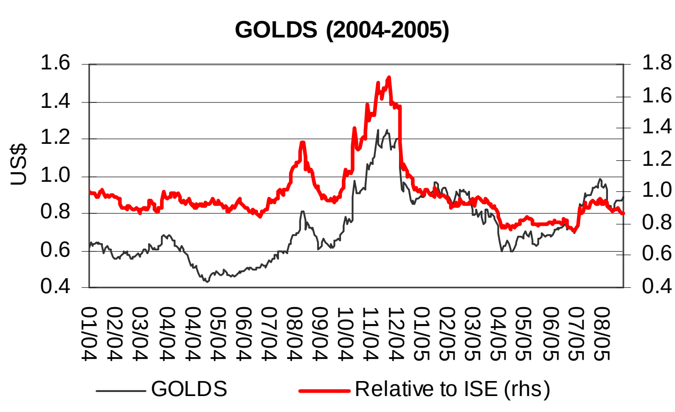
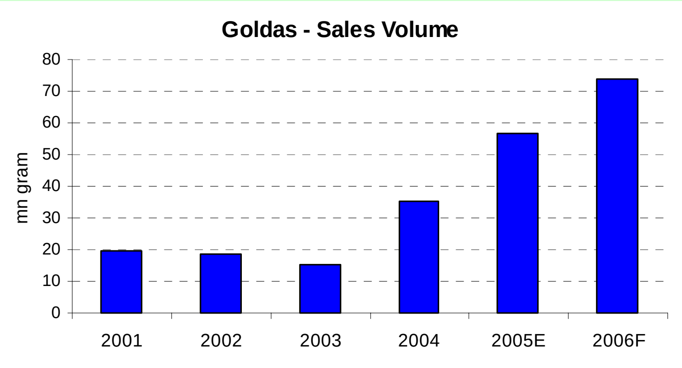
Garanti Securities

GOLDAS KUYUMCULUK
(YTL 1.2 / US$0.89)

BUY
2005-end Target Price: US$1.1



STOCK MARKET DATA (31 August 2005)		
Relative Performance		
1 mth	**3 mths**	**12 mths**
-6.7	%8.8	-%34.2
52 Week Range (US$):		0.59 – 1.25
Market Cap (US$mn):		**71**
Average Daily Vol (US$mn) 3 mth:		3.72
YTD US$ Return (%):		-5.1
Shares Outstanding (1,000):		80
Free Float:		60%



A Turkish jewel on sale…

- **Based on a DCF valuation and a peer group comparison, we value Goldas at US$90mn, suggesting a 25% upside potential.**
- **Goldas is the only jewelry company trading in the Istanbul Stock Exchange.** Goldas is dedicated to place itself among the most reputable and respected jewelry brands of the world. The parent Group has opened representative offices to increase exports while rapidly expanding its store network in Turkey and abroad to increase Goldas' brand recognition.
- **Goldas is among the most innovative companies in the Turkish jewelry sector.** The company has a rich product portfolio, consisting of 60,000 models. Goldas introduces nearly 5,000 new products every year to meet the changing costumer taste. The company also has exclusive agreements with the well-known football clubs in the world and in Turkey to produce licensed products.
- In 2005, we expect Goldas to increase its sales by 56% YoY to US$809mn, driven mainly by an increase in sales volume. Gold prices are expected to experience a minor decline compared to 2004. With a slight recovery in its operating profit, we estimate the company's 2005E EBITDA to reach US$16mn and net profit US$8mn.

FIGURES AND FORECASTS

	Net Income (US$mn)	EBITDA (US$mn)	NET PROFIT (US$mn)	EV/Sales (US$,x)	EV/EBITDA (US$,x)	P/E (US$,x)	EBITDA Margin (%)
2003	163	7	-1	0.5	12.2	n.m.	4.4%
2004	518	9	3	0.2	9.5	27.2	1.8%
2005E	809	16	8	0.1	5.5	8.8	2.0%
2006F	1,052	21	11	0.1	4.2	6.8	2.0%

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VALUATION

DCF ANALYSIS

In our DCF model we make the following assumptions:

- In our forecasts, we assumed that after 2007 gold prices would remain flat and Goldas' revenues would grow at around 6% per annum. Gross margin (excl. depreciation) is expected to remain at around 4%, thus the company's EBITDA margin remains flat at 2% until 2013.

- In our DCF model we used a 2% terminal growth rate. For the calculation of the discount rate, we used the yield of the current 30-year Turkish Eurobond as the risk free rate. In our analysis we incorporated an equity risk premium of 6% and an average 8% cost on debt. The weighted average cost of capital (WACC) in our DCF model declines gradually from 11.4% to 10.3% until 2013.

Goldas - Free Cash Flow Projections (US$mn)

	2005F	2006F	2007F	2008F	2009F	2010F	2011F	2012F	2013F
Net Sales	**809**	**1,052**	**1,115**	**1,182**	**1,252**	**1,328**	**1,407**	**1,478**	**1,551**
Gross Profit	26.6	34.6	51.1	54.1	57.4	60.4	64.0	67.2	70.6
Operating Profit	1.4	1.8	17.3	18.3	19.4	20.6	21.8	22.9	24.0
EBITDA	**16**	**21**	**22**	**23**	**25**	**26**	**27**	**29**	**30**
EBITDA margin	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Change in WC	6.3	6.7	7.1	7.5	6.6	7.0	7.4	8.9	6.3
Capex	4.0	5.3	5.6	4.7	5.0	5.3	4.9	5.2	5.4
Taxes	0.4	0.5	5.2	5.5	5.8	6.2	6.5	6.9	7.2
Free Cash Flow	**-4.5**	**-5.8**	**4.5**	**5.9**	**6.3**	**7.6**	**8.7**	**9.2**	**8.5**

Source: Garanti Securities

Our DCF analysis indicates 2005-end target value of US$84mn for Goldas.

PV of FCF	20.0
PV of TV	46.8
Net Cash	17.2
Target Mcap (US$mn)	**84.0**

INTERNATIONAL COMPARISON

Our peer comparison includes comparable jewelry companies in terms of their sales revenues. Meanwhile, our valuation is based essentially on EV/EBITDA and P/E multiples obtained from 2005 and 2006 estimates.

However, the risk perceptions of the countries in which these companies operate are different than Turkey's. For this reason, these multiples have been adjusted using the 10-year international bond yield rates in these countries.

On the basis of P/E and EV/EBITDA multiples, international comparison indicates Goldas' target in the range of US$97-126mn. Table below shows this comparison.

Company	Country	Mcap (US$mn)	EV/EBITDA 2005E	EV/EBITDA 2006F	P/E 2005E	P/E 2006F
Signet Group PLC	U.K.	3,559	4.6	4.3	8.4	7.8
Folli- Follie SA	Greece	1,028	8.1	7.0	8.5	7.4
Zale Corp	USA	1,730	5.8	5.2	12.2	10.5
Bulgari SPA	Italy	3,534	12.2	10.9	17.9	15.6
Bjou Brigitte Modi AG	Germany	1,622	8.1	6.8	13.2	10.8
Average			*7.8*	*6.8*	*12.0*	*10.4*
Goldas Target Mcap			108	126	97	110

The COMPANY

Incorporated in 1993 by Yalinkaya Group, Goldas is a leading brand in the Turkish jewelry sector. Goldas Kuyumculuk (Goldas) is the only jewelry company trading in the Istanbul Stock Exchange. It went public in 1999. Goldas' current annual processing capacity is around 14 tonnes and 10mn units of jewelry, the production takes place in its 4,500sqm production facility in Merter. All stages of production and designing at Goldas facility are integrated and aided by computer systems using the latest technology, which ultimately places the company ahead of its peers in the sector.

Currently exporting to 40 countries across five continents, Goldas serves both domestic and international customers. Most of the domestic customers are small to mid sized jewelers, while exports are directed to wholesalers and other delivery channels.

Goldas Kuyumculuk is engaged with the production of its gold and silver products as well as the marketing and sale of these products in the international and domestic markets. The company operates in a single industrial division, which is the manufacturing sector. Goldas Kuyumculuk is a 38.30% participation of the first gold specialist conglomerate in Turkey, Goldart Holding. Another participation of Goldart Holding is Goldas Pazarlama, whose main activity is marketing and sale of jewelry products. It also operates the Goldas retail stores in the domestic market. Goldas Kiymetli Madenler, established in October 2004 and fully owned by Goldas Kuyumculuk, handles the supply of raw materials at suitable prices without using any intermediaries.

Goldas Pazarlama realizes most of its sales in the Mediterranean, Central Anatolia and Marmara Regions and reaches its consumers through its own store network as well as its independent dealers. Revenues from Goldas' own stores are negligible at the moment accounting for a small amount of total sales. However, these stores enhance brand recognition thus indirectly contributing to the sales performance. Goldas plans to expand the store network and increase the share of store sales in its total revenues in the future.

Goldas is the first and only Turkish company to become a member of the London Bullion Market Association. Furthermore, Goldas Kuyumculuk's ADRs are quoted on the Frankfurt Stock Exchange and USA-OTC. Goldas is also a member of International Precious Metals Institute.

SECTOR & COMPETITION

The total gold reserve in the world is 42,500 tonnes and 65% of it comes from countries such as USA, Canada, Australia and South Africa. Total gold reserve in Turkey is estimated 6,500 tons with a market value of US$70 billion. Turkey comes second after India in terms of gold demand per capita. In terms of total gold demand, it is fourth after India, USA and China.

Turkey's gold production capacity is estimated nearly 25 tons a year. According to the figures provided by the Turkish Mining Sector Council, gold production potential has been around 300 tonnes in the last ten years, considering the available reserves.

In 2004, Turkey's gold imports amounted to 250 tonnes, up by 17.4% YoY. In the first seven months of 2005, this figure reached 186.24 tonnes indicating a 21.5% increase YoY. Gold imports reached a peak in 2004 due to an increase in demand. However, the import levels are back to normal in 2005 and we predict imports to remain below 250 tonnes.

Turkey is amongst the top exporters in the field of gold manufacturing in the world. Turkish jewelry sector ranks third after the textile and tourism industries in terms of export revenue. Currently, Italy is the largest exporter in the world with a total of US$4.5 billion revenues. Turkey on the other hand, is exporting over 105 tonnes of jewelry worth US$1.8 billion. Considering that Turkey is still in the early stages of development, it is expected to overtake Italy. According to the figures provided by the World Gold Council, Turkey's export level of 240 tonnes in 2004, is estimated to reach 274 tonnes in 2005. This amount corresponds to 1.3 billion dollars of revenues.

Gold prices continued the upward trend since the beginning of this year reaching US$430 from an initial value of US$417. The prices have been affected not only by the devaluation of dollar against Euro but also the fluctuations in the oil prices.

In the domestic branded jewelry sector, Goldas has some prominent competitors like Altinbas, Arpas and Atasay. It is hard to make a comparison, as the other companies are not listed on the ISE. In addition, only a small number of imported brands are in direct competition with particular products of Goldas.

FINANCIAL ANALYSIS

SALES

Domestic Network and Sales

As a subsidiary of Goldart Holding, Goldas Pazarlama owns a chain of well established 11 stores in the domestic market. 5 of these stores are in Istanbul, 1 in Bodrum, 2 in Antalya and another 2 in Ankara. The number of stores in Turkey is targeted to reach 25 by the end of this year. Geographical breakdown of Goldas' sales is 70% in the Marmara Region and the remaining 30% in the Central Anatolia Region (%18), the Mediterranean Region (%8) and the Aegean Region (%4).

International Network and Exports

Currently exporting to 40 countries across five continents, Goldas also has representative offices in USA, UK, Germany, Russia, UAE, Thailand, S. Africa and China. These offices contribute significantly to the increase in Goldas' exports. These exports are mostly under its own brand, as Goldas is dedicated to create a worldwide brand. Goldas is currently working with approximately 400 wholesalers in overseas markets in addition to sales through TV channels and department store chains.

Goldas has six overseas stores. Exports make up 30% of Goldas' revenue. The total number of Goldas stores is planned to reach 65 in the next five years.

Sales Expectations

Rising demand for gold and the jewelry sales in 2005 suggest that Goldas has enjoyed a continuing increase in sales. 1Q05 sales revenue was up 67% from the same period in 2004. Goldas's revenues are closely related to the changes in gold prices. In the previous years, domestic sales and exports accounted for 50% each of total sales. Due to the stronger than expected growth in domestic demand, this ration is now 80% domestic sales and 20% exports. Sales accounted for by the company's own retail stores do not exceed 5% of total sales.

Goldas Sales Volume

	1999	2000	2001	2002	2003	2004
8k	71,196	55,671	42,242	53,655	18,768	314,767
9k	155,805	65,933	137,450	291,896	174,546	739,254
10k	115,314	114,796	219,516	119,903	28,609	121,906
14k	1,769,561	3,908,195	3,638,120	3,675,253	2,494,698	3,626,210
18k	726,583	4,219,887	5,335,571	4,850,751	2,677,071	3,818,658
21k	0	996,344	187,477	39,286	0	3,325
22k	2,730,044	5,121,617	4,012,259	3,303,139	1,730,594	3,224,167
24k	5,298,432	2,103,782	6,071,906	6,073,009	7,880,180	23,347,327
24K CHIP	0	0	0	0	0	79,650
TOTAL	**10,866,935**	**16,586,225**	**19,644,540**	**18,406,892**	**15,004,465**	**35,275,262**

We foresee a 61% increase in the company's sales volume in 2005. Taking the expectation of a slight decline in gold prices in 2005 into consideration, we estimate a 56% growth in 2005E sales of US$809mn. In 2006, we also expect sales volume to continue increasing as a result of the company's expanding sales network. We think that gold prices will remain unchanged and 2006E sales will reach US$1 billion.

Sales Model

	2001	2002	2003	2004	2005E	2006F
Sales (gr)	19,644,540	18,406,892	15,004,465	35,275,262	56,793,630	73,831,719
Average Sales Price	7.2	8.9	12.7	14.7	14.2	14.2
Net Sales (mn US$)	141	163	190	518	809	1,052

Products

Goldas manufactures a large product range with about 60,000 models in its portfolio. More than 5,000 new designs are introduced each year in order to meet the changing customer tastes. In line with the efforts aiming to increase product variety and reach different consumer groups, Goldas took yet another innovative step in the sector and signed license agreements to use Walt Disney, Harry Potter, Lord of the Rings, and football club designs in its products. An additional agreement was signed with the Walt Disney Company to be the only authorized manufacturer and seller of Walt Disney products and characters in Turkey, Middle East and Russian Federation as well as Germany, Austria and Switzerland.

In its licensed football club products portfolio Goldas has agreements with Liverpool, Arsenal, Leverkusen, Chelsea FC, PSV Eindhoven, Club Brugge, AS Roma, England Rugby Football Union and all teams in the NBA league. All these license agreements are country specific. Goldas also has exclusive agreements with Besiktas, Fenerbahce, Galatasaray and Trabzonspor to produce licensed products for these football clubs. The company expects licensed products to make up 25% of total sales within the next three years.

OPERATING PERFORMANCE

Operating Profit:

Goldas obtains all of its procurement from its group companies, including technical equipment and other supplies. Goldas Kiymetli Madenler (Goldas' 99.99% subsidiary), Meydan Kiymetli Madenler (Group company) provides Goldas with its main raw material, gold.

Gross profit margin of Goldas was between 3-5% in 2004. It also stayed flat at 3% in 1Q05. The company's EBITDA margin was around 2% in the same period. We expect EBITDA margin to stay at these levels in 2005 and 2006.

The anticipated decline in gold demand is expected to result in a decrease in the price of gold and this trend is set to continue. Prices in the sector are expected not to exceed US$450 at the end of the year. Meanwhile, since labor costs are US dollar denominated, Goldas is able to protect its margins against the strengthening n YTL. The company has been able to reflect the fluctuations in gold price on its product prices.

Working Capital Requirements:

Net working capital requirement of Goldas increased from US$69mn in 2004 to US$76mn in 2005, up by 10%. Company's net working capital requirement stood at US$74 mn in 1Q05. This relatively high working capital requirement is related to the high inventory levels and the payment methods of the sector.

Investments:

Goldart Holding’s (Goldas’ main shareholder) growth strategy is to enter new markets whilst aiming to maintain its growth in the existing markets. Another future project includes investing US$24mn into a gold refinery with a capacity of around 120 tonnes.

Recently, the company signed a leasing agreement amounting to US$3.6mn for a 8.684sqm real estate in Gunesli/Istanbul. The company head office and the production division will soon be moving to this new and larger facility.

SUMMARY FINANCIALS

BALANCE SHEET (US$mn)	2002	2003	2004	YoY Chg.	1Q04	1Q05	YoY Chg.
ASSETS							
Current Assets	69.4	67.6	98.8	46%	87.3	113.9	30%
Liquid Assets	0.2	0.4	0.5	25%	0.7	2.0	186%
Marketable Securities (net)	0.0	0.0	0.0	0.0%	0.0	0.0	0.0%
Inventories (net)	32.4	28.0	37.0	32%	38.5	48.4	26%
Long Term Assets (net)	10.4	38.6	45.7	18%	43.4	45.2	4%
Tangible Assets (net)	0.6	1.2	1.8	50%	1.3	2.4	85%
Total Assets	**79.8**	**106.2**	**144.5**	**36%**	**130.8**	**159.1**	**22%**
LIABILITIES							
Short Term Liabilities	**25.8**	**21.5**	**41.8**	**94%**	**34.6**	**56.8**	**64%**
Financial Loans	19.4	13.1	17.3	32%	11.3	16.6	47%
Trade Payables (net)	3.7	3.2	21.6	575%	21.1	37.3	77%
Deposits & Guarantees	2.0	2.0	2.0	0.0%	2.0	2.0	0.0%
Provision For Discount of Notes	0.6	0.1	0.2	100%	0.1	0.1	0.0%
Long Term Liabilities	**1.2**	**2.4**	**3.0**	**25%**	**2.4**	**2.6**	**8%**
Financial Loans (net)	1.0	1.9	2.5	32%	1.8	2.3	28%
SHAREHOLDERS EQUITY	**52.7**	**82.3**	**99.7**	**21%**	**93.7**	**99.7**	**6%**
Capital	**33.4**	**50.4**	**59.9**	**19%**	**61.1**	**59.4**	**n.m.**
Current Year Income / Loss	**12.4**	**12.4**	**2.6**	**n.m.**	**0.5**	**1.2**	**140%**
Accumulated Income / Losses	-17.4	-21.5	-27.3	n.m.	-31.8	-25.1	n.m.
Total Shareholders Equity and Liabilities	**79.8**	**106.2**	**144.5**	**36%**	**130.8**	**159.1**	**22%**

INCOME STATEMENT (US$mn)	2002	2003	2004	YoY Chg.	1Q04	1Q05	YoY Chg.
Net Sales	**163.4**	**190.1**	**517.9**	**172%**	**74.6**	**124.3**	**67%**
Cost of Sales	-149.2	-178.5	-502.8	n.m.	-72.6	-120.6	n.m.
Gross Profit	**14.1**	**11.6**	**15.2**	**31%**	**1.9**	**3.7**	**95%**
Operating Expenses	-4.2	-5.2	-6.2	n.m.	-1.5	-1.5	n.m.
Operating Profit	**10.0**	**6.4**	**9.0**	**41%**	**0.5**	**2.2**	340%
Other income	15.0	20.5	9.4	n.m.	1.6	3.2	100%
Other expenses	-5.8	-16.3	-7.7	n.m.	-1.0	-3.9	n.m.
Net Financing Expenses	-6.8	-4.6	-3.5	n.m.	-0.3	-0.2	n.m.
Operating Profit Before Tax	12.4	6.0	7.2	20%	0.6	1.3	117%
Net Cash Position Profit / (Loss)	**-**	**-7.1**	**-4.8**	**n.m.**	**-0.2**	**0.0**	**n.m.**
NET PROFIT (LOSS)	**12.4**	**-1**	**2.6**	**n.m.**	**0.5**	**1.3**	**160%**
EBITDA	**10.4**	**7.2**	**9.3**	**29%**	**0.7**	**2.4**	**243%**

Garanti Securities

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