Outlook

Edison investment research

4 May 2012

Is Private Equity

Year End	Revenue (TRYm)	PBT* (TRYm)	EPS* (TRY)	DPS (TRY)	P/E (x)	Yield (%)
12/09	8.2	8.7	0.17	0.07	16.4	2.5
12/10	17.1	12.1	0.24	0.06	11.6	2.2
12/11	76.0	42.4	0.84	0.15	3.3	5.4

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items.

Investment summary: Poised for growth

Is Private Equity (ISGSY) is a leading private equity firm in Turkey with 13 investments made since 2000 and eight exits successfully completed as of March 2012. The company reports that these eight exits have achieved an average IRR of 22.6% (on a US-dollar basis) and an average cash exit multiple of 1.9x. Well-timed exits have provided ISGSY with ample cash to capitalise on investment opportunities during this period of ongoing market volatility. ISGSY is expecting to make further investments by the end of the year.

Private equity in Turkey is continuing to develop

Private equity (PE) investment started to pick up after 2005 and has grown strongly over recent years. An increasing number of private equity teams are now operating on the ground, although the larger non-domestic managers tend to be active in larger company buy-outs. ISGSY focuses on smaller, often family-owned companies with enterprise values greater than US$25m where its local knowledge and relationships are an advantage and competition less intense.

Driven by funding needs and succession planning

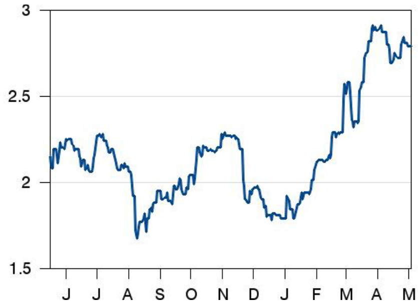
Turkish PE market growth is being supported by increasing numbers of companies becoming available mainly due to their need to access finance. Although bank lending is a fast-growing sector (ISGSY parent company IS Bank is one of the market leaders), demand for loans still outstrips supply. At the same time, there are a lot of family-owned businesses where succession planning becomes more difficult as the economy and businesses expand.

Valuation: Trades at a discount to NAV

Based on ISGSY's current share price, it trades at a discount of 28% to its inflation-adjusted NAV, which is not marked to market. Although this discount has narrowed over the past two years, we believe it still does not reflect the strong track record of the company (eight exits to date with an average US dollar IRR of 22.6%), or the potential within the remaining portfolio companies. In addition, ISGSY's dividend yield of 7.8% is considerably higher than the Turkish average of 3.0% and is expected to be 9.0% in 2012.

Price	TRY2.79
Market Cap	TRY141m

Share price graph



Share details

Code	ISGSY
Listing	ISE – NATIONAL 100
Sector	Investment companies
Shares in issue	50.4m

Price

52 week	High	Low
	TRY3.1	TRY1.8

Balance Sheet as at 31 Dec 2011

Debt/Equity (%)	N/A
NAV per share (TRY)	3.88*
Net cash (TRYm)	38.2**

**As at 31 March 2012.*
*** Excludes financial investments of TRY75.6m.*

Business

IS Private Equity was established in 2000 to invest in Turkey's rapidly growing SME sector.

Valuation

	2011	2012e	2013e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	N/A	N/A	N/A
ROE	N/A	N/A	N/A

Revenues by geography

UK	Europe	US	Other
0%	0%	0%	100%

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Is Private Equity is a research client of Edison Investment Research Limited

Investment summary: Poised for growth

Company description: Capitalising on a developing market

ISGSY is a low-end mid market fund with a focus on growth and equity buyouts. It started with a $29.3m fund in 2000 and listed on the Istanbul Stock Exchange in 2004 with a c 38% free float. Since incorporation it has invested a total of $81.5m in 13 companies and has realised eight exits, making it a leader in terms of the number of PE transactions.

Valuation

ISGSY's shares trade at a 28% discount to the last published NAV. We believe this is unwarranted given the strong track record of the company (eight exits to date at an average IRR of 28.7% on a US dollar basis), and the potential within the portfolio. In addition the fund is only 47% invested and so has the liquid assets to fund future investment opportunities. ISGSY's discount of 28% is lower than the industry average discount, which is closer to 40% (LPX Europe). This masks the fact that the average single manager funds like ISGSY generally trade at lower discounts than funds-of-funds and there are examples of single-manager country-specific funds (for example Deutsche Beteilingungs) that trade very close to NAV.

Sensitivities

- ISGSY primarily invests in unquoted companies, which creates a lack of visibility in terms of future financial projections.
- Investee companies may not succeed and impairments could be incurred. However, all of the eight exit investments so far have been profitable.
- Macro issues: improving economic data leads to a better environment for asset sales.
- Credit markets: recovery in global credit markets will improve cost and availability of debt.
- Small free float: ISGSY is owned and controlled by Is Bank concert parties, which own (directly and via subsidiaries) 57.7% of the stock. This limits liquidity.

Financials

The inflation adjusted NAV of the fund as at 31 March 2012 was TRY195m or TRY3.88 per share. This constitutes TRY121m of portfolio investments and TRY136m in short-term investments (which are a combination of listed equity, government and other fixed income securities). Since its inception in 2000, it has realised a total of $94m from eight exits. ISGSY paid a dividend of TRY7.54m (TRY0.15 DPS) in 2011.

Management also announced a TRY12.6m dividend distribution plan for 2012 set for 11 May 2012 followed by a 15% bonus issue later in the year. This equates to a historical dividend yield of 7.8% in 2011, which is well above the average Turkish market yield of 3.0% (ISE-100 Index).

Company description: Leader in a growing market

ISGSY provides investment funds and advice to Turkish companies. It started with a $29.3m fund in 2000 and listed on the Istanbul Stock Exchange in 2004 with a c 38% free float. Since incorporation, it has invested a total of $81.5m in 13 companies and has realised eight exits, which is twice as many as the next leading PE fund in Turkey.

History and fund description

ISGSY was founded by a consortium led by its parent company Is Bank, which is the largest bank in Turkey with an asset base of US$91.8bn as at 31 December 2011. The Is Bank group holds 57.7% across its affiliated companies. The other founding shareholder is the Technology Development Foundation of Turkey (TTGV), which has the objective of boosting investment in technology and venture capital and owns 11.1%. The founding partners helped ISGSY significantly in the early years, giving it a high level of investment sophistication from the start, and the benefit of Is Bank's track record and reputation.

Investment philosophy and strategy

Within the Turkish PE market ISGSY is a generalist lower mid-market investor with a focus on growth equity transactions, buy-outs and balance sheet restructurings. It aims to invest in companies in: 1) non-cyclical sectors; 2) sectors where growth is driven by domestic consumer demand; 3) sectors where Turkey has a competitive advantage such as low cost but highly skilled labour and its geographic location; 4) sectors with limited sensitivity to regulations; 5) companies with understandable, anticipated and controllable key performance indicators; and 6) operational profitability and cash generation. ISGSY aims to achieve an IRR target of between 25-30% with each investment.

ISGSY then focuses on those companies with an aggressive but realistic business plan for high growth – incorporating organic and inorganic, domestic and international growth components, combined with operational profitability. Target companies also need to be operationally sound with a sustainable competitive edge and differentiating factors such as a leading position and defensible market share, a strong business model, a proprietary concept or products with competitive advantages. In addition, ISGSY believes the presence of a strong, experienced and dedicated management team is a crucial factor in its investment strategy. Finally, exit opportunities, including sale to financial or strategic buyer, public offering prospects or exit to founding shareholders should be clear and abundant from the pre-investment stage. ISGSY screens approximately 150-200 investment opportunities every year and has a general investment horizon of between three and five years.

The key areas where it adds value are through:

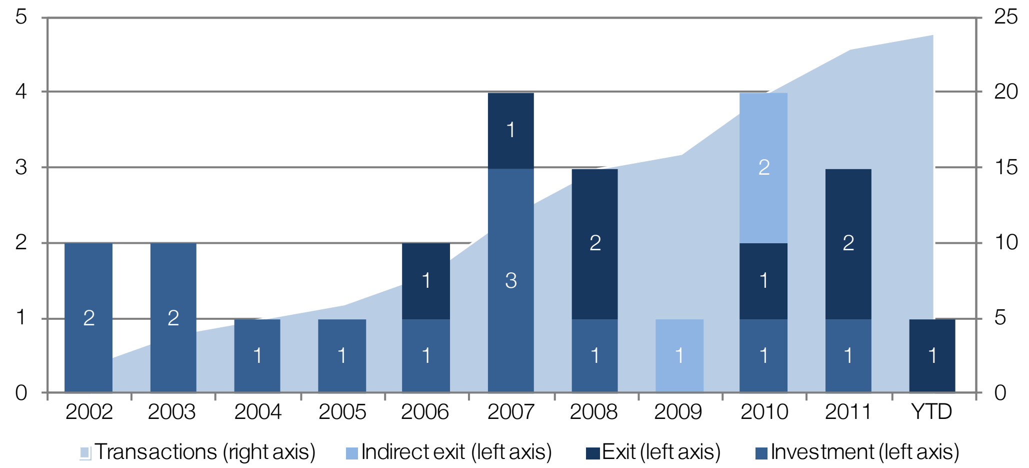
1) recruiting top management (the IS brand helps);
2) implementing good management information systems, which leads to timely, accurate reporting;
3) financial restructuring by helping its investee companies increase gearing;
4) enhancing corporate governance through board membership; and
5) implementing new strategies such as industry consolidation, expansion into new markets, or strategies that incorporate natural foreign exchange risk hedging mechanisms.

The developing Turkish PE market

The PE market in Turkey remains underdeveloped relative to Western markets. Although PE investment now forms a larger share of Turkey's GDP than its Central Eastern European (CEE) peers, it is still only less that 0.5%. ISGSY believes it does not have any significant competitors, but differentiates itself from its peers by the following factors:

- ISGSY's low-end mid-cap focus is a clear competitive advantage as it can take equity positions in the $7-20m range. Most of its competitors are mid-/large-cap funds that have a minimum investment size of $25m. ISGSY's local presence and broader group relations give it access to smaller, often family owned businesses seeking additional finance to fund growth and manage succession issues.
- As a result there is less competition for its targets; it has never been in a competitive auction for an investment target, and one of its exit routes is to one of the larger/later-stage private equity funds.
- Most private equity funds (especially non-Turkish ones) require majority stakes in investee companies. ISGSY is happy to take non-controlling stakes (although it has taken majority stakes in two of its 13 investments), with similar levels of downside protection as if it held a majority (see risk management section).
- Most private equity funds target buyout deals, but ISGSY is largely growth focused.
- ISGSY has a strong advantage in the Is Bank brand name. Investee companies feel it is trustworthy, it opens doors, and it has a good track record and strong visibility.

Exhibit 1: Investments and exits



Source: IS Private Equity

Management: Depth of experience

The CEO, Murat Özgen, has been with ISGSY for over 10 years. Before joining ISGSY, Murat Özgen spent nine years mainly in the finance and banking industries at local and global institutions in Turkey and abroad. These include Kocbank in Istanbul, Commerzbank AG in New York and Facility Group in Atlanta. He is an investment committee member of ISGSY. In addition to his transactional experience, Murat Özgen has significant board-level experience with ISGSY's portfolio companies. In total ISGSY has nine investment professionals with experience in project finance, consulting, strategic planning, research, corporate finance and Turkish industry. All have been at ISGSY for several years and management believes it has one of the most experienced PE teams in Turkey.

Risk management

We believe one of the reasons for ISGSY's strong track record is excellent risk management tools that have been used extensively since 2005. Shareholders of ISGSY benefit from four key criteria:

- Protection for minority stakes. Unlike several of ISGSY's competitors, it does not solely rely on majority stakes in investee companies. However, it is represented at board level and has extensive veto rights under the board of directors and general assembly. It also has the right to hire a CFO, with respect to all portfolio companies, regardless of its stake; and, for some specific investments, it uses clawback or earn-out mechanisms depending on the deal structure.
- ISGSY has a strong focus on routes to exit. Exit strategies include: a strategic or financial buyer; an IPO; or sale to founding shareholders. ISGSY has tax privileges through trade sales, IPO and sale back to founding shareholders in some of its 13 investments.
- Investee companies take all the currency risk. ISGSY invests initially in US dollars or euros and exits for a US dollar or euro denominated amount. The investee companies may hedge, but ISGSY takes no exchange rate risk and its calculated IRR is denominated in US dollars or euros.
- ISGSY incentivises the management of investee companies if targets are matched or beaten by awarding share options or other performance-related incentives.

The investment portfolio

ISGSY's current portfolio consists of five core investments with a total combined investment value of US$32.1m.

Core investments

Exhibit 2: Current investment portfolio as at 31 December 2011

Company name	Business description	Investment rationale	Investment date	Investment amount	Shareholding	Status	Website
Nevotek	IP convergence company	Capitalise on the boost in the IP telephony market, through development of technology approved and supported by Cisco, LG and Avaya.	Between 2003-2006 (five tranches)	$3m	81.2%	Current	www.nevotek.com
Ortopro	Manufacturer and distributor of orthopaedic implants	Use Turkey as a low cost, high skill manufacturer for Europe. Number two in the market with manufacturing facility.	2007	$6m	32.5%	Current	www.ortopro.com.tr
Turkmed	Provider of renal care and dialysis services	One of the largest players in Turkey. High projected liquidity. The Turkish dialysis sector was the world's 9th largest in 2007.	2007	$2.5m	25.8%	Current	www.turkmeddiyaliz.com
Havas	Ground handling services	One of only three players in the rapidly growing Turkish air transportation support market. Capitalising on the growth of Turkish Airlines (15.9% CAGR in number of passengers, 14.9% CAGR in number of flights through 2004-2009); the fourth largest airline in Europe.	2010	$10.8m	6.7%	Current	www.havas.com.tr
Aras Kargo	Parcel delivery services/ services	Realise its growth potential and focus on efficiency enhancing measures to solidify its market share as the second largest in the sector	2011	$9.8m	20.0%	Current	www.araskargo.com.tr
Total				$32.1m			

Source: IS Private Equity

Realised assets

Exhibit 3: Realised assets

Note: * US dollar based.

Company name	Industry	Investment date	Investment amount ($)	Shareholding	Exit date	Proceeds from Exit ($)	Return*	
							IRR	ROI
Cinemars	Movie chain	2003-2005 (four tranches)	11,500,000	66.28%	2006	19,400,000	30.25%	69%
Tuyap	Fair and exhibition	2005-2006 (two tranches)	7,000,000	29.75%	2007	10,791,667	45.75%	54%
Beyaz	Operational rental fleet	2006	4,000,000	15.69%	2008	8,750,000	58.66%	119%
Step	Carpet and home accessories retailer	2004-2006 (two tranches)	3,500,000	33.33%	2008	6,750,000	19.04%	93%
ITD	Provider of end to end business solutions in voice automation, payment automation and infrastructure performance management systems	2002-2004 (two tranches)	1,850,000	34.98%	2010	3,940,000	11.82%	113%
Dr Frik	Generic pharmaceutical company	2008	13,400,000	20.00%	2011	30,500,000	34.61%	124%
Probil	Independent systems integrator	2002-2003 (two tranches)	3,200,000	10.00%	2011	4,000,000	3.13%	25%
ODE	Manufacturer of insulation materials for the construction industry	2007	5,000,000	17.24%	2012	10,500,000	17.03%	110%
Total			49,450,000			94,631,667	22.61%	92%

Source: IS Private Equity. IRR includes dividend payments

ISGSY has a successful record of exits from its investments, the best measure of its success in portfolio management. It completed two in 2011 and has just finished another one in March 2012.

In September 2011 it sold its 20% stake in Dr F Frik Pharmaceuticals to Italian Recordati for $30.5m in cash; 2.28x the December 2008 initial investment of $13.4m with an IRR of 34.6%. The much smaller exit of its 10% stake in Probil, the Turkish systems integrator, was completed in October for $4m and generated its lowest IRR of only 3.1%. In November ISGSY made a new investment (its 13th since launch) in Aras Kargo of $9.8m. Aras is one of the most important players in the Turkish cargo sector. In March 2012, ISGSY successfully sold its 17% stake in ODE, insulation materials manufacturer, for $10.5m generating a 17.0% IRR and 2.1x cash multiple.

Macroeconomic and political outlook

Following its 8.9% GDP growth in 2010 and 8.8% growth in 2011, Turkey has established itself as one of the fastest-growing economies in the world. As a result of this rapid growth, Turkey has accumulated large imbalances, mainly in the form of above target inflation (c 10% y-o-y) and a current account deficit nearing 10% of GDP. To counter this, Turkey’s central bank (CBT) has run a complex policy mix since late 2010 designed to defend the lira currency, restrain inflation and trim the current account deficit. While other emerging markets experienced notable currency appreciation in H111, the CBT was able to implement aggressive FX selling and engineered currency weakness during this period. This helped corporates cover their needs but weighed on the CBT’s reserves, which fell to US$85bn by the end of December 2011.

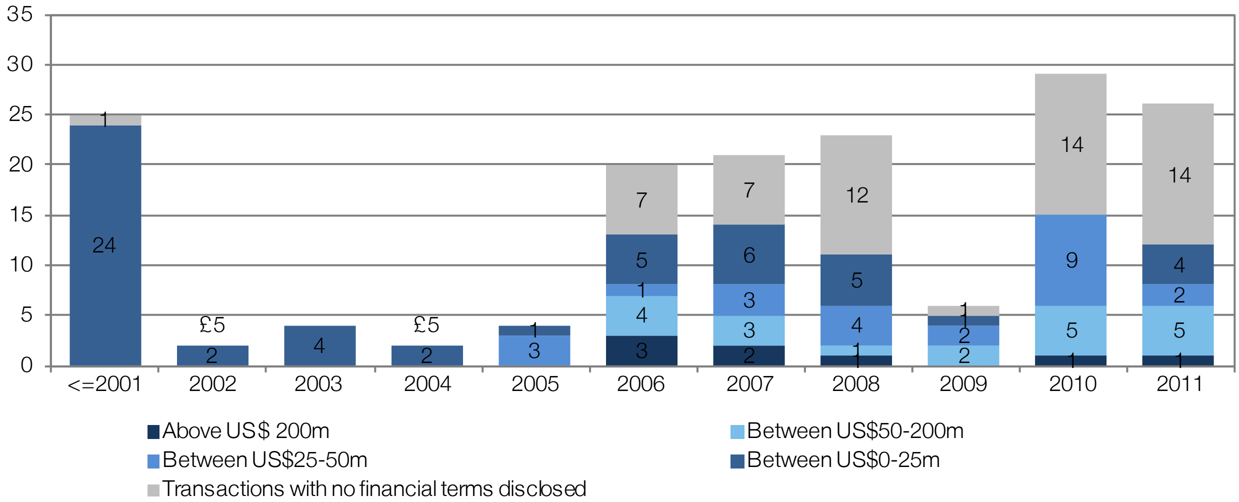
In line with expectations, Turkish GDP growth slowed in the fourth quarter to 5.2%, well below the unsustainable 11.9% growth experienced in Q1. The central bank has projected that growth will continue to ease in 2012 as domestic demand is expected to soften.

Slowing GDP growth, coupled with a weaker currency, should help alleviate pressure on Turkey's current account deficit, which peaked at around 10% of GDP in October/November. The refinancing of $130bn in external debt, which is maturing at the end of 2012, will also play an important factor in the gradual reduction of this current account deficit. However, the benefits may be mitigated by the country's dependency on imported energy as the surge in oil prices will stoke inflation, putting upward pressure on its current account deficit. The central bank governor has acknowledged this risk, saying a $10 increase in oil prices could add some 0.4 percentage points to inflation.

Turkish private equity market

Private equity investment in Turkey is still in a development phase, but has grown strongly over recent years. PE investment now forms a much larger share of GDP than its CEE peers. From 2000 to 2011, the private equity market grew and deepened with new entrants (both local and foreign) increasing the number of deals, but exits remained limited.

Exhibit 4: Turkish market private equity deals



Source: IS Private Equity, Deloitte, Ernst & Young and others. Data does not include VC transactions

Over the period there were a total of 163 private equity deals, of which ISGSY accounted for 13. Exits totalled 29, of which eight were attributable to ISGSY. Importantly, the average US dollar-denominated IRR for ISGSY is 22.6% showing the exits have crystallised significant value creation.

Favourable domestic tax regime

The Turkish Capital Markets Board (CMB) grants private equity funds, known as Private Equity Investment Trusts (PEITs), with preferential tax treatment to encourage investments. PEITs are open-ended funds and pay no corporate tax on income or capital gains. However, they must invest in Turkish companies and at least 50% of portfolio value must be invested. For those companies with less than half of their portfolio value invested there is a recovery period of one year starting from the year end in which the investment amount fell below 50% of the portfolio value.

In addition PEITs must exit their investment over 10 years; otherwise they might be treated as secondary market instruments. This is intended to support SMEs in Turkey and recycle funds within the sector. Finally, there is no separate fund management company, so investors do not incur an additional management fee. While the advantages are clear, the negatives are: no clear exit route for investors (unless the PEIT is listed); and, as with any legislative environment, there is always the risk of a change of legislation. Foreign PE funds are not beneficiaries of the above tax regime. Although, on the other hand, they are not limited to investing solely in Turkish companies and tend to have a typical closed-end fund structure.

There is also some tax breaks expected to be introduced for investors contributing to PE funds, although the details of these have not yet been clarified.

Abundant investment opportunities

Turkey benefits from a strong entrepreneurial culture with middle-size family-owned companies forming the backbone of the Turkish private sector. In 2011, Is Bank (the parent company) lent US$11.5bn to small and medium companies, which accounted for 22.2% of Is Bank's lending in the year.

In theory, the average Turkish companies have four sources of capital to fund growth:

- Loans: typically these are less than one-year long and used to fund working capital needs. In Turkish lira, they cost anything from 8-20% depending on the type of company and the collateral offered.
- Capital markets: most small and medium companies are simply not ready to be listed, with limited financial management expertise and poor management reporting systems. Only 128 of the 1,000 largest Turkish companies are listed. Thus, with only 371 listed companies in total, they tend to be illiquid (as owner managers will not relinquish control) and trade at low valuations. The number of equity IPOs increased to 25 during 2011 (2010: 22); but as these were smaller, less liquid companies total Turkish IPO revenue slumped to TRY1.3bn.
- Corporate bonds: 2011 saw a surge in bond IPOs (2011:40 vs 2010:12), driven by two new pieces of regulation – one in October 2010, allowing banks to issue bonds on the ISE, and the increased RRR (required reserve requirement) on short-term deposits, has led to banks taking advantage of record low interest rates, and issuing bond IPOs as oppose to borrowing from international markets.
- Mezzanine finance: though a possibility, mezzanine finance is generally far too costly.

Sensitivities

Given the nature of the investment and the market in which ISGSY operates, we would highlight the following sensitivities that could affect the investment case.

- ISGSY primarily invests in unquoted companies, which creates a lack of visibility in terms of future financial projections. However, this presents the opportunity for ISGSY to identify high-potential, undervalued businesses.
- Investee companies may not succeed and impairments could be incurred. CMB legislation states if the PEIT has not exited an investee company within 10 years, the stake is written down to zero. However, all of the eight exit investments so far have been profitable.
- ISGSY consists of a nine-member team of investment professionals and hence the retention of personnel will have a bearing on its performance.
- Macro issues: slowing GDP growth, high inflation, and a record current account deficit could lead to higher interest rates with negative implications for the performance of investee companies.

- Credit markets: renewed contraction in global credit markets could negatively impact the cost and availability of debt.
- Small free float: ISGSY is owned and controlled by Is Bank concert parties, which own (directly and via subsidiaries) 57.7% of the stock. Although this does not help liquidity, on the other hand, it has a stable shareholder in difficult markets.

Valuation

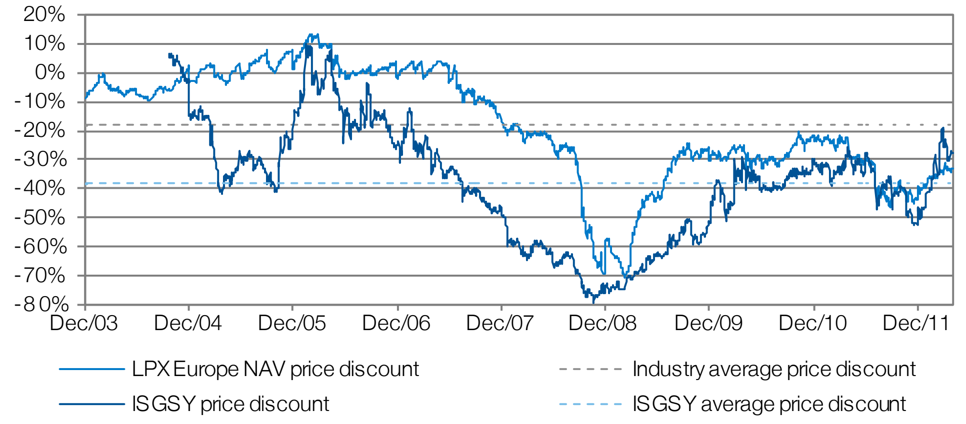
Due to the nature of ISGSY's business, with significant stakes in unquoted peers the method for valuing investments at fair value follows the Capital Markets Board's "at cost calculation method", which essentially values investments at an inflation-adjusted value and are not marked to market. ISGSY's share price has risen strongly over recent years and has outperformed the IMKB-100 Index by 100% since the end of 2009 and by 48% since the end of 2010. However, it is still trading at a 28% discount to the last published inflation adjusted NAV per share of TRY3.88 (31 March 2012). We believe this is unwarranted given the following:

- The Turkish SME sector is an attractive and growing market, with significant opportunities for investment.
- ISGSY has a strong track record. To date it has made eight exits with an average ROI (in US dollar terms) of 92% (total invested of $49.5m generating a return of $90.2m). The realised US dollar-denominated IRR from the eight exits was 22.6% and the company aims to attain a minimum IRR of 25-30%.
- All realisations to date have been at a higher price to that recognised in the NAV.
- There is increased confidence in the investment pipeline as deal flow picks up.
- ISGSY's dividend yield of 7.8% is considerably higher than the Turkish average of 3.0% and has indicated this will rise even further to 9.0% in 2012.

Peer group comparison

As one of only a few listed private equity funds in Turkey, ISGSY lacks a clear comparator peer group. Consequently, we use the LPX Europe Index, which covers all liquid private equity companies listed in Europe as a market proxy.

Exhibit 5: LPX Europe Index price discount to NAV



Source: LPX Group

ISGSY has rallied strongly recently, but is still trading at a 28% discount. This is marginally lower than the industry average discount, which is closer to 33%. Within the average, single-manager funds like ISGSY generally trade at lower discounts than funds-of-funds and there are examples of single-manager country-specific funds (for example Deutsche Beteilingungs) that trade very close to NAV.

Financials

We cannot make forecasts as the results of the investee companies are not disclosed and we cannot assess the improvement in the underlying portfolio earnings.

- It should be noted that despite the theoretical abundance of SMEs that would benefit from private equity funding in Turkey, ISGSY only has 47% of its portfolio value in investee companies, with the rest invested in 'short-term investments' (ie ISE T-Bills and government bonds). While this provides a strong balance sheet, the current yield generated falls notably short of its internal IRR target. Management is conscious of this fact, however, and is focusing on making further investments, particularly within the retail, food, energy, education and tourism sectors.
- Total AUM was US$111.03m (TRY195.33m) at the end of March 2012.
- A dividend of TRY7.54m, TRY0.15 per share, was realised in 2011.

Exhibit 6: Fund position as at 31 March 2012

Q112	Investment date	Invested amount US$	Invested amount TRY	Inflation adjusted value TRY	% share in group	% share in portfolio
A. Long-term investments		57,206,210	110,521,346	120,991,471	100%	47%
I - PE investments		57,206,210	110,521,346	120,991,471		
Nevotek		2,898,210	4,331,059	7,120,620	6%	3%
1st investment (US$)	30-Sep-03	299,810	389,615	823,399		
2nd investment (US$)	01-Mar-04	399,200	525,164	968,782		
3rd investment (US$)	22-Jun-04	399,200	592,279	1,076,098		
4th investment (US$)	27-Jun-06	1,100,000	1,829,523	2,754,014		
5th investment (US$)	20-Dec-06	700,000	994,477	1,498,327		
ORTOPRO		6,000,000	7,016,717	9,978,970	8%	4%
1st investment (US$)	10-Dec-07	6,000,000	7,016,717	9,978,970		
TURKMED		2,500,000	2,916,111	4,147,208	3%	2%
1st investment (US$)	17-Dec-07	2,500,000	2,916,111	4,147,208		
Havas		10,808,000	16,705,959	19,903,285	16%	8%
1st investment (US$)	24-Mar-10	10,808,000	16,705,959	19,903,285		
Aras Kargo		35,000,000	79,551,500	79,841,388	66%	31%
1st investment (US$)	15-Nov-11	0	17,500,000	17,789,888		
Option (US$)		35,000,000	62,051,500	62,051,500		
II - Other LT investments		-	-	-		
			9.3%			
B. Short-term investments			133,509,637	135,677,772	100%	53%
I.Government securities (TRY)			38,833,175	39,086,673	29%	15%
1. Treasury Bills			0	0	0%	0%
2.Government bonds			38,833,175	39,086,673	29%	15%
II.Other			94,676,462	96,591,099	71%	38%
1. Reverse repo			7,751,463	7,755,227	6%	3%
2. Mutual funds			8,084,967	8,435,067	6%	3%
3. FX assets			2,659,218	2,434,413	2%	1%
4. Stocks			4,723,711	6,125,251	5%	2%
5. Other (deposits and private sector bonds)			71,457,103	71,841,141	53%	28%
Portfolio value (A+B)			244,030,983	256,669,243		100%
C. Liquid assets			282,282	279,219		
D. Receivables			11,950	11,950		
E. Other assets			1,906,295	1,134,359		
F. Debt			711,758	711,758		
G. Provisions for options			62,051,500	62,051,500		
Net asset value (A+B+C+D+E-F-G)				195,331,513		
# of shares				50,400,000		
NAV per share				3.88		

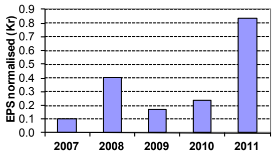
Source: IS Private Equity

Exhibit 7: Financials

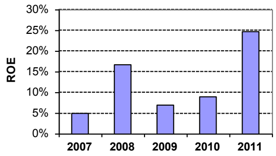
TRY 000s	2008	2009	2010	2011
Year end 31 December	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS				
Revenue	26,355	8,229	17,137	75,960
Cost of Sales	(8,344)	(1,876)	(5,336)	(18,916)
Gross Profit	18,010	6,353	11,801	57,044
EBITDA	10,931	(2,508)	796	40,034
Operating Profit (before GW and except.)	10,931	(2,508)	796	40,034
Intangible Amortisation	(595)	(498)	(339)	(85)
Exceptionals	0	0	0	0
Other	0	0	0	0
Operating Profit	10,336	(3,006)	457	39,949
Share in net profit / (loss) of equity investments	(1,448)	(4,782)	3,275	(4,151)
Net Interest	11,198	16,013	8,053	6,560
Profit Before Tax (norm)	20,680	8,724	12,124	42,443
Profit Before Tax (FRS 3)	20,085	8,225	11,785	42,358
Tax	0	0	0	(124)
Profit After Tax (norm)	20,680	8,724	12,124	42,319
Profit After Tax (FRS 3)	20,085	8,225	11,785	42,233
Average Number of Shares Outstanding (000s)	50,400	50,400	50,400	50,400
EPS - normalised (TRY)	0.405	0.173	0.238	0.835
EPS - FRS 3 (TRY)	0.394	0.163	0.231	0.834
Dividend per share (TRY)	0.084	0.067	0.060	0.150
Gross Margin (%)	68.3	77.2	68.9	75.1
EBITDA Margin (%)	41.5	(30.5)	4.6	52.7
Operating Margin (before GW and except.) (%)	41.5	(30.5)	4.6	52.7
BALANCE SHEET				
Fixed Assets	42,074	36,661	54,181	51,389
Intangible Assets	982	463	124	42
Tangible Assets	156	147	134	185
Investments	40,920	36,034	53,901	51,135
Other	17	17	22	27
Current Assets	84,585	94,728	86,362	125,021
Stocks	25	73	176	260
Debtors	7,769	7,939	8,669	9,015
Cash	12,332	9,455	14,443	40,159
Financial investments	64,459	77,261	63,074	75,587
Current Liabilities	(2,278)	(2,301)	(1,973)	(4,148)
Creditors	(1,671)	(1,126)	(1,357)	(2,357)
Short term borrowings	(608)	(1,175)	(616)	(1,791)
Long Term Liabilities	(257)	(87)	(413)	(712)
Long term borrowings	(232)	(46)	(187)	(119)
Trade payables	0	0	(144)	(83)
Other long term liabilities	(24)	(41)	(82)	(511)
Net Assets	124,124	129,001	138,157	171,549

Source: Is Private Equity accounts

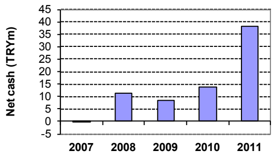
Growth



Profitability



Balance sheet strength



Sensitivities evaluation	
Litigation/regulatory	●
Pensions	○
Currency	○
Stock overhang	◖
Interest rates	●
Oil/commodity prices	○

Growth metrics	%	Profitability metrics	%	Balance sheet metrics	
EPS CAGR 07-11	68.4	ROCE 08	N/A	Gearing 08	N/A
EPS CAGR 09-11	120.0	Avg ROCE 05-09	N/A	Interest cover 08	N/A
EBITDA CAGR 05-09	N/A	ROE 08	N/A	CA/CL 08	N/A
EBITDA CAGR 07-09	N/A	Gross margin 08	N/A	Stock turn 08	N/A
Sales CAGR 07-11	41.3	Operating margin 08	N/A	Debtor days 08	N/A
Sales CAGR 09-11	203.8	Gr mgn / Op mgn 08	N/A	Creditor days 08	N/A

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Principal shareholders	%
IS Yatirim	29.0
TSKB	16.7
TTGV	11.1

Forthcoming announcements/catalysts	Date *
Dividend distribution	May 2012
*Note: * = estimated*	

Management team

CEO: Murat Özgen

Murat Özgen has been with Is Private Equity for over ten years. Before joining ISGSY, he spent nine years mainly in the finance and banking industries at local and global institutions in Turkey and abroad. These include Kocbank in Istanbul, Commerzbank AG in New York and Facility Group Inc. in Atlanta.