Ata Invest Research

Turkey

Dogus Otomotiv

Steering towards the fast lane...

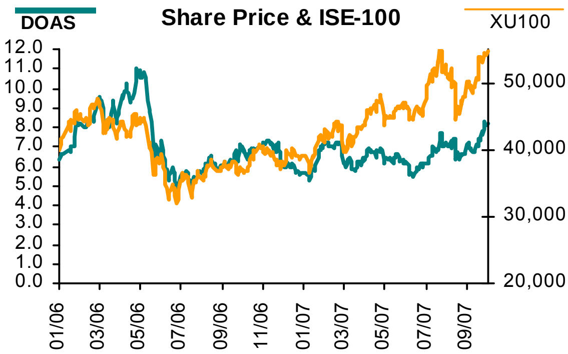
Stock Data 03/10/2007	DOAS.TI
Shares Outstanding (mn) :	110.0
Stock Price (YTL) :	7.95
Price range (12 months)	5.35 - 8.25
Average Daily Volume (US$ mn):	11.13
Market Cap (US$ mn) :	729
Target Market Cap (US$ mn) :	1,040
Target Share Price (YTL)	11.30
Upside Potential (%)	**42.6%**

Key Valuation Metrics

	2006A	2007E	2008E	2009E
P/E**(*)**	29.0	20.1	17.8	15.1
EV/Sales	0.2	0.5	0.4	0.3
EV/EBITDA	8.0	12.5	9.8	8.2
ROE**(*)**	4.5%	9.8%	10.2%	11.7%
EBITDA Margin	2.8%	3.6%	3.9%	4.1%

Ownership Structure	
Dogus Holding AS	35.2%
Dogus Ar.Ge. AS	30.3%
Free Float	34.5%

Share Price Performance



Relative Perf. (%)	DOAS	XU100	Rel %
1 m	10.4%	8.5%	1.8%
3 m	29.3%	11.3%	16.2%
YTD	65.1%	62.3%	1.7%

Research Analyst
Erman TUTUNCUOGLU
Tel: (90-212) 310 62 93
e-mail: etutuncuoglu@atainvest.com

Rating: BUY

Dogus Otomotiv is the exclusive importer and distributor of VW, Audi, Seat and Porsche passenger cars, VW light commercial vehicles, Scania trucks and Krone truck trailers in Turkey. DOAS holds a 50% stake in a JV which is engaged in the distribution of Skoda brands. With 279 sales points, DOAS has the highest number of dealers in the sector. The company also has one of the youngest fleets in the market.

Sector Revival from 2H07… Following the economic turmoil in May 2006, the sector closed the year with a 12.3% contraction. The poor outlook in the domestic market continued in 1H07 as unit sales dwindled down by a further 28.1% on a YoY basis. We believe that the weak domestic demand will recover on the back of declining interest rates and inclining consumer confidence.

100% exposure to the domestic market… In contrast with its domestic competitors, DOAS has 100% exposure to the domestic market, where the margins are more lucrative. Therefore, DOAS is more leveraged to increases in domestic demand rises.

US$192mn additional value from MVIS business... Keeping in mind Turkey's continuously growing car-park and the potential for the capture rates to rise from the current 60% to as high as 80% in the 10 years following the privatization, this business clearly boasts incredible growth potential. We calculate the contribution from this business to the company's value as US$192mn.

Lucrative automotive services... 70% of revenues come from imports and distribution while 20% of revenues are generated from retail and after-sales services, before consolidation adjustments. Automotive-related services account for the remaining 10% of revenues, but 22% of the EBIT. Since 2005, DOAS has started to focus on automotive-related services, its most profitable business.

New developments will improve revenues… In addition to the MVIS business, Dogus Otomotiv will also start distributing VW LCV's in Egypt and Porsche cars in Switzerland. We forecast that these two operations will add 3.2% to the company's top-line by 2010 when their business structure stabilizes. DOAS also plans to produce Krone brand trailers in Turkey from 2009. The company aims to attain a total production capacity of 10,000 units by 2012, with €250mn in revenues from this project. DOAS will hold a 49% stake in this project and consolidate it using the equity pick up method.

(*) We have not included the net income from the MVIS project in our P/E, ROE and Net Income projections, given that the project is still at an early stage.

IFRS Consolidated Forecasts

US$ mn	2005	2006	2007E	2008E	2009E
Sales	1,826	1,768	1,731	2,114	2,353
EBITDA	120.4	50.4	62.6	82.5	97.4
Net Income**(*)**	83.1	15.4	36.4	40.9	48.2
Net Debt	-57.0	-42.7	51.1	76.2	71.2

Investment Theme

A revival in the sector is expected starting from 2H07...

Following the economic turmoil of May 2006, the sector closed the year with a 12.3% contraction. The poor outlook in the domestic market continued in 1H07 as unit sales dwindled by a further 28.1% YoY. We believe that the weak domestic demand will recover on the back of declining interest rates and rising consumer confidence. We expect total unit sales to grow by 10% YoY in 2H07, paring the YoY contraction in the sector for FY07 to 10%. Going forward, we forecast that the automotive sector will grow by 11.6% in 2008, almost double our GDP forecast of 6%. We expect the sector to grow by a further 7% in 2009 and then maintain a CAGR of 4.3% until 2016, close to our GDP growth forecast of 5.3%.

Thanks to its business structure DOAS will be affected in a higher scale from the revival in the sector...

In contrast with its domestic competitors FROTO and TOASO, DOAS has 100% exposure to the domestic market. Since margins are more lucrative in the domestic market, DOAS is more leveraged to increases in domestic demand. Due to their shareholder structure, both FROTO and TOASO have to export a certain amount of their production. This is an advantage when the domestic market is weak, but not particularly lucrative when demand picks up in the domestic market. Thanks to its pure domestic exposure, we believe DOAS will be the key beneficiary of the revival in the automotive sector.

We expect company's unit sales to grow faster than the sector in 2008 and 2009...

After the introduction of new models in 2005, DOAS' market share (PC+LCV) has increased to 11.8% from 11.0% in 2004. The company continued to expand its market share to 12.5% in 1H06. Unfortunately, after the economic turmoil in May 2006, the company started losing ground and closed the year with a market share of 12.1%. In addition to the negative outlook of the economy, the main culprit behind the contraction in sales was the absence of small diesel engines in DOAS' product mix, which chipped away at the competitive power of the company. Now that the company plans to introduce 14 new models, some containing these small diesel engines, by mid- 2008, we forecast that DOAS' unit sales will grow by 15.2% in 2008, outperforming the 11.6% growth in the sector, and by a further 10% in 2009, versus 7% in the sector. Also note that DOAS has a loyal consumer base, which have been awaiting the launch of these new models. DOAS' brands appeal more to the quality-seeking customers than the cost conscious, which should further trigger above-sector average growth rates in an environment of rising per capita GDP.

MVIS business will be a cash cow for the company...

All vehicles must go through an inspection process every two years. Given the high level of demand in the market and the fact that only 60% of vehicles go through regular inspections, we believe the acquisition of inspection stations will have a positive impact on DOAS' performance, creating synergies with the products and services already offered by the company. DOAS will be able to collect significant data about Turkey's vehicle park and we believe that this will present an opportunity to create synergies with its other business lines. Although the project is important to the company, MVIS will not be a core business line for DOAS. Keeping in mind the continuous growth in Turkey's car-park and the potential for capture rates to rise from a current 60% to as high as 80% in the 10 years following the privatization, this business clearly offers incredible growth potential. We calculate the contribution from this business to the company's value as US$192mn. Additionally, we forecast that the project will contribute a total of US$379mn to DOAS' bottom-line between 2007-2027.

Investment Theme (cont'd…)

New developments will improve revenues…

In addition to the MVIS business, Dogus Otomotiv will also start distributing VW LCV's in Egypt and Porsche cars in Switzerland. We forecast that these two operations will add 3.2% to the top-line by 2010 when their business structure stabilizes. DOAS also plans to produce Krone brand trailers in Turkey from 2009. Krone will be a test ground for DOAS on the way to becoming a production partner with VW in the future. The company projects that the sales volume from this project will reach 10,000 units by 2012, yielding around €250mn in revenues. Note that since the operation will be consolidated using the equity pick-up method, it will not affect the top-line. We believe the project will contribute US$7mn to the bottom-line in 2012, when its business structure stabilizes. Therefore we have opted not to include this project in our valuation.

Risks to our valuation…

- Delays in Central Bank rate cuts and unfavorable macro economic developments on a global scale may hinder our growth forecasts on the sector.

- A sudden depreciation of the YTL could reduce DOAS' competitive power in the market, although we deem such depreciation in the YTL unlikely.

- Due to Turkey's current account deficit, the government may raise taxes. However, we believe the odds of this happening are low for the automotive sector. Auto taxes are already higher in Turkey than in Europe and we believe that auto taxes should decline rather than to incline thanks to the EU convergence story.

- Turkey will be required to permit used car imports when it becomes an EU member. Keeping in mind that several accession countries experienced some disturbance to their new car sales, we may expect the same to happen in Turkey. However, we believe that the chances of Turkey opening its borders to second-hand cars are very low for the foreseeable future, at least until actual membership of the EU is finally granted.

Valuation

We value DOAS at US$1,040mn, implying 42.6% upside potential…

42.6% upside potential according to our SoP valuation...

We applied a sum-of-the-parts model to value Dogus Otomotiv. We used DCF models to value DOAS' core business, reaching a value of US$630mn, while the value of the motor vehicle inspection stations (MVIS), in which DOAS holds a 33.3% stake, was found to be US$192mn. We also added the value of DOAS' 3.86% stake in Dogus Holding, recorded under financial assets, at its book value of US$218mn according to its 1H07 financials on top of these two businesses. We reached a target value of US$1,040mn indicating 42.6% upside potential.

Note that we did not carry out a global peer group analysis, on the grounds that the company's operation model fits neither global automotive companies nor domestic automotive companies. Therefore, we attached a 100% weighting to the value obtained from our DCF analysis for the core business.

Sum of the Parts Model:

	Valuation Methodology:	% in Valuation:	Value (US$mn):
Core Business:	DCF	60.6%	630
Financial Assets:	BV @ 1H07 financials	21.0%	218
MVIS Business:	DCF	18.4%	192
		Target Value for DOAS:	**1,040**
		Current Mcap:	729
		Upside Potential:	**42.6%**

Source: Ata Invest Estimates

Part 1– DCF Assumptions For the Core Business:

DCF Summary of the Core Business (US$mn)	
Forecasted Cash Flow Period:	2007-2016
Terminal Growth Rate:	1%
PV of Free Cash Flows:	344
Average WACC:	11.7%
PV of Terminal Value:	315
Net Debt (1H07):	28.8
DCF Value for the Core Business:	**630**

We used a forecast period of 2007-2016 and applied a WACC of 11.7%. We further assumed a 1% terminal growth rate in our valuation. We applied a risk-free rate of 7.5% for the 2007 cash flows, falling to 7% in the later years of our valuation period. We used an equity risk premium of 5% throughout our forecast period.

The key driver of our valuation is the company's sales, which are dependent on the performance of the automotive market, the purchasing power and the strength of the Turkish Lira with respect to the Euro.

After declining by 12.3% YoY in 2006 and 28.1% in 1H07 due to high interest rates and deferred demand caused by political uncertainties, we expect the auto sector to grow by 10% YoY in 2H07 and close 2007 with a total contraction of 10%. Afterwards, we project 11.6% growth in 2008, followed by a 7% in 2009 before sustaining a CAGR of 4.3% until 2016.

Valuation (cont'd…)

We expect DOAS' revenues to decline by 2.1% YoY to US$1,731mn in FY07. However, we expect the top-line to grow by 22.1% in 2008 and 11.3% in 2009, supported by the growth in the sector as well as the launch of new models starting from 3Q07. Note that previously absent small diesel engine models will also be included among these new models. The absence of these diesel models had been one of the main reasons behind the market share losses in 2006. Propelled by the competitive edge gained by offering these models, we expect DOAS to raise its market share in the PC+LCV segments to 12.1% in 2008 and 12.6% in 2009.

We followed a more conservative approach in our model raising the EBIT margin to 2.7% in 2007 from 2.4% in 2006, assuming further gains to 4.1% in 2016, the end of our projection period. Note that since the company's operating costs are lower than manufacturer's, its EBIT margin hit as high as 6.1% in 2005. Therefore, we believe that there is upside to our forecasts.

Based on the guidance provided by the company, we assumed US$80mn in CAPEX spending for 2007, US$50mn for 2009 and US$40mn in 2009 and 2010. We have assumed an annual CAPEX spend of US$10mn beyond 2010, solely for maintenance purposes.

DCF Table for the Core Business

(US$ mn)	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	**62.6**	**82.5**	**97.4**	**106.8**	**113.8**	**120.3**	**127.2**	**134.4**	**142.0**	**148.1**
Tax on EBIT	-9.3	-12.6	-15.3	-16.9	-18.7	-20.3	-22.0	-23.7	-25.4	-26.8
WCR	7.2	7.4	6.0	2.8	2.6	2.7	2.8	2.9	3.0	3.1
Capex (-)	80.0	50.0	40.0	40.0	10.0	10.0	10.0	10.0	10.0	10.0
FCF	**-33.9**	**12.5**	**36.2**	**47.1**	**82.5**	**87.3**	**92.4**	**97.8**	**103.6**	**108.2**
WACC	12.0%	11.6%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.8%	11.8%
Discount factor	0.25	0.90	0.80	0.72	0.64	0.57	0.51	0.46	0.41	0.37
DCF	-8.5	11.2	29.0	33.8	53.0	50.2	47.5	45.0	42.6	39.8
Terminal growth rate	1%									
PV of Terminal value	315									
Sum of DCF	344									
Net Debt (as of 1H07)	28.8									
Core Business Value:	**630**									

Source: Ata Invest Estimates

Part 2 - DOAS' 3.86% stake in Dogus Holding—A Hidden Gem:

Note that DOAS holds a 3.86% stake in Dogus Holding, its parent company. Aside from the automotive industry, Dogus Holding has operations in the finance, media, construction and tourism sectors. As Dogus Holding is not a public company, there is no publicly available information on its value. Yet, based on DOAS' 1H07 financials, we valued DOAS' stake in Dogus Holding at US$218mn. Note that since Dogus Holding holds a 22% stake in Garanti Bank, the bank's value comprises US$135mn of this amount. We believe this stake is be a hidden source of value for DOAS, which will probably be used to finance the real estate purchases of the company as it seeks to enhance its retail network and reduce the volatility that may be seen in rental costs, as well as to sustain a long term existence in certain critical locations.

Valuation (cont'd…)

Part 3– DCF Assumptions For the MVIS Business:

TUVTURK's business model generates cash in two ways. First, TUVTURK, the parent company collects a royalty fee from its subcontractors (a.k.a. Business Associates), which are operating stations in one city or region. According to the franchising agreement, these subcontractors will pay 7% of their earnings to TUVTURK in the first ten years and 20% in the remaining years. Secondly, since TUVTURK fully owns TUVTURK Istanbul, a separate entity set up by the consortium partners to operate the stations in Istanbul, the EBITDA generated by TUVTURK Istanbul will be added on top of the royalty fee income paid to TUVTURK, which will form the EBITDA generated by the MVIS project as a whole.

In our model we have projected that the total car park in Turkey will grow by a CAGR of 4.7% until 2027, while the current capture rate of 60% will gradually rise to 85% by 2020, resulting in a CAGR of 6.6% in the number of vehicles to be inspected until 2027. As for Istanbul, we have assumed a CAGR of 7.7% in the number of vehicles to be inspected until 2027.

Note that since the inspection of vehicles is mandatory and TUVTURK will serve as a monopoly in the business and as it will have access to a database on the car park allowing the company to determine drivers who are skipping inspections, we believe that its business structure will have a very low risk rate, incomparable to that of any other firm trading on the ISE. In order to reflect this virtually risk-free structure of the business, we assigned an equity risk premium of 4.5% and a beta of 0.6 to TUVTURK on top of our risk free rate of 7% (7.5% in 2007). We have also assumed that the current 88% weight of debt would gradually decrease to 47% by 2017 and remain steady thereafter. All in all, we have come up with an average WACC of 7.6% for the project throughout our forecast period.

We have assumed that the current inspection fees would increase by 1.5% per annum on a US$ basis.

The company will invest a total US$200mn in CAPEX to open 227 vehicle inspection stations in the following 18 months. Assuming the investments start this year, we spread our CAPEX assumptions over two years as US$50mn in 2007 and US$150mn in 2008.

TUVTURK will obtain a total license fee of US$750mn from its subcontractors in return for the operating rights of the stations. Since 25% of this amount will be paid at the signing of the contract and 75% at the delivery of the stations, we spread the total license fee payment as US$190mn in 2007 and US $560mn in 2008.

We have included the US$75mn capital injection made to TUVTURK in our valuation.

We have deducted the lump cash payment of US$552mn (which includes a 15% discount to the tender price since the payment was completed in cash) from our valuation.

We have come up with a target value of US$576mn for the MVIS business. Based on its 33.3% stake in the consortium, we have included a US$192mn chunk of this amount in our valuation for DOAS.

Valuation (cont'd…)

Value of Motor Vehicle Inspection Stations

	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
TUVTURK:	(mn units)																					
Vehicles To be inspected:		**3.89**	**4.23**	**4.61**	**5.02**	**5.46**	**5.93**	**6.42**	**6.95**	**7.51**	**8.11**	**8.74**	**9.40**	**10.08**	**10.66**	**11.11**	**11.57**	**12.03**	**12.49**	**12.95**	**13.42**	**13.88**
PC:		1.95	2.12	2.31	2.51	2.73	2.96	3.20	3.47	3.74	4.04	4.36	4.68	5.02	5.31	5.53	5.76	5.98	6.21	6.44	6.66	6.89
LCV:		0.69	0.78	0.89	1.01	1.13	1.27	1.42	1.58	1.76	1.94	2.15	2.35	2.57	2.76	2.92	3.09	3.25	3.41	3.57	3.73	3.89
HCV:		0.29	0.32	0.34	0.37	0.40	0.43	0.46	0.49	0.52	0.56	0.59	0.63	0.67	0.70	0.72	0.75	0.77	0.80	0.82	0.84	0.87
Motorcyle:		0.56	0.60	0.64	0.68	0.72	0.76	0.81	0.85	0.90	0.96	1.01	1.07	1.12	1.17	1.21	1.24	1.28	1.32	1.36	1.40	1.44
Tractor:		0.40	0.42	0.44	0.46	0.48	0.51	0.53	0.56	0.58	0.61	0.64	0.66	0.69	0.71	0.72	0.74	0.75	0.76	0.77	0.78	0.79
Inspection Fee :	(US$)																					
PC:		68	69	70	71	72	73	74	75	77	78	79	80	81	83	84	85	86	88	89	90	92
LCV:		68	69	70	71	72	73	74	75	77	78	79	80	81	83	84	85	86	88	89	90	92
HCV:		90	91	93	94	96	97	98	100	101	103	104	106	108	109	111	113	114	116	118	119	121
Motorcyle:		35	36	36	37	37	38	38	39	39	40	41	41	42	42	43	44	44	45	46	46	47
Tractor:		35	36	36	37	37	38	38	39	39	40	41	41	42	42	43	44	44	45	46	46	47
	(US$mn)																					
Total Cash Inflow:		**36**	**199**	**294**	**326**	**361**	**399**	**440**	**485**	**533**	**585**	**642**	**702**	**765**	**823**	**872**	**923**	**975**	**1028**	**1083**	**1140**	**1197**
Total Cash Outflow:		19	103	152	201	223	246	272	299	329	361	396	464	506	544	576	610	644	680	716	753	792
Government Share:		11	60	88	131	144	160	176	194	213	234	257	351	383	411	436	461	487	514	542	570	599
Other Expenses:		8	43	64	71	78	87	95	105	116	127	139	113	123	132	140	149	157	166	174	183	193
EBITDA:		**17**	**96**	**142**	**125**	**138**	**153**	**169**	**186**	**204**	**224**	**246**	**238**	**259**	**279**	**296**	**313**	**330**	**349**	**367**	**386**	**406**
Royalty Fee %:		7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Royalty Income to TUVTURK:		**1**	**7**	**10**	**9**	**10**	**11**	**12**	**13**	**14**	**16**	**17**	**48**	**52**	**56**	**59**	**63**	**66**	**70**	**73**	**77**	**81**
TUVTURK Istanbul:	(mn units)																					
Vehicles To be inspected:		**0.77**	**0.85**	**0.94**	**1.04**	**1.14**	**1.26**	**1.38**	**1.52**	**1.66**	**1.82**	**1.99**	**2.17**	**2.35**	**2.52**	**2.65**	**2.77**	**2.89**	**3.00**	**3.12**	**3.24**	**3.36**
PC:		0.52	0.57	0.62	0.68	0.75	0.82	0.90	0.98	1.07	1.16	1.26	1.37	1.48	1.58	1.66	1.73	1.80	1.86	1.93	2.00	2.07
LCV:		0.16	0.18	0.20	0.23	0.27	0.30	0.34	0.38	0.43	0.48	0.54	0.59	0.66	0.71	0.76	0.80	0.84	0.89	0.93	0.97	1.01
HCV:		0.05	0.06	0.06	0.06	0.07	0.07	0.08	0.09	0.09	0.10	0.10	0.11	0.12	0.12	0.13	0.13	0.14	0.14	0.14	0.15	0.15
Motorcyle:		0.04	0.04	0.04	0.04	0.05	0.05	0.06	0.06	0.06	0.07	0.07	0.08	0.08	0.09	0.09	0.10	0.10	0.10	0.10	0.11	0.11
Tractor:		0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02
	(US$mn)																					
Total Cash Inflow:		**8**	**44**	**65**	**73**	**82**	**92**	**102**	**114**	**127**	**141**	**156**	**173**	**190**	**207**	**221**	**235**	**248**	**262**	**276**	**291**	**306**
Total Cash Outflow:		4	23	34	46	51	57	64	71	79	88	97	142	156	169	181	192	203	215	226	238	251
Government Share:		2	13	20	29	33	37	41	46	51	56	63	86	95	103	111	117	124	131	138	146	153
Royalty Fee to TUVTURK:		1	3	5	5	6	6	7	8	9	10	11	35	38	41	44	47	50	52	55	58	61
Other Expenses:		1	7	10	11	12	14	15	17	19	21	24	21	23	25	26	28	30	31	33	35	36
TUVTURK Istanbul EBITDA:		**4**	**21**	**31**	**28**	**31**	**35**	**39**	**43**	**48**	**53**	**59**	**31**	**34**	**37**	**40**	**42**	**45**	**47**	**50**	**53**	**55**
TUVTURK as a whole:	(US$mn)																					
EBITDA:		**5**	**28**	**41**	**37**	**41**	**45**	**51**	**56**	**62**	**69**	**76**	**79**	**86**	**93**	**99**	**105**	**111**	**117**	**123**	**130**	**137**
Taxes (-):		0	0	2	3	4	5	7	8	10	11	13	14	15	17	18	27	28	29	30	31	33
WCR (-):		2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
CAPEX (-):		50	150																			
Equity Injection (+):		75																				
Licence Fee Income (+):		190	560																			
Free Cash Flow:		**218**	**436**	**37**	**31**	**35**	**38**	**42**	**46**	**51**	**56**	**62**	**63**	**69**	**74**	**79**	**77**	**81**	**86**	**91**	**96**	**102**
Discount Factor:		1.00	0.94	0.87	0.81	0.76	0.71	0.65	0.60	0.56	0.51	0.47	0.43	0.40	0.37	0.34	0.32	0.29	0.27	0.25	0.23	0.22
Discounted Free Cash Flows:		218	409	32	26	26	27	27	28	28	29	29	27	28	28	27	24	24	23	23	23	22
Sum of DCF:		**1128**																				
Cost of Finance:		552																				
Value of TUVTURK as a whole:		576																				
DOAS' share in TUVTURK:		**192**																				

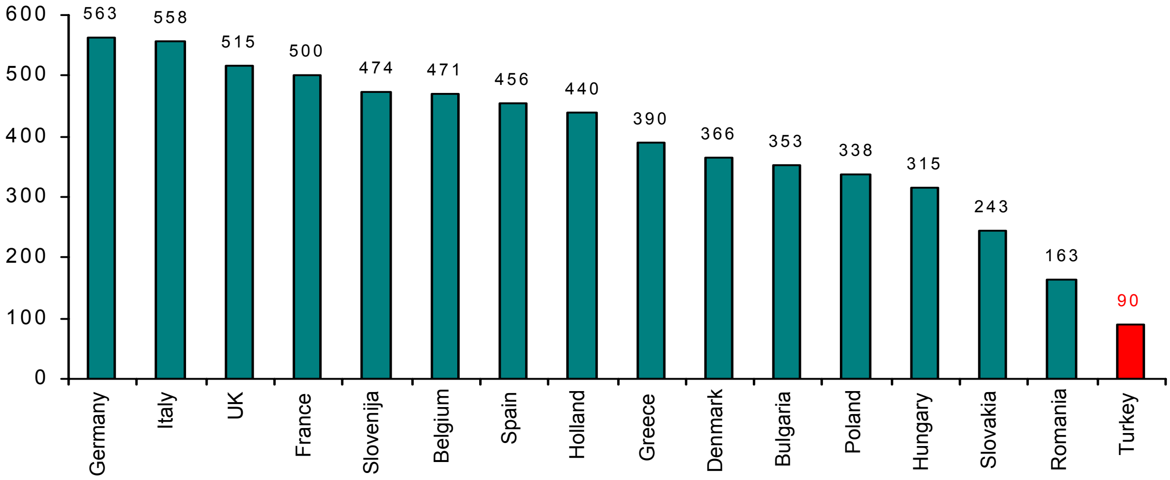
Source: Ata Invest Estimates

Sectoral Outlook

A significant growth prospect...

The Turkish automotive market is one of the fastest growing markets in Europe and has the lowest penetration rate. Car ownership in Turkey stands at around 90 cars per 1000 population, well below the Western European average of 508 and around half of the 186 for the new EU members as of 2006. Thus, Turkey's long-term outlook for its automotive industry is much more promising than for its European peers.

Car Density Per 1000 People in EU Countries



Source: Global Insight (2006 Figures)

A fragmented market with 9 major players...

There are 15 vehicle manufacturers and more than 45 importers in the market. Although the market is highly fragmented, 79% of the market is shared between nine companies. As of 8M07, Renault was the market leader in the passenger car segment with a market share of 16% and Ford was the leader in the LCV market with a 28% share, followed by Tofas (16% market share). DOAS captured an 11.6% share in the PC segment and a 12.1% share in the LCV segment in 8M07, adding up to a total of 11.8% market share. The company aims to raise its market share to 12% by the end of the year, and to keep it above this level in the coming years.

A brief look in the rear mirror…

Surge in exports compensated the contraction in the domestic market in 2006...

Following the 85% growth in 2004 and 2.3% in 2005 (including HCV), the Turkish automotive sector ended 2006 with a 12.3% contraction and sales of 669,664 units. Sales of passenger cars (PC) and light commercial vehicles (LCV) declined by 15% and 10% respectively in 2006. On the other hand, exports surged by 26%, as producers like Tofas and Ford Otosan augmented the share of international sales to make up for the contracting domestic market, resulting in a 12.3% increase in total production.

The market declined significantly after the economic turmoil in May 2006...

May 2006 was a critical month for the Turkish automotive market as the YTL depreciated by about 20%. Until then, the domestic market had steamed along with 21.8% YoY growth in Jan-May period through a 33% jump in imports. The strength of the YTL was mainly behind this surge in imports in the passenger car market during this period. However, following the economic turmoil in May 2006, total unit sales were down by 27.7% YoY in 2H06. The poor outlook in the domestic market continued in 1H07 as unit sales plunged by a further 28.1% on a YoY basis.

Sectoral Outlook (cont'd…)

Increase in consumer loan rates was the main culprit behind the significant drop in unit sales...

The contraction that has been seen in the market since 2H06 is mainly the result of rising interest rates, as consumer loans finance about 70% of vehicle purchases. Demand is also highly sensitive to prices and exchange rates since the imported vehicles are sold in YTL terms, even though they are imported in foreign currency. As a result, movements in interest and exchange rates rapidly and directly affect the industry. Note that the depreciation of the YTL precipitated a sharper decline in imports than in domestic sales in 2006, as the share of imports in total sales declined by 40bps between 2005-2006. However, we believe that the share of imports will start to pick up again from 4Q07 on the back of stable exchange rates and rising purchasing power as consumers seek quality brands. This trend is set to become more apparent as GDP grows.

Unit Sales in Turkish Auto Market (2004-2009E)

	2004	2005	2006	2007E	2008E	2009E
Total Market (inc. HCV)	**745,813**	**763,186**	**669,604**	**602,518**	**672,644**	**719,980**
YoY Growth:	86.1%	2.3%	-12.3%	-10.0%	11.6%	7.0%
Domestic:	275,521	284,134	246,800	239,720	263,493	276,619
Import:	422,574	426,274	371,052	316,213	361,402	394,561
Import %	56.7%	55.9%	55.4%	52.5%	53.7%	54.8%
Passanger Cars	**451,210**	**438,597**	**373,219**	**330,942**	**370,656**	**396,601**
YoY Growth:	98.7%	-2.8%	-14.9%	-11.3%	12.0%	7.0%
Domestic:	139,541	136,708	117,725	114,175	124,170	128,895
Import:	311,668	301,889	255,494	216,767	246,486	267,706
Import %	69.1%	68.8%	68.5%	65.5%	66.5%	67.5%
Light Commercial Vehicles	**246,886**	**271,811**	**244,633**	**224,991**	**254,240**	**274,579**
YoY Growth:	80.2%	10.1%	-10.0%	-8.0%	13.0%	8.0%
Domestic:	135,980	147,426	129,075	125,545	139,323	147,724
Import:	110,906	124,385	115,558	99,446	114,916	126,856
Import %	44.9%	45.8%	47.2%	44.2%	44.2%	44.2%

Source: OSD & Ata Invest Estimates

The only way is up…

Things can only get better...

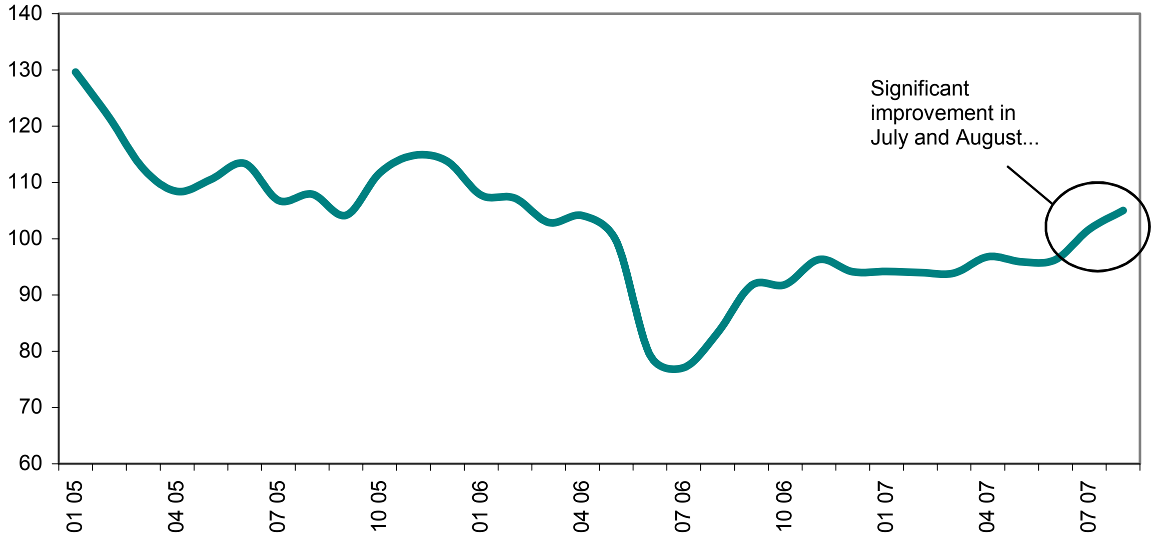
With the twin elections out of the way with a market friendly outcome, consumption-driven and interest rate-sensitive sectors, and the automotive sector in particular, are headed for a strong recovery in demand in the second half of the year.

Strong improvement in CCI in July & August...

CNBCe's consumer confidence index (CCI) is a good tool to monitor the appetite for consumption. After reaching 130 in 2005, the CCI plunged to a low of 77.1 in July 2006 following the economic turmoil. The CCI sustained an average of 95 throughout 1H07. However with the elimination of political uncertainties, the CCI has since recovered, reaching 105 in August. We expect the rise in the consumer confidence to continue throughout the remainder of 2007 and 2008, boosting demand in the auto sector.

Sectoral Outlook (cont'd…)

CBNC-e Consumer Confidence Index (Jan2005 – Aug2008)

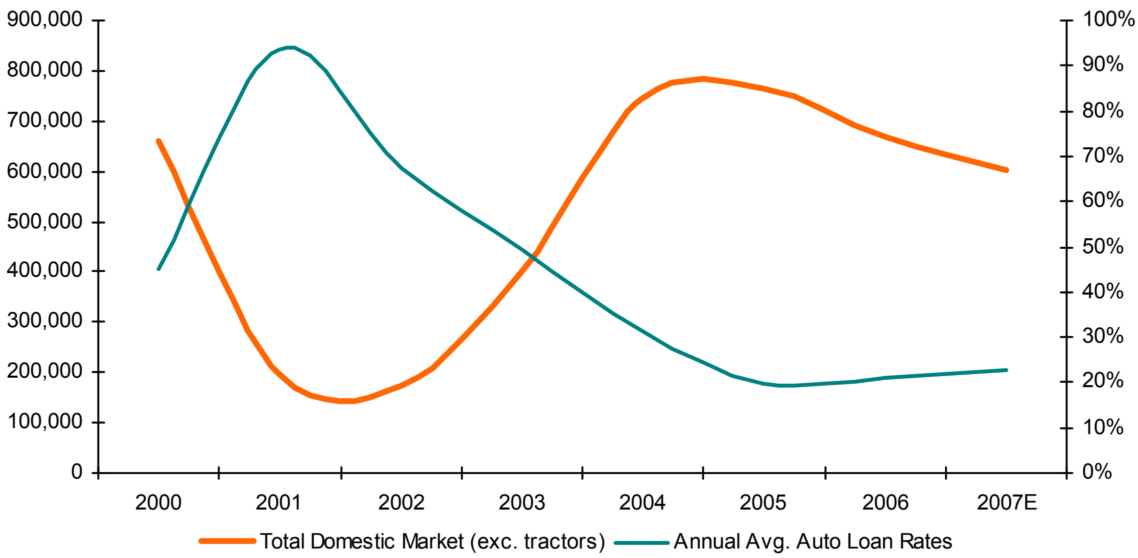


Source: CNBC-e

Declining interest rates will support the growth in the sector...

Further supporting our view on the demand recovery in the sector, the Turkish Central Bank cut interest rates by 25 bps in September and the market expects interest rates to be cut by a further 75 bps to 16.5% by the end of the year. As we have mentioned before, auto loan rates are the main determinant of auto sales. As can be seen in the graph below, auto sales and auto loan interest rates are negatively correlated. The total sales figures for July and August 2007 have already exceeded those of the same period of last year. Backed by declining interest rates, we expect total unit sales to grow by 10% YoY in 2H07, limiting the YoY contraction in the sector to 10% for FY07.

Average Annual Auto Loan Rates vs. Turkish Automotive Market (2000-2007E)



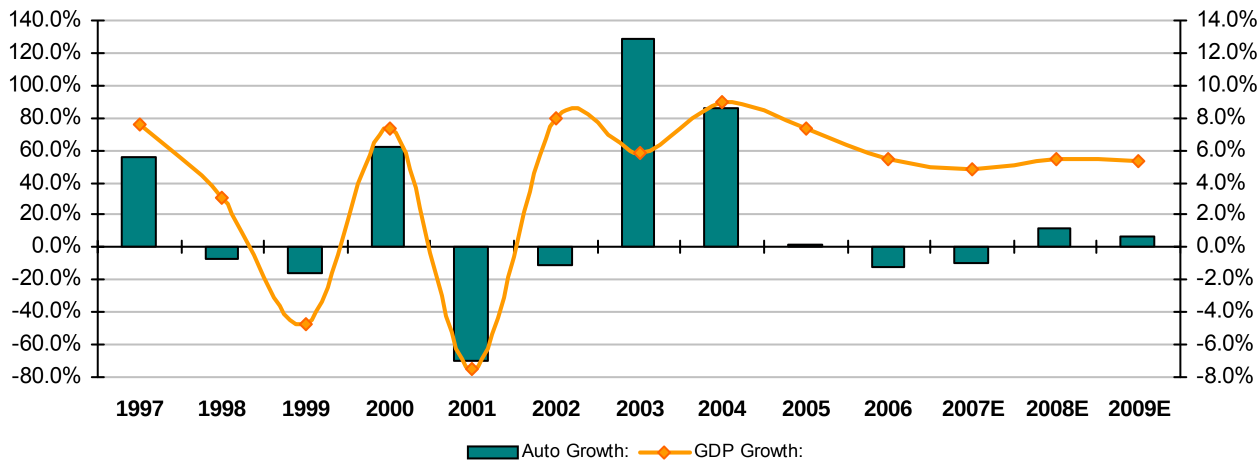
Source: OSD, DOAS & Ata Invest Estimates

Sectoral Outlook (cont'd…)

We expect the sector to grow by 11.6% in 2008 and a further 7% in 2009...

Based on historical data over the last ten years, we see that growth in vehicle sales is correlated with GDP growth with a correlation of 65%. Keeping in mind the deferred demand in the sector and the easing in the auto-loans which will be backed by Central Bank interest rate cuts as well as the intense competition in the banking sector, we forecast that the automotive sector will grow by 11.6% in 2008, almost double our GDP forecast of 6%. We expect the sector to grow by a further 7% in 2009, sustaining a CAGR of 4.3% until 2016, close to our GDP growth forecast of 5.3%.

Sector vs. GDP Growth (1997—2009E)



Source: OSD & Ata Invest Estimates

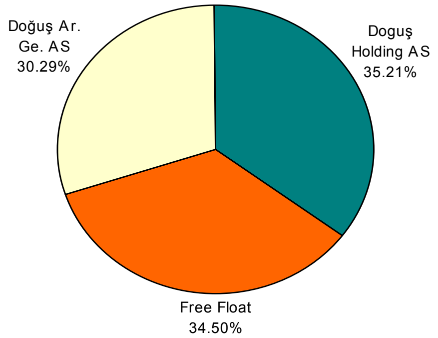
The Company

An exclusive importer and distribution company...

Dogus Otomotiv is the exclusive importer and distributor of VW, Audi, Seat and Porsche passenger cars, VW light commercial vehicles, Scania trucks and Krone truck trailers in Turkey. Dogus Otomotiv also commands 50% of the distribution business of the Skoda brand in Turkey. In addition, the company provides after-sales services for these brands. With 279 sales points, DOAS has the largest network of dealers in the sector. In addition, there are specialized dealers only selling DOAS brands (VW, Audi, Seat and Scania).

DOAS' major shareholder is Dogus Group, one of Turkey's biggest conglomerates active in the finance, media, construction and tourism sectors. The company's shareholder structure is outlined below:

Shareholder Structure of Dogus Otomotiv



Source: The Company

Dogus Otomotiv has three main business units creating synergies for each other. A summary of these business units is provided below:

1- Import & Distribution (70% of combined revenues; 70% of EBIT):

Distributor of 10 brands including VW and Audi...

The Company is the exclusive importer and distributor of ten vehicle brands and their parts and accessories in Turkey, covering seven brands of passenger cars (VW, Audi, Porsche, Seat, Skoda, Lamborghini and Bentley), two light and heavy commercial vehicle brands (VW and Scania), Krone trailers, Meiller tippers and VW marine engines. DOAS generates around 70% of its total combined revenues (before consolidation adjustments) and 70% of the EBIT from imports and distribution.

The company launched a total of 22 new models in 2005, 18 of which were passenger cars. We saw the positive impact of the new launches on sales volume in 1H06. While the market expanded by a mere 7%, DOAS managed to raise its unit sales by 25% in that period.

2- Retail and After Sales Services (20% of combined revenues, 8% of EBIT):

Widest network of dealerships in Turkey...

DOAS is also the retailer and after-sales services provider for VW, Audi, Porsche, Skoda, Seat and Scania vehicles. Around 20% of its total revenue is generated from this business unit. With 279 sales points and 309 service points, DOAS has the highest number of dealers in the sector. Note that DOAS directly owns 30 authorized dealers and 27% of its total unit sales were

The Company (cont'd…)

carried out at these dealerships in 2006. The company also boasted the youngest fleet in the market in 2006. Its retail business provides a valuable database of customer preferences and segmentation.

3- Automotive-Related Business (10% of combined revenues, 22% of EBIT)

DOAS offers value-added services (parts and accessories operations, consumer finance, fleet rental, second-hand cars, insurance and motor sports activities). Complimentary businesses include consumer finance, parts and accessories and insurance, along with sales of second-hand cars, fleet rental and motor sports activities. Since 2005, DOAS has started to focus on automotive-related services, which is its most profitable business.

Vdf (Consumer Finance): Facilitating DOAS's sales

Long time relationship with Volkswagen...

Although Dogus Otomotiv is a distributor and not a producer of VW brands, its strong relationship with VW is demonstrated by its cooperation with Volkswagen in the Vdf consumer finance company. Vdf is a joint venture between DOAS (49%) and VW Financial Services A.G. (51%). The company commands 14% of the market, including banks, and is the leader among consumer finance institutions with a 52% market share. Vdf is consolidated in DOAS' financials by 49% through the equity pick-up method.

Vdf signed 50,961 new contracts in consumer credits in 2006, reaching a total car portfolio of 99,051 units. The size of portfolio reached 97,156 contracts as of August. Vdf also signed 1,769 contracts in fleet rental services in the January-August period, with the portfolio reaching 5,970 units.

Second-Hand Business DOD: High growth prospects

DOAS's second-hand business, DOD, manages and stabilizes the second-hand value of DOAS brands while bringing high standards to the second-hand car market. In addition, it was the first company to provide warranties for second hand cars. DOD sold around 7,760 vehicles in 2006, marking 60% YoY growth, and total vehicles sales reached 6,192 units between January and June 2007. The company aims to achieve total unit sales of 14,350 by the end of the year.

We expect the second-hand car business to enjoy higher growth in the coming years. DOAS markets second-hand vehicles through 80 authorized sales points and aims to increase the number of authorized sales points to 110 in the near future.

Otomotion - One-Stop Shopping Concept

One stop shopping center to attract more customers...

Dogus Otomotiv adopts a one-stop shopping strategy in the service business to maximize the value creation of its business units. In order to do so, the company is collecting all of its brands under one roof to be based in a center located in Istanbul on a 29,000 m^2 plot. The center will include a car display area for all DOAS brands, new car sales and after sales services. The center will also boast a 7,500 m^2 entertainment service, the first of its kind in Turkey. Able to respond to a wide variety of demands, DOAS aims to establish a permanent relationship with customers to ensure their satisfaction and loyalty. Note that DOAS will receive rental income from this project since Dogus Oto, an 96% subsidiary of DOAS, will operate it.

New Projects

1) Motor Vehicle Inspection Stations (MVIS):

MVIS is a high growth cash cow business...

All vehicles must go through an inspection process every two years. Given the high level of demand in the market and the fact that only 60% of the vehicles actually go through their regular inspections, we believe the acquisition of inspection stations will have a positive impact on DOAS' performance, creating synergies with the products and services already offered by DOAS.

Chances of creating synergies with existing business lines...

The company will be able to collect significant data about the vehicle park in Turkey and we believe that this will present an opportunity to create synergies with its other business lines. Although the project is important to the company, MVIS will not be a core business line for DOAS.

Dogus Otomotiv, in a consortium with the German TUV Suddeutschland (TUVSUD) and AKFEN Holding (Akfen), won the tender for the operating rights for motor vehicle inspection stations in Turkey for the next 20 years with a bid of US$613.5mn (US$300.25mn for the first region and US$313.25mn for the second) in December 2004. After a set of trials concerning the privatization, Council of State finally approved the transferring the operating rights of MVIS to the consortium on August 15th and the official agreement was signed.

The consortium benefited from a 10% discount on a lump-sum payment, reducing the total payment to US$ 552mn. The project will be 100% financed through long-term debt. The stations will have a paid-in capital of US$ 75mn and the consortium will finance this through bank borrowings. A total of US $200mn is planned to be invested in the project. The business offers a combination of high profit margins and very low costs thanks to its characteristic of being a service business.

Business Model:

The consortium will transfer 30% of its revenues to the government in the first three years, rising to 40% of revenues between the fourth and tenth years and 50% of revenues in the last ten years of the project.

According to the privatization tender requirement, the consortium will build at least 189 fixed stations, 38 mobile stations and 433 inspection lanes throughout Turkey within an 18 month period. These stations may be directly operated by the consortium or by third parties under a business agreement. Based on these conditions, the consortium chose to operate under a subcontractor agreement called the “TUVTURK Business Associate System”. Based on this system, the consortium will grant the operating rights for one city or region to each Business Associate (BA). Each BA will pay a license fee (25% in cash upon the signing of the contract and the remaining 75% upon delivery of the station) as well as any construction, machinery, training and equipment costs. After becoming operational, the BAs will pay a royalty from their revenues (7% in the first ten years and 20% for the second ten year period). BA’s will operate 85% of the stations with the other 15% being operated by TUVTURK.

The consortium partners will also set up a separate entity called TUVTURK Istanbul that will be responsible for operating the inspection stations in Istanbul. Consortium partners will each hold a 31.66% stake in this entity while minority investors will hold the remaining 5%. TUVTURK Istanbul will function like a BA. TUVTURK Kuzey will give the sub-contractor rights for Istanbul to

New Projects (cont'd…)

TUVTURK Istanbul for a license fee of US$180mn and TUVTURK will pay royalties from its revenues like the other BA's.

The consortium will finance the operation by issuing debt and TUVTURK and TUVTURK Istanbul will make the borrowing, hence the issued debt will not be consolidated under Dogus Otomotiv financials and DOAS will only act as a guarantor. TUVTURK will obtain a loan of US$352mn with a 12 year maturity, although the company plans to redeem the loan after the first year with the proceeds received from the BA's. TUVTURK Istanbul, on the other hand, will also take out a 12-year maturity, US$200mn loan. TUVTURK Istanbul will allocate US$180mn of this amount to pay its license fee to TUVTURK with the remaining portion used for necessary investments. All in all, the business should have a total debt position of US$200mn at the end of 2008, when this structure normalizes.

Impact of MVIS Business to DOAS' Bottom-line:

Due to its 33.3% stake, DOAS will consolidate TUVTURK using the equity pick-up method. Therefore, proceeds from the MVIS project will be recorded under income from associates item.

In addition to the US$192mn contribution from the MVIS project to DOAS' valuation, we believe the project's contribution to the bottom-line will help DOAS diversify its cyclical business model.

Although the MVIS business will hurt DOAS' bottom-line in the first two years of the project owing to high financial expenses, we project that the business will compose 11% of the net income by 2016, contributing an additional 50bps to the net margin.

Note that since the project is still at a very early stage, we decided against including the figures in our net income projections. However, the table below provides an idea of project's impact on the bottom-line.

Bottom-line contribution of MVIS Business to DOAS

(US$mn)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EBITDA	4.9	27.6	41.2	36.5	40.8	45.5	50.6	56.2	62.4	69.1
EBIT	-32.4	18.3	31.9	27.2	31.5	36.2	41.3	46.9	53.1	59.8
Financial Expenses:	-23.0	-42.8	-20.4	-12.0	-10.7	-9.4	-8.0	-6.7	-5.4	-4.0
Profit Before Tax:	-55.4	-24.5	11.5	15.2	20.8	26.8	33.3	40.2	47.7	55.8
Tax:	0.0	0.0	-2.3	-3.0	-4.2	-5.4	-6.7	-8.0	-9.5	-11.2
Net Income:	-55.4	-24.5	9.2	12.2	16.6	21.5	26.6	32.2	38.2	44.6
DOAS' % in N.Income:	**-18.4**	**-8.2**	**3.1**	**4.1**	**5.5**	**7.1**	**8.9**	**10.7**	**12.7**	**14.9**
Cont. To Net Margin:	**-1.1%**	**-0.4%**	**0.1%**	**0.2%**	**0.2%**	**0.3%**	**0.3%**	**0.4%**	**0.4%**	**0.5%**

Source: Ata Invest Estimates

2) Distribution of Volkswagen LCV's in Egypt:

The first step for securing more international deals...

Dogus Otomotiv signed an agreement with Volkswagen AG in January 2007 for the provision of import, distribution and after sale services in Egypt as the direct dealer of Volkswagen light commercial vehicles. The operations are expected to start in 2H07 in Alexandria, Cairo and Sharm el-Sheikh. Car ownership in Egypt stands at around 40 cars per 1000 population, offering significant growth potential with a car park of just 3mn and annual sales of 120,000 vehicles. LCV sales stood at 25,000 in 2005. The market volume is expected to reach 200,000 units per year within the next few years. DOAS

New Projects (cont'd…)

And another first step for becoming a producer...

Otofix project will be a complementary for MVIS project...

considers this deal to be a gateway towards securing similar deals in North Africa, Middle East and CIS countries, if the Egypt operation proves a success. In our model we have assumed that DOAS will sell a total of 500 units of LCVs in 2007 and gradually grow this number to 2,500 by 2010. Since we forecast DOAS to achieve domestic sales of 88,300 units by that time, the contribution of this operation to the top line will be minimal.

3) Porsche Dealership in Switzerland:

Dogus Otomotiv signed a letter of intent with Porsche AG on May 14th to be the dealer of the brand in Lausanne in Switzerland. According to the agreement, Dogus Otomotiv will undertake the marketing, sales and after-sales retail operations of the Porsche brand in Lausanne and its surrounding region in Switzerland. Note that Switzerland is an important market for Porsche with 1,692 unit sales in 2006. The firm is expected to become operational in 2H08 with an initial sale target of 220 units per annum. In our model we forecasted that DOAS would sell 100 units in 2008, contributing US $6.8mn to the top-line. Going forward, we expect the operation's contribution to the top-line to gradually improve to US$25.3mn by 2016.

4) Production of Krone Trailers in Turkey:

Dogus Otomotiv already distributes Krone trailers in Turkey and the company already owns an assembly line in Gebze. DOAS sold a total of 809 units of trailers in 2006, only a fraction of its total unit sales of 74,677 units in the PC and LCV segments. With the new-signed agreement, both sides will establish a JV where DOAS will hold a 49% stake. Following an estimated investment of US$40mn for the plant, which will be established in Izmir, production is expected to commence in 2009 with an initial capacity of 5,000 units. The company projects the sales volume of this project to reach 10,000 units by 2012, yielding around €250mn in revenues. Note that since the operation will be consolidated using the equity pick-up method, it will not affect the top-line. We believe the project will contribute US$7mn to the bottom-line in 2012, when the business structure stabilizes. Therefore we decided against including this project in our valuation.

5) Production of Meiller branded products in Turkey:

Dogus Otomotiv and Meiller, Germany's leading tipper producer, signed a letter of intent regarding the manufacturing of Meiller brand tippers and semi-trailer tippers in Turkey. As can be recalled, Dogus Otomotiv is already the distributor of Meiller truck dampers and half-trailer dampers in Turkey. Work on the feasibility of this project is still in progress. At this stage, it is projected that DOAS' share of the investment in this project will be around US$15mn, including the capital injection to the firm. Since it has not yet been finalized, we have not included the project in our valuation.

6) Otofix Service Stations:

Dogus Otomotiv opened its first outlet in May 2007 in Istanbul. The company aims to expand the number of outlets to 100 in the next 5 years, concentrating on the residential areas of major cities. Services such as tire, battery, oil & filter replacements are provided in Otofix outlets. Although we do not expect this business to have a noteworthy impact on the financials in the short-term, DOAS aims to create synergies with the MVIS business by locating these outlets near inspection stations. Since we believe that the project will only

New Projects (cont'd…)

have a minor impact on the financials, we decided against including it in our valuation.

7) Enhancement & Expansion of Retail Network:

Shifting from a tenant into a landowner...

Dogus Otomotiv is a tenant in most of the retail outlets it operates, although the company is considering switching to become a landlord, especially in the big cities where real estate prices are rocketing up along with rent prices. To achieve this, the company plans to invest a total of US$140mn, although US $40mn of this payment was already completed in 2007. Note that the company plans to finance this project from equity rather than issuing debt. The company will either hold a rights issue or sell a portion of the Dogus Holding shares it holds, which have a total book value of US$218mn according to the company's 1H07 financials.

Operations

Lack of small diesel engine products in the product mix caused company's market share to dwindle...

With the introduction of new models in 2005, DOAS' market share (PC+LCV) has edged up to 11.8% from 11.0% in 2004. The company continued to grow its market share to 12.5% in 1H06. Unfortunately, after the economic turmoil in May 2006, the company started losing ground and closed the year with a market share of 12.1%. The main reasons behind the contraction in sales were the absence of small diesel engines in DOAS' product mix and the aggressive promotion campaigns by smaller players seeking to reduce their stocks to make up for poor inventory planning.

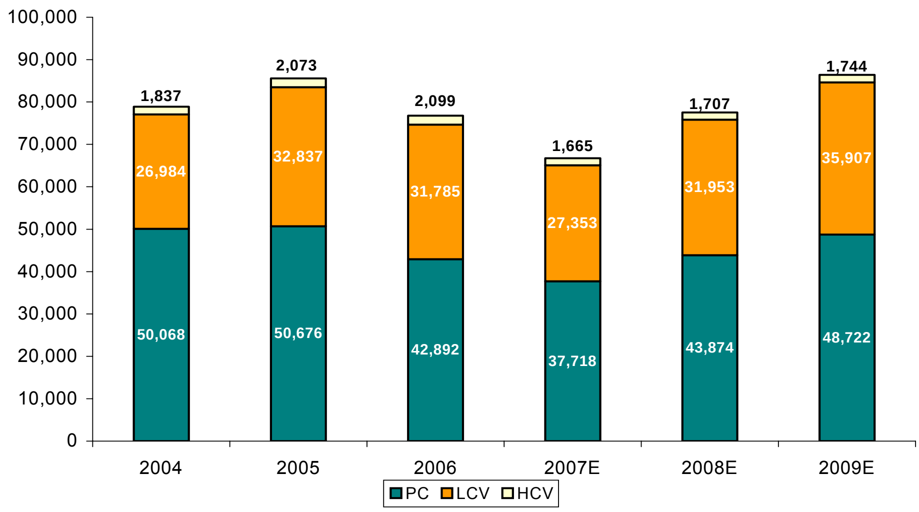
DOAS' sales volumes fell by more than the market average in 1H07, with total unit sales plunging by 33.4% YoY to 27,144 units while the total PC+LCV market contracted by 28.4% to 233,169 units. Accordingly, the company's market share retreated by just over a percentage point in this period to 11.6% in 1H07. However, DOAS' sales started to pick up in July and August on the back of the strong YTL and the elimination of political uncertainties, and the company's market share had reached 11.8% as of 8M07.

A slight improvement in the market share in June and August to be offset by the increasing competition...

Despite a sterling performance in July and August, we expect DOAS to suffer a slight market share loss in 2H07 and 1H08 amid intensifying competition in the market and the absence of small diesel engine versions among its models. We have assumed that the company will close the year with a market share of 11.7%, but forecasting an improvement in market share to 12.1% in 2H08, considering that the introduction of new models will be completed by 2H08, with a further 50bps improvement in market share in 2009 to 12.6%, maintaining its market share at this level thereafter.

As far as unit sales are concerned, we expect DOAS to close the year with total unit sales of 65,000 vehicles implying a 12.9% YoY contraction, worse than our forecast of a 10% contraction for the market as a whole. However, we believe that DOAS' growth will outperform the overall market growth in 2008 and 2009 on the back of strong YTL and new models it will launch. We forecast that total unit sales will grow by 16.5% in 2008 versus the 11.6% growth in the sector, and by a further 11.6% in 2009, compared to 7% growth in the sector.

Unit Sales of Dogus Otomotiv (2004—2009E)



Source: OSD & Ata Invest Estimates

Operations (cont'd…)

The main driver behind DOAS' profitability is the mark-ups on its auto sales. Normally, the company aims at a 5% mark-up on imports and 7% on distribution, in order to reach a gross margin of 12%. However, mark-ups are affected by the volatility in the €/YTL exchange rate, as DOAS imports in Euros and makes the majority of its sales in YTL. Therefore, its margins are squeezed when the YTL is strong against the Euro. Although DOAS managed to boost its gross margin to as high as 14.9% in 1H07, using the strong YTL to its advantage, we forecast that the company will close the year with a gross margin of 12.6% due to the fierce competition in the sector going forward.

Also note that since the company's operating costs are lower than manufacturers', any increase at the top-line bolsters the company's EBIT margins. Although the company's EBIT margin reached 6.1% in 2005, we have adopted a more conservative approach in our model, assuming a slight improvement in the EBIT margin to 2.7% in 2007 from 2.4% in 2006, with the margin assumed to continue its advance to reach 4.2% by the end of our projection period in 2016. Therefore, we believe that there is upside to our forecasts.

Margins of Dogus Otomotiv (2004—2009E)

	2004	2005	2006	2007E	2008E	2009E
Gross Margin:	11.9%	14.5%	11.5%	12.6%	12.7%	12.9%
EBIT Margin:	5.1%	6.1%	2.4%	2.7%	3.0%	3.3%
EBITDA Margin:	5.7%	6.6%	2.8%	3.6%	3.9%	4.1%

Source: Company Financials & Ata Invest Estimates

1H07 Financials

Dogus Otomotiv disclosed net earnings of US$16mn in its 1H07 financials, slightly short of our US$18.7mn estimate, but marking a massive improvement on the US$1.3mn bottom line figure disclosed in 1H06.

Since Dogus Otomotiv is a pure importer, directing virtually all of its sales to the domestic market, the company’s top-line suffered from the weak domestic demand that has dogged the market since 1H06. On a YoY basis, company’s net sales declined by 15.5% to US$774.2mn in 1H07 from US$916.5mn in 1H06. Note that the top line figure exceeded our forecast of US$735.4mn.

Dogus Otomotiv managed to improve its gross margin to 14.9% in 1H07 from 11.4% in 1H06 thanks to a lower COGS/Revenues ratio (85.1% in 1H07 vs. 88.6% in 1H06). Accordingly, the company’s gross profit increased by 11.1% YoY in 1H07, to reach US$115.6mn despite the lower net sales recorded. On a QoQ basis, however, COGS inclined slightly by 50 bps as a percentage of net sales, squeezing the gross margin to 14.7% in 2Q07 from 15.1% in 1Q07. Note that Dogus Otomotiv’s inventories declined in 1H07 due to the higher seasonality of sales in the second quarter. Therefore the slimmer gross margin may be attributable to the sale of units that had been imported before the appreciation of YTL in the second quarter.

Dogus Otomotiv’s operating expenses rose by 17% YoY to US$91.1mn in 1H07 from US$77.9mn in 1H06, despite the lower net sales recorded in this period. The jump in general administration expenses was the main culprit, while OPEX as a percentage of net sales increased to 11.8% in 1H07 from 8.5% in 1H06. Despite a stronger gross margin, owing to higher operating expenses, the company’s EBIT margin only inched up by a mere 30 bps YoY to 3.2% in 1H07. In line with the stagnant EBIT, company’s EBITDA also stayed flat at US$30.3mn in 1H07, very close to our US$31.1mn forecast.

On a quarterly basis, the company's EBITDA margin reached 4.4% in 2Q07, the highest since 1Q06's 5.6% after hitting as low as 1.3% in 2Q06.

Note that the company had recorded a net loss of US$5.7mn under the losses related to subsidiaries item in income from other operations in 1H06, which reverted to positive territory at US$4.2mn in 1H07. Along with reduced financial expenses thanks to the removal of the US$9mn FX losses recorded in 1H06, Dogus Otomotiv managed to raise its net profit to US$16mn in 1H07 from US$1.3mn in 1H06.

On a unit basis, Dogus Otomotiv’s total sales retreated by 33.4% YoY to 27,144 units in 1H07 while the market contracted by 28.4% as a result of weak domestic demand. Sales of commercial vehicles declined by 37.1% YoY to 11,318 units. Accordingly, company’s market share in the PC and LCV segments retreated to 11.4% and 12% respectively in 1H07 from 11% and 14.4% in 1H06 according to OSD data.

Due to the US$5.1mn dividend payment on May 15th and the increased working capital requirement, the size of the company’s liquid assets whittled down to US$65.2mn in 1H07 from US$74.3mn in 1Q07. On the other hand, the company’s short-term debt rose to US$28.2mn from US$19.5mn while its long-term debt more than doubled to US$65.8mn from US$32.6mn in 1H07 from 1Q07. As a result, Dogus Otomotiv’s net cash position of US$22.3mn in 1Q07 metamorphosed into a net debt position of US$28.8mn in 1H07.

Dividend Policy

According to its Articles of Association, DOAS is required to distribute at least 50% of its distributable net income to shareholders each year between 2004-2008. However, due to increasing investments being undertaken by the company, we believe that DOAS may gradually decrease this ratio starting from 2009, so that the company can increase its equity in order to finance the investments it has been taking on since the beginning of the year. Therefore, in our model we have assumed that the company would distribute 30% of its income from 2009 and onwards.

Year	Cash Dividents (Gross)	Net Profit Of Previous Year	Pay-Out Ratio	Divident Yield*
2009E	16,507,882	55,026,272	30%	1.8%
2008E	23,953,673	47,907,346	50%	2.7%
2007E	6,787,000	21,992,000	31%	1.0%
2006	45,243,000	111,405,000	41%	4.1%
2005	34,848,000	56,847,000	61%	4.1%

*TRY based

Appendix - Consolidated Forecasts

INCOME STATEMENT (US$mn)	2005	2006	2007E	2008E	2009E
Net Sales	**1,826.3**	**1,767.8**	**1,731.4**	**2,114.4**	**2,352.7**
Cost of Sales	-1,562.3	-1,565.3	-1,513.6	-1,846.3	-2,051.2
GROSS PROFITS/LOSSES	**264.0**	**202.5**	**217.8**	**268.1**	**301.5**
Operating Expenses	-153.1	-160.4	-171.2	-205.2	-225.0
NET OPERATING PROFITS	**110.9**	**42.0**	**46.6**	**63.0**	**76.5**
Other Operating Income (Net)	19.6	5.2	16.6	15.1	9.7
Financial Expenses	-12.9	-30.5	-20.2	-29.4	-28.5
OPERATING PROFITS	**117.6**	**16.8**	**43.0**	**48.6**	**57.7**
MINORITY SHARES	0.8	2.1	2.4	2.5	2.5
INCOME BEFORE TAXES	118.5	18.9	45.5	51.1	60.2
Taxation on Income	-35.4	-3.5	-9.1	-10.2	-12.0
NET PROFIT AFTER TAXES	**83.1**	**15.4**	**36.4**	**40.9**	**48.2**
NET PROFIT INCLUDING MVIS:	**83.1**	**15.4**	**17.9**	**32.7**	**51.2**

BALANCE SHEET (US$mn)	2005	2006	2007E	2008E	2009E
ASSETS					
Current Assets	**498.0**	**514.4**	**466.6**	**489.4**	**548.3**
Liquid Assets	93.9	86.1	63.2	17.9	22.9
Short-Term Trade Receivables	124.8	119.6	104.3	122.4	136.8
Inventories	273.3	300.3	289.5	339.4	378.9
Other Current Assets	6.0	8.4	9.7	9.7	9.7
Long Term Assets	**257.5**	**287.7**	**432.5**	**455.8**	**466.4**
Long-Term Trade Receivables	2.5	2.4	2.6	3.1	3.4
Long-Term Financial Assets	176.5	200.1	266.4	262.6	258.8
Goodwill	0.0	0.0	0.0	0.0	0.0
Tangible Fixed Assets	72.6	77.3	154.5	181.0	195.0
Intangible Fixed Assets	5.0	4.0	4.6	4.6	4.6
Other Long-Term Assets	0.9	3.9	4.5	4.5	4.5
TOTAL ASSETS	**755.5**	**802.1**	**899.2**	**945.2**	**1,014.7**
LIABILITIES					
Short Term Liabilities	**374.8**	**430.8**	**423.4**	**467.9**	**518.9**
Sh. T. Financial Loans and Leasing Obligations	15.6	21.5	48.5	28.4	28.3
Short-Term Trade Payables	328.3	385.0	351.7	412.3	460.3
Provisions	13.5	11.4	13.7	16.1	18.0
Other Short-Term Liabilities	17.5	12.9	9.4	11.1	12.3
Long Term Liabilities	**25.9**	**28.0**	**72.8**	**72.8**	**72.8**
Long Term Financial Loans and Leasing Obligations	21.3	21.9	65.8	65.8	65.8
Long-Term Trade Payables	0.0	0.0	0.0	0.0	0.0
Provisions	2.0	1.5	1.8	1.8	1.8
Deferred Tax Liabilities	2.6	4.6	5.3	5.3	5.3
Other Long-Term Payables	0.0	0.0	0.0	0.0	0.0
Minority Interests	5.5	3.1	3.6	3.6	3.6
SHAREHOLDERS EQUITY	**349.3**	**340.2**	**399.4**	**401.0**	**419.4**
Paid-in Capital	82.0	78.3	84.6	80.2	76.7
Capital Adjustment For Subsidiaries	-0.2	-0.2	-0.2	-0.2	-0.2
Inflation Adjustment to Paid-İn Capital	22.7	21.7	23.4	22.2	21.3
Legal Reserves and Retained Earnings	244.8	240.4	291.5	298.7	321.5
TOTAL LIABILITIES AND S.HOLDERS EQUITY	**755.5**	**802.1**	**899.2**	**945.2**	**1,014.7**

ATA INVEST INC.

Emirhan Cad. Atakule No: 145/ A 34349
Istanbul - TURKEY
Tel-PBX: 90-212-310 6200
www.atainvest.com

Key Contacts

Sales **Tel-Direct: 90-212 310 6260** **Fax: 90-212-310 6269**

	Title	Tel-Direct	E-mail
Elif Erdem	Director	90-212-310 6261	eerdem@atainvest.com
Mehmet Ilgen	Asst. Director	90-212-310 6267	milgen@atainvest.com
Nalan Cakir	Asst. Director	90-212-310 6266	ncakir@atainvest.com
Eren Oner	Asst. Associate	90-212-310 6263	eoner@atainvest.com

Research **Fax: 90-212-310 6291**

	Title	Tel-Direct	E-mail
Nergis Kasabali	Senior Vice President	90-212-310 6282	nkasabali@atainvest.com
Nurhan Toguc	Chief Economist	90-212-310 6281	ntoguc@atainvest.com

AUERBACH GRAYSON & CO INC.

25 West 45th Street
New York NY 10036 USA
Tel-PBX: 1-212-557 4444
www.agco.com

Sales - USA

	Title	Tel-Direct	E-mail
John Burge	EVP	1-212-453 3528	jburge@agco.com
Can Yazgan	VP	1-212-453 35 86	cyazgan@agco.com

Trading - USA

	Title	Tel-Direct	E-mail
Jonathan Auerbach	Partner	1-212-557-4444	jonathan@agco.com
Julien Libaire	VP	1-212-557-4444	Jlibaire@agco.com
Selim Sari	VP	1-212-557-4444	Ssari@agco.com

Ata Invest

For additional information, please contact:

Mehmet Sami, Executive Board Member
Tel-D : 90-212-310 6240
Fax : 90-212-310 6244
e-mail : msami@atainvest.com