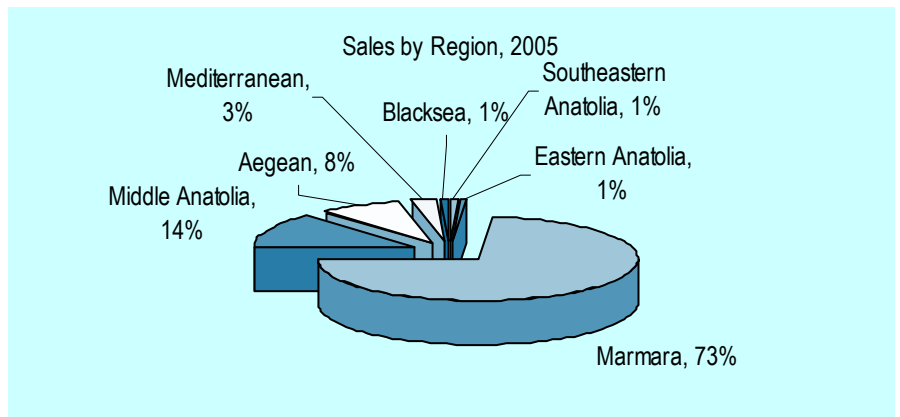
#### Sales performance varies between region

In addition to seasonality, regional preferences also affect sales. The Anatolian market is expanding in universities in which big universities exist. According to the notes of the Company, there is no growth in the Aegean Region in the recent five years. Meanwhile, high mobilization is evident in the Black Sea Region.

SMEs have close and increasing interest in the IT sector. Since they operate with limited number of employees and relatively small capital, they have an interest to invest in the IT infrastructure, which will decrease their costs and increase efficiency.

The Government is the biggest customer in the Central Anatolia Region. Meanwhile, the Government organizes campaigns aimed at supplying discount IT products to Governmental institutions and public sector employees. This also creates a demand wave in the sector.

*While the Marmara Region takes the lead in the sales, the Central Anatolia Region is also expected to exhibit significant demand growth on the back of expanding public spending on IT*



Source: The Company

**Strong market share in notebook sales**

The share of notebook sales in total PC sales (desktop+notebook) increased from 6% in 1999 to an estimated 31% in 2005, therefore placing the notebook market as an attractive field.

Index had a market share of 31% in 2003 in this market; its market share decreased slightly to 24% in 2004, still a high level.

Notebook Market Share	2003	2004	YoY chng %
IT Sector Notebook Quantity	138,729	218,707	58%
Notebook Quantity Sold by INDEX	42,325	52,953	25%
Market Share	30.64%	24.21%	n.m.

Source: IDC

*Already a market leader in most segments of the IT business, Indeks will be among the main beneficiaries of the growth era in the IT sector*

**Leader in the server segment**

The total server market grew by 28% in 2004, while Index raised its sales by capturing significant market share.

The Company managed to increase its market share from 28% in 2003 to 38.3% in 2004.

	2003	2004	YoY chng %
IT Sector Server Quantity	12,295	15,763	28%
Server Quantity Sold by INDEX	3,434	6,042	76%
Market Share	27.93%	38.33%	n.m.

Source: IDC

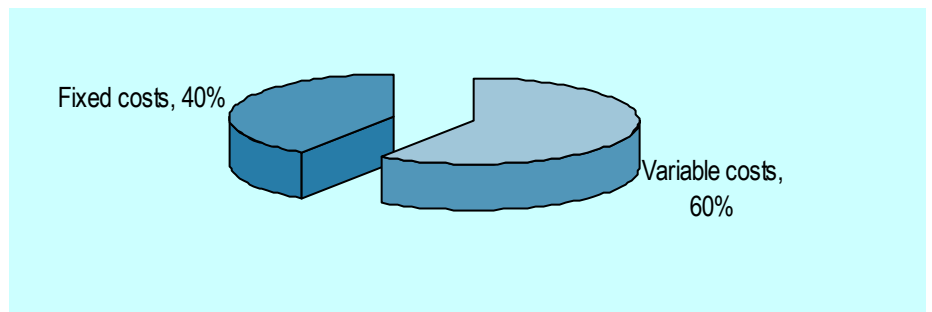
## Cost Structure

### Cost breakdown

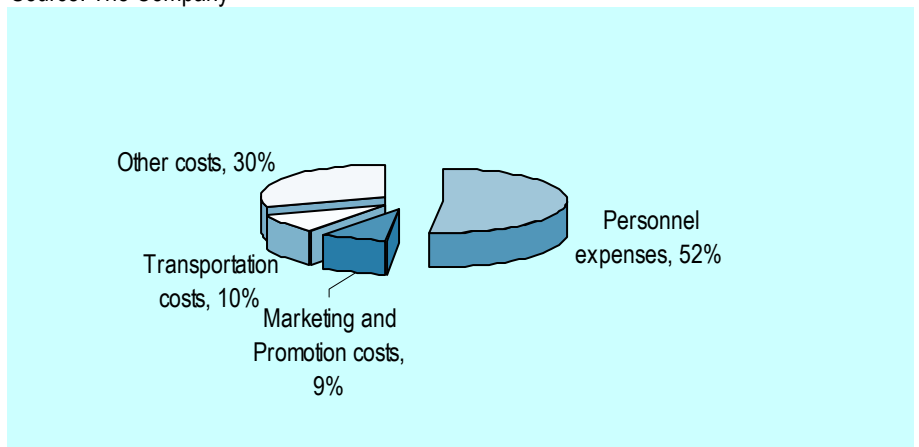
Fixed costs have a 40% share in the total cost breakdown versus the share of variable costs, which account for 60% of costs.

The cost-breakdown signals that personnel expenses take the lead with a 52% market share, while transportation costs are also high at 10%.

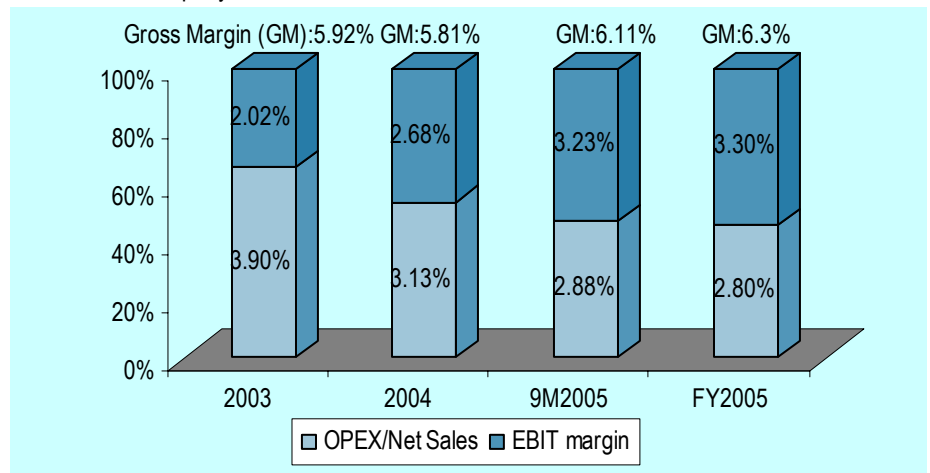
All in all, the Company has been operating with an estimated average gross margin of roughly 5.8%, while the EBIT margin increased from 2.02% in 2003 to 2.8% in 2005.



Source: The Company



Source: The Company



Source: The Company, İş Investment estimates

### *What next?*

İndeks Computer A.S. seeks to establish its business model on four stand-points, which are **sales, logistics, service and production**. Therefore the Company has shaped its future plans on these standpoints.

#### **A new horizon with the independent logistics firm**

In 2005, Index, Datagate, Neteks and Neotech distributed some 7.5 mn units of technology products throughout the country, which roughly corresponds to a distribution facility of a medium-sized logistics firm.

In line with Indeks Group's strategy of turning business processes into profit centres, the Company aims to take advantage of their already well established and well connected distribution network and experience by establishing a logistics firm.

For this purpose the Company took over 99.99% of the shares in Karadeniz Orme Sanayi (KOS), a Company that was in the process of being salvaged, with the purpose of owning KOS' building . The building has roughly 19,000 square metres in enclosed area, built on 39,761 square metres of land. Therefore, there is some idle area in the plant that can be used for further building investments. The building enjoys a very favourable geographical location, with proximity to a part of Istanbul where 70% of Istanbul's IT companies are located. Meanwhile, transportation links around the location are strong.

The transaction for this building amounted to \$15 mn and the Company financed this payment through a 10-year maturity long term loan, with monthly payments starting from April 2006.

The new building will combine the warehouses in one, and therefore the Company's three warehouses currently in use will be closed down. The warehouses to be closed occupy an area of roughly 3,000 square metres with an average rent of \$9-16 per square metre. Therefore, after moving to the new building, the rental expenses for the warehouses will fall.

The Company plans to move into the new building in September-October, 2006 and will record a leasing expense of roughly \$1.5 mn for moving and settling up in the new building.

The first planned step will be to establish a door-to-door logistics company called Indeks Logistics A.S. before the third quarter of the year, which will be fully consolidated by Indeks Computer. In the proposed business plan, the new Company will work exclusively in the IT distribution segment in the first two years following the foundation, and then might seize some other opportunities in different fields. They want to take over the logistics facilities for the IT retail sector and also serve system integrators seeking to outsource distribution. For this purpose, in line with the foundation of a new logistics firm, the Company will increase the number of vehicles in its fleet.

The new logistics company is expected to contribute to the top line of the Company with an increasing weight in the coming years, with an even higher upward impact on the margins. Therefore, the inclusion of the logistics segment in the business model will raise the margins of the Company in the coming years.

**Expanding operations internationally**

In a recently published interview, Erol Bilecik, the general manager of Indeks Computer stated some of the Company's future business plans.

In response to a question regarding any possible investment in the foreign markets, he stated that they were planning to enter to the international trade through Dubai market. They aim to use Dubai as a central point, and run international trade with neighboring countries, with an emphasis on OEM components, starting in the second half of 2006.

The Company expects to finalise this business plan by the end of the year and reap the fruits in the second half of the year. Through this expansion, their international operations will be exempt from some of the tax burden for being transit trade.

**Another initial public offering?**

Despec Corporation, which was founded in 1988, is another Indeks Group company not consolidated by Indeks Computer A.S. The Company operates as a consumable distributor and is the market leader in its segment.

In a press interview, Erol Bilecik, the head of Indeks Group stated that the Group might consider a public offering of Despec in the coming period. Despec has grown at a CAGR of 20% in the last two years and the Group foresees 17% YoY growth in 2006.

If an initial public offering of Despec is realized, Indeks Computer may be a shareholder in a position to improve the consolidated performance of Indeks Computer A.S. This would also positively contribute to consolidated margins, as the margins in the consumables segment is higher than in other segments.

**Providing technical services—another business plan**

As a part of Indeks Group's strategy to position itself in the 'production' front, the Company may establish a production and service company by 2007.

In the near future, the Company aims to provide technical services for individual IT product users through its network.

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## Valuation

### Index A.S. Valuation

We applied both DCF analysis and international peer comparison to value Index A.S., and we applied equal weightings to both methods when reaching our recommendation.

#### DCF Assumptions

##### Market growth

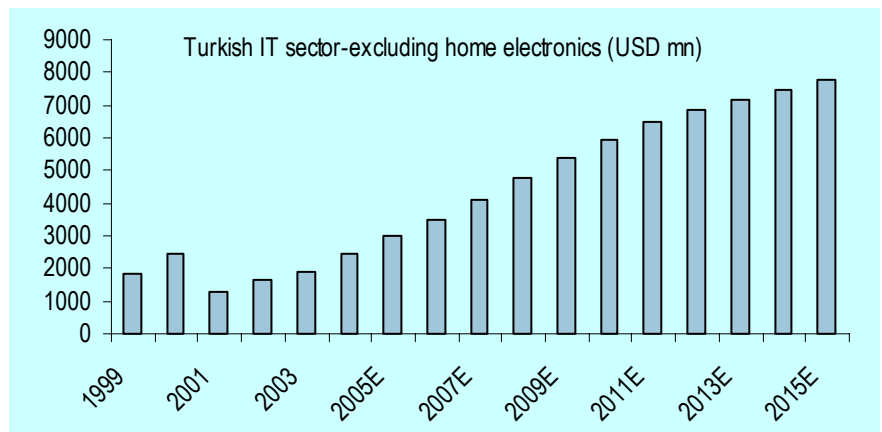
The Turkish IT sector is expected to expand from \$2.4bn in 2005 to \$3 bn by 2006, performing 24% YoY growth. For the coming years, we employed IDC's sector's growth estimates until 2009, and then decreased the growth rate gradually.

It is worth noting that sector representatives' own growth estimates are more bullish, estimating 25% growth for the total IT sector both in 2006 and 2007. Therefore, using IDC-Turkey's estimates adds some conservatism to our estimates.

	2004	2005E	2006E	2007E	2008E
Consumables	30.0%	20.0%	17.0%	16.0%	16.0%
IT Services	18.0%	20.0%	16.0%	15.0%	15.0%
Software	32.0%	23.0%	16.0%	22.0%	22.0%
Hardware	20.0%	26.0%	17.0%	16.0%	16.0%

Source: IDC Turkey

On the back of these growth figures, we expect the sector to reach to a size of \$4.77 bn by 2008. In the following years, we have assumed gradually decreasing growth rates for the total IT sector, from 13% in 2009 to 4% in 2015, taking the sector size to roughly \$6 bn. This implies a CAGR of 10% for the coming decade.



Source: IDC Turkey

While the market grows at an eye-catching pace, we estimate Indeks Computer's sales to outperform the average market growth rate, enabling the Company will capture market share.

The Company is ambitious in carrying out its growth strategies in the sector.

**We are conservative in our margin assumptions**

The Company increased its gross margin from 5.8% in 2004 to 6.3% in 2005. In the overall margin, the margin contributions from Datagate and Neteks are lower than the margin contribution from Indeks sales on a standalone basis. Neotech, which operates in the home electronics segment, has the highest margin contribution to the consolidated figures. For the sake of adopting a conservative approach, we have assumed some pressure on the Company's consolidated margins, mainly due to two factors; the increasing share of the larger retailers in sales, and competition.

**Working Capital Requirement**

As the top line improves, the Company has to handle larger inventories and the change in sales will also affect its receivables and payables.

In our valuation model, we have raised the working capital requirement in line with the growth at the top line.

**Low cost structure sustained**

The Company operates with relatively low operating expenses thanks to its simple business model. We do not foresee any significant change that could affect the proportion of costs.

The Company purchased a new building for \$15 mn and will have a leasing expense of \$1.5 mn to move to the building, which will increase its cash outflow in the short term. The transaction for the building was financed through a 10-year maturity loan. Meanwhile, since the Company will move to its new location in September or October this year, it will close down its three warehouses currently in use, saving on rent expenses.

**New business plans not included in our valuation**

The Group is ambitious to expand its operations to other segments of the IT business, including the plan to establish a logistics firm and a production and service firm. According to the estimates of the Group, the Indeks Computer aims at reaching to a topline level of \$2.1 bn by 2011.

However, as these projects are currently in the planning stage, we therefore do not include them in our valuation. Clearly, these businesses will contribute to the top line at an increasing pace in the medium term. Meanwhile, it is worth noting that margins in the logistics business are higher than the average margin of Indeks Computer and its participations. Therefore, if realized, the inclusion of a logistics firm to the business will pull

**Minority adjustments are included**

In our valuation model we adjusted the free cash flow according to the minority shares of the participations. Indeks A.S. has a 90.4% share in Neteks and an 80% share in Neotech. Its share in Datagate decreased to 49% after Datagate was offered to the public.

**DCF Model**

INDEX - DCF Analysis (\$m)	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
<b>Net Revenues (\$m)</b>	<b>714</b>	<b>861</b>	<b>1037</b>	<b>1204</b>	<b>1386</b>	<b>1547</b>	<b>1672</b>	<b>1792</b>	<b>1893</b>	<b>1991</b>
COGS	-672	-811	-979	-1138	-1312	-1467	-1586	-1701	-1797	-1890
<b>Gross Profits (\$m)</b>	<b>42</b>	<b>50</b>	<b>58</b>	<b>66</b>	<b>74</b>	<b>80</b>	<b>85</b>	<b>91</b>	<b>96</b>	<b>101</b>
Gross Margin, %	5.8%	5.8%	5.6%	5.5%	5.3%	5.2%	5.1%	5.1%	5.1%	5.1%
Op-ex	-21	-25	-30	-34	-40	-44	-48	-52	-55	-59
Marketing & Selling Expenses	12.2	14.8	17.9	20.9	24.3	27.5	30.0	32.5	34.7	36.9
<i>Personel Expenses</i>	5.8	6.9	8.2	9.4	10.8	12.1	13.0	14.0	14.8	15.5
<i>Marketing Expenses</i>	1.8	2.2	2.6	3.1	3.5	3.9	4.2	4.6	4.8	5.1
Transportation Costs	2.1	2.8	3.5	4.3	5.3	6.2	7.0	7.9	8.7	9.6
<i>Others</i>	2.5	3.0	3.5	4.1	4.7	5.3	5.7	6.1	6.4	6.8
General Expenses	8.37	9.74	11.82	13.28	15.21	16.92	18.24	19.52	20.59	21.63
<b>EBIT</b>	<b>21</b>	<b>25</b>	<b>29</b>	<b>32</b>	<b>34</b>	<b>36</b>	<b>37</b>	<b>39</b>	<b>41</b>	<b>42</b>
EBIT margin, %	2.9%	2.9%	2.8%	2.6%	2.5%	2.3%	2.2%	2.2%	2.2%	2.1%
Taxes on EBIT	-4.2	-5.1	-5.7	-6.4	-6.8	-7.1	-7.4	-7.8	-8.2	-8.5
Depreciation Charges	0.4	0.4	1.0	1.1	1.2	1.3	1.4	1.4	1.5	1.5
Change in WC	-9.4	-9.1	-10.9	-10.4	-12.6	-10.2	-7.8	-7.6	-6.4	-6.2
Cap-ex	17.00	0.56	0.83	0.96	1.11	1.24	1.34	1.43	1.51	1.59
Free Cash	-9.3	11.0	12.2	15	15	18	22	24	26	28
Minority adjustment for Datagate	0.4	0.8	1.1	1.9	2.4	2.6	2.9	3.2	3.4	3.6
Minority adjustment for Neteks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority adjustment for Neotech	0.0	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1
FCF after minority adjustment	-9.8	10.1	11.0	13.1	12.2	15.6	19.0	20.4	22.7	23.9
Disc Factor	1.00	1.11	1.24	1.38	1.54	1.71	1.91	2.12	2.36	2.63
DCF	-9.8	9.1	8.8	9.5	7.9	9.1	10.0	9.6	9.6	9.1
Terminal growth	2%									
Terminal Value	99									
Firm Value	172									
Net Cash	4									
Equity Value	176									

İNDES-WACC Calculation	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Risk Free Rate	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Equity Risk Premium	5%	5%	5%	5%	5%	5%	5%	5%
Beta	1	1	1	1	1	1	1	1
Cost of Equity	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Cost of Debt	8%	8%	8%	8%	8%	8%	8%	8%
After tax cost of debt	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%
WACC	11.35%	11.35%	11.35%	11.35%	11.35%	11.35%	11.35%	11.35%

Source: Is Investment

**Sensitivity Analysis**

		Terminal Growth			
		2.0%	2.5%	3.0%	3.5%
WACC	11.0%	188	195	202	211
	11.5%	176	182	189	196
	12.0%	166	171	177	183
	12.5%	157	161	166	172
	13.0%	149	153	157	162

**WACC**

We have taken the average expected yield of the 10 year dollar denominated Turkey Eurobond as a proxy for the risk free rate. This yield currently stands at around 6.3%. However we remain cautious, taking into account possible adverse impacts of US rate increases on emerging market yields, and have therefore assumed that the yield will average around 7% between 2005-2013. All in all, we calculate a WACC value of 11.35%.

### International Peer Comparison

International Peers	Country	Mcap (\$mn)	EV (\$mn)	EV/EBITDA 2006	EV/EBITDA 2007	P/E 2006	P/E 2007	WC / Sales	ROCE	CAPEX / Sales	EBIT Margin
ESPRINET SPA	IT	870	876	9.8	9.2	20.5	19.0	11%	15% *	-0.3%	3.1%
SCRIBONA AB-A SHS	SW	145	144	5.6	5.3	8.4	7.9	-9% *	-1% *	-0.2% *	1.0% *
FAYREWOOD PLC	GB	102	146	6.7	N/A	6.8	N/A	N/A	N/A	N/A	N/A
INNELEC MULTIMEDIA	FR	40	31	5.8	5.3	12.7	11.9	1%	18%	-0.5%	2.2%
TECH DATA CORP	US	2,045	2,139	N/A	N/A	17.8	14.0	-10%	10%	-0.1%	1.2%
INGRAM MICRO INC-CL	US	3,162	3,443	7.0	6.0	12.8	11.7	-7%	14%	0	1.3%
ALSO HOLDING-REG	SZ	239	218	8.4	7.6	14.1	12.4	-10% *	20% *	-0.2% *	1.6% *
BELL MICROPRODUCTS	US	190	454	7.9	6.6	14.0	10.5	-12% *	7% *	-0.2% *	1.3% *
AVNET INC	US	3,607	4,698	8.6	7.4	14.1	11.7	-16%	11%	-0.3%	2.9%
SERCOMM CORPORATION	TA	84	88	0.8	0.7	7.4	6.6	-13% *	0 *	-1.1% *	7.6% *
AGILYSYS INC	US	454	381	5.6	5.2	14.2	12.5	-5%	15%	-0.1%	2.7%
SYNNEX CORP	US	533	521	5.2	4.7	12.2	11.1	-7%	17%	-0.1%	1.4%
<b>MEDIAN</b>				<b>6.7</b>	<b>5.7</b>	<b>13.4</b>	<b>11.7</b>	<b>-7.0%</b>	<b>14.5%</b>	<b>-0.1%</b>	<b>2.2%</b>

\* 2004 figures

Source: IBES Estimates—Bloomberg

Domestic Peers	Country	Mcap (\$mn)	EV (\$mn)	EV/EBITDA 2006	EV/EBITDA 2007	P/E 2006	P/E 2007	WC / Sales	ROCE	CAPEX / Sales	EBIT Margin
Arena	TR	72	78	5.8	4.8	7.9	6.6	-8.1%	26.7%	-0.12%	3.2%
Datagate	TR	26	22	4.4	3.5	9.9	8.4	-2.0%	16.0%	-0.11%	2.5%
<b>MEDIAN</b>				<b>5.1</b>	<b>4.1</b>	<b>8.9</b>	<b>7.5</b>				
<b>İNDEKS</b>	<b>TR</b>	<b>99</b>	<b>95</b>	<b>4.0</b>	<b>3.4</b>	<b>5.1</b>	<b>4</b>	<b>-6%</b>	<b>21%</b>	<b>0%</b>	<b>3%</b>

As a result of a weighed average approach among the DCF, international peer comparison and domestic peer comparison methods, we come up with a target fair value estimate of \$160 mn (\$3.55 per share) implying 46% upside potential.

**We initiate coverage for the stock with an OUTPERFORM recommendation.**

Valuation Summary (million US\$)		
Methodology	Equity Value (million US\$)	Weight (%)
DCF	176	60%
International Peer Comparison	159	20%
Domestic Peer Comparison	110	20%
<b>Weighted Average Equity Value for Indeks</b>	<b>159.4</b>	

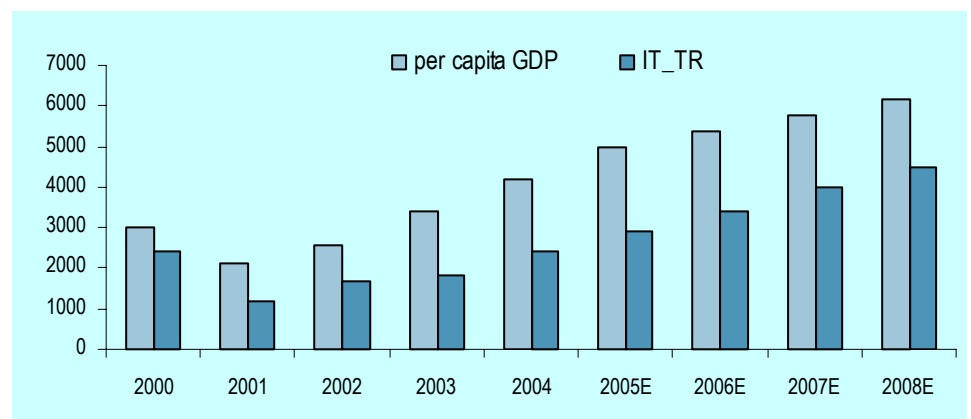
## The Turkish IT sector with figures

### IT sector bounced back to pre-crisis level in 2004

IT consumption is highly related with household income and also the investment plans of the real sector. As per capita income increases, households are willing to spend more in technological products. Meanwhile, economic stability is a strong incentive for firms to invest further in their technological infrastructure. As the Turkish Economy has passed through a successful recovery period following the economic crises of late 2000 and early 2001, the IT sector has also recovered strongly thanks to rising household consumption and investment from the private and public sector.

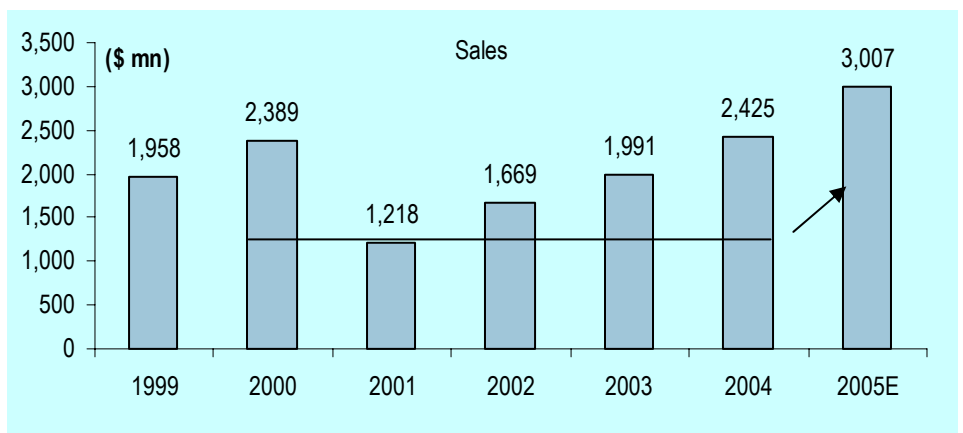
Both per capita GDP and IT spending grew at a CAGR of around 24% in the post-crisis period until 2005. We expect a 7% CAGR in per capita GDP between 2005-2008, while IT spending is estimated to grow at a significantly higher CAGR of 16% over the same period.

*A significantly improving macro economic environment creates a leverage effect for the sector*



Source: Index A.S., İs Investment

In 2004, the sector recovered to its pre-crisis level in terms of sales. The growth continued in 2005, with the sector estimated to have reached a size of \$3 bn in 2005.



Source: International Data Corporation

**The fastest growing market in Europe**

The European IT market, which is highly saturated, had a size of roughly \$260 bn in 2004. Spain and Ireland, which grew by 7%, and Greece and Portugal, which grew by 6% in 2004, took the lead in terms of growth in Western Europe. When Compared to its European peers, the Turkish IT sector had a size of \$2.4 bn in 2004, corresponding to roughly 4% of UK's IT market size, which has a 22.4% share in Western's Europe's total IT spending.

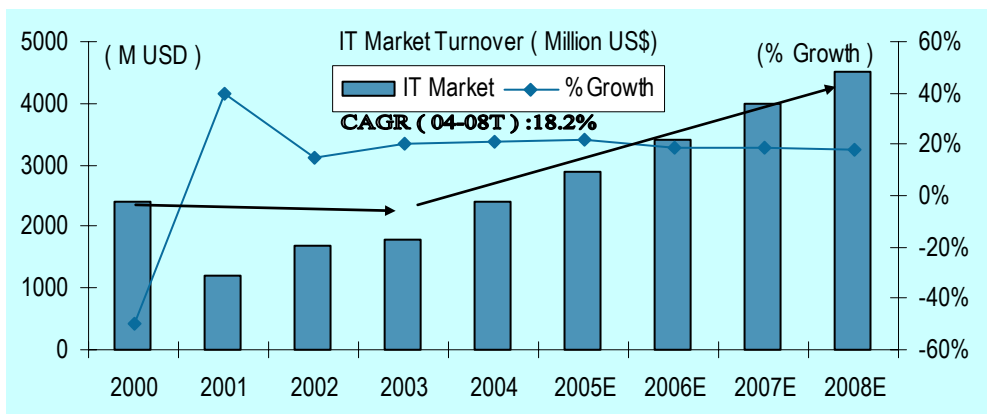
*Compared with Europe , Turkish IT sector offers bright prospects with double digit growth figures*

(US\$/millions)	Western Europe IT Spending							
	Spending			Proportion in Europe			YoY% growth	
	2002	2003	2004	2002	2003	2004	2003	2004
United Kingdom	56.2	56.9	57.9	21.9%	22.6%	22.4%	1%	2%
Germany	55.1	53.7	54.1	21.5%	21.3%	20.9%	-3%	1%
France	44.4	42.7	44	17.3%	16.9%	17.0%	-4%	3%
Italy	21.9	21.4	21.9	8.5%	8.5%	8.5%	-2%	2%
Netherlands	14	13.7	14.1	5.5%	5.4%	5.4%	-2%	3%
Spain	11.2	11.7	12.5	4.4%	4.6%	4.8%	4%	7%
Sweden	9.8	9.3	9.6	3.8%	3.7%	3.7%	-5%	3%
Switzerland	9.6	9.2	9.5	3.7%	3.7%	3.7%	-4%	2%
Belgium	7.3	7.2	7.5	2.9%	2.9%	2.9%	-2%	4%
Austria	6	5.8	6.1	2.3%	2.3%	2.4%	-2%	5%
Denmark	6	5.8	6.1	2.3%	2.3%	2.3%	-3%	4%
Norway	4.7	4.7	4.8	1.8%	1.8%	1.8%	-1%	3%
Finland	4.4	4.2	4.4	1.7%	1.7%	1.7%	-3%	4%
Portugal	2.2	2.2	2.4	0.9%	0.9%	0.9%	0%	6%
Ireland	2	2	2.1	0.8%	0.8%	0.8%	-2%	7%
Greece	1.7	1.7	1.9	0.6%	0.7%	1%	5%	6%
<b>Western Europe</b>	<b>256.5</b>	<b>252.2</b>	<b>258.9</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>-2%</b>	<b>3%</b>
<b>Turkey</b>	<b>1.6</b>	<b>1.9</b>	<b>2.4</b>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<b>16%</b>	<b>29%</b>

Source: Bank of America, 2005

The Turkish IT sector has posted double-digit growth rates in the past two years, with significantly more rapid growth than European countries. The Turkish IT sector is expected to grow at a CAGR of 18.2% between 2004-2008, reaching a market size of \$4.5 bn.

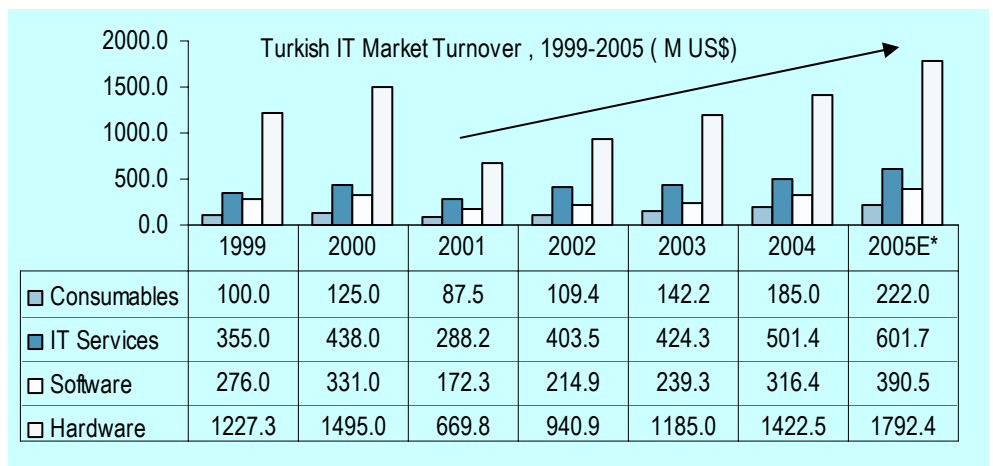
*A CAGR of 18.2% is expected between 2004- 2008*



Source: International Data Corporation

The overall IT market consists of the hardware, software, IT services and consumable segments. The hardware segment, which grew at a CAGR of 28% during the sector's recovery period of 2001-2005 (based on 2005 estimated figures), taking the sector size up to \$1.8 bn. Meanwhile, the other three segments also exhibited CAGR growth rates of more than 20%, carrying the size of the total IT sector to an estimated \$3 bn.

*The hardware segment has the highest share of total IT spending*



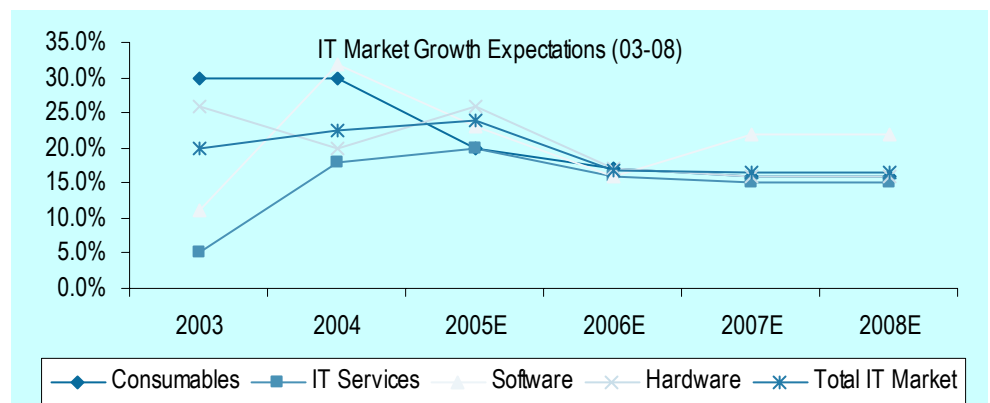
Source: Indeks Computer

We expect all segments to continue their eye-catching growth in the medium term on the back of the increasing computer and internet usage in Turkey. According to the estimates of the International Data Corporation, the total IT market will grow at an average rate of 18.2% between 2004-2008, led by the software segment which is forecasted to grow at an average rate of 21%. The hardware segment, which has the highest share in the total IT market is estimated to grow at an average 19% by 2008, reaching a total size of \$2.4 bn.

*The industry's growth expectations exceed the IDC's projections*

	2004	2005E	2006E	2007E	2008E
Consumables	30.0%	20.0%	17.0%	16.0%	16.0%
IT Services	18.0%	20.0%	16.0%	15.0%	15.0%
Software	32.0%	23.0%	16.0%	22.0%	22.0%
Hardware	20.0%	26.0%	17.0%	16.0%	16.0%

Source: International Data Corporation

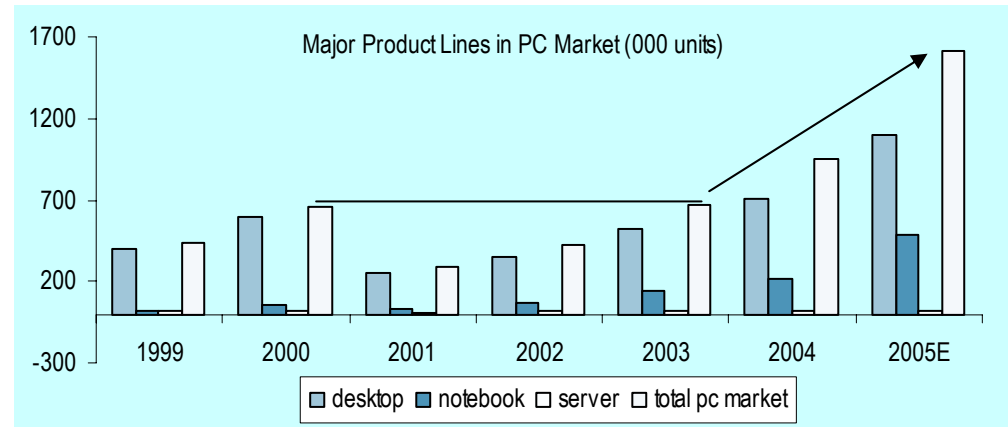


Source: IDC

**Overview of the PC segment**

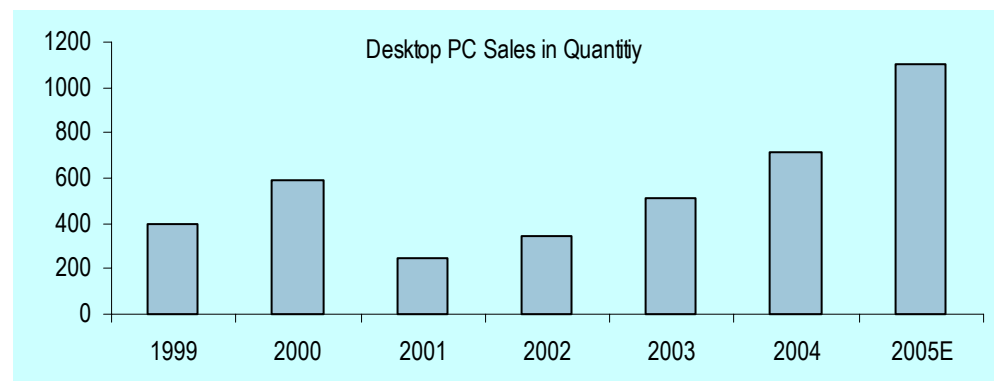
The major product lines in the PC market are desktops, notebooks, and servers. The total PC market was downsized by 56% YoY in 2001 during the economic crises, but it recovered more rapidly than the overall IT market, and the PC market reached its pre-crisis level in 2003.

*The PC market recovered more rapidly than the overall IT sector, while growth continued throughout 2004*



Source: IDC Turkey

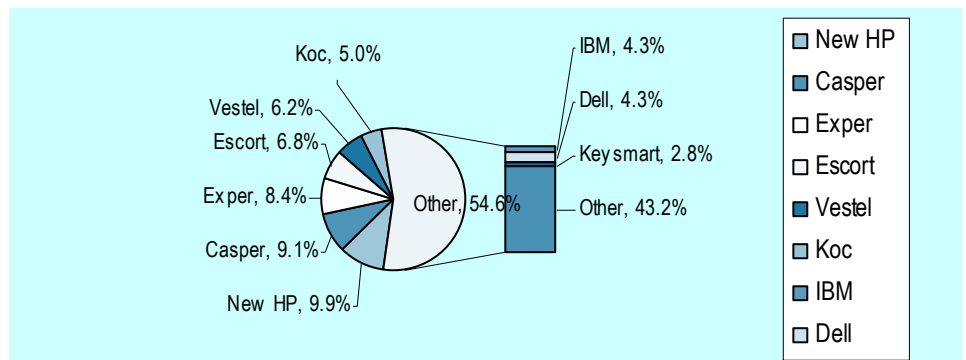
The share of desktop sales in the total PC market was 91% in 1999, but is estimated to have decreased to 68% in 2005. This is mainly due to the increasing customer preference for notebooks. However, the growth is still high and total desktop sales are estimated to have reached 1.1 mn units in 2005.



Source: International Data Corporation

Due to the growing size of the desktop market, which clearly reflects strong demand, many vendors are trying to enter the market. It is currently a fragmented market with the largest player having a ... share.

*Increasing demand in the desktop market attracts new players*



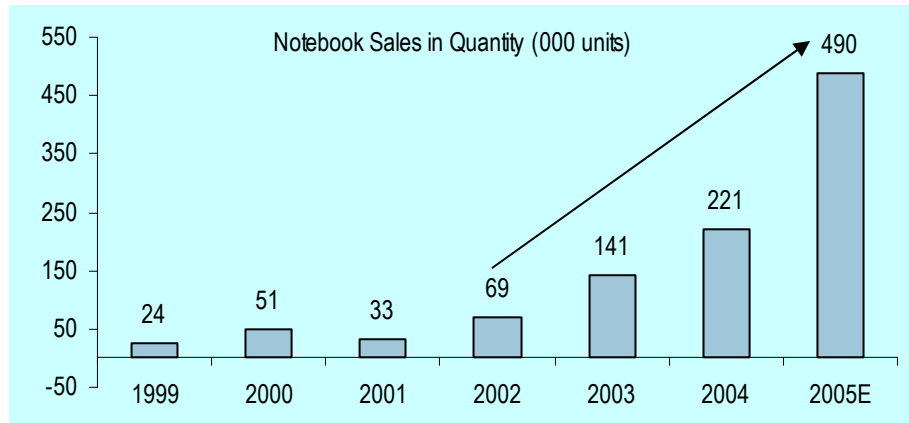
Source: IDC-Turkey

**Notebook Segment**

*The share of notebook sales in total PC sales increased from 6% in 1999 to an estimated 31% in 2005*

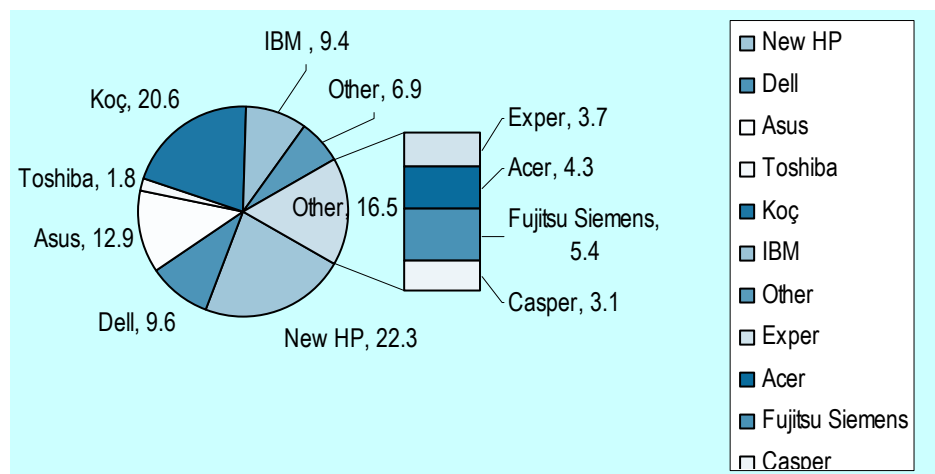
Notebook sales accounted for just 6% of total desktop sales in 1999 and hence have a very small share in the total PC sector. However, as customer preferences have shifted towards notebooks, the market has witnessed an eye-catching increase in the market share of the notebook sales. The share of notebook sales in total PC sales (desktop + notebook) increased from 6% in 1999 to an estimated 31% in 2005.

Businesses have begun to prefer notebooks to enable mobility for their employees. The jump in 2005 (122% YoY increase) was also positively affected by some mass-campaigns run by governmental institutions such as the Ministry of Education, to supply discount notebooks to school teachers.



Source: IDC-Turkey

As in the desktop market, there are numerous vendors in the notebook market in which both domestic and international players operate. Although still being fragmented, unlike the desktop market, the biggest vendor, HP, has a market share of 22.3% and the top two players have a total market share of roughly 43%.



Source: IDC-Turkey

**Outlook for 2006 and beyond**

Sector representatives are more bullish in their growth estimates than the International Data Corporation (IDC). They expect the total IT sector to reach to a size of \$7 bn in 2007. Anatolian cities in the country are expected to be the growth engines in the sector.

Turk Telekom will install an additional 1.5 mn ADSL ports which will create a strong leverage affect for PC sales. Sector representatives estimate 2.5 mn new PCs to be sold in 2006, while sales of mobile products are estimated to grow by 50%.

Increasing web service availability on the back of investment from both the private and public sectors will continue to positively affect the sector. Most sector representatives agree that consumer electronics will be the rising star in the near future, outperforming the sector, while offering higher margins.

Many big international vendors are already operating in Turkey. It is estimated that medium-scale vendors, especially from the Far East, will be interested in entering the market, which will lead to a significant foreign capital inflow to the market in by 2007. Meanwhile, some players currently operating as IT-distributors might be acquisition targets.

There are currently some 3 mn SMEs in Turkey. It is estimated that only 10% of these SMEs have proper IT infrastructure. The rest of them create an unsaturated potential market for IT sector.

## FY2005 Financials

### FY2005 financials

The most recently released financial statements are the FY2005 IFRS consolidated financials. Due to the change in accounting principles, a YoY comparison is not available.

The Company generated \$2.9 mn of net profit in the fourth quarter, carrying its FY2005 net profit to \$9 mn. Meanwhile its sales increased by roughly \$192 mn in the fourth quarter, also helped by seasonality, and the Company announced a top line of \$563 mn in FY2005.

Indeks A.S. generated \$6.6 mn of EBITDA in the last quarter from \$192 mn of net sales, and generated of \$19 mn of FY2005 EBITDA, pointing to an EBITDA margin of 3.4%.

Meanwhile, Datagate, a participant of Indeks Computer which was recently offered to the public, also announced its FY2005 financials. Datagate generated \$146 mn of net sales in 2005, slightly exceeding the \$140 mn target set out in its IPO circular, hence contributing to the financial performance of Indeks Computer.

Indeks Computer operates as a part of Indeks Group which is an integrated player in the Turkish IT sector. The Company offers a strong product portfolio as well as distribution network to its re-sellers in the market for products supplied by Indeks from vendors. A detailed report will follow shortly.

Indeks A.S. (USD mn)	1Q2005	2Q2005	3Q2005	4Q2005	2005
Net Sales	117.4	119.7	133.8	192.1	563.0
EBITDA	4.8	4.0	3.6	6.6	19.0
EBITDA margin	4.1%	3.3%	2.7%	3.4%	3.4%
Net Income	2.6	1.6	1.8	2.9	9.0
Net Margin	2.2%	1.4%	1.4%	1.5%	1.6%

### Balance Sheet

Indeks A.S. (USD mn)	2003/12	2004/12	2005	2006E	2007E	2008E	2009E
<b>CURRENT ASSETS</b>	<b>80.4</b>	<b>126.7</b>	<b>164.3</b>	<b>189.0</b>	<b>234.0</b>	<b>287.1</b>	<b>341.2</b>
Liquid Assets	2.2	2.6	12.8	3.5	10.1	17.5	27.9
Marketable Securities	0.0	4.7	0.0	0.0	0.0	0.0	0.0
Short-Term Trade Receivables	52.5	80.4	91.0	121.4	146.4	176.3	204.8
Other Short-Term Receivables	0.1	1.3	1.3	1.7	2.1	2.5	2.9
Inventories	20.3	30.1	47.1	47.1	56.8	68.5	79.7
Other Current Assets	4.8	7.7	12.1	15.4	18.6	22.4	26.0
<b>LONG TERM ASSETS</b>	<b>7.6</b>	<b>8.5</b>	<b>8.3</b>	<b>23.2</b>	<b>23.8</b>	<b>24.6</b>	<b>25.6</b>
Long-Term Financial Assets	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Tangible Fixed Assets	2.6	2.9	2.8	17.8	18.4	19.2	20.2
Intangible Fixed Assets	4.9	5.4	5.2	5.2	5.2	5.2	5.2
Other Long-Term Assets	0.0	0.0	0.1	0.1	0.1	0.2	0.2
<b>TOTAL ASSETS</b>	<b>87.9</b>	<b>135.1</b>	<b>172.6</b>	<b>212.3</b>	<b>257.8</b>	<b>311.8</b>	<b>366.9</b>
<b>SHORT TERM LIABILITIES</b>	<b>67.6</b>	<b>96.3</b>	<b>125.7</b>	<b>153.3</b>	<b>181.3</b>	<b>214.9</b>	<b>247.1</b>
Short-Term Financial Loans	7.3	12.4	17.8	17.8	17.8	17.8	17.8
Short-Term Trade Payables	54.3	79.4	99.1	124.4	150.1	181.0	210.6
Other Short-Term Liabilities	4.4	0.1	1.2	1.5	1.8	2.1	2.5
Short-Term Advances Received	1.4	0.3	0.9	1.1	1.4	1.7	1.9
Short-Term Provisions	0.3	4.2	6.7	8.5	10.2	12.3	14.3
<b>LONG TERM LIABILITIES</b>	<b>0.8</b>	<b>0.3</b>	<b>0.4</b>	<b>2.1</b>	<b>2.2</b>	<b>2.3</b>	<b>2.4</b>
Long-Term Financial Loans	0.0	0.0	0.0	1.6	1.6	1.6	1.6
Provisions	0.8	0.3	0.4	0.5	0.6	0.7	0.8
<b>SHAREHOLDERS EQUITY</b>	<b>19.2</b>	<b>38.1</b>	<b>45.8</b>	<b>57.0</b>	<b>74.4</b>	<b>94.6</b>	<b>117.4</b>
Share Capital	10.0	13.2	33.5	32.5	32.0	31.8	31.5
Reserves and Other Sholders Equity Items	-0.6	15.2	2.8	2.8	2.8	2.8	2.8
Current Year Income /(Losses)	9.8	0.0	8.7	12.2	17.8	20.5	23.0
Retained Earnings /(Acc. Losses)	0.0	3.4	0.8	9.4	21.6	39.5	60.0
<b>TOTAL LIABILITIES AND S. EQUITY</b>	<b>87.9</b>	<b>135.1</b>	<b>172.6</b>	<b>212.3</b>	<b>257.8</b>	<b>311.8</b>	<b>366.9</b>

### Income Statement

İNDEKS (USD mn)	2003/12	2004/12	2005	2006E	2007E	2008E	2009E
Net Sales	304	461	562	714	861	1,037	1,204
Cost Of Sales	(286)	(434)	(527)	(672)	(811)	(979)	(1,138)
<b>Gross Profit</b>	<b>18</b>	<b>27</b>	<b>35</b>	<b>42</b>	<b>50</b>	<b>58</b>	<b>66</b>
<i>Gross Margin</i>	6%	6%	6%	6%	6%	6%	5%
Operating Expenses	(12)	(14)	(17)	(21)	(25)	(30)	(34)
<b>EBIT</b>	<b>6</b>	<b>12</b>	<b>18</b>	<b>21</b>	<b>25</b>	<b>29</b>	<b>32</b>
<i>EBIT margin</i>	2.0%	2.7%	3.2%	2.9%	2.9%	2.8%	2.6%
Income from Other Operations	(1)	1	(2.3)	(1.0)	(1.0)	(1.0)	(1.0)
Financial Expenses	(2.5)	(6.0)	(5.0)	(4.7)	(2.0)	(2.0)	(2.0)
Net Changes on Monetary Positions	0	(1)	-	-	-	-	-
Taxation on Income	(0)	(1)	(2)	(3)	(4)	(5)	(6)
<b>Net Profit</b>	<b>3</b>	<b>6</b>	<b>9</b>	<b>12</b>	<b>18</b>	<b>20</b>	<b>23</b>
<i>Net Margin</i>	0.9%	1.3%	1.5%	1.7%	2.1%	2.0%	1.9%
<b>EBITDA</b>	<b>7</b>	<b>13</b>	<b>19</b>	<b>22</b>	<b>26</b>	<b>29</b>	<b>31</b>
<i>EBITDA margin</i>	2.2%	2.8%	3.4%	3.1%	3.0%	2.8%	2.6%

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