RAYMOND JAMES - TURKEY

Dogus Otomotiv

EQUITY RESEARCH

BUY (Maintained)

Enjoys Strong Lira

- **Strong Lira, high margins…** Being a sole importer importing in Euro and distributing around 75% of its vehicles in Turkish Lira, DOAS' profitability is highly dependent on EUR/TRY rates. Appreciation of TRY contributed positively to the bottom line profitability in 1H07 and gives hopes for a better second half profitability figure for the company.

- **Lowering our fx rate assumptions…** After modifying our exchange rate assumptions, we now forecast the average TRY/EUR rate at 1.79 for 2007E and 1.75 for 2008E. Our previous assumptions were 1.81 and 1.82 respectively.

- **Expectation of further rate cuts by Central Bank…** Turkish Central Bank cut interest rates by 50 bps in October 2007. We expect further rate cuts of 50 bps until year-end and a total of 100 bps in 2008. During the monetary easing cycle DOAS should be one of the most benefiting parties in the auto sector, in our view, as the company is highly prone to domestic demand.

- **We revised our forecasts for vehicle inspection stations as well…** TUVTURK, in which DOAS has a 33% stake, decided to transfer its operating rights to subcontractors for running the vehicle inspection business all around Turkey, except in Istanbul. Our revised estimate for the value of DOAS' stake at vehicle inspection business is US$198mn, which was US$162mn before.

- **Major Risks…** Any sudden increase in fx rates or no rate cut decision by the Central Bank are major risk factors for the shares.

- **45% upside potential…** Our revised forecasts point to a 12-month target market capitalization of US$1.0bn for DOAS, implying a 45% upside potential for company shares.

Current Price (Nov 09, 2007)	**YTL7.65**
Current Mcap (mn)	**US$713**
12-mth Target Price	**YTL11.80**
Target Mcap (mn)	**US$1,018**

12-mth Forecast Returns (US$)	
Dividend Yield	2.8%
Capital Appreciation	42.6%
12-mth Total Return	45.4%

Stock Data				
Ticker		DOAS.IS		DOAS TI
Sector				Retail-Automobile
# of Shares (mn)				110
3M Avg. Trd. Vol. (mn)				US$6.8
52-week Range	YTL	5.20	YTL	9.05

Market Data	
ISE 100	53,689
YTL/US$	1.1794

Shareholder Structure	
Dogus Holding	35%
Dogus Arastirma Gel. Ve Mus. Hizm	30%
Free Float	35%
Foreign Holding as % of Free Float	60%

Financials (US$ mn)	**2006**	**2007E**	**2008E**	**2009E**
Net Sales	1,765	1,718	2,159	2,283
% ch yoy	*-3*	*-3*	*26*	*6*
Operating Profit	42	54	81	96
% ch yoy	*-62*	*29*	*50*	*18*
EBITDA	50	69	100	115
% ch yoy	*-59*	*38*	*44*	*15*
Net Income	15	39	53	74
% ch yoy	*-82*	*157*	*35*	*39*

Operating Margins	**2006**	**2007E**	**2008E**	**2009E**
Operating Margin	2.4%	3.2%	3.8%	4.2%
EBITDA Margin	2.8%	4.0%	4.6%	5.0%
Net Profit Margin	0.9%	2.3%	2.5%	3.2%
Dividend Yield	4.8%	0.7%	2.8%	3.7%

Financial Ratios	**2006**	**2007E**	**2008E**	**2009E**
P/E (US$, x)	46.5	18.1	13.4	9.7
EV/EBITDA (US$, x)	13.3	11.2	7.9	6.8
EV/Sales (US$, x)	0.4	0.5	0.4	0.3
Debt/Equity (x)	0.13	0.29	0.31	0.23

Price Performance	**1M**	**3M**	**YTD**	**YoY**
US$ Absolute	-12%	19%	65%	28%
ISE-100 Relative	-5%	-1%	-2%	-22%

Umut Ozturk
umut.ozturk@rj.com.tr
Tel: +90 212 349 2210

RECENT DEVELOPMENTS

We updated our forecasts for the vehicle inspection business after the consortium decided to give its operating rights to business associates (except in Istanbul) instead of operating the stations by itself. Moreover, DOAS entered into production field through recently signed production agreements with Krone and Meiller.

Motor Vehicle Inspection Stations

Privatization Administration announced on August 15, 2007 that Akfen-TüvSüd-Dogus Otomotiv consortium signed the concession agreement for the transfer of vehicle inspection stations and paid the total US$552mn amount in cash. With the agreement, the consortium received the operating rights of vehicle inspection stations in Turkey for 20 years. We value the inspection stations business as US$198mn, which constitutes around 19% of our target market cap of US$1,018mn. As DOAS consolidates the business using equity pickup method, we estimate that it will constitute 9% of DOAS' net income in 2010E, increasing to 14% by 2015E.

- **Business Associate system…** TUVTURK does not operate the stations by itself, but sells the operating rights to business associates on a city basis. The business associate operates all stations in that specific city. TUVTURK receives license fees as well as royalty fees from business associates. This kind of business associate system is quite attractive since it brings easy cash generation and low risk income opportunity for TUVTURK.

Roles of TUVTURK and Business Associates

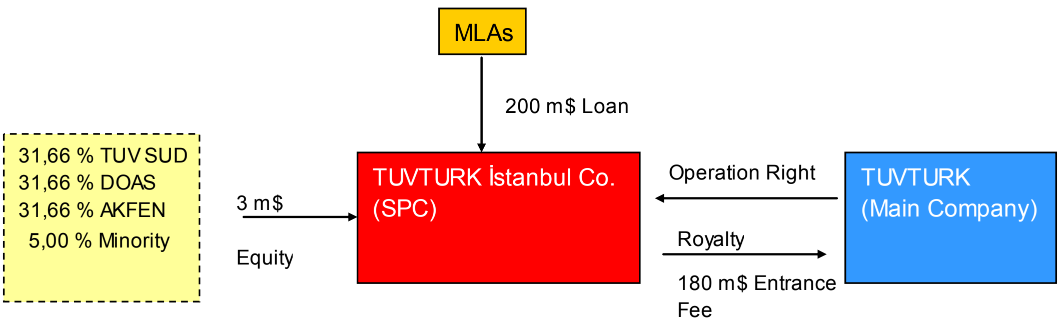
TUVTURK	Business Associates (BA)
Strategy build up	Strategy implementation
Turn-key station construction	Supply of land and taking necessary permissions
Setting the quality standard & auditing	Operating the stations
Training of all personnel	Implementing quality standards
Maintenance agreements	Maintenance
Overall communication	

Source: Company data

- **Financial aspect…** TUVTURK receives license fee from the business associates for the transfer of operating rights. In return the company carries out construction, machinery, equipment and IT supply as well as training of the personnel. Business associates, on the other hand, supply land for the inspections and are responsible for maintenance costs. They are also obliged to pay 7% of revenues in the first 10 years and 20% in the second 10 years to TUVTURK as royalties. TUVTURK receives 25% of the license fee in cash at the signing of BA contract and the rest 75% at the delivery of the stations. The company will collect approximately US$750mn until the end of 18 months as license fees, which perfectly match the US$552mn payment to Privatization Administration plus around US$200mn investment for the construction of inspection stations.

- **TUVTURK Istanbul Structure…** A new company called TUVTURK Istanbul will be established with a shareholding structure of 31.66% TUVSUD, 31.66% Akfen, 31.66% Dogus Otomotiv and 5% minorities.

TUVTURK Istanbul Structure



Source: Company data

The company will use a loan of US$200mn with a maturity of 12 years. TUVTURK will give the sub operator rights to TUVTURK Istanbul for a license fee of US$180mn. TUVTURK Istanbul will pay royalty to TUVTURK like all other business associates.

ENTERING INTO PRODUCTION FIELD

Dogus Otomotiv recently signed joint venture agreements for the production of Krone branded trailers and Meiller branded tippers in Turkey. Although we do not think these two production projects will have significant effect on DOAS' financials in coming years, with these projects DOAS gets rid of its sole importer status and becomes also a producer and an exporter.

Production of Meiller tippers

Dogus Otomotiv signed a joint venture agreement on October 23, 2007 with Meiller, Germany's leading tipper producer, regarding the manufacturing of Meiller brand tippers and semi-trailer tippers in Turkey. Dogus Otomotiv had been the main exclusive dealer of the Meiller brand in Turkey since February 2007. The company will have a 49% stake in the new established joint venture and will consolidate the business using equity pickup method. The production agreement includes EUR4mn investment. Production is expected to be started by 1H08, while 3K units are planned to be produced and 90% of that to be exported. We expect that the project's contribution to DOAS' net income will reach US$3.6mn by 2015E, constituting around 3% of DOAS' net income.

Meiller Figures	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Revenues (US$mn)							
Domestic	22	23	30	31	32	33	35
Export	51	53	69	72	75	77	81
Total	73	76	98	102	106	111	115
EBITDA Margin	7%	7%	7%	7%	7%	7%	7%
EBITDA	5	5	7	7	7	8	8
Depreciation	1	1	1	1	1	1	1
Net income	4	5	6	6	7	7	7
DOAS' share of 49%	**2.1**	**2.2**	**3.0**	**3.1**	**3.3**	**3.4**	**3.6**

Source: RJS estimates

Production of Krone trailers

Dogus Otomotiv announced on October 31, 2007 that they signed a joint venture agreement with Bernard Krone Holding for the production of Krone branded trailers in Turkey. DOAS had already been the distributor of Krone trailers in the Turkish market. Dogus Otomotiv and Krone will together invest EUR35mn for the plant, which will become operational in early 2009 with a 10,000 units annual production capacity. Total number of employees will be 200 at the initial stage, increasing to 400 after the plant starts to work with two shifts a day. Almost 80% of the company's production will be exported, while financials of the joint venture will be consolidated in Dogus Otomotiv's figures through equity pick-up method. According to our estimates, the Dogus Otomotiv-Krone JV will generate US$89mn revenues in 2009E, increasing to US$145mn by 2010E. The project's contribution to DOAS' net income will reach US$8.5mn by 2015E in our view, constituting around 6% DOAS' net income.

Krone Figures	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Revenues (US$mn)							
Domestic	18	29	34	40	47	53	60
Export	72	116	138	161	186	213	242
Total	89	145	172	201	233	266	302
EBITDA Margin	8%	8%	8%	8%	8%	8%	8%
EBITDA	7	11	13	15	17	20	23
Depreciation	5	5	5	5	5	5	5
Net income	2	6	8	10	12	15	18
DOAS' share of 48%	**0.8**	**2.8**	**3.8**	**4.8**	**6.0**	**7.2**	**8.5**

Source: RJS estimates

VALUATION UPDATE

US$1.0bn target value, 45% upside potential... We value Dogus Otomotiv using DCF analysis. We calculate the 12-month target market capitalization as US$1.0bn. At the current market capitalization of US$713mn, the shares show a 45% total return potential over the next 12 months including a dividend yield of 2.8%. Therefore, we keep our BUY rating. Our DCF based target capitalization of US$1,018mn was calculated with an assumed WACC of 12%, and terminal growth rate of 1%. US$224mn (22%) of our target market capitalization comes from the book value of the 3.86% stake the company holds in Dogus Holding.

Cash Flow Statement(US$mn)	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Net Revenues	1,718	2,159	2,283	2,373	2,455	2,495	2,602	2,719	2,733
Domestic	1,710	2,137	2,261	2,351	2,433	2,473	2,580	2,697	2,710
International	8	23	23	23	23	23	23	23	23
COGS	-1,483	-1,851	-1,954	-2,026	-2,094	-2,126	-2,216	-2,315	-2,325
Gross Profit	**235**	**308**	**329**	**347**	**362**	**369**	**386**	**404**	**408**
Gross Margin	*13.7%*	*14.3%*	*14.4%*	*14.6%*	*14.7%*	*14.8%*	*14.8%*	*14.9%*	*14.9%*
Operating Expenses	-181	-227	-233	-239	-245	-247	-254	-261	-261
Operating Profit	**54**	**81**	**96**	**108**	**117**	**122**	**132**	**143**	**147**
Operating Margin	*3.2%*	*3.8%*	*4.2%*	*4.6%*	*4.8%*	*4.9%*	*5.1%*	*5.3%*	*5.4%*
Other Non-operating Revenues	28	23	33	39	43	46	51	56	60
Other Non-operating Expenses	-10	-13	-14	-14	-15	-15	-16	-16	-16
Financial Expenses	-25	-27	-25	-23	-23	-22	-21	-21	-20
Profit Before Tax and Minorities	**47**	**64**	**90**	**110**	**122**	**132**	**146**	**162**	**170**
Tax	-10	-13	-18	-22	-25	-27	-30	-33	-34
Net Income	**39**	**53**	**74**	**90**	**99**	**107**	**118**	**131**	**138**
Net Margin	*2.3%*	*2.5%*	*3.2%*	*3.8%*	*4.0%*	*4.3%*	*4.6%*	*4.8%*	*5.0%*
EBITDA	**69**	**100**	**115**	**127**	**136**	**143**	**153**	**164**	**169**
EBITDA Margin	*4.0%*	*4.6%*	*5.0%*	*5.4%*	*5.6%*	*5.7%*	*5.9%*	*6.0%*	*6.2%*
Depreciation and Sev. Pay.	15	18	19	19	20	20	21	21	22
Taxes	-11	-17	-20	-22	-24	-25	-27	-29	-30
Capital Expenditures	-71	-40	-23	-24	-25	-24	-23	-24	-25
Change in W/C	-21	-25	-21	-21	-24	-23	-22	-25	-25
Free Cash Flow	**-34**	**18**	**52**	**60**	**64**	**71**	**80**	**86**	**89**

Source: RJS estimates

WACC	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Risk Free rate	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Risk Premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Beta	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14
Cost of Equity	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%
Cost of Debt	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Cost of Debt after Tax	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%
Weight of Equity	78%	76%	81%	89%	89%	90%	90%	90%	90%
Weight of Debt	22%	24%	19%	11%	11%	10%	10%	10%	10%
WACC	**11.3%**	**11.2%**	**11.5%**	**12.0%**	**12.0%**	**12.1%**	**12.1%**	**12.1%**	**12.1%**

Source: RJS estimates

18% of our target Mcap comes from vehicle inspection business… We value DOAS' 33% stake at TUVTURK as US$142mn and 32% stake at TUVTURK Istanbul as US$56mn, which together constitute 19% of our target Mcap for DOAS. Please refer to pp. 7 and 8 for our DCF valuation considering the vehicle inspection business.

Vehicle Inspection Business (US$mn)	NPV of the project	DOAS' share	NPV for DOAS
TUVTURK	427	33.33%	142
TUVTURK Istanbul	178	31.66%	56
Total			**198**

Source: RJS estimates

Major Assumptions for Vehicle Inspection Business:

- Currently around 62% of total required vehicles are inspected in Turkey. We expect this ratio to climb to 82% in 10 years following the implementation of TUVTURK operations, reaching EU levels.
- Car park in Turkey has grown by 7.3% CAGR since 1992. We expect Turkish car park to grow by 5.7% CAGR while car park growth in Istanbul will be 7.7% CAGR until 2017E.
- In our valuation we assumed that TUVTURK will open 227 stations until end of 2008 with a total investment of US$200mn.

We are conservative in our margin assumptions... When YTL appreciates, DOAS enjoys EBITDA margins as high as 6.6% as was the case in 2005 or 5.7% in 2004. We foresee EBITDA margin evolving from 2.8% in 2006 to 6.2% at the end of our forecast horizon in 2015E. Therefore, we believe that there is upside to our forecasts.

Sensitivity Analysis for changing YTL/EUR rates…

Sensitivity Analysis wrt YTL/EUR rates (US$mn)									
	10% appreciation of YTL			no change			10% depreciation of YTL		
	2007E	2008E	2009E	2007E	2008E	2009E	2007E	2008E	2009E
EBITDA	74	104	120	69	100	115	64	94	109
EBITDA M	4.3%	4.8%	5.2%	4.0%	4.6%	5.0%	3.8%	4.4%	4.8%
Net Income	44	57	78	39	53	74	35	48	69
Net M	2.5%	2.7%	3.4%	2.3%	2.5%	3.2%	2.0%	2.2%	3.0%
P/E	16.4	12.4	9.2	18.1	13.4	9.7	20.6	14.8	10.3
EV/EBITDA	10.5	7.6	6.5	11.2	7.9	6.8	12.0	8.4	7.1

Source: RJS estimates

We ran a sensitivity analysis concerning the effect of 10% appreciation and depreciation of YTL against Euro on company's profitability. 10% appreciation of YTL against Euro increases our EBITDA margin and net margin estimates from 4.0% to 4.3% and from 2.3% to 2.5%, respectively for 2007E. On the other hand, 10% depreciation of YTL against Euro decreases our EBITDA margin and net margin estimates to 3.8% and 2.0%, respectively for 2007E.

Tuvturk CFs (US$mn)	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Revenues	60	63	66	69	72	75	79	83	87	92	208	224	242	261	282	303	326	350	377	406
License revenues	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38
Royalty revenues	23	26	28	31	34	38	41	45	50	54	170	186	204	224	245	266	288	313	339	368
HQ expenses	13	13	13	13	13	13	13	13	13	15	15	15	15	15	15	15	15	15	15	16
Depreciation	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35
Net Operating income	13	15	18	21	24	27	31	35	39	42	158	174	192	211	232	253	276	300	327	355
Operating M	21%	24%	27%	30%	33%	36%	39%	42%	45%	46%	76%	78%	79%	81%	82%	84%	85%	86%	87%	87%
EBITDA	48	50	53	56	59	62	66	70	74	77	193	209	227	246	267	288	311	335	362	390
EBITDA M	79%	80%	81%	81%	82%	83%	84%	85%	85%	84%	93%	93%	94%	94%	95%	95%	95%	96%	96%	96%
Financial exp	44																			
Taxes	-3	-3	-4	-4	-5	-5	-6	-7	-8	-8	-32	-35	-38	-42	-46	-51	-55	-60	-65	-71
Net Income	-34	12	14	17	19	22	25	28	31	33	126	139	153	169	186	203	221	240	261	284
Net M	-56%	19%	22%	24%	27%	29%	31%	34%	36%	36%	61%	62%	63%	65%	66%	67%	68%	69%	69%	70%
Capex	-200	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2
Change in WC	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2
Taxes	-10	-10	-11	-11	-12	-12	-13	-14	-15	-15	-39	-42	-45	-49	-53	-58	-62	-67	-72	-78
Free CFs	-145	56	60	63	67	71	75	80	85	88	227	247	268	291	317	342	369	398	430	464
discount factor	1.10	1.21	1.33	1.46	1.61	1.77	1.95	2.14	2.36	2.59	2.85	3.14	3.45	3.80	4.18	4.59	5.05	5.56	6.12	6.73
PV of FCFs	-132	47	45	43	41	40	39	37	36	34	80	79	78	77	76	74	73	72	70	69
Total PV	977																			
net debt	550																			
NPV of TUVTURK	**427**																			
NPV of ISTANBUL BA	**178**																			
TOTAL NPV of PROJECT	**604**																			
DOAS' SHARE	**198**																			

Source: RJS estimates

ISTANBUL BA (US$mn)	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Total revenues	66.2	76.5	86.6	97.1	108.8	121.8	136.2	152.3	168.5	188.1	210.0	234.3	261.5	291.8	322.7	356.8	394.5	436.2	482.2	533.2
Treasury share	30%	30%	30%	40%	40%	40%	40%	40%	40%	40%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Revenues to treasury	20	23	26	39	44	49	54	61	67	75	105	117	131	146	161	178	197	218	241	267
Environment share	1	2	2	2	2	2	3	3	3	4	4	5	5	6	6	7	8	9	10	11
Personnel	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
Other	3	3	3	4	4	5	5	6	7	8	8	9	10	12	13	14	16	17	19	21
Royalty	5	5	6	7	8	9	10	11	12	13	42	47	52	58	65	71	79	87	96	107
Depreciation	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9
Operating P	17	23	29	25	30	37	43	51	59	68	30	36	42	49	57	65	74	84	95	107
Operating m	26%	30%	33%	26%	28%	30%	32%	33%	35%	36%	14%	15%	16%	17%	18%	18%	19%	19%	20%	20%
EBITDA	26	32	38	34	39	46	52	60	68	77	39	45	51	58	66	74	83	93	104	116
EBITDA m	39%	42%	43%	35%	36%	37%	38%	39%	40%	41%	18%	19%	20%	20%	20%	21%	21%	21%	22%	22%
Interest payment	16	16	16	16	16	16	16	16	16	16	16	16								
EBT	1	7	13	9	14	21	27	35	43	52	14	20	42	49	57	65	74	84	95	107
Tax	0	-1	-3	-2	-3	-4	-5	-7	-9	-10	-3	-4	-8	-10	-11	-13	-15	-17	-19	-21
Net income	**1**	**6**	**10**	**7**	**12**	**16**	**22**	**28**	**34**	**41**	**11**	**16**	**34**	**39**	**45**	**52**	**59**	**67**	**76**	**86**
Net m	1%	7%	12%	7%	11%	13%	16%	18%	20%	22%	5%	7%	13%	14%	14%	15%	15%	15%	16%	16%
ch in wcap	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Tax	0	2	3	2	4	5	7	8	10	12	4	5	10	12	13	15	17	19	21	23
Free Cash Flows	**25**	**29**	**33**	**31**	**35**	**39**	**45**	**51**	**57**	**64**	**34**	**39**	**40**	**46**	**52**	**58**	**65**	**73**	**82**	**92**
WACC (%)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
PV of FCFs	358																			
Net debt	180																			
NPV of ISTANBUL BA	**178**																			

ASSUMPTIONS	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Car park in Turkey (in mn)	14.0	14.8	15.7	16.6	17.6	18.7	19.8	21.0	22.3	23.6	25.0	26.5	28.1	29.8	31.6	33.2	34.8	36.6	38.4	40.3
growth(%)	7%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	5%	5%	5%	5%	5%
no.of vehicles to be inspected	6.9	7.3	7.7	8.2	8.7	9.2	9.8	10.3	11.0	11.6	12.3	13.1	13.8	14.7	15.6	16.3	17.2	18.0	18.9	19.9
inspection rate	64%	66%	68%	70%	72%	74%	76%	78%	80%	82%	82%	82%	82%	82%	82%	82%	82%	82%	82%	82%
no.of inspected veh.(in mn)	4.4	4.8	5.3	5.7	6.3	6.8	7.4	8.1	8.8	9.5	10.1	10.7	11.4	12.0	12.8	13.4	14.1	14.8	15.5	16.3
Revenues (in mn)	326	367	404	444	489	537	589	646	709	777	851	932	1021	1118	1224	1328	1441	1564	1697	1841
Car park in Istanbul (in mn)	2.8	3.1	3.4	3.6	3.9	4.2	4.6	4.9	5.3	5.7	6.2	6.7	7.2	7.8	8.3	8.9	9.5	10.2	10.9	11.7
growth(%)	9%	9%	9%	8%	8%	8%	8%	8%	7%	8%	8%	8%	8%	8%	7%	7%	7%	7%	7%	7%
no.of vehicles to be inspected	1.4	1.5	1.7	1.8	1.9	2.1	2.3	2.4	2.6	2.8	3.0	3.3	3.5	3.8	4.1	4.4	4.7	5.0	5.4	5.8
capture rate	64%	66%	68%	70%	72%	74%	76%	78%	80%	82%	82%	82%	82%	82%	82%	82%	82%	82%	82%	82%
no.of inspected veh.(in mn)	0.9	1.0	1.1	1.3	1.4	1.5	1.7	1.9	2.1	2.3	2.5	2.7	2.9	3.1	3.4	3.6	3.8	4.1	4.4	4.7
Revenues (in mn)	66	76	87	97	109	122	136	152	169	188	210	234	262	292	323	357	394	436	482	533
inspection price per unit (in usd)																				
average price per vehicle	74.1	76.1	76.8	77.5	78.1	78.8	79.4	80.1	80.8	81.5	84.2	87.0	89.9	92.9	96.0	99.2	102.5	105.9	109.4	113.1
US$ Rate Period-end	1.31	1.36	1.40	1.44	1.49	1.54	1.59	1.64	1.69	1.74	1.78	1.81	1.85	1.89	1.92	1.96	2.00	2.04	2.08	2.12
US$ Rate ytd-avg.	1.28	1.33	1.39	1.46	1.52	1.59	1.66	1.74	1.82	1.90	1.94	1.98	2.02	2.06	2.10	2.14	2.18	2.23	2.27	2.31
inspection price in YTL	94.5	101.6	107.1	112.8	118.9	125.4	132.1	139.3	146.8	154.7	163.1	171.9	181.2	190.9	201.3	212.1	223.6	235.6	248.4	261.8
inflation	7%	7%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%

Source: RJS estimates

FINANCIAL REVIEW OF 1H07

DOAS 1H07 Results (in US$mn)	2007/06	2006/06	%ch. yoy
Net Sales	774	917	-16%
Cost Of Sales	-659	-812	-19%
GROSS PROFITS/LOSSES	116	104	11%
Operating Expenses	-91	-78	17%
NET OPERATING PROFITS	25	26	-6%
Income from Other Operations	10	8	34%
Expenses from Other Operations	-5	-13	-61%
Financial Expenses	-12	-19	-40%
OPERATING PROFITS	18	2	880%
MINORITY INTERESTS	1	1	-54%
INCOME BEFORE TAXES	19	3	534%
Taxation on Income	-3	-2	66%
NET PROFIT AFTER TAXES	16	1	1165%
Gross M	14.9%	11.4%	
Operating M	3.2%	2.9%	
EBITDA M	3.9%	3.3%	
Net M	2.1%	0.1%	

Source: ISE

Gross Margin increased from 11% in 1H06 to 15% in 1H07… Revenues were down by 16% yoy in 1H07 due to the decrease in the number of vehicles sold by 35% yoy. Gross profits increased by 11% yoy and gross margin came as 15% in 1H07, which was 11% in 1H06. The yoy increase in gross margin can be attributable to the yoy decrease in Euro rates, success of the company in increasing sales prices as well as changing product mix in favor of high margin products.

VDF business contributed positively in 1H07… Participation income came as US$4.1mn in 1H07 which was US$-5.7 in 1H06. The improvement in participation income stemmed mainly from the improvement in the profitability of VDF auto loan business, in which DOAS has a 48% stake.

12% yoy decrease in period-end EUR rates improved the bottom-line… As a result of the increase in participation income and decrease in fx losses, other operating income rose by 34% yoy, while other operating expenses decreased by 61% yoy. Financial expenses decreased by 40% yoy as a result of the increase in loan fx gains. The yoy increase in fx gains and decrease in fx losses thanks to the 12% yoy decrease in period-end EUR rates improved the bottom line profitability. Net margin came as 2.1% in 1H07, which was 0.1% in 1H06. Net debt appeared as US$29mn in 1H07 in the company, which is investing in new projects.

FORECAST REVISIONS

A better second half… Contracting Turkish auto market showed signals of a revival after the general elections with banks cutting loan rates and low level of fx rates. As a result, auto market contraction decreased from 28% yoy in 1H07 to 12% yoy in the first ten months of the year. We maintain our 2007 demand estimate at 345k (-8% yoy) for passenger cars, assuming a further recovery in December. However, we revised our 2007 demand estimate for light commercial vehicles to 230k from 240k, incorporating a 6% decline yoy compared to only 2% before. Accordingly, we now forecast a 7% contraction in domestic auto sales in 2007 to 575k instead of 585k previously. We maintain a 17% demand growth estimate for 2008E in the Turkish auto market.

DOAS forecast revisions (US$mn)	2007E	2008E
Revenue		
Old	1,730	2,111
New	1,718	2,159
% change	-1%	2%
Gross Profit		
Old	214	266
New	235	308
% change	10%	16%
EBITDA		
Old	53	73
New	69	100
% change	31%	37%
Net Profit		
Old	22	29
New	39	53
% change	79%	83%
Average TRY/EUR rate		
Old	1.81	1.82
New	1.79	1.75
% change	-2%	-4%

Source: RJS estimates

We revised our forecasts… DOAS, being a sole importer, imports vehicles in EUR and distributes around 75% of them to the market in Turkish Lira. Thus, lower EUR rates imply lower cost of sales for the company. After modifying our exchange rate assumptions, we now forecast average TRY/EUR rate at 1.79 in 2007E and 1.75 in 2008E. Our previous assumptions were 1.81 and 1.82 respectively. After revising our fx rate assumptions and the contribution of new projects, we now foresee a net income figure of US$39mn for 2007E and US$53mn for 2008E.

Recovering margins after 2007… We foresee increasing profit margins for DOAS after 2007. Improving macro economical conditions coupled with DOAS' various new projects that are focusing more on after-sales services having higher profitability than retail sales will contribute to increase in profit margins. We expect net margin to reach 3.8% and EBITDA margin 5.4% by 2010E.

FINANCIALS

INCOME STATEMENT (US$mn)	2006	2007E	2008E	2009E
Net Sales	1,765	1,718	2,159	2,283
Domestic	*1,765*	*1,710*	*2,137*	*2,261*
International	*0*	*8*	*23*	*23*
Cost Of Sales	-1,563	-1,483	-1,851	-1,954
Gross Profit	**202**	**235**	**308**	**329**
Gross Profit Margin %	***11.5%***	***13.7%***	***14.3%***	***14.4%***
Operating Expenses	-160	-181	-227	-233
Net Operating Income	**42**	**54**	**81**	**96**
Operating Profit Margin %	***2.4%***	***3.2%***	***3.8%***	***4.2%***
Income from Other Operations	16	28	23	33
Expenses from Other Operations	-11	-10	-13	-14
Financial Expenses	-30	-25	-27	-25
Operating Profit	17	47	64	90
Net Changes on Monetary Positions	0	0	0	0
MINORITY INTERESTS	2	2	2	2
INCOME BEFORE TAXES	19	49	66	92
Taxation on Income	-3	-10	-13	-18
NET PROFIT	**15**	**39**	**53**	**74**
Net income margin %	**0.9%**	**2.3%**	**2.5%**	**3.2%**
EBITDA	**50**	**69**	**100**	**115**
EBITDA margin %	***2.8%***	***4.0%***	***4.6%***	***5.0%***

Source: Company data, RJS estimates

BALANCE SHEET (US$mn)	2006	2007E	2008E	2009E
Liquid Assets	86	48	54	43
Short-term Trade Receivables	120	117	138	153
Inventories	300	297	336	360
Other current assets	8	8	10	10
Total Current Assets	**514**	**471**	**538**	**566**
Tangible fixed assets	77	133	155	163
Intangible fixed assets	4	5	6	7
Financial assets	200	267	258	261
Other long-term assets	6	7	9	6
Total Long-Term Assets	**288**	**413**	**428**	**436**
TOTAL ASSETS	***802***	***883***	***966***	***1,002***
Short-term Trade payables	383	356	388	405
Short-term Financial Loans	21	20	24	26
Other payables	27	31	21	22
Total Current Liabilities	**431**	**407**	**433**	**453**
Long-term Financial Loans	22	89	105	79
Other Long-term Liabilities	6	7	4	4
Total Long-Term Liabilities	**28**	**96**	**109**	**83**
Total Shareholder's Equity	**340**	**379**	**417**	**460**
Minority Interest	3	2	6	7
TOTAL LIABILITIES & SH. EQUITY	***802***	***883***	***966***	***1,002***

Source: Company data, RJS estimates

Stock Ratings:

Buy: Stocks with a forecast 12mth (US$) absolute total return of greater than %15%
Hold: Stocks with a forecast 12mth (US$) absolute total return of between 15% and -15%
Sell: Stocks with a forecast 12m th (US$) absolute total return of less than -15%

RAYMOND JAMES - TURKEY

TURKEY

Raymond James Securities - Turkey

Research

Phone: 90 212 349 2000
Fax: 90 212 352 5204

Ali Riza Incekara, CFA	Head of Research Strategy, Conglomerates	ali.incekara@rj.com.tr
Ozgur Altug	Chief Economist	ozgur.altug@rj.com.tr
Berna Kurbay, CFA	Director Media, Auto, Consumer Durables, Retail	berna.kurbay@rj.com.tr
Basak Engin Dinckoc	Director Telecom, Steel, Electricity, Petroleum & Derivatives	basak.dinckoc@rj.com.tr
Funda Afacan	Director Banks	funda.afacan@rj.com.tr
Serap Mutlu	Director Conglomerates, REITs, Glass	serap.mutlu@rj.com.tr
Banu Camlitepe	Senior Analyst Insurance, Cement, Food, Textiles	banu.camlitepe@rj.com.tr
Erdem Hafizoglu	Analyst Mining, Pharmaceuticals, Small Caps	erdem.hafizoglu@rj.com.tr
Umut Ozturk	Junior Equity Analyst Automotive, Beverage, Economy, Database management	umut.ozturk@rj.com.tr
Afsin Ozdemir	Analyst Database management, Logistics, Aviation, Sports	afsin.ozdemir@rj.com.tr
Can Ozcelik	Junior Equity Analyst Quantitative Analyses	can.ozcelik@rj.com.tr

Sales – Turkey

Phone: 90 212 349 2050 / 349 2060
Fax: 90 212 352 5204

Gulhan Ovalioglu	Head of Sales	gulhan.ovalioglu@rj.com.tr
Mine Onur	Director of Sales	mine.onur@rj.com.tr
Banu Buyukoguz	Director of Sales	banu.buyukoguz@rj.com.tr
Cenk Erdal	Director of Sales	cenk.erdal@rj.com.tr
Ali Balkan	Director of Trading	ali.balkan@rj.com.tr
Tunc Cakan	Director of Trading	tunc.cakan@rj.com.tr
Mahmut Dermancioglu	Director of Trading	mahmut.dermancioglu@rj.com.tr

Sales-New York

Raymond James & Associates, Inc.

Selim Cevikel	Manager Phone: 1 212 856 5411	selim.cevikel@raymondjames.com
Alper Uyanik	Sales Representative Phone: 1 212 297 5603	alper.uyanik@raymondjames.com

ARGENTINA

RJ Argentina Sociedad de Bolsa S.A.

Research

Phone: 54 11 4313 2554
Fax: 54 11 4313 2544

Ricardo Cavanagh	Head of Research
Norberto Sosa	Economist