"Discounted Cash Flow Valuation is an art, not a science."

ARK an innovative consulting company

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SALES PROCESS

1. OPTIONS

- In practice (after ruling out scenarios which do not maximize shareholder values, such as flotation, sale of minority stakes, and MBO's/MBI's) there are four possible selling strategies:
  - Single target (private discussion with one or more interested purchasers)
  - Small group/preemptive opportunity (private discussions with series of interested purchasers)
  - Controlled auction (competitive sale)
  - Public auction (e.g. newspaper advertisement/announcement)
- Defining the best approach depends on property for sale:

	Single Target	**Small Group/ Preemptive Opportunity**	**Controlled Auction**	**Public Auction**
1. Number of Real Buyers	1-3	3-6	6-20	>20
2. Ability/need to retain confidentiality	High	High	Varies	Low
3. Involment of management	High	High	Medium	Low
4. Time period required to complete transaction	?	Long	Medium	Short
5. Ability to maximize shareholder value	Limited	?	High	?
6. Classic uses	One obvious buyer Strong seller negotiating position	Handful of likely buyers Attractive company	High number of potentially-interested parties, but few obvious buyers really stand out	Regulated industry Commodity product Mandate sale

- The most appropriate process for the sale of a property is determined by market dynamics, the seller's objectives, and the number and type of potential buyers.
- The two preferred options appear to be "small group" or "controlled auction". In order to maximize shareholder value, ARK Consultancy would be recommended a Controlled Auction process.
- Success of auction depends on knowledge of industry and familiarity with auction process:

  Knowing the right buyers:

  - Strategic needs
  - Competitive rivalries
  - Attitude towards price/access to financing
  - Counter-intuitive players

  Familiarity with auction process:

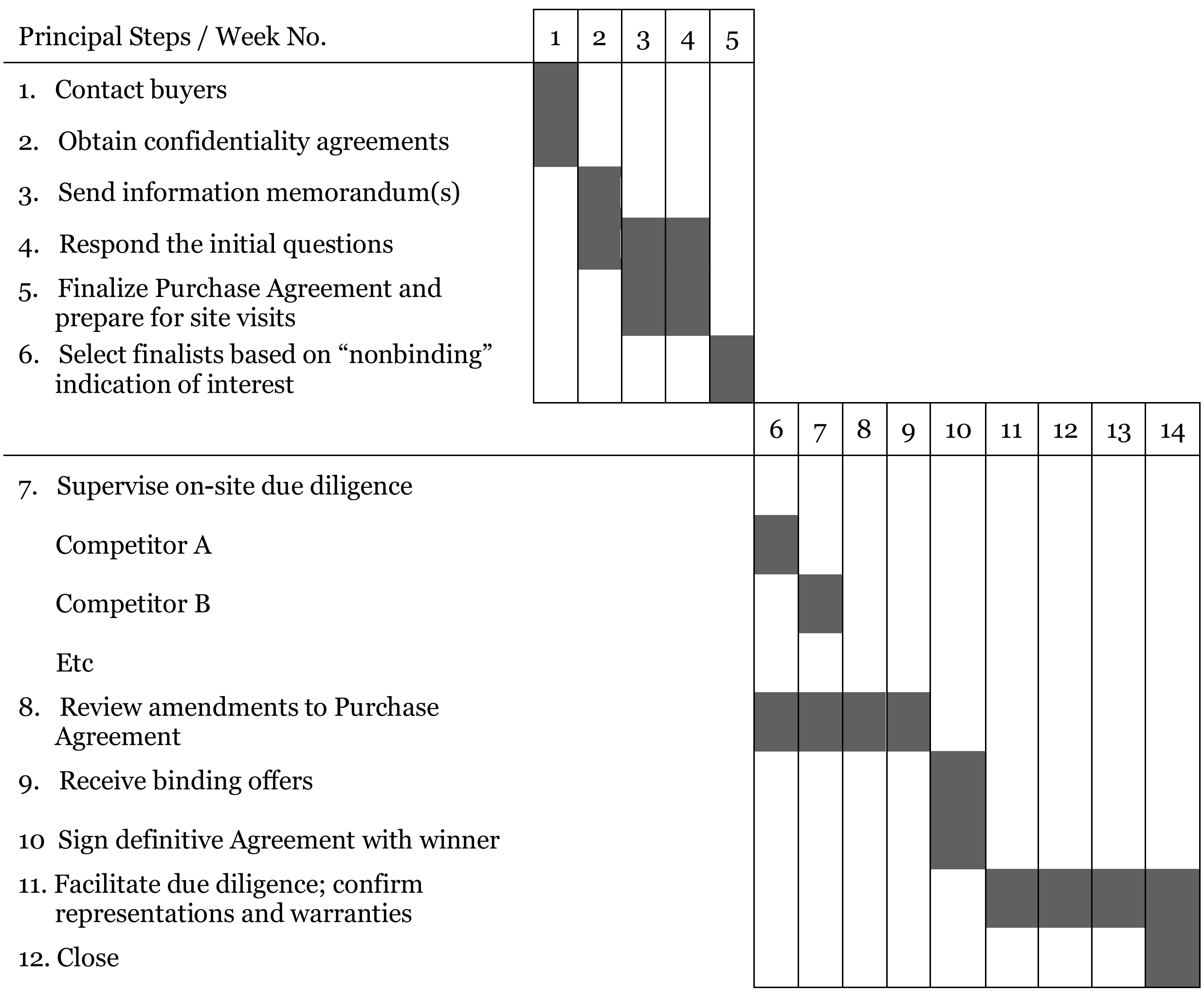
  - Proper packaging and positioning (appealing offering materials)
  - Understanding trade-offs (price vs. terms, bluff vs. reality)
  - Ability to anticipate problems and to deal with them.

- In a sale, pitfalls are many:
  - unanticipated delays => deal goes cold
  - inconsistent financials => credibility undermined

- Financial adviser injects objectivity, by challenging valuation assumptions:
  - Test reasonableness
  - Questions future industry dynamics, competitive threats, etc.
  - Analyses through eyes of competitive bidders

2. ESTIMATED TIMETABLE

- Critical Aspects of controlled Auction Process described in Appendix A
- Sales Process described in Appendix B (Analytical Phase) and C (Execution Phase)
- Analytical Phase: 2-4 weeks, depending on quality of information available
- Preparation of Information Memorandum and of related offering materials: 1-2 weeks
- Typical competitive sale timetable requires tight control: approximately 14 weeks, as detailed below:



ADVANTAGES OF PROFESSİONAL M&A ADVİCE

The use of a professional advisor can maximize the price received, and significantly reduce the time required to execute a transaction. ARK Consultancy systematically reviews all the alternatives, and values the operation for sale under different selling scenarios. Based on this analysis, we recommend a sale strategy which maximizes value to the seller, while fulfilling his own particular needs.

Identification of the Best Potential Buyers

A major advantage of professional M&A advice is the broadening of the universe of potential buyers, providing new options beyond the geographical boundaries of target and its industrial sector. In the build-up to the single market, many foreign companies are now willing to pay a strategic premium compared to local competitors. In addition, we have begun to see the emergence in Europe of financial investors who, by exploiting modern financial techniques, are often prepared to pay more than the (apparently) logical industrial purchasers.

Fast Execution

A fast execution minimizes the often inevitable period of uncertainty during a transaction which can be detrimental to employees' motivation, as well as to customer relations. A professional adviser can reduce the time spent by management on the divestiture process and accelerate the decision process of buyers. An added benefit of professional valuation is that realistic price ranges can be determined. An unrealistic price target may often unnecessarily prolong the process.

Competition

By creating competitive situation, selling price can be maximized. The introduction of a professional M&A adviser increases the credibility of the competitive situation by providing for a fair execution process.

Information

A professional presentation of the company for sale will undoubtedly increase its attractiveness. In addition, it is easier for third parties to control the supply of sensitive information to interested parties, especially if the latter have close relations with the vendor.

ARK CONSULTANCY : QUALIFICATIONS

1. INDEPENDENT ADVISOR VS. OTHER ACCOUNTING FIRMS AND MANAGEMENT CONSULTANTS

- Compare to accounting firms and management consultants, independent advisors are best qualified to act as M&A advisors and dealmaker, especially in a sell-side assignment:
    - They have more insight and know what makes buyer "tick"
    - They have a businessman's approach to value, and look beyond the numbers to strategic value, brand value, etc.
    - They have more experience with various selling techniques.

2. ARK CONSULTANCY VS. OTHER INVESTMENT BANKS

- Small Firm => personal attention of experienced professionals,
    - Partners personally conduct the sales process,
    - Pay attention to smaller transactions,
- Small Firm => Shorter lines of communications,
    - More effective search for potential buyers and,
    - Better coordination of responses to buyers,
- Strong domestic and international contact,
- Approach potential buyers with sensitivity to their culture, in their own language, and with industry experience,
- Knowledge of local tax/accounting/legal rules in countries buyer and seller; this can assist in getting high interest / better price,
- Better command of valuation techniques.

APPENDİX A:

CRITICAL ASPECTS OF CONTROLLED AUCTION PROCESS

Confidentially Agreement

- Augments control of confidential information.
- Creates a tone of seriousness about handling documents.

Introductory Document

- Provides sufficient information to determine interest in principle.
- Provides detailed description of procedures.
- Allows slower decision makers to drop out before receiving confidential information.
- Enables seller to withhold sensitive material until signed Confidentiality Agreement is received.

Information Memorandum

- Provides sufficiently detailed market, financial and operating information for potential purchasers to develop a preliminary value view.
- May include a draft Purchase Agreement allowing sufficient time for the required review by purchasers' council.
- Allows amendments to procedures.

Qualifying Indications of Interest

- Non-binding
- Allow seller to test the market and each potential purchaser's interest level before scheduling plant visits and management interviews or arranging for the release of additional sensitive information.
- Allows seller to limit the number of purchasers with whom Purchase Agreement must be negotiated.

Draft Purchase Agreement

- Allows seller to establish control over form and connect of purchase contracts and non-money transaction terms.
- Provides the basis for negotiating a "final" purchase contract acceptable to seller prior to submission of bids.
- Minimizes the time elapsing between selecting a bid and signing a definitive purchase contract.

Request for Additional Information

- Controls the flow of information.
- Allows for the consolidation of all information requests.
- Allows for systematic review of information requests.
- Insulates operating management and staff from potential purchasers.
- Ensures uniform distribution of information.

Plan Visits and Management Interviews

- Systematic discussions between management and potential purchasers.
- Allows sellers and seller's representatives to monitor contracts between management and purchasers.
- Ensures equitable exposure to management and facilities by potential purchasers.

One Opportunity to Bid

- Maximizes competitive element and changes for highest bids.
- Minimizes perception of inequities.

APPENDİX B:

SALES PROCESS:

DESCRIPTIONS OF ANALYTİCAL PHASE

- Analytical phase has four main steps:
  - Review
  - Valuation
  - Identification of potential purchasers
  - Ancillary arrangements

STEP A: REVIEW

Objectives:

- Establish a set of achievable objectives

ARK Consultancy's Role:

- Analyze the strengths and weaknesses of the properties for sale
- Developed an in-depth understanding of the Vendor's objectives (e.g. price, people, products, speed, tax impact, disclosure)
- Assess probability of achieving cash objective.
- Assess relative importance of conflicting objectives.

The Vendor's Role:

- Define objectives and their relative importance

STEP B: VALUATION

Objectives:

- Determine realizable value for planning purposes.
- Identify actions which can be taken to increase realizable value.

ARK Consultancy's Role:

- Review results and financial projections for the business.
- Determine possible value to potential purchasers of business or specific business unit.
- Determine what actions, if any, could be taken to increase salability of business
- Determine optimal composition of assets to be sold.
- Analyze the market for similar business.
- Develop selling points.

The Vendor's Role:

- Prepare historical financials and develop business projections.
- Assess the business' relative strengths and weaknesses.
- Develop selling points.

STEP C: IDENTIFICATION OF POTENTIAL PURCHASERS

Objectives:

- Identify and rank all potential purchasers who should be contacted during selling programme.
- Restrict group of potential purchasers to workable number; keep number small to preserve confidentially of sensitive information, and improve chances for transaction meeting objectives.
- Preserve competitive atmosphere; avoid eliminating any potential purchaser which might pay the highest price.

ARK Consultancy's Role:

- Identify local and worldwide industry participants with an interest in expanding their market share and other companies interested in entering the business.
- Evaluate the ability and willingness of potential purchasers to pay a strategic premium.

The Vendor's Role:

- Identify companies that have expressed an interest in purchasing the Company or who may develop such an interest.

STEP D: ANCILLARY ARRANGEMENTS

Objectives:

- Minimize disruption to the business.

ARK Consultancy's Role:

- With legal advisers, advise on appropriateness of special employment arrangements including contracts, retention bonuses, etc.

The Vendor's Role:

- Determine key employees and actions with regard to employment arrangements.
- Design strategies for responding to various constituencies, including public, employees, customers and suppliers.

APPENDIX C:

SALES PROCESS:

DESCRIPTION OF INFORMATION MEMORANDUM AND RELATED OFFERING MATERIALS

- Execution phase has four main steps:
  - Preparation of information Memorandum and of Related Offering Materials
  - Contact Potential Purchasers
  - Evaluation of Competing Offers
  - Negotiations with Final Potential Purchasers

STEP A:PREPARATION OF INFORMATION MEMORANDUM AND OF RELATED OFFERING MATERIALS

Objectives:

- Prepare offering materials which stimulate interest in the company
- Provide adequate disclosure on the condition of the business, but present in the most positive light possible
- Provide potential purchasers with sufficient information to allow indication of meaningful value views without disclosing confidential information which is commercially sensitive.
- Prepare offering documents which anticipate information needs of potential purchasers and minimize the time Ark Consultancy and Vendor spend responding to questions.
- Provide potential purchasers with guidance regarding deal structure consistent with the Vendor's objectives.

Ark Consultancy's Role:

- Identifying information which potential purchasers will need to complete valuation.

- Assist the Vendor in determining contents and emphasis on each offering document.
- Coordinate preparation of the offering documents.

The Vendor's Role:

- Prepare information to be included in offering document.
- Assess sensitivity of confidential information

STEP B: CONTACT POTENTİAL PURCHASERS

Objectives:

- Contact potential purchasers that are most likely to pay full price.
- Develop competitive interest.
- Foster confidence among potential purchasers that they are being treated fairly and are all being given access to the same amount of information.
- Enable management to focus attention on running the business and minimize the amount of the time spent talking to potential purchasers until the final group of bidders has been identified.

Ark Consultancy's Role:

- Identify potential purchasers and determine the order in which they should be contacted.
- Evaluate ability of potential purchasers to pay full price.
- Talk with potential purchasers to test seriousness of interest in business and willingness to pay full price.
- Gather information to use in selecting group of final bidders given access to management.

The Vendor's Role:

- Approve list of potential buyers to be contacted by Ark Consultancy.
- Direct all inquiries to Ark Consultancy to ensure potential purchasers are all given same information and equal access to management.

STEP C: EVALUATION OF COMPETING OFFERS

Objectives:

- Provide the Vendor with information required to evaluate competing offers and select a single potential purchasers.

Ark Consultancy's Role:

- Evaluate the terms of each offer.
- Value non-cash forms of consideration offered for the company.
- Evaluate the risk that a bidder will be unable to consummate the transaction due to financing or approval problems.

The Vendor's Role:

- Assess willingness to accept various forms of consideration and various offer terms.
- Evaluate willingness to accept higher-risk, higher-price offers.

STEP D: NEGOTIATIONS WITH FINAL POTENTIAL PURCHASERS

Objectives:

- Negotiate with final purchaser to obtain most favorable money and non-money terms.

Ark Consultancy's Role:

- Work with the Vendor in devising an appropriate negotiating strategy.

- If necessary, design and analyze alternative financial structures.
- Preserve element of completion to provide negotiating leverage.
- Identify unusual terms or provisions which require the Vendor to assume unreasonable risks in light of price offered.
- Role may vary from performing the negotiations to “backstage” advice.

The Vendor’s Role:

- Active involvement, either direct or indirect.

APPENDİX D:

PRINCIPAL VALUATION METHODS

- Four principal valuation indicators commonly used:
  - Comparable Companies
  - Enterprise Value Multiples (EBITDA, EBIT etc)
  - Comparable Transactions
  - Discounted Cash Flow

I. COMPARABLE COMPANIES

- Assumes “Efficient Market” treats peer companies similarly, on average, over time
  - Selection of 5-10 member peer group critical
  - Judicious elimination of abnormalities essentials
- Operating comparisons reviews such indicators as:
  - Sales growth
  - Profit margins
  - Asset utilization
- Stock market comparison reviews principally:
  - Stock trading patterns (price, volume, ownership, etc.)

II. ENTERPRISE VALUE (EV) MULTİPLES

- EV multiples are calculated using denominators relevant to all stakeholders (both stock and debt holders).
- Therefore, the relevant denominator must be computed before interest expense, amortization and depreciation;

   - EV/EBITDA is one of the most commonly used valuation metrics, as EBITDA is commonly used as a proxy for cash flow available to the firm.
   - When depreciation and amortization expenses are small, as in the case of a non-capital-intensive company such as a consulting firm, EV/EBIT and EV/EBITDA will be similar.

III. COMPARABLE TRANSACTIONS

- Reflect past decisions of others in similar circumstances; but:
   - Each transactions is unique
   - Data not always comparable
   - Competition often at work

IV. DICOUNTED CASH FLOW

- Driven by outlook for company, as perceived by potential purchasers.
- Free cash flow: Cash remaining after meeting all cash obligations

Net Profit

Depreciation (+)

Operating Cash Flow

Working Capital Requirements (-)

Capital Expenditures (-)

Free Cash Flow