

12 October 2010

## Is Private Equity

| Year End | Revenue (TRYm) | PBT* (TRYm) | EPS* (TRY) | DPS (TRY) | P/E (x) | Yield (%) |
|----------|----------------|-------------|------------|-----------|---------|-----------|
| 12/07    | 19.06          | 5.2         | 10.4       | 1.0       | 19.4    | 0.5       |
| 12/08    | 26.36          | 20.7        | 41.5       | 8.4       | 4.9     | 4.2       |
| 12/09    | 8.23           | 8.7         | 17.3       | 6.7       | 11.7    | 3.3       |

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

### Investment summary: Realising value

Is Private Equity (ISGSY) is a leading private equity firm in Turkey. The latest disposal shows the portfolio is performing well. Since inception in 2000 it has invested in 12 companies and achieved five exits at an average IRR of 27.8% (on a US dollar basis). The next few years should see more realisations at value-enhancing multiples as the private equity market is showing signs of improvement. The company has a strong balance sheet (little debt and 45% invested in liquid assets) which enables it to fund future investments.

### Sale to strategic investor generates ROI of 128%

Is PE's fifth exit has been a trade sale. Is PE sold its shares in ITD in July 2010 to Asseco South Eastern Europe S.A for \$3.93m. This, together with cumulative dividend payments IS PE received from ITD, equates to a ROI of 128%, or an internal rate of return of 11.8% (a multiple somewhat depressed by the fact that the investment was made eight years ago). The return recognises the quality of management and corporate governance in ITD, as well as the financial stability and excellent client base in Turkey.

### PE market showing signs of recovery

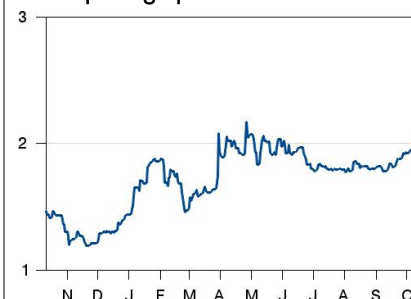
After a shaky start to the year, Q310 saw the value of global buy-out deals by PE groups exceed \$62.9bn (source Mergermarket). This is the highest level since Q2 2008. Fund managers report the investment pace is accelerating and pipelines look healthy. Turkey too has seen a similar trend. In 2009, only five PE deals were completed. However, so far this year, 17 deals have completed, with improving valuation multiples being achieved.

### Valuation: Trades at a discount to NAV

Despite these realisations, ISGSY trades at a discount of 40% to its NAV as of 30 June 2010. We believe this discount does not reflect the strong track record of the company (five exits to date with an average US dollar IRR of 27.8%), or the potential within the portfolio companies. In addition, ISGSY only has 54.9% of its capital in investee companies, with the rest invested in 'short-term investments' (ie ISE T-Bills and government bonds), so has the capacity to fund future investment opportunities. On 2 June the company announced a one for one bonus issue, increasing the number of shares in issue to 50.4m.

Price TRY2.02  
Market Cap TRY101.8m

#### Share price graph



#### Share details

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

#### Price

52 week High Low  
TRY2.17 TRY1.19

#### Balance Sheet as at 30 June 2010

Debt/Equity (%) N/A  
NAV per share (TRY) 2.99  
Net cash (£m) 10.8\*

\* Excludes financial investments.

#### Business

Is Private Equity was established in 2000 to provide investment funds and advice to Turkey's rapidly growing SME sector.

#### Valuation

|              | 2007 | 2008 | 2009 |
|--------------|------|------|------|
| 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%     | 0% | 100%  |

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## Financials

### Financial results to 30 June 2010

Is PE delivered strong results in the first half of 2010. Revenues grew 34% year-on-year and PBT was TRY4.46m compared to TRY3.78m in H109. The main driver for this was “other operating income” of TRY4.54m which was negative goodwill (associated with 6.67% stake acquired in Havas) recognised as income. However, EPS increased more slowly, by 19.6%. The company carried out a one for one bonus issue carried out at the beginning of June.

Over the last three months, Is Private Equity has seen a slight decrease in its NAV to TRY150.6m. Importantly, however, the value of its portfolio investments has increased slightly and now constitutes 54.9% of funds invested (compared to 53.8% at end Q1), reflecting the inflation adjustment accounting within the investee companies.

The value of short-term investments declined slightly, reflecting the falls in bond yields and the volatile equity markets in H110. However, if equity markets recover and bond yields start to increase again (not expected until Q111), the value of short-term investments will too.

Exhibit 1: Fund position as at 30 June 2010

| Assets included in portfolio                                     | Investment date | Invested amount USD | Invested amount TRY | Inflation adjusted invested amount of long term inv. market value of short term inv. TRY | % share in group | % share in portfolio |
|------------------------------------------------------------------|-----------------|---------------------|---------------------|------------------------------------------------------------------------------------------|------------------|----------------------|
| <b>A. LONG TERM INVESTMENTS</b>                                  |                 | <b>32,245,099</b>   | <b>66,996,244</b>   | <b>82,283,207</b>                                                                        | <b>100.00</b>    | <b>54.93</b>         |
| <b>1. Probil Bilgi İsl.Des. Ve Dan. San. Ve Tic.A.Ş.</b>         |                 | <b>3,188,889</b>    | <b>5,217,039</b>    | <b>10,214,201</b>                                                                        | <b>12.41</b>     | <b>6.82</b>          |
| 1st Investment                                                   | 15/10/2002      | 3,000,000           | 4,940,356           | 9,744,145                                                                                | 11.84            | 6.51                 |
| 2 nd Investment                                                  | 23/10/2003      | 188,889             | 276,683             | 470,056                                                                                  | 0.57             | 0.31                 |
| <b>2.İletişim Teknoloji Dan. Ve Tic. A.Ş.</b>                    |                 | <b>1,850,000</b>    | <b>2,969,243</b>    | <b>5,556,100</b>                                                                         | <b>6.75</b>      | <b>3.71</b>          |
| 1st Investment                                                   | 27/12/2002      | 1,712,500           | 2,788,031           | 5,273,645                                                                                | 6.41             | 3.52                 |
| 2 nd Investment                                                  | 22/03/2004      | 137,500             | 181,212             | 282,455                                                                                  | 0.34             | 0.19                 |
| <b>3.Nevotek Bilişim Ses ve İletişim Sis. San. Ve Tic. A.Ş.</b>  |                 | <b>2,898,210</b>    | <b>4,331,059</b>    | <b>6,016,592</b>                                                                         | <b>7.31</b>      | <b>4.02</b>          |
| 1st Investment                                                   | 30/09/2003      | 299,810             | 389,615             | 695,734                                                                                  | 0.85             | 0.46                 |
| 2 nd Investment                                                  | 01/03/2004      | 399,200             | 525,164             | 818,576                                                                                  | 0.99             | 0.55                 |
| 3 rd Investment                                                  | 22/06/2004      | 399,200             | 592,279             | 909,253                                                                                  | 1.11             | 0.61                 |
| 4 th Investment                                                  | 27/06/2006      | 1,100,000           | 1,829,523           | 2,327,013                                                                                | 2.83             | 1.55                 |
| 5 th Investment                                                  | 20/12/2006      | 700,000             | 994,477             | 1,266,016                                                                                | 1.54             | 0.85                 |
| <b>4. ODE Yatırım Sanayi ve Ticaret A.Ş</b>                      |                 | <b>5,000,000</b>    | <b>6,442,751</b>    | <b>7,959,270</b>                                                                         | <b>9.67</b>      | <b>5.31</b>          |
| 1st Investment                                                   | 09/07/2007      | 5,000,000           | 6,442,751           | 7,959,270                                                                                | 9.67             | 5.31                 |
| <b>5. Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş</b>            |                 | <b>6,000,000</b>    | <b>7,016,717</b>    | <b>8,431,765</b>                                                                         | <b>10.25</b>     | <b>5.63</b>          |
| 1st Investment                                                   | 10/12/2007      | 6,000,000           | 7,016,717           | 8,431,765                                                                                | 10.25            | 5.63                 |
| <b>6. Turkméd Diyaliz ve Böbrek Sağlığı Kurumları A.Ş</b>        |                 | <b>2,500,000</b>    | <b>2,916,111</b>    | <b>3,504,198</b>                                                                         | <b>4.26</b>      | <b>2.34</b>          |
| 1st Investment                                                   | 17/12/2007      | 2,500,000           | 2,916,111           | 3,504,198                                                                                | 4.26             | 2.34                 |
| <b>7. Dr. F. Frik İlaç Sanayi ve Ticaret A.Ş</b>                 |                 | <b>0</b>            | <b>21,397,365</b>   | <b>23,783,674</b>                                                                        | <b>28.90</b>     | <b>15.88</b>         |
| 1st Investment                                                   | 03/12/2008      | 0                   | 21,397,365          | 23,783,674                                                                               | 28.90            | 15.88                |
| <b>8. Havaş Havalimanları Yer Hizmetleri Yatırım Holding A.Ş</b> |                 | <b>10,808,000</b>   | <b>16,705,959</b>   | <b>16,817,406</b>                                                                        | <b>20.44</b>     | <b>11.23</b>         |
| 1st Investment                                                   | 24/03/2010      | 10,808,000          | 16,705,959          | 16,817,406                                                                               | 20.44            | 11.23                |
|                                                                  |                 | 0                   | 0                   | 0                                                                                        | 0.00             | 0.00                 |
|                                                                  |                 | 0                   | 0                   | 0                                                                                        | 0.00             | 0.00                 |
| <b>B. SHORT TERM INVESTMENTS</b>                                 |                 |                     | <b>67,507,603</b>   | <b>67,508,550</b>                                                                        | <b>100.00</b>    | <b>45.07</b>         |
| <b>I. GOVERNMENT SECURITIES (TL)</b>                             |                 |                     | <b>12,359,777</b>   | <b>12,396,470</b>                                                                        | <b>18.36</b>     | <b>8.28</b>          |
| 1.TREASURY BILLS                                                 |                 |                     | 0                   | 0                                                                                        | 0.00             | 0.00                 |
| 2.GOVERNMENT BONDS                                               |                 |                     | 12,359,777          | 12,396,470                                                                               | 18.36            | 8.28                 |
| <b>II. OTHER</b>                                                 |                 |                     | <b>55,147,827</b>   | <b>55,112,080</b>                                                                        | <b>81.64</b>     | <b>36.79</b>         |
| 1.REVERSE REPO                                                   |                 |                     | 0                   | 0                                                                                        | 0.00             | 0.00                 |
| 2.MUTUAL FUNDS                                                   |                 |                     | 35,513,911          | 36,441,965                                                                               | 53.98            | 24.33                |
| 3.FX ASSETS                                                      |                 |                     | 1,600,278           | 1,720,853                                                                                | 2.55             | 1.15                 |
| 4.STOCKS                                                         |                 |                     | 7,007,703           | 5,865,707                                                                                | 8.69             | 3.92                 |
| 5.OTHER (Deposit and private sector bonds)                       |                 |                     | 11,025,935          | 11,083,556                                                                               | 16.42            | 7.40                 |
| <b>PORTFOLIO VALUE (A+B)</b>                                     |                 |                     | <b>134,503,847</b>  | <b>149,791,757</b>                                                                       |                  | <b>100.00</b>        |
| <b>C. LIQUID ASSETS</b>                                          |                 |                     | 60,258              | 55,548                                                                                   |                  |                      |
| <b>D. RECIEVABLES (+)</b>                                        |                 |                     | <b>28,357</b>       | <b>28,357</b>                                                                            |                  |                      |
| <b>E. OTHER ASSETS</b>                                           |                 |                     | <b>2,035,099</b>    | <b>1,277,053</b>                                                                         |                  |                      |
| <b>F. DEBTS (-)</b>                                              |                 |                     | <b>513,274</b>      | <b>513,274</b>                                                                           |                  |                      |
| <b>G.PROVISIONS FOR OPTIONS(-)</b>                               |                 |                     | <b>0</b>            | <b>0</b>                                                                                 |                  |                      |
| <b>NET ASSET VALUE (A+B+C+D+E-F-G)</b>                           |                 |                     |                     | <b>150,639,441</b>                                                                       |                  |                      |
| <b># OF SHARES</b>                                               |                 |                     |                     | <b>50,400,000</b>                                                                        |                  |                      |
| <b>NET ASSET VALUE PER SHARE</b>                                 |                 |                     |                     | <b>2.9889</b>                                                                            |                  |                      |

Source: Is Private Equity

**Exhibit 2: Financials**

Note: H110 Current assets, cash, includes TRY 1682,991 non-current assets held for sale

|                                                    | TRYm | 2007           | 2008           | 2009           | H12009         | H12010         |
|----------------------------------------------------|------|----------------|----------------|----------------|----------------|----------------|
| Year end 31 December                               |      | IFRS           | IFRS           | IFRS           | IFRS           | IFRS           |
| <b>PROFIT &amp; LOSS</b>                           |      |                |                |                |                |                |
| <b>Revenue</b>                                     |      | <b>19,055</b>  | <b>26,355</b>  | <b>8,229</b>   | <b>3,335</b>   | <b>4,479</b>   |
| Cost of Sales                                      |      | (16,728)       | (8,344)        | (1,876)        | (747)          | (1,500)        |
| Gross Profit                                       |      | 2,327          | 18,010         | 6,353          | 2,588          | 2,979          |
| <b>EBITDA</b>                                      |      | <b>(361)</b>   | <b>10,931</b>  | <b>(2,508)</b> | <b>(1,281)</b> | <b>2,269</b>   |
| <b>Operating Profit (before GW and except.)</b>    |      | <b>(361)</b>   | <b>10,931</b>  | <b>(2,508)</b> | <b>(1,281)</b> | <b>2,269</b>   |
| Intangible Amortisation                            |      | (485)          | (595)          | (498)          | (272)          | (201)          |
| Exceptionals                                       |      | 0              | 0              | 0              | 0              | 0              |
| Other                                              |      | 0              | 0              | 0              | 0              | 0              |
| <b>Operating Profit</b>                            |      | <b>(846)</b>   | <b>10,336</b>  | <b>(3,006)</b> | <b>(1,553)</b> | <b>2,068</b>   |
| Share in net profit / (loss) of equity investments |      | (550)          | (1,448)        | (4,782)        | (2,718)        | (308)          |
| Net Interest                                       |      | 6,160          | 11,198         | 16,013         | 8,053          | 2,700          |
| <b>Profit Before Tax (norm)</b>                    |      | <b>5,249</b>   | <b>20,680</b>  | <b>8,724</b>   | <b>4,054</b>   | <b>4,661</b>   |
| <b>Profit Before Tax (FRS 3)</b>                   |      | <b>4,764</b>   | <b>20,085</b>  | <b>8,225</b>   | <b>3,782</b>   | <b>4,460</b>   |
| Tax                                                |      | (6)            | 0              | 0              | 0              | 0              |
| <b>Profit After Tax (norm)</b>                     |      | <b>5,243</b>   | <b>20,680</b>  | <b>8,724</b>   | <b>4,054</b>   | <b>4,661</b>   |
| <b>Profit After Tax (FRS 3)</b>                    |      | <b>4,758</b>   | <b>20,085</b>  | <b>8,225</b>   | <b>3,782</b>   | <b>4,460</b>   |
| Average Number of Shares Outstanding (m)           |      | 50.4           | 50.4           | 50.4           | 50.4           | 50.4           |
| EPS - normalised (Kt)                              |      | 10.4           | 41.5           | 17.3           | 8.0            | 9.4            |
| EPS - FRS 3 (Kt)                                   |      | 9.4            | 40.4           | 16.3           | 7.5            | 9.0            |
| Dividend per share (Kt)                            |      | 1.0            | 8.4            | 6.7            | 6.7            | 6.0            |
| Gross Margin (%)                                   |      | 12.2           | 68.3           | 77.2           | 78             | 67             |
| EBITDA Margin (%)                                  |      | (1.9)          | 41.5           | (30.5)         | (38)           | 51             |
| Operating Margin (before GW and except.) (%)       |      | (1.9)          | 41.5           | (30.5)         | (38)           | 51             |
| <b>BALANCE SHEET</b>                               |      |                |                |                |                |                |
| <b>Fixed Assets</b>                                |      | <b>29,298</b>  | <b>42,074</b>  | <b>36,661</b>  | <b>39,058</b>  | <b>56,099</b>  |
| Intangible Assets                                  |      | 1,508          | 982            | 463            | 700            | 257            |
| Tangible Assets                                    |      | 165            | 156            | 147            | 139            | 136            |
| Investments                                        |      | 27,612         | 40,920         | 36,034         | 38,202         | 55,686         |
| Other                                              |      | 13             | 17             | 17             | 17             | 20             |
| <b>Current Assets</b>                              |      | <b>80,599</b>  | <b>84,585</b>  | <b>94,728</b>  | <b>88,389</b>  | <b>77,121</b>  |
| Stocks                                             |      | 29             | 25             | 73             | 59             | 73             |
| Debtors                                            |      | 3,924          | 7,769          | 7,939          | 8,673          | 7,577          |
| Cash                                               |      | 347            | 12,332         | 9,455          | 8,920          | 12,744         |
| Financial investments                              |      | 76,300         | 64,459         | 77,261         | 70,738         | 56,727         |
| <b>Current Liabilities</b>                         |      | <b>(1,494)</b> | <b>(2,278)</b> | <b>(2,301)</b> | <b>(2,496)</b> | <b>(1,802)</b> |
| Creditors                                          |      | (1,090)        | (1,671)        | (1,126)        | (1,388)        | (772)          |
| Short term borrowings                              |      | (404)          | (608)          | (1,175)        | (1,109)        | (1,030)        |
| <b>Long Term Liabilities</b>                       |      | <b>(16)</b>    | <b>(257)</b>   | <b>(87)</b>    | <b>(407)</b>   | <b>(250)</b>   |
| Long term borrowings                               |      | 0              | (232)          | (46)           | (375)          | (20)           |
| Other long term liabilities                        |      | (16)           | (24)           | (41)           | (32)           | (230)          |
| <b>Net Assets</b>                                  |      | <b>108,387</b> | <b>124,124</b> | <b>129,001</b> | <b>124,544</b> | <b>131,170</b> |

Source: Edison Investment Research, company accounts

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