



Poised for growth on unique business strategy

We initiate our coverage of Dogus Otomotiv (“DOAS”) with a “OUTPERFORM” rating and set a fair value estimate of US\$1.1bn, which has been derived from our sum-of-the-parts model.

Our positive stance for DOAS rests on two major pillars. First, considering its market positioning, we strongly argue that DOAS is among the listed automotive companies that will reap the benefits of the anticipated recovery in the automotive market in 2008. Secondly, the new ventures that have been kicked off recently will diversify the income base and contribute to the valuation of DOAS in the medium term.

We project 10% y/y growth in DOAS’ sales volume in 2008 and, in detail; we estimate 12% y/y growth in both automobile and LCV sales. However, over the next three years, we project DOAS to attain respective CAGR of 9% and 12% in the automobile and LCV sales and increase market shares of 12.2% and 12.5% in the respective markets in 2010, compared to respective market shares of 11% and 11.7% at the end of 9M07.

New ventures to create value in the medium term - We believe that new projects, namely the “Motor Vehicle Inspection Station,” the CV sales in Egypt, Porsche sales activity in Lausanne, production of trailers with Krone, production of tippers with Meiller will create positive synergies to the company in the medium to long term.

Sum-of-the-parts model points to a 45% return potential. In reaching our fair value estimate of US\$1.1bn, we valued the auto-retailing related activities at US\$535mn, implying an 2008E EV/EBITDA multiple of 5.3x, and production-related participations (Krone & Meiller) at US\$51mn, and added the NPV of US\$207mn coming from the MVIS project and the participation portfolio of US\$333mn, of which the main contribution is coming from the 3.86% of Dogus Holding stake.

US\$ mn	2005	2006	2007E	2008E	2009E
Revenues	1,823	1,764	1,830	2,083	2,271
Operating Profit	111	42	83	86	83
EBITDA	120	50	98	110	109
Net Earnings	83	15	65	79	97
Net Debt	-57	-43	17	10	-35

Key Valuation Metrics

P/E	9.4	50.7	11.9	9.9	8.0
EV/Sales	0.40	0.42	0.44	0.38	0.33
EV/EBITDA	6.1	14.7	8.1	7.2	6.8

Rating:	OUTPERFORM
Date	13-Dec-2007
Stock Ticker	DOAS TI
Sector	Automotive

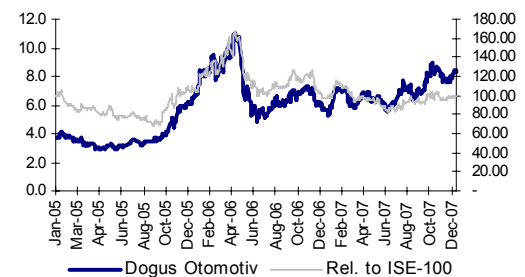
Stock Data

Current price (TRY)	8.25
Market cap. (US\$ mn)	778
Target price (TRY)	11.95
Target market cap. (US\$ mn)	1,127
Expected return potential	45%
3-month avg. trading volume	10.04
52 wk price range (TRY)	5.30 - 8.95
Shares outstanding (mn)	110,000
Free float	34%

Price Performance

Absolute (TRY) / Rel.to ISE (%)	
1 month	5.8 / 4.8
3 month	16.2 / 6.5
12 month	38.9 / -2.3
YTD	46.2 / 3.5

Price Chart (TRY & rel. to ISE-100)



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TABLE OF CONTENTS

INVESTMENT THESIS	3
VALUATION	4
BUSINESS OVERVIEW	8
NEW VENTURES	12
PROSPECTS	23
SECTOR OVERVIEW	27
PROJECTED FINANCIALS	30

INVESTMENT THESIS

We are initiating our coverage on Dogus Otomotiv (“DOAS”) with an “OUTPERFORM” rating and set the fair value at US\$1.1bn via sum-of-the-parts method.

Dogus Otomotiv is the exclusive importer and distributor of Volkswagen group vehicles in Turkey. Operations of DOAS are not confined to the distribution activities and, recently, DOAS formed JVs with Krone and Meiller regarding the production of trailers and tippers. Also, the company is involved in automotive financing through VDF, second hand automotive retailing via DOD, fleet rental service and holds 33% of TÜVTURK which runs the motor vehicle inspection stations (“MVIS”) in Turkey.

Having underperformed the ISE-100 by 2% within one year, we think that the investors have incorporated their not-so-positive outlook for the automotive market, which we believe as unfounded. Confirmed by the November automotive sales figures, a recovery period has kicked off in June and we expect this trend to continue also in 2008, on the back of declining interest rates and improvement in GDP growth. Hence, we project 8% y/y growth in the automotive market for 2008, while our growth estimates for cars and LCV markets stand at 8% and 10%, respectively.

Commanding respective market shares of 11.0% and 11.7% in the passenger car and LCV segments in 9M07, we expect DOAS to reap the benefits of the recovery in the automotive market. In 2008, we expect 90-bp and 30-bp market share gains in passenger car and LCV segments, respectively, which translated into 9% and 12% y/y growth in the passenger car and LCV sales volume of DOAS. For the next three years, we project CAGR of 9% and 12% in the passenger car and LCV sales, respectively.

New ventures will deliver value in the medium term. Although we regard the new ventures as positive since they will diversify the operating aspects of DOAS and lead to a more stable income base, we think that the contributions will be reflected onto its financials, in the medium term. Among the new ventures, the MVIS project is the primary venture that will contribute most to the valuation of DOAS, by US\$207mn. We compute the fair value of the participations, excluding the MVIS, as US\$384mn, denoting 34% of our fair value estimate.

We set the fair value of DOAS by using the sum-of-the-parts method at US\$1.1bn, denoting 45% return potential. In our valuation model, automotive retailing activities and motor vehicle inspection stations constitute 47% and 18% of the fair value, respectively, while the rest belongs to new ventures and the Dogus Holding stake.

Considering the recovery in the automotive market, improvements in the operating performance and its valuation, we think that DOAS deserves an “OUTPERFORM” rating.

VALUATION

We valued Dogus Otomotiv by using sum-of-the-parts valuation method and reached the fair value of US\$1.1bn for Dogus Otomotiv. Main details of our sum-of-the-parts model are as follow:

- 1. Domestic automotive retailing activities** – We expect that Dogus Otomotiv will improve its market share both in the passenger car and LCV segments by 120 bps and 80 bps, respectively, to 12.2% and 12.5% by 2010. Accordingly, our mid-term EBITDA margin stood at 5.2%, which seems to be reasonable when compared to our 2007E EBITDA margin of 5.5%. For 2008, we estimate the EBITDA to improve by 7%, y/y, while the EBITDA margin to contract by 10 bps to 5.4%.

In our fair value calculation, which is based on the DCF model, we used a risk-free rate and equity risk premium of 7% and 4%, respectively, and assumed a terminal growth rate of 1%. Consequently, we reached a fair value of US\$477mn for Dogus Otomotiv's retail activities, which implied a 2008E EV/EBITDA multiple of 4.7x.

- 2. Motor vehicle inspection stations** – We expect TÜVTURK to establish 189 permanent stations and 38 mobile stations in 81 provinces and 88 county centers within the 18-month period after getting the operating rights and the operations will commence in 2008. In our projections, we forecast the vehicles park to attain a CAGR of 5.5% between 2008 and 2026. Furthermore, we think that the capture rate will increase to 90% after 2015, while current level sails at 60%, thanks to the new official regulations and controls, and remain flat until the end of the projection period. In our model, we employed a YTL-based inspection fee scheme, where we adjusted the fees by the annual CPI increase. Accordingly, we project the revenues to register a CAGR of 9% between 2008 and 2026.

In our valuation model, we utilized a DCF model for reaching a fair value for the MVIS business. In our valuation process, we used 7% of risk-free rate and 4% equity risk premium and applied a beta of 1x for the business. Meanwhile, we did not include any terminal growth rate in our business – due to the fact that the business covers a 20-year period. Putting all our expectations together, we compute a NPV of US\$409mn for the MVIS Istanbul business and NPV of US\$235mn for the Turkey inspection business and Dogus Otomotiv will register US\$129mn and US\$78mn from the aforementioned operations, respectively. *(For details, please refer the page 12)*

- 3. Valuation of the new ventures**

- a. Sales and distribution of VW's LCVs in Egypt** – We anticipate that Dogus Otomotiv will sell 100 vehicles in 2007, which will increase to 1,000 vehicles in 2008 and, in the medium term, we project the sales volume to increase to 2,500 vehicles in 2012 and 3,500 vehicles by 2016. Since the company is running a commercial activity, we estimate the EBITDA margin to navigate at around 5%. On valuation grounds, we employed a DCF valuation for this line of business. In our model, we used WACC of 10.3% for

the business, while we also used 2% perpetual growth rate for the "Egypt project," which brought us to a fair value of US\$24mn for the Egyptian business.

- b. Sales and distribution activity of Porsche in Lausanne** – We assume that Dogus Otomotiv will start the operations in Lausanne in 2009 and the company will sell 220 vehicles in 2009. After 2009, we think that the sale volume will reach 519 vehicles in 2016. In our valuation model, we utilized a 5% risk-free rate and 4% of equity risk premium and set a terminal growth rate at 1%. In summary, we computed a fair value of US\$16mn for the Porsche sales and distribution business.
- c. JV with Krone** – We anticipate that Krone production will start in 2009 and forecast a sales volume of 5,000 vehicles in 2009, which will increase to 10,000 vehicles in 2011 and become stable thereafter. 90% of the vehicles will be exported to Krone International, while the remaining portion will be sold in the domestic market. Since most of the production will be exported, the margins of the Krone operation will be relatively low with respect to the other lines of business. Based on our assumptions, we valued the Krone production as US\$60mn and contribution to Krone stood at US\$29mn.
- d. JV with Meiller** – In our projections, we assumed that the operations will begin in 2008 and the JV will sell 1,500 vehicles in 2008, which will increase to 2,900 vehicles in 2012, and to 3,000 vehicles in 2015. Putting all our assumptions together, we have reached a fair value of US\$44mn for the Meiller brand tippers and trailer & semi-trailer manufacturing project. Accordingly, we compute the contribution coming to Dogus Otomotiv as US\$22mn.

Valuation metrics – In all of our valuation analysis for the domestic operations, we have employed a 7% risk-free rate and 4% equity risk premium for the valuation of the Turkish operations.

Exhibit 1: Sum-of-the-parts Model of Dogus Otomotiv

Name of the Operation	Stake owned by Dogus Otomotiv	Enterprise Value	Equity Value	Value to Dogus Otomotiv	% of NAV	Valuation Method
Auto retailing activities						
Turkey only	100%	477				DCF
Egypt (VW LCVs)	100%	25				DCF
Switzerland (Porsche)	100%	21				DCF
DOD	100%	30				DCF
EV of the auto retailing activities		552				
2007E Net Debt / (Cash)		17				
Equity Value of the Auto Retailing Activities				535	47%	
Participations						
Krone	48.00%		60	29	3%	DCF
Meiller	49.00%		44	22	2%	DCF
Dogus Holding Stake	3.86%		7,137	276	24%	Book Value
VDF Consumer Finance	48.00%		54	26	2%	2x P/BV (2006)
VDF Holding	38.22%		28	11	1%	Book Value
Dogus Insurance	42.00%		40	17	2%	Book Value
Yuce Oto	50.00%		9	4	0%	Book Value
Total				384	34%	
NPV of the MVIS						
Istanbul	31.66%		409	129	11%	NPV analysis
Ex-Istanbul	33.33%		235	78	7%	NPV analysis
Total				207	18%	
Equity Value				1,127		
Market Cap.				778		
Implied Return Potential				45%		

Source: Eczacıbaşı Securities Investment Research Estimates

We have also compared DOAS with the other automotive retailers around the globe and the domestic automotive producers. We notice that DOAS transacts with a discount in regard to the valuation of its comparable international automotive companies.

Exhibit 2: Comparables Analysis

Company	Market Cap. (US\$ mn)			P/E			EV/EBITDA			EV/Sales		
	Current	Target	Δ	2006	2007E	2008E	2006	2007E	2008E	2006	2007E	2008E
Anadolu Isuzu	204	226	11%	12.4	10.5	18.7	7.2	6.9	6.6	0.65	0.50	0.48
Ford Otosan	3,580	4,542	27%	10.2	9.0	8.6	7.2	6.4	5.9	0.82	0.74	0.70
Karsan	291	364	25%	n.m	85.2	70.1	31.1	19.9	12.1	1.81	1.61	0.75
Otokar	422	443	5%	14.6	15.4	14.8	13.9	18.9	10.3	1.93	1.54	1.16
Tofas	2,679	2,818	5%	128.4	33.4	15.1	27.6	17.4	8.0	1.23	0.99	0.59
Turk Traktor	621	746	20%	7.8	9.6	8.9	6.3	6.8	5.9	1.63	1.48	1.37
Total & Average	7,797	9,138	17%	16.5	13.2	11.0	10.2	8.8	6.8	1.02	0.88	0.69

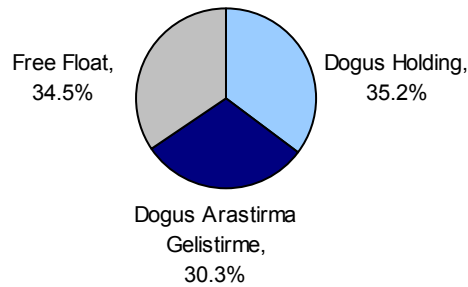
Company	Country	Mcap (US\$m n)	P/E			EV/EBITDA		
			2007E	2008E	2009E	2007E	2008E	2009E
Astra	Indonesia	12,451	20.4	17.0	14.5	14.4	12.1	10.3
Autonation	US	3,162	10.5	10.1	9.1	6.8	6.6	6.0
Delek	Israel	1,299	12.3	12.0	13.3	8.5	8.5	9.4
D'leteren	Belgium	2,085	10.3	9.3	8.4	5.1	4.8	4.8
SAG	Portugal	664	21.4	17.5	14.8	7.2	6.2	6.0
Pendragon	UK	493	10.7	6.2	5.2	3.2	3.1	3.0
Lookers	UK	416	9.7	7.7	6.4	5.7	4.9	4.2
Average		20,570	15.4	13.3	11.7	8.2	7.5	6.9
Dogus Otomotiv		778	11.9	9.9	8.0	8.1	7.2	6.8

Source: Bloomberg, Eczacıbaşı Securities Investment Research Estimates

BUSINESS OVERVIEW

Dogus Otomotiv is the exclusive importer and distributor of the Volkswagen Group vehicles in Turkey. Operations of DOAS are not confined solely to distribution activities and, recently, DOAS has formed JVs with Krone and Meiller regarding the production of trailers and tippers. Also, the company is involved in automotive financing through the VDF, second hand automotive retailing via DOD, fleet rental services and holds a 33% stake in TÜVTURK, which runs the motor vehicle inspection stations in Turkey. In the ownership structure, the Dogus Group holds a 65.5% stake, while the rest is the free-float.

Exhibit 3: Shareholder Structure

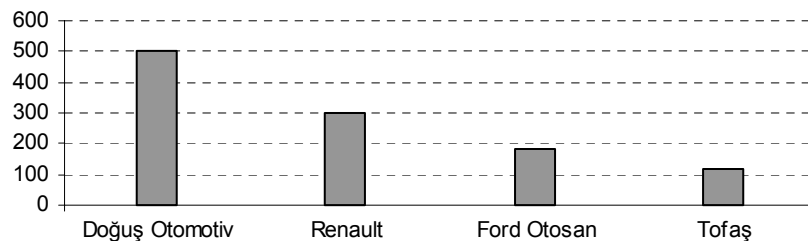


Source: Dogus Otomotiv

The company's major business line is importation and distribution, as Dogus Otomotiv is the exclusive distributors of the Volkswagen, Audi, Porsche and Seat brand passenger cars, Scania brand heavy trucks and the Krone brand trailers. On the other hand, the company is also the main distributor of the Meiller brand tippers and trailer & semi-trailers in Turkey. Apart from these brands, the company also distributes the Skoda brand passenger cars under Yuce Oto – in which Dogus Otomotiv has a 50% stake. Moreover, Dogus Otomotiv has been currently awarded for sales and marketing activities of "Bugatti" brand passenger cars in Turkey. The company's 70% revenue and 70% EBIT come from its core business of retail and distribution. In the light commercial vehicles segment, the company sells only the Volkswagen brand vehicles.

The company's other business lines is retail activities. Dogus Otomotiv conducts its retail activities under its full affiliate company Dogus Oto, which has 500 sales-points and service-points – including the independent dealers -- across Turkey. Currently, Dogus Otomotiv generates 20% of its consolidated revenues from the retail and after-sale service activities, as this line of business forms 8% of the EBIT.

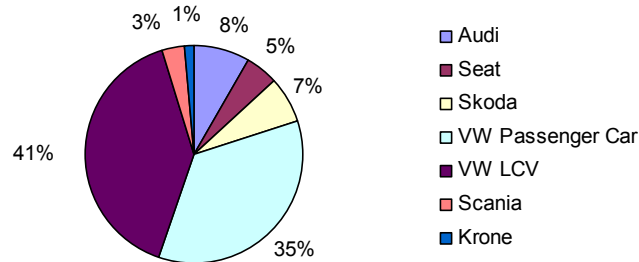
Exhibit 4: Number of Dealers & Services in Turkey as of September 2007



Source: Dogus Otomotiv, Renault, Ford Otosan, Tofas

Apart from the retail and distribution operations, Dogus Otomotiv is also involved in other automotive-related activities – including automotive financing, second hand sales service (DOD), rental services, and an agency of Dogus Sigorta. The company’s major business in that area is automotive financing. Dogus Otomotiv has established a JV with the Volkswagen Financial Services – in which Dogus Otomotiv has a 48% stake in the VDF (Volkswagen Consumer Finance). Dogus Otomotiv’s 10% stake in consolidated revenue is generated by other business operations, while 22% of EBIT is generated by those segments.

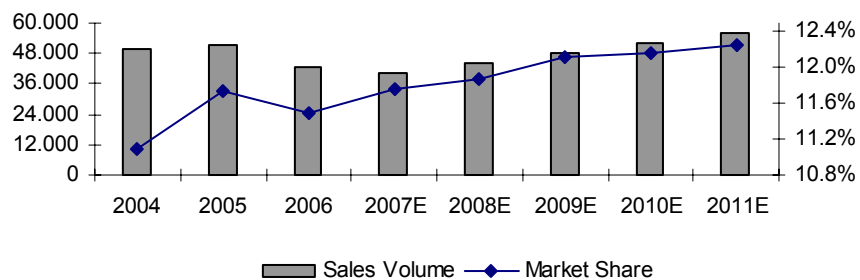
Exhibit 5: Dogus Otomotiv Sales Breakdown (as of 9M07)



Source: Dogus Otomotiv

In the import and distribution activities, Dogus Otomotiv has a large brand and model portfolio, where the major flagship brand is Volkswagen. In the PC segment, Volkswagen contributes 65% of the total passenger car sales volume, while, in the LCV segment, Volkswagen is the sole brand that Dogus Otomotiv sells. In the composition of the sales volume, Volkswagen passenger cars, namely Golf and Passat, cumulate 60% of the sales of the Volkswagen brand in Dogus Otomotiv’s portfolio. Moreover, the Audi brand cars range in the second place, while Skoda comes in the third position.

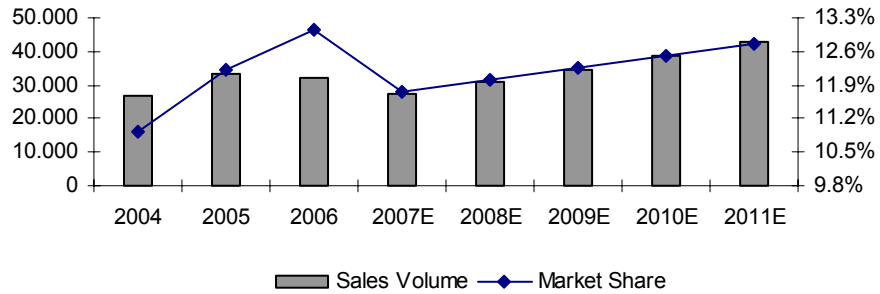
Exhibit 6: Dogus Otomotiv Domestic PC Sales Volume & Market Share



Source: Dogus Otomotiv, Eczacıbaşı Securities Investment Research Estimates

In the LCV segment, Volkswagen is the only brand sold by Dogus Otomotiv and c.60% of the LCVs sold belongs to the Transporter brand. On the other hand, Caravelle, Caddy and Volt are the other LCV brands of Dogus Otomotiv.

Exhibit 7: Dogus Otomotiv Domestic LCV Sales Volume & Market Share



Source: Dogus Otomotiv, Eczacıbaşı Securities Investment Research Estimates

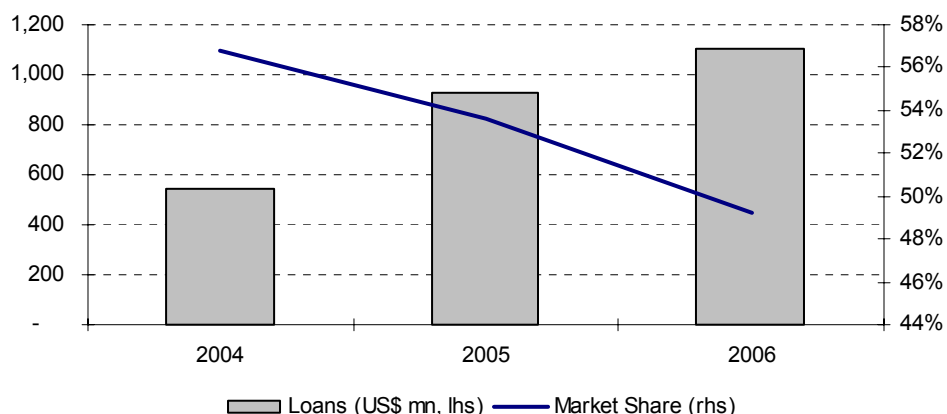
Apart from the automobile and LCV retailing activities, Dogus Otomotiv is also the sole distributor company of Scania brand heavy trucks, Krone brand trailers and Meiller brand trailer and semi-trailers in Turkey.

In the pricing mechanism, c.80% of the vehicles are sold in YTL-terms, while the remaining part is sold in €-terms. Audi, Porsche, Bentley, Lamborghini, VW Phaeton, Touareg, Krone and Scania are the vehicles whose pricing is in €-terms.

In the distribution network, Dogus Otomotiv operates its retail and after-sale services activities under its full affiliate Dogus Oto. Dogus Otomotiv has 279 sales points – of which 31 is owned by Dogus Oto – and 309 service points, as of October, in Turkey. Dogus Oto aims to enlarge its sales and service network all over the country. Moreover, it plans to open new showrooms in Izmir, Istanbul, Ankara, and Bodrum, for improving its marketing power in the multi-brand approach.

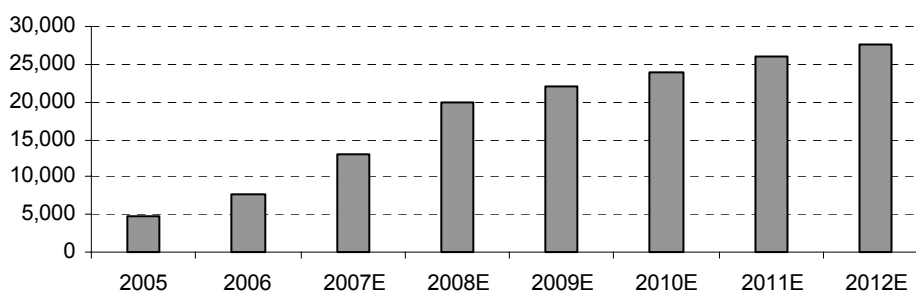
VDF is Dogus Otomotiv's automobile financing company – in which a 48% stake is held by Dogus Otomotiv. Not only the VW brand is financed, but also VDF finances other brands. In the forthcoming period, Dogus Otomotiv targets to sell its 20% sales-volume by financing from VDF.

The VDF Consumer Finance total car portfolio had 16 vehicles and 6 motorbike brands in 2006. VDF financed 99,051 vehicle purchases and had an outstanding loan balance of YTL1.2bn, as of 2006-end. The VDF Consumer Finance had a 14% market share among all financial institutions, while holding a 52% share among the consumer finance companies in 2006.

Exhibit 8: VDF Loan Portfolio and Market Share

Source: Dogus Otomotiv

Dogus Otomotiv carries out its second-hand auto activities under the “DOD” brand. Used vehicles sales were recorded up until end of 2005 under VDF Otomotiv. However, Dogus Otomotiv has acquired “DOD” from VDF Otomotiv in December 2005, and started to fully consolidate “DOD” operations in its financials. The company has sold 7,760 vehicles in 2006 under the DOD brand, while this figure was realized as 10,261 vehicles in the first 10 months of 2007. We forecast that the company to sell 13,000 vehicles in 2007, while it is expected to increase to 20,000 vehicles in 2008. In our estimates, we expect that the company’s turnover from the project will generate US\$130mn in 2007, while it will increase to US\$260mn in 2011 and US\$335mn in 2016, thanks to the improvement in the second-hand automotive market. We believe that the second hand sales will benefit from the improvement in the automotive sector, so that we expect the DOD sales will increase in the coming years.

Exhibit 9: Historical and Projected Sales Volume of DOD

Source: Dogus Otomotiv, Eczacıbaşı Securities Investment Research Estimates

We employed a 3% commission fee for second-hand sales in our valuation model. We forecast that DOD sales will reach 13,000 vehicles in 2007, while it will record a CAGR increase of 11% between 2007 and 2016. In our DCF model, we used a terminal growth rate of 2% and a WACC of 12%. Finally, we calculated US\$30mn fair value for Dogus Otomotiv’s second-hand DOD operation.

Exhibit 10: Projected Cashflows of DOD Project and Valuation Summary

US\$ mn	2007	2008 E	2009 E	2010 E	2011 E	2012 E	2013 E	2014 E	2015 E	2016 E
Unit Sales	13,000	20,000	22,000	24,000	26,000	27,500	29,000	30,500	32,000	33,500
Revenues	130.0	200.0	220.0	240.0	260.0	275.0	290.0	305.0	320.0	335.0
EBITDA	2.0	3.2	3.5	3.8	4.1	4.3	4.6	4.8	5.0	5.3
<i>EBITDA Margin</i>	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Free Cashflow Model										
EBITDA	2.0	3.2	3.5	3.8	4.1	4.3	4.6	4.8	5.0	5.3
Taxes	0.4	0.6	0.7	0.7	0.8	0.8	0.9	0.9	1.0	1.0
Δ in working capital	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Capital Expenditures	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Free Cashflows	1.4	2.2	2.5	2.7	3.0	3.2	3.4	3.5	3.7	3.9
WACC	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Terminal growth rate	2.0%									
PV of free cashflows	16									
PV of terminal value	14									
Net debt	0									
Value of DOD Operation	30									

Source: Eczacıbaşı Securities Investment Research Estimates

NEW VENTURES

In line with Dogus Otomotiv's long-term strategy, the company has started to diversify its operations in different areas in the automotive sector and different countries as well.

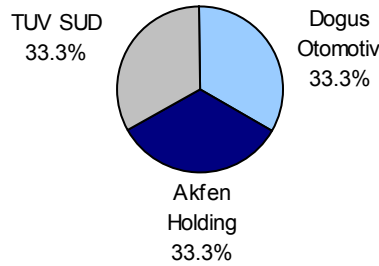
Accordingly, the diversification process has started by getting the operating rights for the "Motor Vehicle Inspection Stations," which we perceive as a solid step for Dogus Otomotiv to diversify its revenue and operating income base. Moreover, Dogus Otomotiv signed an agreement with Krone and Meiller for manufacturing the trailers and tippers, respectively, which demonstrated the management's intention for steady growth. Separately, Oto-fix service project is a different business for Dogus Otomotiv -- for integrating multi-brand quick maintenance services.

Dogus Otomotiv targets to enhance its distribution business in the international markets, as well. In that connection; the company has signed a contract with Volkswagen to provide import, distribution and after-sales services for the VW brand LCVs in Egypt, while the company was authorized for marketing, sales and after-sales services of Porsche-brand vehicles in Lausanne.

- 1. Motor Vehicle Inspection Stations:** The motor inspection activities in Turkey were inefficient and insufficient. To illustrate the situation, we provide the following figures. According to 2006's figures, the number of registered vehicles in Turkey was 12.2mn,

while 6mn vehicles were required to be inspected in 2006, although 3.6mn vehicles were inspected in that year. Considering the 2006 results, we can say that the capture ratio was 60%. To begin with the EU integration process, the automotive sector's inspection process will change positively and the regulations in the vehicles inspection requirements will improve.

Exhibit 11: Shareholder Structure of TÜVTURK

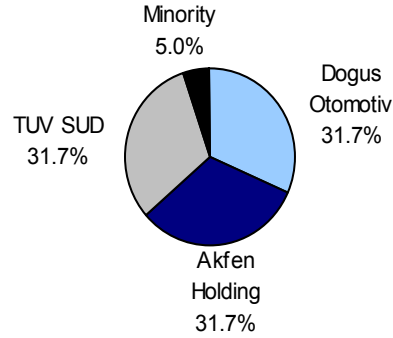


Source: Dogus Otomotiv

TÜVTURK is the consortium which was established by TUVSUD, the Akfen Holding and Dogus Otomotiv with an equal stake of 33.33%. The consortium won the motor vehicles inspection stations tender in December 2004 and signed the final agreement regarding the project of the operating right of the motor vehicles inspection stations for a 20-year period with the Privatization Administration ("PA") on August 15, 2007. The consortium won the motor vehicles inspection stations tender for building and operating in the northern and southern parts of Turkey for 20 years. Price was determined as US\$613mn for the two regions, and it was paid in cash, while the PA provided a 10% discount, and the consortium paid US\$552mn. In order to finance the deal, TÜVTURK received US\$552mn loan from ABN Amro Bank N.V. and Bayerische Hypo und Vereinsbank AG, with a 12-year maturity (first 3-year period is grace period) for financing the entire tender bid.

TÜVTURK will build a total of 189 fixed stations and 38 mobile stations in 81 provinces and 88 county centers within the 18-month period. Apart from vehicle inspection, the stations will also feature emission control of the vehicles, mechanical tests for the EU-standards and other automotive-related operations.

The inspection operations will be operated by sub-contracted companies – excluding Istanbul. The consortium established a new company, named as TÜVTURK Istanbul, to carry out the inspection activities in Istanbul. Each party has a 31.66% stake in TÜVTURK Istanbul, while there is also a 5% minority share in the new company. Currently, there are two inspection stations in Istanbul, while TÜVTURK Istanbul plans to build 12 more stations within an 18-month period.

Exhibit 12: Shareholder Structure of TÜVTURK ISTANBUL

Source: Dogus Otomotiv

The inspection operations will be operated by the “business associate system.” In the system, subcontractor companies are awarded on a city-basis and these companies will operate in the specific areas. With the help of the business system, TÜVTURK will ease its operational risk, while increasing its cash generation cycle. In the business system, TÜVTURK will construct the inspection stations, set the quality norms and the communication systems, train the employees and control the efficiency of the operations. On the other hand, subcontractor companies will supply the land and arrange for the receipt of the legal and regulatory permissions, operate the inspection business in the specific area and make maintenance regularly.

TÜVTURK will receive a license fee from the sub-contracted companies. The license fee includes both investment expenditures and the special price for each region – which is determined by considering the car penetration, vehicles growth rate, and capture rate etc.

TÜVTURK will receive 7% of revenues of the sub-contracted companies in the first 10-year period, while, during the remaining years, 20% of the revenues will be collected by the consortium. Moreover, in the first 3-year period, 30% of inspection fees will be transferred to the government, followed by 40% to be paid in the next 7-year period, and finally 50% will be transferred to the government in the last 10-year period. It should be noted that TÜVTURK will not pay any fee to the government from the inspection payments. Looking at the procedure of the business, 7% of the total revenue will be received by TÜVTURK, while 30% of total revenues will be transferred to the government, and the remaining portion will be received by sub-contracted company.

In our projections, we project that the vehicle park in Turkey will attain a CAGR of 5.5% during the projection period and reach 30.6mn vehicles by 2026. Furthermore, we forecast that the capture rate will climb to 90% in 2015 from its current level of 60%, thanks to the new official regulations and controls, and become stable during the project. In our model, the inspection fees are stated in the YTL and inflated with the CPI increase every year.

Also, we assumed that 23% of the car park is registered in Istanbul and forecast this figure to reach 29% in 2015 and 33% by 2026.

On the capital expenditures front, TÜVTURK plans to invest US\$200mn in the first 18-month period, while US\$40mn maintenance expenditure is expected for the 20-year period. All the investment expenditures will be completed by TÜVTURK, while the maintenance expenditures will be assumed by the sub-contracted companies.

In our valuation model for motor vehicle inspection stations, we have employed sum-of-the-parts model, in which we valued Istanbul activities and other regions' business, separately. We utilized a risk-free rate of 7%, an equity risk premium of 4% and a stock beta of 1x.

Taking into account Dogus Otomotiv's share in both TÜVTURK and TÜVTURK Istanbul, NPV of the TÜVTURK stood at US\$235mn, while the NPV of TÜVTURK Istanbul is US\$409mn. Based on Dogus Otomotiv's stakes in the aforementioned projects – 33.33% in TÜVTURK and 31.66% in TÜVTURK Istanbul -- we have calculated that the contribution to Dogus Otomotiv's fair value as US\$129mn from Istanbul operations and US\$78mn from Turkey operations.

Otofix will create synergy with inspection stations. Otofix is a quick repair shop, which provides services -- i.e. tire replacement, oil, filter, battery and brake changes -- in a very short period of time. The company targets to create a synergy with the inspection stations by locating the repair platforms next to the motor vehicle stations. Dogus Otomotiv has currently one Otofix shop in Istanbul, while aiming to open 100 maintenance shops in the next 5-year period. Dogus Otomotiv plans to create a positive synergy with motor vehicle inspection business in the forthcoming period. Although the project is important for Dogus Otomotiv's business differentiation structure, it will have a minor effect on the valuation of the company. So that we have refrained from including the Otofix operations in our valuation model, due to lack of significant information and its minor effect on the company's cash generation, in the mid-term.

NPV Analysis of TÜVTURK Istanbul

US\$ mn	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Vehicle Park in Turkey	11.0	11.6	12.3	13.1	13.9	14.7	15.6	16.6	17.5	18.6	19.6	20.7	21.8	22.9	24.1	25.3	26.6	27.9	29.2	30.6
<i>growth</i>		6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	5%	5%	5%	5%	5%	5%	5%	5%
Vehicle Park in Istanbul	2.5	2.8	3.0	3.3	3.6	4.0	4.3	4.6	5.0	5.4	5.8	6.2	6.6	7.1	7.5	8.0	8.4	8.9	9.4	10.0
<i>growth</i>		10%	9%	9%	9%	9%	9%	8%	8%	8%	7%	7%	7%	7%	6%	6%	6%	6%	6%	6%
<i>Weight in Turkey Vehicle Park</i>	23%	24%	25%	25%	26%	27%	27%	28%	29%	29%	30%	30%	30%	31%	31%	31%	32%	32%	32%	33%
# of Vehicles to be Inspected	1.0	1.1	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.7	1.8	1.9	2.0	2.1	2.2	2.5	2.5	2.6	2.7	2.6
Capture Rate	57%	68%	73%	78%	83%	86%	88%	89%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
# of Vehicles Inspected	0.6	0.7	0.8	1.0	1.1	1.2	1.3	1.4	1.5	1.6	1.6	1.7	1.8	1.9	2.0	2.2	2.3	2.4	2.4	2.3
Revenues	0.0	65.3	73.5	88.4	101.4	118.3	130.8	146.8	159.0	173.5	180.3	190.7	198.9	208.0	215.9	243.4	251.7	260.5	269.0	256.3
EBITDA	0.0	21.7	25.8	33.4	29.8	36.7	41.8	48.4	53.3	59.2	58.6	52.4	55.3	58.5	61.3	71.0	74.0	77.1	80.1	75.6
<i>EBITDA Margin</i>		33%	35%	38%	29%	31%	32%	33%	34%	34%	33%	27%	28%	28%	28%	29%	29%	30%	30%	29%
Tax Payment	0.0	4.2	5.1	6.6	5.9	7.2	8.3	9.6	10.6	11.7	11.6	10.4	11.0	11.6	12.2	14.1	14.7	15.3	15.9	15.0
Δ in Net Working Capital	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditures	0.2	12.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Free cash flows (FCF)	-0.2	5.5	20.5	26.6	23.8	29.3	33.3	38.6	42.6	47.3	46.9	41.9	44.3	46.8	49.1	56.8	59.2	61.7	64.1	60.5
WACC	5.8%	5.8%	6.0%	5.8%	5.5%	5.8%	5.8%	6.3%	6.4%	6.8%	7.6%	8.1%	8.6%	7.4%	7.3%	7.3%	7.3%	7.2%	7.1%	6.9%
Discount Factor	1.00	0.97	0.91	0.86	0.82	0.77	0.73	0.69	0.65	0.61	0.56	0.52	0.48	0.45	0.42	0.39	0.36	0.34	0.31	0.29
Discounted FCFs	-0.2	5.3	18.7	22.9	19.4	22.6	24.4	26.5	27.5	28.6	26.4	21.8	21.2	20.9	20.4	22.0	21.4	20.8	20.2	17.8

PV of the MVIS - Istanbul 409

Source: Eczacıbaşı Securities Investment Research Estimates

NPV Analysis of TÜVTURK (ex-Istanbul)

US\$ mn	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Vehicle Park in Turkey (mn)	11.0	11.6	12.3	13.1	13.9	14.7	15.6	16.6	17.5	18.6	19.6	20.7	21.8	22.9	24.1	25.3	26.6	27.9	29.2	30.6
<i>growth</i>			6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	5%	5%	5%	5%	5%	5%	5%	5%
# of Vehicles to be Inspected (mn)	3.0	3.0	2.9	2.9	2.8	2.9	2.9	2.9	3.0	3.1	3.1	3.2	3.4	3.5	3.6	4.1	4.3	4.4	4.6	4.3
Capture Rate	61%	68%	72%	77%	82%	86%	88%	89%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
# of Vehicles Inspected (mn)	1.8	2.0	2.1	2.2	2.3	2.5	2.5	2.6	2.7	2.7	2.8	2.9	3.0	3.2	3.3	3.7	3.8	4.0	4.1	3.9
Revenues	0.0	12.5	13.1	14.4	15.5	16.9	17.8	19.1	20.0	21.1	61.1	63.9	66.3	69.1	71.7	81.6	84.4	87.3	90.1	85.0
EBITDA	0.0	12.5	13.1	14.4	15.5	16.9	17.8	19.1	20.0	21.1	61.1	63.9	66.3	69.1	71.7	81.6	84.4	87.3	90.1	85.0
<i>EBITDA Margin</i>		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Tax Payment	0.0	2.5	2.6	2.9	3.1	3.4	3.6	3.8	4.0	4.2	12.2	12.8	13.3	13.8	14.3	16.3	16.9	17.5	18.0	17.0
Δ in Net Working Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Expenditures	459	-510	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flows (FCF)	-459.5	519.6	10.4	11.5	12.4	13.6	14.3	15.2	16.0	16.9	48.9	51.1	53.0	55.3	57.4	65.3	67.5	69.8	72.1	68.0
WACC	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Discount Factor	1.00	0.94	0.85	0.76	0.69	0.62	0.56	0.50	0.45	0.41	0.37	0.33	0.30	0.27	0.24	0.22	0.20	0.18	0.16	0.14
Discounted FCFs	-459.5	489.7	8.9	8.8	8.5	8.4	8.0	7.7	7.3	6.9	18.0	17.0	15.9	14.9	13.9	14.3	13.3	12.4	11.5	9.8

PV of the MVIS - Turkey **235**

Source: Eczacıbaşı Securities Investment Research Estimates

- 2. Production of Krone trailers in Turkey:** Dogus Otomotiv previously released its projects for trailer manufacturing with Krone. As part of the project, Dogus Otomotiv and Krone will establish a new company, in which Krone will have the 51% stake; Dogus Otomotiv and Dogus Holding will be the minority shareholders with a 48% and 1% stake, respectively. By the end of 2006, the market share of Krone brand trailers was 17.5%, and Dogus Otomotiv had sold 809 trailers in 2006, whereas Dogus Otomotiv sold 589 trailers in 9M07.

The related production facility will be built in Izmir with an estimated capacity of 10,000 vehicles per year. Production is scheduled to begin at the beginning of 2009, and in the initial stage; the management targets to produce 5,000 vehicles in 2009, which will be gradually increased to 10,000 units by 2011. Investment budget of the Krone project is estimated at around €30-35mn. The investment was scheduled to be initiated in 2H07, as the purchase of land and the entire procedures were set to be completed at the end of 2008. The 90% of the production volume will be exported to the distribution channels of Krone. As Dogus Otomotiv controls a 48% stake in the new company, the company will record the new company based on the equity pick-up method.

Exhibit 13: Contribution of Krone project to Dogus Otomotiv

US\$ mn	2007	2008 E	2009 E	2010 E	2011 E	2012 E	2013 E	2014 E	2015 E	2016 E
Unit Sales										
Domestic	0	0	500	750	1,000	1,000	1,000	1,000	1,000	1,000
Exports	0	0	4,500	6,750	9,000	9,000	9,000	9,000	9,000	9,000
Total	0	0	5,000	7,500	10,000	10,000	10,000	10,000	10,000	10,000
Revenues										
Domestic	0	0	20	30	40	40	40	40	40	40
Exports	0	0	127	187	249	249	249	249	249	249
Total	0	0	148	216	289	289	289	289	289	289
EBITDA	0	0	11	16	22	22	22	22	22	22
<i>EBITDA Margin</i>			8%	8%	8%	8%	8%	8%	8%	8%
Net Earnings	0	0	9	10	16	17	17	17	17	17
<i>Net Margin</i>			6%	5%	6%	6%	6%	6%	6%	6%
Net Earnings attributable to Dogus Otomotiv	0	0	4	5	8	8	8	8	8	8
Free Cashflow Model										
EBITDA	0	0	11	16	22	22	22	22	22	22
Taxes	0	0	2	3	4	4	4	4	4	4
Δ in working capital	0	0	1	1	1	0	0	0	0	0
Capital Expenditures	15	30	1	2	2	2	2	2	2	2
Free Cashflows	-15	-30	7	11	15	15	15	15	15	15
WACC	9.5%	7.7%	8.3%	8.8%	9.6%	10.3%	11.0%	11.0%	11.0%	11.0%
Terminal growth rate	0%									
PV of free cashflows	39									
PV of terminal value	61									
Net debt	40									
Value of Krone Operations	60									

Source: Eczacıbaşı Securities Investment Research Estimates

In the valuation of the Krone project, we have opted to utilize the DCF valuation method for reaching the fair value of the Krone project. In our model, we forecast that the company will commence its production in 2009 and will produce 5,000 vehicles in 2009. Although the company plans to manufacture 10,000 vehicles per year, we acted conservatively and forecast that the company's CUR will reach 100%, in 2011. In our valuation model, we did not employ a terminal growth rate, while determining an average WACC of 9.8%. According to our estimates, we reached US\$60mn fair value for the Krone business.

3. Distribution of VW commercial vehicles in Egypt: Volkswagen has awarded Dogus Otomotiv the right for the retailing and servicing activities of VW LCVs in Egypt, in September 2006, and the Egyptian operation has commenced during the 2007 summer.

Key aspects of the Egyptian automotive market are as follow:

- a. By the end of 2006, total sales of the automotive market is 170,000 vehicles. It is expected that the sales amount of the automotive market will reach 300,000 units by 2011 in Egypt. The Egyptian automotive market grew by 2.3% and 21% in 2005 and 2006, respectively, while it is expected to grow by 20% in 2007.
- b. The Egyptian total car park is 2.2mn vehicles, although the car park includes very old vehicles. Moreover, car ownership per 1,000 inhabitants is 30 vehicles in Egypt, while Turkey's car ownership per 1,000 people is 112 vehicles.
- c. In the Egyptian automotive sector, Far Eastern companies have a tangible market share. Hyundai is the market leader in the passenger car segment, while Daewoo is the second company in the category. In the commercial vehicles segment, Chevrolet is the market leader, while it is followed by Toyota and Nissan.

Dogus Otomotiv has currently one showroom in Cairo and they target to open three new sales points, located in Cairo, Alexandria and Sharm El-Sheikh, over the next three years. Until now, Dogus Otomotiv has spent US\$2mn for the project.

The Egyptian operation will commence at the beginning of 2008 and the company plans to sell 1,000 vehicles in 2008, while we expect it to increase the sales volume to 3,500 vehicles in 2016. In that regard, we expect that the company will generate annual revenue of US\$23mn in 2008, while it will reach US\$81mn after 2016.

In our valuation, we have employed a 2% of terminal growth rate, while foreseeing a WACC of 10.3%. In our model, we calculated a target fair value of US\$24mn for the Egypt project of Dogus Otomotiv.

Exhibit 14: Projected Cashflows of Egypt Project and Valuation Summary

US\$ mn	2007	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
Unit Sales	100	1,000	1,500	1,750	2,000	2,500	2,750	3,000	3,250	3,500
Revenues	2	23	35	40	46	58	63	69	75	81
EBITDA	0.0	0.8	1.9	2.2	2.5	2.9	3.2	3.5	3.7	4.0
EBITDA Margin	1.5%	3.5%	5.5%	5.5%	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%
Free Cashflow Model										
EBITDA	0.0	0.8	1.9	2.2	2.5	2.9	3.2	3.5	3.7	4.0
Taxes	0.0	0.1	0.3	0.4	0.5	0.5	0.6	0.6	0.7	0.7
Δ in working capital	0.0	0.2	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Capital Expenditures	1.0	1.0	0.2	0.2	0.2	0.3	0.3	0.3	0.4	0.4
Free Cashflows	-1.0	-0.5	1.3	1.6	1.8	2.0	2.2	2.4	2.6	2.9
WACC	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%
Terminal growth rate	2.0%									
PV of free cashflows	9									
PV of terminal value	15									
Net debt	1									
Value of Operation:	24									

Source: Eczacıbaşı Securities Investment Research Estimates

- 4. Dealership agreement for Porsche-brand vehicles in Lausanne.** Dogus Otomotiv has also signed a dealership agreement for the retailing operations of Porsche in Lausanne/Switzerland. Operation will start in 2009. Its operations in Switzerland are quite important for Porsche, as the sales volume reached 1,600 vehicles in 2006, compared to 220 in Turkey, and out of the 1,600 vehicles, 270 were sold in Lausanne. This line of business will be fully consolidated, and Dogus Otomotiv plans to spend US\$10mn in association with this project.

We assume that Dogus Otomotiv will sell 220 vehicles in 2009, while the sales volume gradually improves to 519 vehicles in 2016. According to our sales volume estimates, we forecast that the company's revenue will be realized as US\$15mn in 2009, increasing to US\$34mn, in 2016.

In our valuation model, we have assumed a 1% terminal growth rate for the business, while the WACC was estimated as 7.7%. According to our forecasts, we reached a fair value of US\$16mn for the related business.

Exhibit 15: Projected Cashflows of Porsche Project and Valuation Summary

US\$ mn	2007	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
Unit Sales	0	0	220	271	333	409	504	509	514	519
Revenues	0	0	15	18	22	27	33	33	33	34
EBITDA	0.0	0.0	1.2	1.5	1.8	2.2	2.7	2.7	2.8	2.8
<i>EBITDA Margin</i>			8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Free Cashflow Model										
EBITDA	0.0	0.0	1.2	1.5	1.8	2.2	2.7	2.7	2.8	2.8
Taxes	0.0	0.0	0.2	0.3	0.3	0.4	0.5	0.5	0.5	0.5
Δ in working capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Expenditures	5.0	5.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Free Cashflows	-5.0	-5.0	0.9	1.1	1.4	1.7	2.1	2.1	2.1	2.1
WACC	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
Terminal growth rate	1.0%									
PV of free cashflows	4									
PV of terminal value	17									
Net debt	5									
Value of Porsche Operation	16									

Source: Eczacıbaşı Securities Investment Research Estimates

- 5. Production of Meiller tippers in Turkey:** Dogus Otomotiv and the German Meiller GmbH Group have established a new JV company – in which Dogus Otomotiv has a 49% stake, while the remaining portion is owned by Meiller – named as Meiller-Dogus Damper Sanayi, for the manufacturing of “Meiller” brand tippers and semi-trailer tippers in Turkey. The Meiller Group is one of the leading manufacturers, which operate in the production of tippers and trailer & semi-trailer for construction works and logistics, as Dogus Otomotiv is the main distributor of the Meiller brand in Turkey.

The project is planned to start in 1Q08 and the JV company is expected to manufacture 3,000 vehicles per annum. The investment budget for the project is estimated as US\$10mn. On the other hand, Dogus Otomotiv will record the Meiller-Dogus Damper Sanayi’s financial statements by using the “equity pick-up method.”

In the valuation of the Meiller project, we have employed the DCF valuation method for calculating the target fair value of the Meiller project. In our model, we forecast that the company will start its manufacture in 2008 and will produce 1,500 vehicles in 2008. We assume that the company will increase its production volume year by year, and reach 3,000 vehicles in 2015. In our valuation model, we have employed a 1% terminal growth rate, while the average WACC was determined as 10.1%. According to our estimates, we reached US\$44mn fair value for the Meiller business.

Exhibit 16: Projected Cashflows of Meiller Project and Valuation Summary

US\$ mn	2007	2008 E	2009 E	2010 E	2011 E	2012 E	2013 E	2014 E	2015 E	2016 E
Unit Sales	0	1,500	2,250	2,550	2,850	2,900	2,900	2,950	3,000	3,000
Revenues	0	62	94	110	127	133	137	143	150	154
EBITDA	0	4	7	8	9	9	10	10	10	11
<i>EBITDA Margin</i>		7%	7%	7%	7%	7%	7%	7%	7%	7%
Net Earnings	0	3	4	6	7	7	8	8	8	9
<i>Net Margin</i>		5%	4%	6%	6%	6%	6%	6%	6%	6%
Net Earnings attributable to Dogus	0	2	2	3	3	4	4	4	4	4
Free Cashflow Model										
EBITDA	0	4	7	8	9	9	10	10	10	11
Taxes	0	1	1	2	2	2	2	2	2	2
Δ in working capital	0	0	0	0	0	0	0	0	0	0
Capital Expenditures	0	10	1	1	1	1	1	1	1	1
Free Cashflows	0	-7	5	5	6	7	7	7	8	8
WACC	8.7%	7.6%	8.1%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Terminal growth rate	1%									
PV of free cashflows	17									
PV of terminal value	33									
Net debt	5									
Value of the operation:	44									

Source: Eczacıbaşı Securities Investment Research Estimates

PROSPECTS

Looking at the company's market share since 2005, we see that Dogus Otomotiv has improved its market share in the passenger car and light commercial vehicle segments.

Exhibit 17: Quarterly Sales Volume of DOAS

MODEL	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07
Audi	497	1,041	1,168	1,999	4,705	796	869	1,256	2,035	4,956	1,016	1,256	1,521
Porsche	19	25	33	76	153	62	62	50	46	220	47	56	55
Seat	734	1,802	2,084	1,950	6,570	1,107	1,726	879	860	4,572	517	625	975
Skoda	771	2,154	2,322	2,779	8,026	1,502	1,610	1,168	1,209	5,489	510	1,138	1,533
Volkswagen	9,788	15,460	17,426	22,543	65,217	13,455	19,312	12,880	13,919	59,566	9,146	11,574	13,576
Passenger Car	3,945	8,443	7,783	11,878	32,049	6,397	8,306	5,976	6,940	27,619	4,371	5,369	6,373
LCV	5,843	7,017	9,643	10,665	33,168	7,058	11,006	6,904	6,979	31,947	4,775	6,205	7,203
Bentley & Lamborghini	0	0	0	0	0	0	0	0	0	0	0	11	4
Scania	364	456	486	768	2,074	509	469	544	577	2,099	469	551	571
Krone	34	95	89	184	402	138	257	230	184	809	178	220	191
Total Sales Volume										20,419			
Passenger Car	5,966	13,465	13,390	18,682	51,503	9,864	12,573	9,329	11,090	42,856	6,461	8,455	10,461
LCV	5,843	7,017	9,643	10,665	33,168	7,058	11,006	6,904	6,979	31,947	4,775	6,205	7,203
Total	11,809	20,482	23,033	29,347	84,671	16,922	23,579	16,233	18,069	74,803	11,236	14,660	17,664
Market Size										13,883			
Passenger Car	71,781	119,767	114,971	136,319	442,838	81,056	123,267	71,135	95,867	371,325	55,134	90,556	84,377
LCV	47,805	69,802	74,272	85,479	277,358	48,413	77,282	53,464	64,511	243,670	38,974	55,898	60,252
Total	119,586	189,569	189,243	221,798	720,196	129,469	200,549	124,599	160,378	614,995	94,108	146,454	144,629
Market Shares													
Passenger Car	8.3%	11.2%	11.6%	13.7%	11.6%	12.2%	10.2%	13.1%	11.6%	11.5%	11.7%	9.3%	12.4%
LCV	12.2%	10.1%	13.0%	12.5%	12.0%	14.6%	14.2%	12.9%	10.8%	13.1%	12.3%	11.1%	12.0%
Total	9.9%	10.8%	12.2%	13.2%	11.8%	13.1%	11.8%	13.0%	11.3%	12.2%	11.9%	10.0%	12.2%

Source: Dogus Otomotiv

In 2008, we expect that Dogus Otomotiv will increase its market share in both the passenger car and LCV segments, to 11.9% and 12%, from its levels of 11.8% in the passenger car segment and 11.7% in the LCV segment, respectively, at the end of 2007.

Moreover, we expect that the market share in the trailer and heavy truck segment will be stable, in our projections, to be realized as 14% and 6.5%, respectively, until 2016.

According to our assumptions, Dogus Otomotiv's passenger car sales volume will increase 24%, y/y, in 2H07, compared with 2H06, while the full-year contraction will be 6%, y/y, to 40,275 vehicles. In 2008, we forecast that the PC segment sales will increase by 9%, y/y, to 43,836 units, thanks to the declining interest rates.

In the LCV segment, we expect a tangible growth of 18%, y/y, in 2H07, while the full-year figure is expected to decline by 15%, y/y. In our 2008 projections, we expect a 12% growth in the related segment, due to the acceleration in the GDP growth, as well as the declining interest rates.

Exhibit 18: Dogus Otomotiv Sales Volume Estimates

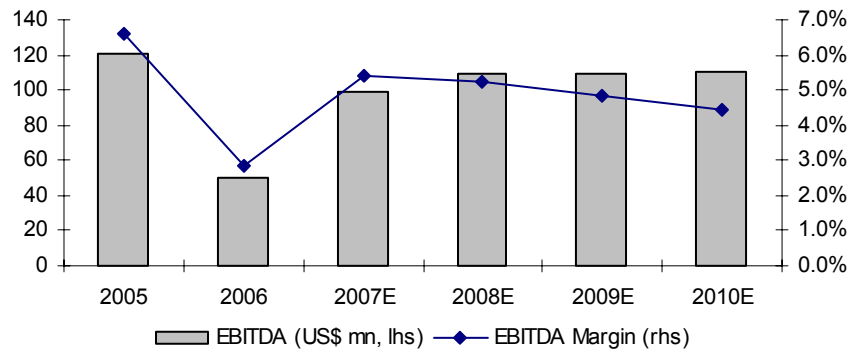
MODEL	2005	2006	2007E	2008E	2009E	2010E
Audi	4,705	4,956	5,934	6,281	6,784	7,326
Porsche	153	220	202	218	236	254
Seat	6,570	4,572	3,265	3,695	4,589	5,172
Skoda	8,026	5,489	5,408	5,912	6,784	7,326
Volkswagen	65,217	59,566	52,762	58,404	64,394	71,008
Passenger Car	32,049	27,619	25,448	27,711	29,928	32,322
LCV	33,168	31,947	27,314	30,693	34,466	38,686
Bentley & Lamborghini	0	0	18	19	21	23
Scania	2,074	2,099	2,192	2,214	2,236	2,259
Krone	402	809	807	847	890	934
Total	87,147	77,711	70,588	77,591	85,933	94,302
Total Sales Volume						
Passenger Car	51,503	42,856	40,275	43,836	48,341	52,424
<i>growth</i>		-17%	-6%	9%	10%	8%
LCV	33,168	31,947	27,314	30,693	34,466	38,686
<i>growth</i>		-4%	-15%	12%	12%	12%
Total	84,671	74,803	67,589	74,529	82,807	91,110
<i>growth</i>		-12%	-10%	10%	11%	10%
Market Size						
Passenger Car	442,838	371,325	342,112	369,481	399,039	430,962
LCV	277,358	243,670	232,524	255,777	281,354	309,490
Total	720,196	614,995	574,636	625,257	680,393	740,452
Market Shares						
Passenger Car	11.6%	11.5%	11.8%	11.9%	12.1%	12.2%
LCV	12.0%	13.1%	11.7%	12.0%	12.3%	12.5%
Total	11.8%	12.2%	11.8%	11.9%	12.2%	12.3%

Source: Dogus Otomotiv, Eczacıbaşı Securities Investment Research Estimates

In 2007, despite a 9% decrease in the total sales volume, we forecast its consolidated revenues to increase by 4%, to US\$1.8bn. In 2007, the company's gross margin will improve to 15.1%, while the EBITDA margin will improve to 5.4%, thanks to the enhancement in the domestic market and the stable cost from strong YTL.

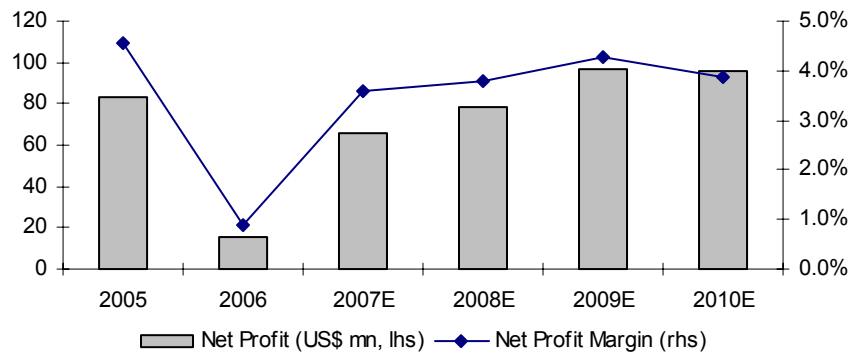
In 2008, thanks to the improvement in the domestic market sales and the new projects, we expect that Dogus Otomotiv's consolidated revenue will increase by 14%, to US\$2.1bn. On the other hand, thanks to the stable FX rate, we forecast that the company's 2008's gross margin will continue in line with 2007's figure.

We also expect that the company's operating expenses will become stable in 2008, compared with 2007's figure, so that Dogus Otomotiv's operating margin will become stable in 2008. Moreover, we forecast that the EBITDA margin will navigate in a stable level in 2009, and will decline slightly, due to the competition in the automotive sector.

Exhibit 19: Projected Consolidated EBITDA and EBITDA Margin

Source: Dogus Otomotiv, Eczacıbaşı Securities Investment Research Estimates

Considering the long-term perspective, we forecast that the sales revenue will increase by 9% CAGR in the 5-year period, and rise by a 7% CAGR in the 10-year term, thanks to the tangible benefits to be attained from the improvement in the domestic automotive market as well as the company's diversified operations. Moreover, the operating profit is expected to grow by 15% CAGR between 2006 and 2011, while it is assumed to grow by 8% CAGR; in the 10-year period. In line with the perfect cost management and stable currency, the EBITDA figure will advance by 17% CAGR, in the next 5-year term, while the 10-year CAGR growth will be registered as 9%.

Exhibit 20: Projected Consolidated Net Earnings

Source: Dogus Otomotiv, Eczacıbaşı Securities Investment Research Estimates

Recap of 9M07 Results

Dogus Otomotiv released its 9M results on November 26. The company recorded a US\$43mn net earnings in the 9M-period, increasing by 243%, y/y. Due to the appreciation of the YTL, the company's gross margin improved significantly in y/y terms, and drove the profitability both in 3Q07 and 9M07.

In 9M07, the company's sales volume declined by 22%. The financial turmoil in May 2006 caused an increase in the interest rates and currency depreciation. Although the sales volume has started to increase since June 2007, we saw a decline in the y/y sales figures. The revenue contracted by only 3%, y/y, in 9M07, to US\$1.28bn, although the sales volume decreased by 22%, y/y.

Dogus Otomotiv registered its gross margin at 14.8% in 9M07, compared to 11.6% in 9M06, and benefited from the stable exchange rates on its imports, which were denominated in €-terms.

The operating expenses, as a percentage of revenues, increased by 200 bps, to 10.7% in 9M07, due mainly to the climb in both general administration and warranty expenses. In that context, the operating margin increased to 4.1% in 9M07 from 2.9% and the EBITDA margin improved by 150 bps, to 4.8% in 9M07, while the EBITDA figure advanced by 42%, y/y, to US\$62mn. The improvement in the gross margin has enhanced both the operating and the EBITDA margins in 9M07.

At the bottom-line, the company recorded a 234% y/y growth, and registered US\$43mn net earnings in 9M07.

On the other hand, the company has US\$322mn in F/X short position as of 9M07-end, while it was US\$300mn in its 2006-end financial statements. Furthermore, most of its liabilities are denominated in €-terms.

Exhibit 21: Dogus Otomotiv 9M07 Summary Financials

US\$ mn	2007/09	2006/09	Δ	3Q07	2Q07	3Q06	Δ (q/q)	Δ (y/y)
Revenues	1,279	1,314	-3%	509	443	401	15%	27%
Gross Profit	189	153	24%	74	65	49	14%	53%
Operating Profit	52	38	38%	28	17	12	68%	144%
EBITDA	62	43	42%	32	20	14	61%	134%
Net Profit	43	13	234%	27	14	11	99%	149%
Net Debt	27	-45	n.m	27	29	-45	-7%	-159%
Gross Margin	14.8%	11.6%	3.2%	14.6%	14.7%	12.1%	-0.1%	2.5%
Operating Margin	4.1%	2.9%	1.2%	5.6%	3.8%	2.9%	1.8%	2.7%
EBITDA Margin	4.8%	3.3%	1.5%	6.3%	4.5%	3.4%	1.8%	2.9%

Source: Dogus Otomotiv, Eczacıbaşı Securities Investment Research Estimates

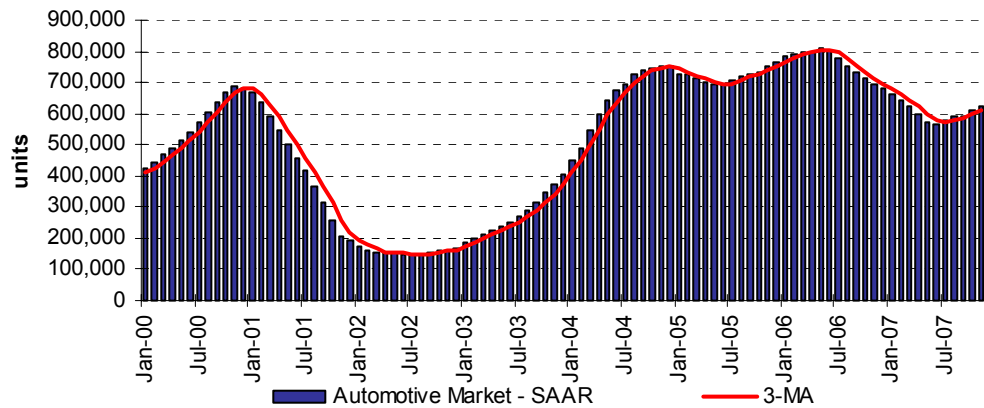
SECTOR OVERVIEW

The automotive sector is one of the leading segments of the Turkish economy. The sector has grown rapidly with the help of lower interest rates. The aggregate domestic sale was as low as 206,000 vehicles in 2002, while the sales volume reached 790,000 vehicles in 2005. Lower penetration ratio and positive developments in the economy supported the uptrend until 2006-mid.

After the financial turmoil in May 2006, the sector's sales have started to decline sharply. Before the financial turbulence, the consumer loans had navigated at the 1.2% level. After May, a significant upsurge in the interest rates – which has climbed to 2% -- has affected the sales performance. The monthly sales volume has dropped to 50,000 vehicles, from its 80,000 levels in 2006.

The contraction in the monthly sales continued until the financial turmoil. After the elimination of the political ambiguities and rise in the consumer confidence level, the recovery has commenced in the sector since June 2007.

Exhibit 22: Seasonally Adjusted Annualized Rate of the Automotive Market



Source: AMA, Eczacıbaşı Securities Investment Research Estimates

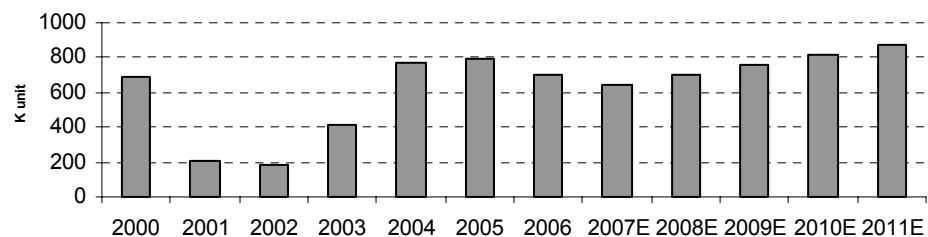
Looking at the SAAR analysis for the automotive market, we saw that the recovery has started in June. In our SAAR analysis, we excluded the days of Sunday, religious and national holidays – during when the companies do not operate. In our SAAR analysis, we calculated that the SAAR volume in November in the automotive market cumulated to 623,362 units, while it was 568,632 vehicles in June. Looking at the details, the passenger car SAAR sales volume increased to 340,260 vehicles in November, from its June level of 313,003, while the LCVs' SAAR figure climbed to 227,819, from 211,020 units, in the same period.

According to our assumptions, we forecast that the local sales volume will increase by 14% in 2H07, compared with 2H06, thanks to the rise in consumer confidence, a stable foreign exchange level and political stability. Moreover, we

expect the domestic market will expand by 8%, y/y, in 2008 and 2009. We also forecast that the sales volume will grow by 4.5% CAGR in the 5-year period, and improve by a 4.4% CAGR in the 10-year period, with the help of the expected decline in the interest rates and growth in the GDP.

Looking at the passenger car segment, we expect a 17% growth in 2H07, compared with 2H06, while it is expected to improve by an 8% increase in 2008 and 2009. On the other hand, in the light commercial vehicles segment, we forecast a 16% y/y growth in 2H07, while 10% improvement in 2008 and 2009.

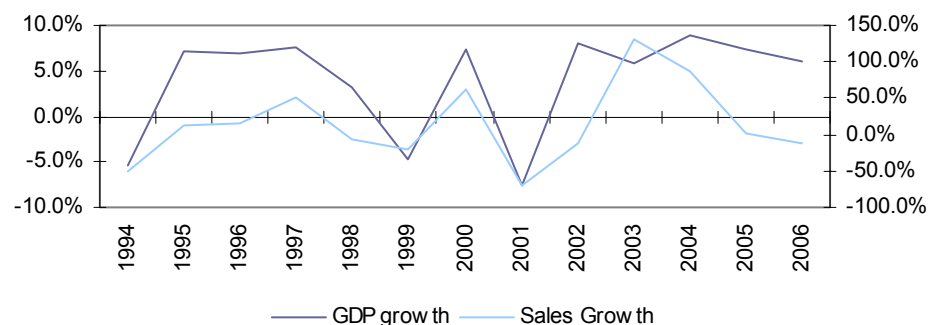
Exhibit 23: Annual Domestic Automotive Sales



Source: AMA, Eczacıbaşı Securities Investment Research Estimates

On the other hand, the automotive sector is very sensitive to the economic conditions and consumer sentiment. Moreover, the disposable personal income is more important for the sector's trend. The people can easily change their current consumption patterns, when-or-if the economic parameters are unsuitable for their future expectations. On the other hand, it should be recalled that the disposable personal income is correlated with the country's GDP per capita level. At this point, we forecast that Turkey will achieve a 4.5% growth in the GDP in 2007, while the growth will be recorded as 5.8% in 2008. In that context, we anticipate that the sector sales may accelerate after 2007, since the peoples' future expectations may improve in the coming periods, backed by expected stability in the economic conditions. Moreover, "consumer sentiment" is another key factor of automotive consumption. With the help of stable economic conditions, the consumer confidence will increase – which is one of the important triggers of consumption.

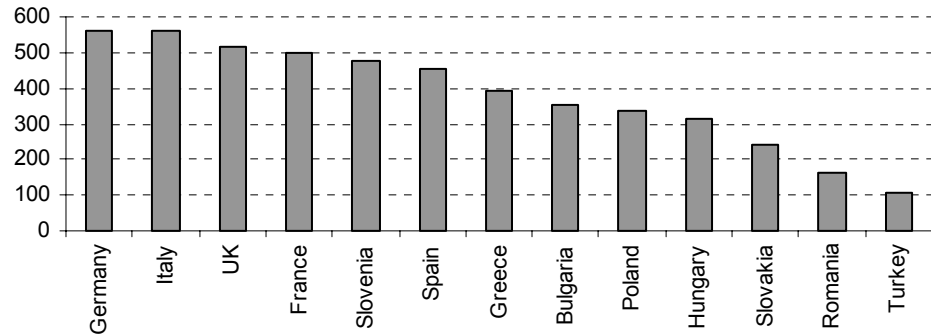
Exhibit 24: GDP Growth vs. Domestic Automotive Sales Growth



Source: AMA, TURKSTAT

When we compare the vehicle ownership penetration figure with the other emerging markets, the ratio is still low in Turkey. In the world, the average penetration for 1,000 people is around 132 vehicles, while the figure is 112 vehicles for Turkey. We think that the ownership number is still low in comparison to other countries – especially the emerging markets. Moreover, Turkey has still an opportunity for enhancing the ownership ratio.

Exhibit 25: Vehicle Ownership (vehicles per 1,000 persons, 2005)



Source: AMA

Taxation is one of the negative effects of the sector's sales performance. In Turkey, the tax rates are still higher than the EU countries. The SCT is imposed in the range of 30% and 75%, depending on the automotive engine size, while the VAT is stable, at 18%. The potential decrease in the tax rates will improve the domestic market sales or vice versa. We believe that the tax rates may decline, during the course of adjustment with the EU brackets.

Exhibit 26: Weight of Tax in Automotive Sector

	Turkey	France	Italy	Germany	England	Spain
VAT	18%	20%	20%	16%	18%	16%
SCT	30-75%	1%	0%	0%	0%	7%

Source: European Automobile Manufacturers Association

PROJECTED FINANCIALS

US\$ mn	2005	2006	2007E	2008E	2009E
Income Statement					
Revenues	1,823	1,764	1,830	2,083	2,271
Domestic	1,819	1,759	1,827	2,060	2,222
Exports	3	4	2	23	49
COGS	1,559	1,562	1,553	1,778	1,955
Gross Profit	263	202	277	305	316
Operating Expenses	153	160	194	219	232
Operating Income	111	42	83	86	83
Other non-operating income, net	20	5	22	32	38
Financial Income, net	-13	-30	-23	-19	0
Earnings Before Tax	117	17	82	98	122
Taxes Paid	35	3	17	20	25
Minority Interests	1	2	1	1	1
Net Earnings	83	15	65	79	97
EBITDA	120	50	98	110	109
Balance Sheet					
Cash & Marketable Securities	93	86	99	112	154
Accounts receivables	102	101	111	112	124
Due from related parties	1	4	5	5	5
Inventory	272	300	325	330	372
Other short-term assets	28	22	24	25	28
Current assets	496	513	564	583	683
Long-terms receivables	0	0	0	0	0
Due from related parties	0	0	0	0	0
Participations & Subsidiaries	176	200	367	340	333
Plant, property & equipment, net	72	77	143	191	194
Intangible assets, net	5	4	5	4	4
Deferred tax assets	1	2	2	2	2
Other long-term assets	2	5	0	0	0
Non-current assets	256	287	517	537	533
Total Assets	752	800	1,082	1,120	1,216
Short-term financial loans	16	21	25	25	25
Accounts payable	287	343	302	306	345
Due to related parties	35	38	42	43	48
Provisions	13	11	40	40	45
Other short-term liabilities	22	15	17	17	19
Current liabilities	373	430	427	432	482
Long-term financial loans	21	22	91	96	94
Long-term provisions	2	2	2	2	2
Other long-term payables	3	5	5	5	6
Non-current liabilities	26	28	98	103	102
Total liabilities	399	458	525	535	584
Minority Interests	5	3	4	5	5
Shareholders' equity	348	339	553	580	627
Total liabilities & shareholders' equity	752	800	1,082	1,120	1,216

Source: Dogus Otomotiv, Eczacıbaşı Securities Investment Research Estimates

	2005	2006	2007E	2008E	2009E
Margins					
Gross margin	14.5%	11.5%	15.1%	14.6%	13.9%
Operating expenses/revenues	8.4%	9.1%	10.6%	10.5%	10.2%
Operating margin	6.1%	2.4%	4.5%	4.1%	3.7%
EBITDA margin	6.6%	2.8%	5.4%	5.3%	4.8%
Cash costs/revenues	93.4%	97.2%	94.6%	94.7%	95.2%
EBT margin	6.4%	0.9%	4.5%	4.7%	5.4%
Net margin	4.5%	0.9%	3.6%	3.8%	4.3%
Operational Data					
Net working capital	45	19	64	64	72
Net working capital/revenues	2.5%	1.1%	3.5%	3.1%	3.2%
Capital expenditures	7	16	75	75	30
Capital expenditures/revenues	0.4%	0.9%	4.1%	3.6%	1.3%
Capital expenditures/depreciation	73.2%	194.5%	484.9%	315.3%	115.8%
Leverage					
Net debt / (cash)	-57	-43	17	10	-35
Net debt / EBITDA	-47.2%	-84.7%	17.7%	8.9%	-31.7%
Net debt/equity	-16.3%	-12.5%	3.2%	1.7%	-5.5%

Source: Dogus Otomotiv, Eczacıbaşı Securities Investment Research Estimates

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