

26 May 2010

## Is Private Equity

Year End	Revenue (TRYm)	PBT* (TRYm)	EPS* (TRY)	DPS (TRY)	P/E (x)	Yield (%)
12/07	19.06	5.2	20.8	2.9	18.3	0.8
12/08	26.36	20.7	83.1	24.1	4.6	6.3
12/09	8.2	8.7	34.6	8.4	11.0	2.2

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

### Investment summary: Strong track record & upside potential

Is Private Equity (ISGSY) is a leading private equity firm in Turkey. Since inception in 2000 it has invested in 12 companies and achieved four exits at an average IRR of 31.9% (on a US dollar basis), realising a total of \$45.7m. The next few years should see more realisations at value enhancing multiples as the investments made in 2002-06 start to mature. The company has a strong balance sheet (little debt and 47% invested in liquid assets) which enables it to fund future investments.

#### Private equity in Turkey is in its infancy

Private equity investment in Turkey is still at an embryonic stage of development, with the value of private equity deals accounting for only a small proportion of GDP. There are currently only 39 private equity funds active in Turkey, nine of which have offices in Turkey and manage a Turkey-dedicated fund.

#### Dynamic SME sector in need of growth funding

Lending to small and medium enterprises (SMEs) is the fastest growing sector of bank lending in Turkey. ISGSY's parent, Is Bank, lent US\$9bn to SMEs in 2009, which is roughly 16% of total SME lending. Demand for loans far outstrips supply as banks remain cautious on non-performing loans and provisions. Hence SMEs are forced to look at other sources to fund their growth.

#### A clear investment strategy

ISGSY focuses on investments in the \$5-15m range, where there is little competition from other funds. It is not a VC fund, but instead concentrates mainly on growth investments and, opportunistically, balance sheet restructurings as well as buy-outs, all with clear exit strategies. Finally, unlike most of its international peers, it primarily takes minority stakes in investee companies and protects its interests through various veto rights and clawback mechanisms.

#### Valuation: Trades at a discount to NAV

ISGSY trades at a discount of 38% to its NAV as of 31 March 2010. We believe this discount does not reflect the strong track record of the company (four exits to date with an average US dollar IRR of 31.9%), or the potential within the portfolio companies. In addition, the fund is only 53% invested so has the liquid assets to fund future investment opportunities.

Price TRY3.80  
Market Cap TRY96m

#### Share price graph



#### Share details

Code ISGSY  
Listing ISE – NATIONAL 100  
Sector Investment companies  
Shares in issue 25.2m

#### Price

52 week High Low  
TRY4.4 TRY1.9

#### Balance Sheet as at 31 March 2010

Debt/Equity (%) N/A  
NAV per share (TRY) 6.1  
Net cash (TRYm) 8.4\*

\* Excludes financial investments of TRY77.3m

#### 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%	100%

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

## Investment summary: Strong track record & upside potential

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### Company description: Capitalising on a developing market

Is Private Equity (ISGSY) was established in 2000, to provide investment funds and advice to Turkey's rapidly growing SME sector. 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 \$71.7m in 12 companies and has realised four exits.

### Valuation

Is Private Equity's shares trade at a 38% discount to the last published NAV. We believe that this is unwarranted given the strong track record of the company (four exits to date at an average IRR of 31.9% on a US dollar basis), and the potential within the portfolio. In addition the fund is only 53% invested so has the liquid assets to fund future investment opportunities. It also compares favourably with peer valuations. For example, 3i is trading at a 12.6% discount to NAV.

### Sensitivities

- Is Private Equity primarily invests in unquoted companies and this creates a lack of visibility in terms of future financial projections.
- Not all investee companies will succeed and hence impairments may be expected. We would highlight the rigorous nature of the investment process ISGSY undertakes to ensure that examples of this remain limited.
- **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 NAV of the fund as at 31 March 2010 was TRY154m or TRY 6.1 per share. This constitutes TRY82.0m of portfolio investments and TRY70.3m in short-term investments (which are a combination of government and other fixed income securities). The fund started in 2000, with \$29.3 AUM and total AUM was \$93.54m as at end 2009. Since then, they have realised a total of \$45.69m from four exits. In addition, it has distributed dividends totalling \$7.7m since inception.

## Company description: Capitalising on a developing market

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Is Private Equity provides investment funds and advice to Turkey's SME sector. 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 \$71.7m in 12 companies and has realised four exits.

### Historical background and fund structure

Is Private Equity was founded by a consortium led by its parent company, Is Bank, the largest private bank in Turkey with an asset base of €52.7bn as at 31 December 2009. 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

Is Private Equity is a generalist lower mid market fund with a focus on growth equity transactions, buy-outs and balance sheet restructurings, although it conducted one venture capital investment in 2003. It requires a significant and proven history and has an investment horizon of between three and five years.

ISGSY is sector agnostic (though the sector allocation is somewhat dependant on the macroeconomic cycle) with the exception of investments in property and finance, which are carried out by other members of the Is Bank Group. Its prioritised sector themes are: 1) non-cyclical sectors; 2) sectors where growth is driven by domestic consumer demand; and 3) sectors where Turkey has a competitive advantage such as low cost but highly skilled labour and its geographic location.

Target companies will have an aggressive but realistic business plan for high growth – incorporating organic and inorganic, domestic and international growth components, combined with operational profitability. ISGSY expects to invest in operationally sound companies 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, IS Private Equity 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.

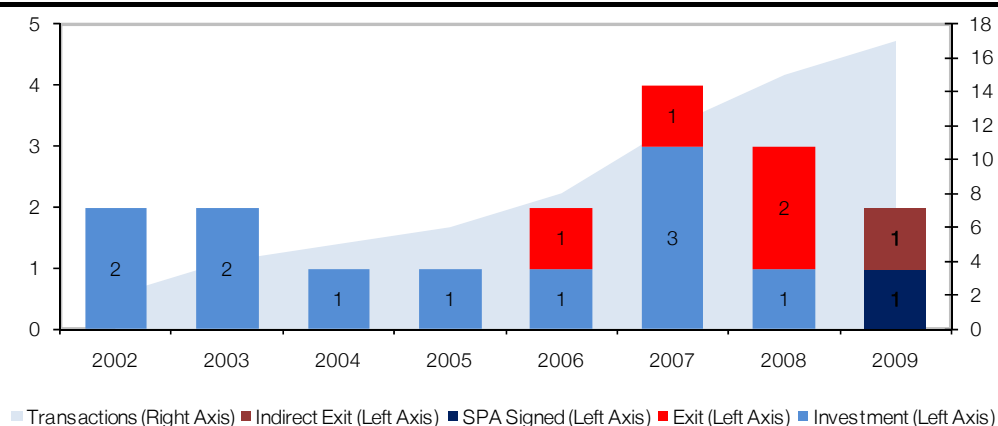
The key areas where it adds value are through: 1) recruiting top management (the IS brand helps); 2) implementing good management information systems, which leads to timely, accurate reporting; 3) financial restructuring by helping its investee companies increase gearing; 4) enhancing corporate governance 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.

## Clearly differentiated strategy

The private equity market place is underdeveloped relative to Western markets. ISGSY believes it does not have any significant competitors, but differentiates itself from its peers by the following factors:

- ISGSY's lower-end mid cap focus is a clear competitive advantage, as it can look at investments in the \$5m-15m range. Virtually all of its competitors are mid/large cap funds which have a minimum investment size of \$25m. ISGSY therefore has unique access to smaller (often higher return) investment opportunities.
- 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/late stage private equity funds.
- Most private equity funds (especially non-Turkish ones) require majority stakes in investee companies. ISGSY is happy to take minorities (although it has taken majority stakes in two of its 12 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, opens doors, 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 Is Private Equity for over eight years. Before joining ISGSY, Murat Özgen spent 10 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. 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 eight 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.

## Investment process

ISGSY has screened over 1,400 companies since inception. Of these, and as a result of stringent criteria, only 4.7% or 68 reached a 'Term Sheet' stage and 2.6% (or 38 companies) reached an MOU stage. Due diligence has only been carried out on 15 companies with 12 deals completed, implying a low selectivity ratio of 0.8%. This high attrition rate ensures the quality of companies and limits the wasting of valuable management time.

## Risk management

We believe one of the reasons for ISGSY's strong track record is excellent risk management tools which 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 insist on majority stakes in investee companies. However: 1) it is represented at board level and has extensive veto rights under the board of directors and general assembly; 2) it has the right to hire a CFO, with respect to all portfolio companies, regardless of its stake. 3) With regard to some specific investments, ISGSY also uses clawback or earn-out mechanisms depending on the deal structure.
- ISGSY has a strong focus on routes to exit. Exit strategies include: 1) a strategic or financial buyer; 2) an IPO; or 3) sale to founding shareholders. ISGSY has exit privileges through trade sales, IPO and sale back to founding shareholders in all of its 12 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, etc, but ISGSY takes no exchange rate risk and its calculated IRR is denominated in US dollars or euros. The shareholder agreements, the return metrics and the performance criteria are all based 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

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ISGSY's current portfolio consists of eight core investments with \$45.7m invested since 2000 (see over leaf).

## Core Investments

### Exhibit 2: Investment portfolio

Company name	Business description	Investment Rationale	Investment date	Investment amount	Shareholding	Status	Website
Probil	Independent systems integrator	Capitalise on high growth of Turkish IT sector. Probil is the domestic market leader in various Cisco & Microsoft products.	15/10/2002 and 23/10/2003 (two tranches)	\$3.2m	10%	Current	www.probil.com
ITD	Provider of end to end business solutions in voice automation, payment automation and infrastructure performance management systems	Offers a complete range of solutions to finance, retail & telco sectors which have the largest spend on IT services in Turkey.	27/12/2002 and 22/03/2004 (two tranches)	\$1.85m	34.98%	Exit process underway. Cumulative dividends paid \$279,250	www.itd.com.tr
Nevotek	IP convergence company	Capitalise on the boost in the IP telephony market, through development of technology approved and supported by Cisco.	Between 30/09/2003 and 20/12/2006 (five tranches)	\$3m	88.24%	Current	www.nevotek.com
ODE	Manufacturer of insulation materials for the construction industry	Become a regional player and capitalise on growth of the construction industry (usually grows faster than GDP).	09/07/2007	\$5m	17%	Current	www.ode.com.tr
Ortopro	Manufacturer and distributor of orthopaedic implants	Use Turkey as a low cost, high skill manufacturer for Europe. Sole distributor with manufacturing facility.	10/12/2007	\$6m	30%	Current	www.ortopro.com.tr
Turkmed	Provider of renal care & dialysis services	One of the largest players in Turkey. High projected liquidity. The Turkish dialysis sector was the world's 9th largest in 2007.	17/12/2007	\$2.5m	26%	Current	www.turkmeddiyaliz.com
Dr Frik	Generic pharmaceutical company	Domestic sector growing rapidly with focus on generic usage. Has potential to become the dominant player in the Turkish pharma sector which is the world's 13th and Europe's 6th largest as of 2008.	03/12/2008	\$13.4m	20.00%	Current	www.frik.com.tr
Havas	Ground handling services	To benefit from the rapidly growing air transportation traffic to, from and within Turkey, while 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.	24/03/2010	\$10.8m	6.70%	Current	www.havas.com.tr

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	07/2003-06/2005 (four tranches)	11,500,000	66.28%	08/2006	19,400,000	30.25%	69%
Tuyap	Fair and exhibition	12/2005-02/2006 (two tranches)	7,000,000	29.75%	02/2007	10,791,667	45.75%	54%
Beyaz	Operational rental fleet	10/2006	4,000,000	15.69%	06/2008	8,750,000	58.66%	119%
Step	Carpet and home accessories retailer	07/2004-04/2006 (two tranches)	3,500,000	33.33%	07/2008	6,750,000	19.04%	93%
<b>Total</b>			<b>26,000,000</b>			<b>45,691,667</b>	<b>31.92%</b>	<b>76.00%</b>

Source: IS Private Equity

## The Turkish private equity market and ISGSY's position within it

Turkey has one of the most underpenetrated private equity markets in Europe. There are currently only 39 private equity funds looking to make investments, with just five investments completed in 2009.

From 2000 to 2009, the private equity market has grown and deepened with new entrants (both local and foreign) increasing the number of deals, however exits remained limited. Over the period there were a total of 78 private equity deals, of which ISGSY accounted for 11. Exits totalled 11, of which four were attributable to ISGSY. Importantly, the average US dollar-denominated IRR for ISGSY is 31.9% showing the exits have been after significant value creation.

A Preqin survey earlier this year indicated that globally 2009 saw the lowest private equity funding raised since 2004 with only \$246bn raised by 482 funds worldwide. Over a one year period to June 2009, private equity returned a loss of 23%, with mega buy-outs returning 31%. Indeed ISGSY also saw a reduction in investments and realisations on the previous year, although it signed the sale and purchase agreement for the Havas deal (completed in March 2010) in 2009 and also achieved an indirect exit through selling a subsidiary of one of its portfolio companies to Ericsson.

## Regulatory environment

The Turkish Capital Markets Board (CMB) governs private equity funds that raise money in Turkey. The CMB has given these funds, known as Private Equity Investment Trusts (PEITs), preferential tax treatment to encourage private equity 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 NAV must be invested at all times. In addition private equity funds must exit their investment over a 10 year timeframe or else they are compelled to write the investment down to zero. 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: 1) no clear exit route for investors (unless the PEIT is listed); and 2) as with any legislative environment, there is always the risk of a change of legislation.

Foreign private equity 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. When the fund is wound up (at a predetermined time), the asset management company, in addition to the annual management fee (of 1-2% of AUM) will receive a percentage of the total return of the fund.

## The SME sector provides abundant investment opportunities

The Ministry of Industry and Commerce in Turkey defines SMEs as those companies with revenues or an asset size less than TRL 25m and 250 employees. Turkey benefits from a strong entrepreneurial culture and the SME sector forms the backbone of the Turkish private sector. It is fiercely competitive, with SMEs typically family owned. Total loans from Turkish banks were \$264bn in 2009 (Source BRSA), with lending to SMEs estimated to be less than \$56bn.

Is Bank (the parent company) has a 16% market share of SME lending. In 2009, it lent US\$9bn to SMEs, which accounted for 27.7% of Is Bank's lending in the year.

In theory, the average Turkish SME has four sources of capital to fund growth:

- Loans: typically these are less than one year in duration, 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 SMEs are simply not ready to be listed, with limited financial management expertise and poor management reporting systems. If listed they tend to be illiquid (as owner managers will not relinquish control) and trade at low valuations.

Indeed according to Istanbul Chamber of Industry of the top 1,000 Turkish companies, only 128 are publically traded, while in total only 315 companies are quoted. The Turkish IPO market has seen just two, one and five listings in 2008, 2009 and 2010 (as of May), respectively.

- Corporate bonds: these are very new to Turkey, as historically, with high interest rates, government bonds have crowded out the corporate bond market. Indeed there were only three corporate bond transactions from the beginning of 2008 to May 2010.
- Mezzanine finance: though a possibility Mezzanine finance is generally far too sophisticated for Turkish SMEs.

## Macroeconomic and political outlook

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Turkey experienced a sharp recession in 2009, with GDP contracting 4.7%. In response, interest rates were cut sharply (by 8.5% over the year), ending the year at 6.5%. This sharp monetary stimulus has triggered inflation (now at 9.6%), but does mean GDP is expected to rebound by 5% in 2010. To rein in inflation, the central bank is expected to start increasing interest rates by H210. The 'twin deficit' problem continues to plague Turkey. However, after successfully negotiating a difficult year of domestic debt redemption in 2009, the fiscal deficit is expected to improve slightly to a forecast fiscal deficit in 2010 of 5%. Spreads on government debt have not widened significantly since the Greek sovereign debt crisis. Indeed all three ratings agencies have upgraded Turkish debt by one notch post the Greek crisis.

The current account deficit has worsened sharply, moving from 2.2% in 2009 to a forecast 4.5% in 2010, although this can be largely explained by higher oil prices and the cyclical recovery. On the currency front, rapid economic recovery and increasing yields should help support the lira, and consensus forecasts are for the lira to appreciate into 2010.

The protracted IMF discussions seem to have been shelved in March this year, although the government could return to the talks if needed. Though not expected, this can be seen as marginally negative for the fiscal austerity programme. As ever political uncertainty remains a feature in Turkey, with a constitutional referendum in September and general elections expected in 2011. The ruling AKP party will, in our view, wait to see the GDP recovery before calling elections as the electorate in Turkey is growth sensitive.

## Sensitivities

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Given the nature of the investment and the market in which Is Private Equity operates, we would highlight the following sensitivities which could impact the investment case.

- ISGSY primarily invests in unquoted companies and this creates a lack of visibility in terms of future financial projections. However, this presents the opportunity for ISGSY to identify high-potential, undervalued businesses.
- Not all investee companies will succeed and hence impairments may be expected. We would highlight the rigorous nature of the investment process ISGSY undertakes to ensure that examples of this remain limited. However, CMB legislation states if the PEIT has not exited an investee company within 10 years, the stake is written down to zero.
- ISGSY consists of an eight member team of investment professionals and hence the retention of personnel will have a bearing on its performance.

- **Macro issues:** Improving economic data leads to a better environment for asset sales. Recovering GDP growth, keeping inflation under control and maintaining interest rates at close to record lows, will have a bearing on the performance of investee companies.
- **Credit markets:** Recovery in global credit markets will improve 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'. The latest published NAV per share was TRY6.11 which compares to a share price of TRY3.80.

ISGSY's shares are therefore trading at a 38% discount to the last published NAV. We believe that 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 four exits with an average ROI (in US dollar terms) of 76% (total invested of \$26.0m generating a return of \$45.7m). The realised US dollar-denominated IRR from the four exits was 31.92% and the company aims to attain a minimum IRR of 25-30%.
- The NAV may not adequately reflect the latest data on realisations, markets and investee company developments.
- There is increased confidence in the investment pipeline as deal flow picks up.

## Peer group comparison

As Exhibit 4 shows there are few relevant peers for ISGSY. There is only one other Turkish listed private equity fund, Vakif Girisim (GIR), while the AIC sector 'Country Specialist: Europe' only contains three companies and, while they all invest in European or Eurasian countries, outside the UK their investment objectives and geographical focus are markedly different. Of the three, GIR is the only trust that can be considered to be investing in a modern, western European economy with transparent accounting standards. Within this peer group GIR ranks second over the one-, three- and five-year periods when considering share price total return.

The closest comparative company is Vakif Girisim, which listed on the ISE in 2000.

**Exhibit 4: Peer comparison**

Company name	Price	NAV/share	Discount/ Premium (%)	Date of NAV
Candover	724.0	1,038.0	(30.3)	31/Dec/2009
3i	280.5	321.0	(12.6)	31/Mar/2010
Blackstone	10.5	7.5	40.0	31/Dec/2009
Vakif Girisim	5.4	6.6	(18.3)	31/Mar/2010
Is Girisim	3.8	6.1	(37.7)	31/Mar/2010

Source: Thomson Datastream

## Financials

### Financial results to 31 December 2009

We cannot forecast results 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 53% of its capital in investee companies, with the rest invested in 'short-term investments' (ie ISE T-Bills and government bonds). While this generated a yield of 17.5% in 2009, it falls short of its internal IRR target.
- Total AUM were \$93.54m at the end of 2009. In addition, ISGSY has distributed dividends totalling \$7.7m since inception in 2000.

#### Exhibit 5: Fund position as at 31 March 2010

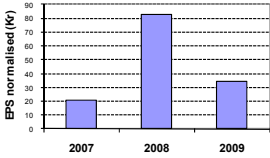
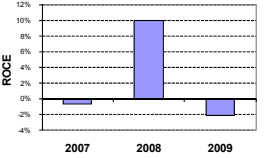
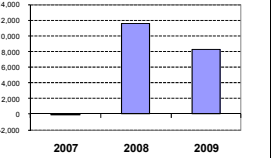
Assets Included in Portfolio	Investment Date	Invested Amount (Including options) US\$	Invested Amount (Including options) TRY	Inflation Adjusted Invested Amount TRY	% Share in Group	% Share in Portfolio
<b>A. Long term Investments</b>		<b>32,346,889</b>	<b>67,148,357</b>	<b>81,969,511</b>	<b>100.00</b>	<b>53.82</b>
<b>1. Probil</b>		<b>3,188,889</b>	<b>5,217,039</b>	<b>10,147,034</b>	<b>12.38</b>	<b>6.66</b>
1st Investment	15/10/2002	3,000,000	4,940,356	9,680,069	11.81	6.36
2nd Investment	23/10/2003	188,889	276,683	466,965	0.57	0.31
<b>2. ITD</b>		<b>1,850,000</b>	<b>2,969,243</b>	<b>5,519,564</b>	<b>6.73</b>	<b>3.62</b>
1st Investment	27/12/2002	1,712,500	2,788,031	5,238,966	6.39	3.44
2nd Investment	22/03/2004	137,500	181,212	280,598	0.34	0.18
<b>3. Nevotek</b>		<b>3,000,000</b>	<b>4,483,172</b>	<b>6,205,272</b>	<b>7.57</b>	<b>4.07</b>
1st Investment	30/09/2003	401,600	541,729	919,403	1.12	0.60
2nd Investment	01/03/2004	399,200	525,164	813,193	0.99	0.53
3rd Investment	22/06/2004	399,200	592,279	903,274	1.10	0.59
4th Investment	27/06/2006	1,100,000	1,829,523	2,311,711	2.82	1.52
5th Investment	20/12/2006	700,000	994,477	1,257,691	1.53	0.83
<b>4. ODE</b>		<b>5,000,000</b>	<b>6,442,751</b>	<b>7,906,931</b>	<b>9.65</b>	<b>5.19</b>
1st Investment	09/07/2007	5,000,000	6,442,751	7,906,931	9.65	5.19
<b>5. Ortopro</b>		<b>6,000,000</b>	<b>7,016,717</b>	<b>8,376,319</b>	<b>10.22</b>	<b>5.50</b>
1st Investment	10/12/2007	6,000,000	7,016,717	8,376,319	10.22	5.50
<b>6. Turkmed</b>		<b>2,500,000</b>	<b>2,916,111</b>	<b>3,481,155</b>	<b>4.25</b>	<b>2.29</b>
1st Investment	17/12/2007	2,500,000	2,916,111	3,481,155	4.25	2.29
<b>7. Dr. F. Frik</b>		<b>0</b>	<b>21,397,365</b>	<b>23,627,277</b>	<b>28.82</b>	<b>15.51</b>
1st Investment	03/12/2008	0	21,397,365	23,627,277	28.82	15.51
<b>8. Havaş</b>		<b>10,808,000</b>	<b>16,705,959</b>	<b>16,705,959</b>	<b>20.38</b>	<b>10.97</b>
1st Investment *	24/03/2010	10,808,000	16,705,959	16,705,959	20.38	10.97
<b>B. Short term Investments</b>			<b>69,602,884</b>	<b>70,326,822</b>	<b>100.00</b>	<b>46.18</b>
<b>I. Government Securities</b>			<b>13,062,868</b>	<b>13,060,584</b>	<b>18.57</b>	<b>8.58</b>
1. Treasury Bills			0	0	0.00	0.00
2. Government Bonds			13,062,868	13,060,584	18.57	8.58
<b>II. Other</b>			<b>56,540,016</b>	<b>57,266,238</b>	<b>81.43</b>	<b>37.60</b>
1. Reverse repo (01.04.2010)			119,495	119,514	0.17	0.08
2. Mutual Funds			38,157,886	38,779,110	55.14	25.46
3. FX Assets			1,600,278	1,609,938	2.29	1.06
4. Stocks			7,625,943	7,661,721	10.89	5.03
5. Other (Deposit - 02.04.2010)			9,036,414	9,095,955	12.93	5.97
<b>Portfolio Value (A+B)</b>			<b>136,751,241</b>	<b>152,296,333</b>		<b>100.00</b>
<b>C. Liquid Assets</b>			<b>168,799</b>	<b>167,803</b>		
<b>D. Receivables (+)</b>			<b>855,104</b>	<b>855,104</b>		
<b>E. Other Assets</b>			<b>2,127,021</b>	<b>1,373,196</b>		
<b>F. Debts (-)</b>			<b>592,589</b>	<b>592,589</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>154,099,847</b>		
<b># Shares</b>				<b>25,200,000</b>		
<b>Net Asset Value per Share</b>				<b>6.1151</b>		

Source: IS Private Equity

**Exhibit 6: Financials**

	TRYm	2007 IFRS	2008 IFRS	2009 IFRS
Year end 31 December				
<b>PROFIT &amp; LOSS</b>				
<b>Revenue</b>		<b>19,055</b>	<b>26,355</b>	<b>8,229</b>
Cost of Sales		(16,728)	(8,344)	(1,876)
Gross Profit		2,327	18,010	6,353
<b>EBITDA</b>		<b>(361)</b>	<b>10,931</b>	<b>(2,508)</b>
<b>Operating Profit (before GW and except.)</b>		<b>(361)</b>	<b>10,931</b>	<b>(2,508)</b>
Intangible Amortisation		(485)	(595)	(498)
Exceptionals		0	0	0
Other		0	0	0
<b>Operating Profit</b>		<b>(846)</b>	<b>10,336</b>	<b>(3,006)</b>
Share in net profit / (loss) of equity investments		(550)	(1,448)	(4,782)
Net Interest		6,160	11,198	16,013
<b>Profit Before Tax (norm)</b>		<b>5,249</b>	<b>20,680</b>	<b>8,724</b>
<b>Profit Before Tax (FRS 3)</b>		<b>4,764</b>	<b>20,085</b>	<b>8,225</b>
Tax		(6)	0	0
<b>Profit After Tax (norm)</b>		<b>5,243</b>	<b>20,680</b>	<b>8,724</b>
<b>Profit After Tax (FRS 3)</b>		<b>4,758</b>	<b>20,085</b>	<b>8,225</b>
Average Number of Shares Outstanding (m)		25.2	25.2	25.2
EPS - normalised (Kr)		20.8	83.1	34.6
EPS - FRS 3 (Kr)		18.9	80.7	32.7
Dividend per share (Kr)		2.9	24.1	8.4
Gross Margin (%)		12.2	68.3	77.2
EBITDA Margin (%)		(1.9)	41.5	(30.5)
Operating Margin (before GW and except.) (%)		(1.9)	41.5	(30.5)
<b>BALANCE SHEET</b>				
<b>Fixed Assets</b>		<b>29,298</b>	<b>42,074</b>	<b>36,661</b>
Intangible Assets		165	156	463
Tangible Assets		1,508	982	147
Investments		27,612	40,920	36,034
Other		13	16	17
<b>Current Assets</b>		<b>80,599</b>	<b>84,585</b>	<b>94,728</b>
Stocks		29	25	73
Debtors		3,924	7,769	7,939
Cash		347	12,332	9,455
Financial investments		76,300	64,459	77,261
<b>Current Liabilities</b>		<b>(1,494)</b>	<b>(2,278)</b>	<b>(2,301)</b>
Creditors		(1,090)	(1,671)	(1,126)
Short term borrowings		(404)	(608)	(1,175)
<b>Long Term Liabilities</b>		<b>(16)</b>	<b>(257)</b>	<b>(87)</b>
Long term borrowings		0	(232)	(46)
Other long term liabilities		(16)	(24)	(41)
<b>Net Assets</b>		<b>108,387</b>	<b>124,123</b>	<b>129,001</b>

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	Company details	
EPS CAGR 05-09	N/A	ROCE 08	N/A	Gearing 08	N/A	Address:
EPS CAGR 07-09	29.0	Avg ROCE 05-09	N/A	Interest cover 08	N/A	İş Kuleleri, Kule-2 Kat:8 - 34330, Istanbul, Turkey
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	+90 0212 325 1744
Sales CAGR 05-09	N/A	Operating margin 08	N/A	Debtor days 08	N/A	Fax
Sales CAGR 07-09	N/A	Gr mgn / Op mgn 08	N/A	Creditor days 08	N/A	+90 0212 270 5808
						www.isgirisim.com.tr/EN/

Principal shareholders	%	Management team
Is Bank Group	57.7	<b>CEO: Murat Özgen</b>
Technology Development Foundation of Turkey	11.1	Murat Özgen has been with Is Private Equity for over eight years. Before joining ISGSY, he spent 10 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.
Forthcoming announcements/catalysts	Date *	
Dividend distribution	September 2010	
<i>Note: * = estimated</i>		
Companies mentioned in this report:		
3i, Blackstone, Candover, Vakif Girişim		

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