

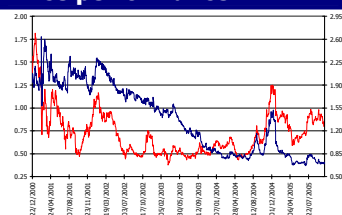
STRONG BUY

Glittering growth, mixed margins

Target

Price: NTL 1.13 / US\$ 0.83
 ISE-100: 31,846
 Target Price: NTL 1.88 / US\$ 1.21
 Target ISE-100: 37,500
 Absolute upside: 45% (US\$)
 Relative upside: 42%

Price performance



US\$ price (LHS) Relative price (RHS)

3-year LO: US\$ 0.38
 3-year HI: US\$ 1.25
 3-month relative: -12.5%
 12-month relative: -36.0%

Trading data

Market cap: US\$ 67 mn
 Free float: 56.92%
 Daily volume: cUS\$3.7mn
 ISE-100 weight: 0.11%

Shareholder structure

Goldart Holding 43.1%
 Free float 56.9%
 - of which foreign >5.4%

- Goldaş Kuyumculuk (Goldaş) offers an opportunity for investors looking for exposure to both gold and emerging markets. We believe Goldaş, the leading jewellery company in Turkey, offers 45% upside to its current market capitalisation. This is based on our valuation analysis that employs a DCF, a peer and a market comparison and suggests a US\$97mn fair value for the company.
- We base our STRONG BUY recommendation on the company's rapid growth, strong domestic market and increasing export opportunities. Part of Goldaş's attraction comes from the aggressive expansion plan of the retail outlets of Goldaş Marketing, which directly affects the sales volume of Goldaş. One other development is that the company is expected to move to a new production facility which should result in a doubling of the company's current production capacity to 28 tonnes by 2008. We believe that Goldaş's very high sales growth will moderate, but also that medium term prospects remain bright.
- Our concerns are limited to the variability of the price of gold bullion. Price volatility in bullion often has unexpected margin impacts. To compensate, we have assumed relatively low profit margins.
- Goldaş has been an underperformer during the recent bull run in the market, and this underperformance is probably tied to the relatively low awareness of the firm, and also perhaps attributable to Goldaş's relatively low daily trading volume, which is below that of the blue chips, thereby perhaps raising a liquidity concern among investors which results in a negative feedback loop.

	2002(HUC)	2003(CCC)	2004(CCC)	2005E(HCC)	2006E(HCC)	2007E(HCC)
Revenues (US\$ mn)	177.8	202.1	517.9	908.8	1,016.0	1,110.5
EBITDA (US\$ mn)	11.3	15.4	13.1	10.7	20.6	21.9
Net earnings (US\$ mn)	13.5	-1.1	2.6	5.2	7.3	8.8
EBITDA margin	6.4%	7.6%	2.5%	1.2%	2.0%	2.0%
Net profit margin	7.6%	-0.5%	0.5%	0.6%	0.7%	0.8%
EV / EBITDA	7.6	5.6	6.6	8.0	4.2	3.9
P / E	4.7	NM	24.6	12.3	8.8	7.3
P / S	0.4	0.3	0.1	0.1	0.1	0.1
P / BV	1.2	0.7	0.7	0.6	0.6	0.6

Source: Goldaş, Ekinvest estimates, ISE. HUC: Historic cost, unconsolidated, Turkish GAAP CCC: Inflation-adjusted, consolidated, IFRS. HCC: Historic cost, consolidated, IFRS.

Valuation

Goldaş has a current market capitalisation of US\$67mn, and a net debt of US\$22mn as of end-1H2005. The company fully consolidates its 99.99% subsidiary Goldaş Kıymetli Madenler (Goldaş Precious Metals, a gold broker from which Goldaş purchases most of its raw materials from). Employing discounted cash flow, peer and market comparison analyses, we arrive at a fair value of US\$92mn for the company, corresponding to a share price of NTL1.88 (US\$1.21), which implies an upside potential of 45%. While attaining a fair value for Goldaş, we have attached a 35% weight to our discounted cash flow. We believe the international comparison is as informative as the discounted cash flow, and hence have attached another 35% weight to our peer comparison analysis. And since the company's stocks trade in the ISE, which is subject to further interest lately with the opening of accession negotiations with the EU, we have added a 30% contribution from the ISE Industrials comparison.

A weighted valuation yields a US\$97mn fair value for Goldaş, 45% above its current MCap

Table 1: Derived Value in US\$ mn

Method	Implied MCap	Weight	Contribution
DCF	67	35%	24
International peer comparison	130	35%	46
ISE Industrials comparison	94	30%	28
	SUM		97
	Current MCap		67
	Upside		45%

Discounted cash flow

It is important to note that Goldaş currently is a growth company that has tripled its revenues in the last couple of years from US\$163mn to US\$518mn. We have thus assumed the high growth will continue for a couple of years more and then have stabilised our growth rate supposition at 7% from 2008 onwards. We have counted in the expectations of further rise in gold prices in 2005-2007 period, and then assumed prices to gradually stabilise afterwards. However, since the profitability is simply the labour value added, and hence we can tell that the profitability is independent of the gold prices in the long run, we have assumed an average EBITDA margin of 2.0% throughout 2006-2014.

Table 2 : Cash Flow Forecasts

(US\$ mn)	2005E*	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
EBITDA	2.7	24.2	29.3	31.9	29.6	38.8	41.2	40.2	44.3	47.1
<i>EBITDA Margin</i>	<i>1.2%</i>	<i>2.0%</i>	<i>1.9%</i>	<i>2.0%</i>	<i>1.7%</i>	<i>2.1%</i>	<i>2.1%</i>	<i>1.9%</i>	<i>2.0%</i>	<i>2.0%</i>
(-) Working Capital Requirement	-4.9	-29.0	-31.0	-10.2	-10.6	-11.9	-12.3	-12.9	-14.1	-14.9
(-) Maintenance Capex	-0.9	-2.5	-3.1	-3.5	-4	-4	-5	-5	-5	-5
(-) Taxes	0.0	-2.1	-5.1	-5.7	-4.9	-7.6	-8.2	-7.8	-8.9	-9.6
(-) Dividends	0.0	0.0	0.0	-1.2	-1.0	-1.5	-1.6	-1.4	-1.6	-1.8
Free Cash Flow	-3.1	-9.4	-9.1	11.2	9.0	13.3	14.1	13.0	14.7	15.8
Discount index	1.040	1.184	1.336	1.509	1.703	1.924	2.169	2.441	2.739	3.062
DCFs	-3.0	-7.9	-6.8	7.4	5.3	6.9	6.5	5.3	5.4	5.2
Present Value of Terminal Value	65									
EV	89									
Net Cash	-22									
Implied MCap	67									

* Expected figures for the last four months of the year.

A dcf analysis yields US\$67mn value...

We have employed a risk free rate of 8%, and an equity risk premium of 14% declining to 5% over a ten-year period, and a terminal growth rate of 5%. The company has a three-year beta of 0.799. The discounted cash flow of the company thus results in US\$67mn value for the company.

International peer comparison

...while an international comparison implies US\$130mn

We have performed a peer comparison analysis of Goldaş utilising the PE, EV/EBITDA and EV/Sales multiples of various jewellers around the world that are comparable with Goldaş in terms of recognition. We have attached a 1% weight (since anything higher would result in what we believe would be an excessive target price) to the 05E and 06E EV/Sales comparison of these jewellers, and left the major jewellers out of our comparison list, since the profitability of these companies (Bulgari, Cartier et al.), tied to wide recognition of the brand names, is very high and the comparison does not yield a meaningful value for Goldaş. We have then attributed equal weights of 24.5% to each of the 05E & 06E PE and EV/EBITDA multiples of these companies, and have reached a US\$130mn value for Goldaş.

Table 3 : International Peer Comparison

<i>(in US\$ mn)</i>						
Company	2005E			2006E		
	PE	EV/EBITDA	EV/Sales	PE	EV/EBITDA	EV/Sales
Signet Group	12.6	14.5	1.1	11.7	13.4	1.0
Bijou Brigitte	22.8	8.7	4.8	18.2	7.0	3.8
Zale Corp.	12.2	7.4	0.6	10.6	6.6	0.6
Folli-Follie	13.4	14.3	3.8	11.0	11.9	3.2
Titan Industries	26.5	0.2	1.8	21.1	0.1	1.5
Michael Hill Intl	15.6	6.0	1.0	13.8	5.4	0.9
Pranda Jewellery	5.9	0.1	0.7	5.5	0.1	0.6
Abbeycrest	4.0	12.1	0.3	2.8	10.3	0.3
Average	14.1	7.9	1.8	11.8	6.9	1.5
Implied Mcap	73	62	1,578	115	144	1,780
Weight	0.245	0.245	0.010	0.245	0.245	0.010
Implied Mcap						130

Market comparison

Since Goldaş is the only jewellery retailer that is quoted in the ISE, a domestic peer comparison for the company is not possible. Nonetheless, we have performed a market comparison for Goldaş, where we have utilised the multiples of the ISE Industrials.

Table 4 : ISE Industrials Peer Comparison

<i>(in US\$ mn)</i>						
	2005E			2006E		
	PE	EV/EBITDA	EV/Sales	PE	EV/EBITDA	EV/Sales
Implied EV	12.1	6.0	0.6	11.4	5.7	0.6
Implied Mcap	63	64	559	112	139	718
Weight	0.245	0.245	0.010	0.245	0.245	0.010
Avg. Implied Mcap						94

Here we also have attached very little importance to the 05E & 06E EV/Sales comparison of the industrials in the ISE, since Goldaş' profitability does not allow reaching a meaningful value for the company through this comparison. We have thus attributed equal weights of 24.5% to the 05E & 06E PE and EV/EBITDA multiplies of the ISE Industrials, and have reached a US\$94mn value for Goldaş.

Sector Overview

Gold does not get tarnished and is also pliable allowing it to be transferred to jewellery. While being made into jewellery it is mixed with other metals (such as copper or nickel) creating alloys and the range of carats (purity). Having an inelastic supply structure, gold also serves as a store of value. Gold is demanded as jewellery or ornaments in favourable economic environments and as an investment tool when the economic conditions are bothersome.

Demand continues to increase

The global jewellery industry hit a record high demand volume in 2003, and has even exceeded that record in 2004. 1H2005 sees further rise in demand, by 29% YoY on a US\$ basis, and by 21% in tonnes. The total gold reserve in the world is estimated at 42,500 tonnes and 65% of it is in the USA, Canada, Australia and S. Africa.

Prices

After having reached a 20-year low in August 1999, the US\$ price of gold gained more than 50%. Along with the inherent value of the precious material, gold prices also reflect the relative strength of the currency in which it is quoted. The strength of the US\$ from about 1980 to 2000 was an important reason why the gold price did not perform well during those years. Hence, it was in part the rapid rise in the US\$ which had hurt the gold price. Gold in the function of an investment tool also serves as a hedge against inflation. Another reason for gold's poor price performance between the years 1980 and 2001 was the success of the world's central bankers in fighting inflation.

The surges in gold prices generally last between one and two years. If gold is priced too low (US\$250 to US\$300), higher-carat pieces are produced and miners do not seek out new sources, and the prices adjust upwards. When prices are high, miners look to expand, and an increased supply drives down prices again.

Gold prices were on an increasing trend during 2004, affected by the depreciation of the US\$ against the €, budgetary deficits and pressure on developing countries caused by high oil prices, the existing risk of terrorism and increase in prices of other precious metals. The loss of value in the US\$ helped gold prices to increase to near a 16-year high, as investors sought safety in the precious metal.

Prices are on an increasing trend

At US\$500 per ounce, prices are still high, way beyond the “benchmark” price. We expect gold prices to maintain their upward movement during 2006 (but more slowly), and estimate prices to reach US\$530 on average. Ultimately, prices will go back to their market clearing US\$300 to US\$400 ranges, but we estimate that this time the course might take more than two years.

Though high gold prices may not much affect the jewellery industry, high gold prices may squeeze profitability margins as the actual cost increase might not be split with the consumer. It can take months for an increase in the price of gold bullion to filter through the system.

The markets for gold being in effect free, Turkish prices follow the global ones very closely. 2003 in particular was a hard year for the jewellery industry. Due to the uneasiness arisen from the war in Iraq and SARS virus worries, gold prices were extremely volatile. However, with the stabilisation of the environmental factors, the volatility in gold prices declined during 2004 and prices have somewhat stabilised at a high level.

Figure 1: Gold Price, US\$ per ounce (London pm fix)

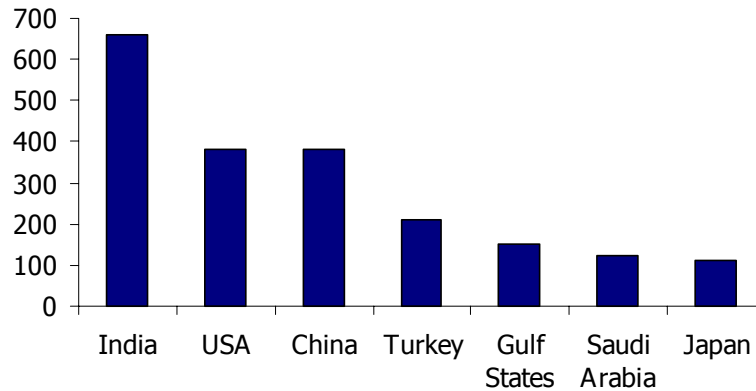


Source: World Gold Council

Turkey

Turkey has the 4th largest gold demand in the world

In operation for almost 5,000 years, the jewellery industry of Turkey is part of the country’s cultural heritage. Currently, Turkey has c1% of world’s gold reserves, but ranks as the 4th country in the world in terms of gold demand (after India, USA and China) and is the second biggest processed gold exporter after Italy (2004: US\$909mn). Turkey for the most part imports gold to meet the domestic demand, and has long been among the top ten gold importing countries in the world; 251 tonnes of gold were imported in 2004, corresponding to a 17% YoY increase.

Figure 2: Top gold demanding countries, 2004

Source: World Gold Council

The majority of the exports are directed to the USA, the United Arab Emirates and Israel. The Turkish jewellery industry also renders indirect exports in terms of sales to foreign tourists (2004E: cUS\$1bn). The indirect export revenues are tied to the number of tourists visiting Turkey, which reached 17mn in the first nine months of this year, translating to a 22% increase over the 14mn visitors for the same period in 2004.

Gold savings are traditional in Turkey

Gold savings have a significant role in Turkey, especially in times of economic trouble, where people choose gold as store of value. Some 4,000 to 5,000 tonnes of gold is estimated to be kept in Turkish households. There are about 50,000 jewellery producers in Turkey; much of the gold jewellery is handcrafted. The Turkish jewellery industry is in the course of improvement towards conventional designs in addition to the enhancement of the local historical designs. However, prices are still lower than that of Italy's with Turkish producers still acting as custom manufacturers in the main.

The Company

Group structure

Goldaş was established in 1993 by Yalınkaya Group, which holds stakes in 15 companies in the gold and jewellery, foreign trade, finance, construction, textiles and services sectors. Yalınkaya Holding then structured its precious metals business (including mining, refinery and trade) as part of a sub-holding: Goldart Holding. Goldaş is the flagship of this group. Currently Goldart Holding has a 43.08% stake in the Company, while the remaining 56.92% shares are publicly held. In addition to its primary listing in Istanbul, Goldaş also has ADRs quoted on the Frankfurt Stock Exchange and the US-OTC.

GOLDART HOLDING

Goldaş Jewellery 43.08%	Goldaş Kuyumculuk is engaged in the production and sale of jewellery.
Goldaş Marketing 99.99%	Goldaş Pazarlama (Marketing) deals with marketing and sale of jewellery, accommodating hundreds of local jewellers, while also operating the Goldaş retail stores. There are 13 retail stores in the domestic market with the Goldaş logo: seven in Istanbul, three in Ankara, two in Antalya and one in Bodrum.
Goldaş Distribution 99.99%	Goldaş Distribution is active in the distribution and marketing of licensed products and ChipGold.
Meydan Precious Metals 90.00%	Meydan is active in precious metals trading, is a member of the Istanbul Gold Exchange (IGE). Meydan also acts as an investment broker offering fx trading services.
Pregold Mining 90.00%	Pregold Mining is involved in precious metals mining and trade activities. Having mining interests in Mali, Ghana and Turkey, the company's exploration permits cover an area of 555km ² .
Goldoro Gold Refinery 90.00%	Goldoro Refinery is the gold and similar precious raw metals refinery of the group, and also produces and trades casts that are in international standards.

Subsidiary

Goldaş Kuyumculuk has a 99.99% stake in Goldaş Precious Metals Trading. Goldaş Precious Metals is active in international precious metal exchanges and markets in addition to the Turkish markets, as the company is an IGE member. Goldaş Kuyumculuk purchases most of the gold it uses for its production from this company.

Capacity and production

Currently the leading jewellery producer in Turkey, Goldaş produces jewellery of 8 to 24 carat gold, as well as of sterling silver in its 4,500 sqm plant in Istanbul. The company has 14 tonnes of annual production capacity. Moving to a larger site of production, the company plans to double its production capacity in about two years. The design group embedded in the production facilities, working with CAD, introduces nearly 5,000 models each year in line with changing trends and consumer preferences in addition to the approximately 40,000 models of the existing collection of jewellery.

Goldaş also produces silver jewellery with its "Silver D'sign" brand created in 2003. This segment is comprised of the licensed products of Walt Disney, Warner Bros, of the most popular football teams in Turkey and abroad, and licensed accessories of popular movies and

Goldaş plans to double its capacity in two years

series. With this brand, Goldaş aims to diversify and broaden its customer portfolio, and also enhance its profitability; the profitability in licensed products is relatively higher. These licences basically have one year renewable contracts.

Taking another innovative step in diversifying its existing product and customer portfolio, Goldaş now also produces a product called "ChipGold", aimed at marketing gold merely as a store of value. ChipGolds are sold in special packages designed in the form of a credit card and functioning as a quality certificate, with different weight alternatives of 1 to 20 grams.

Table 5 : Production

(kilogrammes)	1999	2000	2001	2002	2003	2004
8K	71	56	42	54	19	314
9K	156	66	137	292	175	739
10K	115	115	220	120	29	122
14K	1,770	3,908	3,638	3,675	2,495	3,626
18K	727	4,220	5,226	4,851	2,677	3,818
21K	0	996	187	39	0	3
22K	2,730	5,122	4,012	3,303	1,731	3,224
24K	5,298	2,104	6,072	6,073	7,880	23,347
22K ChipGold	0	0	0	0	0	80

Source: Company

Note: The gold content of a piece of jewellery is measured in carats, ranging from 1 to 24; the higher the carat of a piece of jewellery, the greater its gold content. For example, 14 Carat (14k) gold is 14 parts of gold to 10 parts other metals. Therefore the production of 3,626 kilograms of 14K gold merely utilises 1,036 kg of pure gold.

Evident in Goldaş's historical sales figures, jewellery demand and production in Turkey is predominantly in between 18-22K, whereas production in other countries varies mostly between 10-18K.

Analyses and forecasts

Domestic operations

Domestic marketing facilities are executed by its affiliate Goldaş Marketing...

The domestic marketing facilities of Goldaş are executed by a separate company of Goldart Holding, Goldaş Pazarlama (Marketing), which also operates its namesake stores. Goldaş Pazarlama has opened its first retail store in 2000 and currently operates 13 stores in the domestic market: seven in Istanbul, three in Ankara, two in Antalya and one in Bodrum.

Goldaş is mainly active in the Marmara Region; this region constitutes 70% of the total sales of the company, while the Central Anatolian, the Mediterranean and the Aegean regions comprise the remaining 30%, 8% and 4%, respectively. Given the estimated amount of gold that is used in Turkey, Goldaş has an approximately 10% share in the Turkish jewellery market.

...and via alternative distribution channels

Goldaş generally aims to expand its domestic operations through increasing the number of stores, as well as introducing new marketing channels. An additional domestic distribution channel of the company is the internet, while the Silver D'sign branded products are also sold at vending machines in approximately 40,000 sales points such as supermarkets, toy stores, pharmacies and gas stations.

Tied both to the expansion in sales network and the rising gold prices Goldaş's domestic revenues have jumped in the last couple of years; as the unconsolidated inflation adjusted figures of 2003 and 2004 prove. The 2005 accounts are however consolidated with that of the Goldaş Precious Metals, which is an IGE member and active in precious metals exchanges. The contribution of Goldaş Precious Metal's revenues to the consolidated revenues of 1H2005 was NTL140.8mn (US\$105.1mn), constituting 24% of the total revenues of Goldaş. Hence, excluding Goldaş Precious Metal's accounts, our expectation of a 91% increase in domestic revenues correspond to an unconsolidated 37% rise YoY, in 2005.

Table 6 : Revenues from Domestic Sales

(NTL mn)	2003	2004	2005E*	2006E*	2007E*
Revenues	256.6	607.8	1,162.1	1,717.6	2,328.9
<i>YoY Growth in Revenues</i>	<i>55%</i>	<i>137%</i>	<i>91%</i>	<i>48%</i>	<i>36%</i>

(US\$ mn)	2003	2004	2005E*	2006E*	2007E*
Revenues	192.0	454.8	836.1	1,108.2	1,370.0
<i>YoY Growth in Revenues</i>	<i>36%</i>	<i>137%</i>	<i>84%</i>	<i>33%</i>	<i>24%</i>

* Consolidated

Source: Company, EkInvest estimates

The company is currently working on developing its brand name by expanding its domestic operations mostly via the number of Goldaş retail stores. Goldaş aims to expand its domestic operations through multiplying the retail outlets; the number of stores is targeted to rise from 13 to 100 during the next two years. The company has a wide range of pricing for its jewellery, between US\$100 and US\$1,000.

As we have explained in our valuation section, we assume Goldaş will continue to attain high growth figures for the next couple of years, and hence we anticipate domestic revenues to reach cUS\$1.1bn by 2006.

Export performance

Goldaş exports to 40 countries, and has ten retail stores in Moscow. Two stores are planned to be opened in China by the end of 2005. The firm has eight representative offices in New York, London, Germany, Russia, Thailand, South Africa, United Arab Emirates, and China that aim to enhance its brand name in international markets. The company also has a branch in the Istanbul airport free-trade zone, and the firm has a specialised foreign trade company for exports.

Exports likely to rise; the parent group is in search of a retail chain acquisition...

As of 1H2005, exports constitute c10% of revenues. Goldaş plans to improve its growth in the export markets with more store openings mainly in Russia and probably in China after 2005 aiming to utilise the economic development and the density of population in these regions. In addition, the parent group is reportedly in search of a retail chain acquisition, which would lead to a currently incalculable but a considerable augmentation in sales – but at what price?

Table 7 : Revenues from Exports

(NTL mn)	2003	2004	2005E*	2006E*	2007E*
Revenues	44.2	83.2	101.1	169.9	258.8
YoY Growth in Revenues	-55%	88%	22%	68%	52%

(US\$ mn)	2003	2004	2005E*	2006E*	2007E*
Revenues	33.0	62.2	72.7	109.6	152.2
YoY Growth in Revenues	-8%	88%	17%	51%	39%

*Consolidated

Source: Company, EkInvest estimates

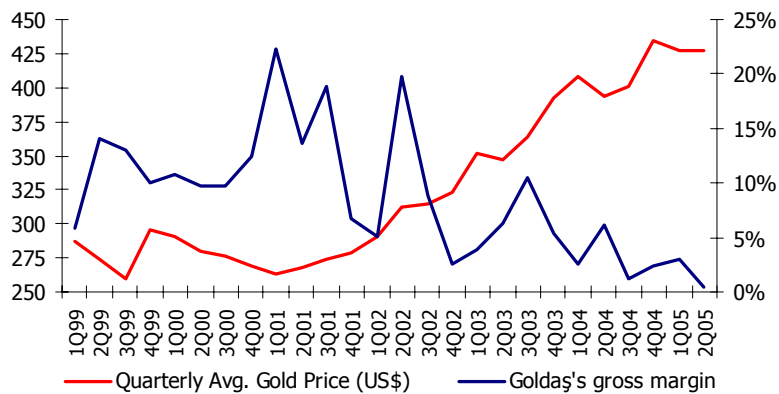
In line with the company’s organic expansion strategy, we have assumed that Goldaş will be more aggressive in the export markets than it is in the domestic market in the next couple of years.

Gross profitability

Goldaş is not involved in the extraction or the refinery of gold. Instead it purchases 24 carat gold through various gold producers and especially from the group company Goldaş Precious Metals at (very) slightly beneficial prices. Goldaş also purchases silver and alloys, but these are quite insignificant when compared to purchases of gold.

The gross profitability of Goldaş is not immediately affected by the increase or decrease in gold prices. There are arbitrations between purchasing and sales in terms flexibility, and the jewellery pricing in the domestic market is almost as flexible as that in the spot markets. Nevertheless, gold prices filter through the system within a certain time span, causing a fluctuation of gross profitability during the period.

Figure 3 : Gold Prices versus Goldaş’s gross margin



Assuming the high gold bullion prices of 2004 have already been reflected onto jewellery prices in 2005, the gross margin of Goldaş should have increased with widening brand recognition in 2005 if it were not for the fact that the sale of bullion jumped in 2005, after the consolidation of Goldaş Precious Metals accounts. Hence we project a decline in margins in 2005, as we have witnessed in the 1H2005 financials of the company.

Table 8 : Gross Profitability

(NTL mn)	2003	2004	2005E*	2006E*	2007E*
Gross Profit	18.4	20.3	16.3	33.4	46.6
Gross Margin	6.1%	2.9%	1.3%	1.8%	1.8%

(US\$ mn)	2003	2004	2005E*	2006E*	2007E*
Gross Profit	12.3	15.2	11.7	21.6	27.4
Gross Margin	6.1%	2.9%	1.3%	1.8%	1.8%

*Consolidated

Source: Company, EkInvest estimates

EBITDA

Goldaş' operating expenses are considerably lower than its cost of goods sold, so much of the effort lies yet in purchasing and pricing. Nevertheless, the company's operational expenses are dominated by the depreciation costs of the equipment purchases. Excluding the depreciation and provisions, though the company has a proud R&D facility, the costs are low, the marketing and selling expenses merely comprise the advertising and related costs, and not the actual marketing costs since these activities are handled separately by affiliated companies.

Goldaş' inventories are composed of gold, a valuable commodity. The company records its inventories according to the FIFO method using actual cost system. Reporting, however, is according to the Capital Markets Board regulations, where gold and other precious metals traded on stock exchanges other than organized markets are valued according to average of the weighted average prices that occur in the last 5 days before the day of the balance sheet. Surpluses based on valuations made according to the CMB notifications are accounted under non-operative revenues and profits account. Hence, we expect the increase in gold prices that have resulted in an upsurge in other operating income during 2003 and 2004 to continue throughout 2007, supported by our assumption of expanding sales and decreasing value of NTL. However, since inventory levels are generally low, the impact is muted.

Table 9 : Operating Profitability (NTL mn)

(NTL mn)	2003	2004	2005E*	2006E*	2007E*
Gross Profit	18.4	20.3	16.3	33.4	46.6
Operating Expenses	-2.2	-5.0	-3.5	-3.7	-5.6
Other Operating Income/ (Loss)	6.7	2.2	2.1	7.8	8.8
EBITDA	22.9	17.5	14.8	37.4	49.8
EBITDA Margin	7.6%	2.5%	1.2%	2.0%	1.9%

(US\$ mn)	2003	2004	2005E*	2006E*	2007E*
Gross Profit	12.3	15.2	11.7	21.6	27.4
Operating Expenses	-1.4	-3.7	-2.6	-2.4	-3.3
Other Operating Income/ (Loss)	4.5	1.7	1.5	5.0	5.2
EBITDA	15.4	13.1	10.7	24.2	29.3
EBITDA Margin	7.6%	2.5%	1.2%	2.0%	1.9%

*Consolidated

Source: Company, EkInvest estimates

Depreciation expenses stem mostly from the machinery and equipment for production. As the company's working capital requirement increases in parallel to the expansion in sales, Goldaş' net debt position has slowly widened from US\$17mn in 2003 to US\$19mn in 2004 and currently stands at US\$22mn at 1H2005-end. The financial expenses of the company have however decreased slightly, thanks to the appreciation of the NTL during this period. Operating predominantly in a US\$ based environment, Goldaş recorded monetary losses in its 2003 and 2004 inflation adjusted statements. With the end of the inflation accounting system in 2005, there will be no monetary losses from 2005 onwards. We anticipate the company to sustain its profitability through 2005 and 2006, and expect the company to pay taxes from 2006 onwards.

Table 10 : EBITDA to Profits

(NTL mn)	2003	2004	2005E*	2006E*	2007E*
EBITDA	22.9	17.5	14.8	37.4	49.8
Depreciation	-1.0	-1.0	-1.1	-2.2	-2.2
Provisions	-5.0	-2.2	-4.0	-6.0	-8.3
Financial Expenses, net	-7.3	-4.6	-2.5	-10.9	-10.7
Extraordinary Income, net	0.1	0.3	0.0	0.0	0.0
Monetary Gain, net	-11.2	-6.4	0.0	0.0	0.0
Profit Before Tax	-1.6	3.5	7.2	18.4	28.6
(US\$ mn)	2003	2004	2005E*	2006E*	2007E*
EBITDA	15.4	13.1	10.7	24.2	29.3
Depreciation	-0.7	-0.8	-0.8	-1.4	-1.3
Provisions	-3.4	-1.7	-2.9	-3.9	-4.9
Financial Expenses, net	-4.9	-3.5	-1.8	-7.0	-6.3
Extraordinary Income, net	0.1	0.2	0.0	0.0	0.0
Monetary Gain, net	-7.5	-4.8	0.0	0.0	0.0
Profit Before Tax	-1.1	2.6	5.2	11.9	16.8

*Consolidated

Source: Company, EkInvest estimates

Working Capital Requirement

Expanding sales to boost working capital requirement

The working capital requirement of the company has increased with aggressively increasing sales. The increase in net requirement is basically tied to increasing inventories in parallel with sales, and the shortening payable days in the industry. We forecast further increase in the working capital requirement of the company, tied to the assumption of rapid expansion of sales between 2005-2007.

Table 11 : Working Capital Requirement

(NTL mn)	2003	2004	2005E*	2006E*	2007E*
Short Term Trade Receivables	61.8	81.7	126.7	189.3	259.5
Inventories	44.4	49.5	74.0	114.9	152.3
Trade Payables & Advances	13.0	31.6	66.8	101.4	142.4
Change in Working Capital	-11.0	6.2	34.4	68.9	66.6
(US\$ mn)	2003	2004	2005E*	2006E*	2007E*
Short Term Trade Receivables	41.5	61.1	88.9	114.7	148.3
Inventories	29.8	37.0	52.0	69.6	87.0
Trade Payables & Advances	8.7	23.6	46.9	61.4	81.4
Change in Working Capital	-7.9	11.9	19.5	29.0	31.0

*Consolidated

Source: Company, EkInvest estimates

Cash Flow and Capital Expenditures

Goldaş started an expansion, modernisation, quality improvement and bottleneck removal investments in 2001; these are almost completed. Total investment value was NTL3.3mn (US\$3mn).

The property where the new premises will be built is purchased at US\$4.5mn value by Goldaş (corresponding to 6% of the company's share capital) with a leasing agreement.

Goldaş has a goal of increasing its number of stores in Turkey and abroad to 100 by 2007. Even though Goldaş Marketing would be investing in the opening of such stores, we doubt the consolidated cash generated for the group by Goldaş's internal operations alone will be enough to fund such growth.

The funding for these investments in additional capacity or for the opening of the stores – the store openings will be carried out by Goldaş Pazarlama – have not been structured yet and the figures we have included in our model as new capex represent guesstimates. Borrowing from international banks or funding via public offerings in stock exchanges is equally possible, with both the country and Goldaş enjoying a more favourable environment and with studies of being listed on the Dubai Stock Exchange being pursued, and with the ADRs in the Frankfurt Stock Exchange being converted into ordinary shares which would introduce an opening for a secondary offering.

Table 12 : Summary Cash Flow

(NTL mn)	2003	2004	2005E*	2006E*	2007E*
EBITDA	18.4	20.3	16.3	33.4	46.6
EBITDA Margin	7.6%	1.2%	2.0%	2.0%	1.8%
(-) Working Capital Requirement	11.0	-6.2	-34.4	-68.9	-66.6
(-) Maintenance Capex	-1.7	-0.6	-3.8	-2.5	-3.1
(-) New Capex	0.0	0.0	0.0	-1.8	-1.7
(-) Taxes	0.0	0.0	0.0	-3.3	-8.6
Free Cash Flow	27.7	13.5	-21.9	-42.3	-32.7
(US\$ mn)	2003	2004	2005E*	2006E*	2007E*
EBITDA	15.4	13.1	10.7	24.2	29.3
EBITDA Margin	7.6%	2.5%	1.2%	2.0%	2.0%
(-) Working Capital Requirement	7.9	-11.9	-19.5	-29.0	-31.0
(-) Maintenance Capex	-1.2	-0.5	-2.6	-2.6	-2.9
(-) New Capex	0.0	0.0	0.0	-1.1	-1.0
(-) Taxes	0.0	0.0	0.0	-3.3	-8.6
Free Cash Flow	22.1	0.7	-11.4	-11.8	-14.2

**Consolidated*

Source: Company, EkInvest estimates

APPENDIX 1: GOLDAŞ KUYUMCULUK ACCOUNTS AND FORECASTS (US\$ mn)

	Unconsolidated Inf. Adj.* 2003	Unconsolidated Inf. Adj.* 2004	Consolidated Historic 2005E	Consolidated Historic 2006E	Consolidated Historic 2007E
Net Sales	202.1	517.9	908.8	1,217.7	1,522.2
Cost of Goods Sold	-189.8	-502.8	-897.1	-1,196.2	-1,494.8
GROSS PROFIT /(LOSS)	12.3	15.2	11.7	21.6	27.4
Operating Costs	-1.4	-3.7	-2.6	-2.4	-3.3
Other Operating Income, net	4.5	1.7	1.5	5.0	5.2
EBITDA	15.4	13.1	10.7	24.2	29.3
Depreciation	0.7	0.8	0.8	1.4	1.3
Provisions	3.4	1.7	2.9	3.9	4.9
EBIT	11.3	10.7	7.0	18.9	23.1
Financial Expenses, net	-4.9	-3.5	-1.8	-7.0	-6.3
Extraordinary Income, net	0.1	0.2	0.0	0.0	0.0
Net Monetary Gain	-7.5	-4.8	0.0	0.0	0.0
Profit Bef. Tax & Minority Interests	-1.1	2.6	5.2	11.9	16.8
Taxes	0.0	0.0	0.0	-2.1	-5.1
Net Profits	-1.1	2.6	5.2	9.8	11.8
	2003	2004	2005E	2006E	2007E
Cash and Near-Cash	0.5	0.5	0.8	1.0	1.3
Short Term Trade Receivables	41.5	61.1	88.9	114.7	148.3
Inventories	29.8	37.0	52.0	69.6	87.0
Other Current Assets	0.2	0.1	0.2	0.3	0.4
Current Assets	71.9	98.8	141.8	185.6	237.0
Long Term Trade Receivables	0.0	0.0	0.0	0.0	0.0
Long Term Financial Assets	37.7	42.8	41.1	36.4	35.2
Tangible Fixed Assets	1.3	1.8	1.7	1.5	1.4
Intangible Fixed Assets	2.0	1.0	0.4	0.3	0.3
Other Long Term Assets	0.1	0.1	0.1	0.1	0.1
Long Term Assets	41.0	45.7	43.3	38.3	37.0
TOTAL ASSETS	112.9	144.5	185.2	223.9	273.9
	2003	2004	2005E	2006E	2007E
Current Funded Debt	14.0	17.3	31.3	53.7	70.7
Trade Payables & Advances	8.7	23.6	46.9	61.4	81.4
Provisions for Taxes, Div.s & Other Payables	0.1	0.2	0.0	2.0	4.9
Other Current Liabilities	0.1	0.7	1.2	1.6	2.0
Current Liabilities	22.9	41.8	79.4	118.7	159.0
Loans	2.0	2.5	1.4	1.3	1.3
Trade Payables & Advances	0.5	0.8	1.4	1.8	2.3
Provisions	0.5	0.5	0.5	0.4	0.4
Other Long Term Liabilities	0.0	0.0	0.0	0.0	0.0
Long Term Liabilities	3.0	3.8	3.2	3.5	4.1
Paid-in Capital	53.6	59.9	56.1	48.5	45.7
Retained Earnings	-22.9	-27.3	-20.6	-8.6	3.3
Reserves	56.1	66.3	67.0	61.9	61.9
Shareholders' Equity	86.9	98.9	102.5	101.8	110.9
TOTAL LIABILITIES	112.8	144.5	185.2	223.9	273.9
Year-end NTL/US\$	1.34	1.34	1.43	1.65	1.75
Average NTL/US\$	1.42	1.42	1.39	1.55	1.70

APPENDIX 2: GOLDAŞ KUYUMCULUK ACCOUNTS AND FORECASTS (NTL mn)

	Unconsolidated Inf. Adj.* 2003	Unconsolidated Inf. Adj.* 2004	Consolidated Historic 2005E	Consolidated Historic 2006E	Consolidated Historic 2007E
Net Sales	301.5	692.1	1,263.2	1,887.5	2,587.7
Cost of Goods Sold	-283.0	-671.9	-1,246.9	-1,854.1	-2,541.1
GROSS PROFIT /(LOSS)	18.4	20.3	16.3	33.4	46.6
Operating Costs	-2.2	-5.0	-3.5	-3.7	-5.6
Other Operating Income, net	6.7	2.2	2.1	7.8	8.8
EBITDA	22.9	17.5	14.8	37.4	49.8
Depreciation	1.0	1.0	1.1	2.2	2.2
Provisions	5.0	2.2	4.0	6.0	8.3
EBIT	16.9	14.3	9.7	29.2	39.3
Financial Expenses, net	-7.3	-4.6	-2.5	-10.9	-10.7
Extraordinary Income, net	0.1	0.3	0.0	0.0	0.0
Net Monetary Gain	-11.2	-6.4	0.0	0.0	0.0
Profit Bef. Tax & Minority Interests	-1.6	3.5	7.2	18.4	28.6
Taxes	0.0	0.0	0.0	-3.3	-8.6
Net Profits	-1.6	3.5	7.2	15.1	20.0
	2003	2004	2005E	2006E	2007E
Cash and Near-Cash	0.7	0.7	1.1	1.6	2.2
Short Term Trade Receivables	61.8	81.7	126.7	189.3	259.5
Inventories	44.4	49.5	74.0	114.9	152.3
Other Current Assets	0.3	0.2	0.3	0.5	0.7
Current Assets	107.2	132.0	202.1	306.3	414.7
Long Term Trade Receivables	0.0	0.0	0.0	0.0	0.0
Long Term Financial Assets	56.2	57.2	58.6	60.1	61.6
Tangible Fixed Assets	1.9	2.4	2.4	2.5	2.5
Intangible Fixed Assets	3.0	1.4	0.6	0.5	0.5
Other Long Term Assets	0.1	0.1	0.1	0.1	0.1
Long Term Assets	61.2	61.0	61.7	63.2	64.7
TOTAL ASSETS	168.4	193.0	263.9	369.5	479.4
	2003	2004	2005E	2006E	2007E
Current Funded Debt	20.9	23.2	44.8	88.8	123.9
Trade Payables & Advances	13.0	31.6	66.8	101.4	142.4
Provisions for Taxes, Div.s & Other Payables	0.1	0.2	0.0	3.3	8.6
Other Current Liabilities	0.1	0.9	1.7	2.6	3.5
Current Liabilities	34.1	55.9	113.4	196.0	278.4
Loans	3.0	3.4	1.9	2.1	2.3
Trade Payables & Advances	0.8	1.1	2.0	2.9	4.0
Provisions	0.8	0.6	0.6	0.7	0.7
Other Long Term Liabilities	0.0	0.0	0.0	0.0	0.0
Long Term Liabilities	4.5	5.0	4.6	5.8	7.1
Paid-in Capital	80.0	80.0	80.0	80.0	80.0
Retained Earnings	-34.1	-36.5	-29.3	-14.2	5.8
Reserves	83.9	88.6	95.2	101.9	108.0
Shareholders' Equity	129.8	132.1	145.9	167.7	193.8
TOTAL LIABILITIES	168.4	193.0	263.9	369.5	479.4

IFRS 2003 & 2004 figures are stated according to the purchasing power of NTL at 31.12.2004

COMPANY RATINGS

Our company ratings are based primarily on performance relative to the ISE, with a time horizon of 12 months.

Strong buy: requires a potential relative upside of more than 30%.

Buy: requires a potential relative upside of more than 10% but less than 30%.

Hold: requires a potential relative upside of more than -10% but less than 10%.

Sell: requires a potential relative downside of more than 10% but less than 30%.

Strong Sell: requires a potential relative downside of more than 30%.

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