

# Dogan Holding

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Stock rel to market

Changed from

**Add**

Add

	Revenue	Operational Profit	Reported Net profit	PE	P/BV	EBITDA	EV/EBITDA	EV/Sales
	(USDm)	(USDm)	(USDm)	(x)	(x)	(USDm)	(x)	(x)
12/2003	4,461.4	240.0	274.6	4.8	1.2	462.8	3.1	0.3
12/2004e	4,541.0	244.1	129.1	10.1	1.0	438.5	2.6	0.2
12/2005e	4,755.8	280.8	144.1	9.1	0.9	462.2	1.9	0.2
12/2006e	4,874.3	292.4	182.9	7.1	0.8	473.9	1.7	0.2

- ▶ **The media and energy segments are set to boost profits ahead of the EU accession process**
- ▶ **Privatisation tenders (National Lottery, Star TV, distribution tenders) as well as macro economic improvement will be the major catalysts for Dogan Holding**
- ▶ **Raising target value to USD1.6bn due to base case EU expectations. Valuation could improve to the USD2.2bn level if Turkey's EU process succeeds. Add maintained**

## Company and industry fundamentals

Dogan Holding is one of the largest conglomerates in Turkey, and 99% of its asset value originates from three sectors namely media, energy and banking. But the focus of the company is on the media and energy segments. By exiting from the banking business Dogan Holding plans to expand in the businesses that will create synergies with its energy and media assets. Through acquiring new TV channels, Dogan Holding aims to increase its 40% advertising market share to 50% in the long term. Dogan is also eyeing the upcoming National Lottery privatisation, because it fits perfectly with its media presence.

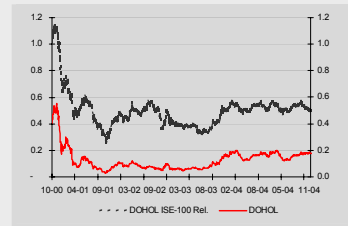
## Economic performance and growth

The focus businesses are all very close to consumers, thus making the company's performance entirely linked to consumer spending. Bidding on the EU convergence story, we believe that Turkey's advertising revenues and fuel demand could achieve CAGR's of 12% and 8% respectively in the following decade. Increasing foreign interest could lead to a sell-off of the banking business at a premium, as well as lowering the financial burden and accelerating equity transactions. This could pave the way for the acquisition of new lucrative businesses.

## Valuation, catalyst and recommendation

The target NAV of Dogan Holding could range between USD1.6bn (base case) to USD2.2bn (best case) if the EU convergence process works in favour of Turkey as it did for many other countries that were in the negotiation process. Dogan Holding shares, although currently at a 14% discount to current NAV, could trade at a significant premium due to the hidden asset value to be explored in the upcoming privatisations and acquisitions. Therefore, we still maintain our Add rating, as issued in February 2003 (at a market capitalization of USD375m). We are also raising our target value to USD1.6bn, indicating a 22% upside potential, based on our base case EU scenario analysis.

## Relative price



Source: HSBC

## Company report

Country	Turkey
Sector	Conglomerates
Bloomberg	DOHOL TI
Reuters	DOHOL.IS
Mkt cap (USDm)	1,306
Free float (%)	59.8

## Price

	1M	3M	12M
Absolute	0.18	0.16	0.10
Absolute (%)	-3.4	10.8	84.5
Relative (%)	-5.1	-8.1	21.5
Relative to <sup>A</sup>	Istanbul Comp		
Index level	22,618.03		

Current (USc)	Target (USc)
<b>0.18</b>	<b>0.22</b>
<b>(TRL2,580)</b>	<b>(TRL3,160)</b>

## Disclaimer & disclosures

This report must be read with the disclaimer, disclosures and analyst certifications on p20 that form part of it.

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## Investment Thesis

**Best exposure to the EU story:** Dogan Holding's diversified portfolio is fully exposed to the opportunities as well as risks of Turkey, thus feeling the macroeconomic impact at a more magnified level compared to any other Turkish conglomerates. The media, energy and banking businesses, all very sensitive to economic wealth, make up 98% of turnover and 99% of NAV. These businesses are all very close to consumers, thus making company performance entirely linked to consumer spending. The recent improvement in Turkey's fundamentals has shown its positive impact on Dogan Holding's performance more than any of the other major Turkish corporates. Investors willing to bet on the European Union convergence story, which simply means sustainable GDP growth, increasing consumer spending, and higher foreign direct investment in the next decade, should put Dogan Holding into their "to BUY" lists since Dogan Holding will enjoy further chances to: i) boost advertising and fuel sales revenues, ii) refinance loans at lower interest rates, iii) find new finance sources in the equity and loan markets, iv) complete the sell off plans for its banking assets at a premium and, more importantly, v) explore its hidden asset value for possible new ventures during the privatisation and deregulation activities.

Investors willing to bet on the European Union convergence story should put Dogan Holding into their "to BUY" lists

**We raise our target value to USD1.6bn and maintain our ADD rating on the stock:** The valuation of the company is strictly dependent on the macro conditions. Since the EU process is likely to change the prospects of the Turkish macro environment, we have analysed three scenarios (base, best and worse cases) and evaluated the possible impact on Dogan Holding's valuation.

The target NAV of Dogan Holding could well extend significantly from USD1,580m (base case) to USD2,200m (best case)

### Target NAV – Scenario Analysis (USDm)

	Worst Case	Base Case	Best Case
Media*	465	665	882
Energy**	403	474	640
Finance	175	249	-
Others	35	70	77
Lottery	-	195	330
Long-term projects ***	-	-	350
Net cash	(73)	(73)	(73)
Target NAV	1,005	1,580	2,206
Current MCAP	1,306	1,306	1,306
Upside Potential	-23.1%	21.0%	68.9%

Source: HSBC \*Media includes Star TV in base and best cases \*\*Energy includes natural gas projects in best case

\*\*\*Long-term projects in the best case assume that CATV and some electricity regions are acquired

Our conclusion is that the target NAV of Dogan Holding could well extend significantly from USD1,580m (base case) to USD2,200m (best case) if the EU convergence process works in favour of Turkey as it did for many other countries during the negotiation process. Additionally, Holding shares in Turkey used to trade at a significant premium compared to current NAV in the past, due to the hidden value to be explored in the upcoming

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privatisations and acquisitions. Although the long term rally in Dogan Holding and the ISE-100 within the last one year-period has created a feeling of exhaustion, we believe that when the market starts pricing in the possible positive impact of the EU convergence story, Dogan Holding will again take the lead among the other blue chips in the Turkish market. Therefore, we still maintain our Add rating, as issued in February 2003 (at a market capitalization of USD375m), at the current USD1.31bn level, and assigning the base case EU scenario target NAV of USD1.6bn as the new target Mcap.

### **TV tenders and National Lottery privatisation on the S/T expansion agenda:**

Dogan Holding's consortiums' chances of success in the National Lottery privatisation and TV asset sale tenders, which are on the S/T agenda, are strong. The Government plans to sell lottery licenses with a down payment (around USD100-200m) and revenue sharing agreement for the upcoming 10 years. The USD800m lottery market is expected to double within two years with appropriate business plans. The Dogan Group, with its dominant media presence, will be the company that will expand the market most and therefore could pay the highest premium in the tender. The Group is also willing to participate in the Star TV assets sale, planned to be realized within November 2004. Star TV is well positioned to comply with the Group's expansion plans in the broadcasting segment. The Group looks forward to acquire 2-3 more TV channels in order to strengthen its position.

**The Dogan Group, with its dominant media presence, will be the company that will expand the market most and therefore could pay the highest premium in the National Lottery tender**

**Distribution tenders and CATV on long term agenda:** Dogan Holding has shown interest in the electricity and natural gas distribution tenders that will take place in 2005 in order to strengthen its energy sector presence. Turk Telekom's CATV and internet operations, that are planned to be separated from the firm in the long term, also fulfil the targets of the Group. Dogan Holding has CATV operating agreements for some regions with Turk Telekom. Since Dogan is not strong in satellite broadcasting services, CATV could be an alternative for the company to enhance its media asset valuations. The Group is also keen to increase its exposure in the internet segment, as that is set to create huge synergies with the media business.

**CATV could be an alternative for the company to enhance its media asset valuations**

**Media and energy assets set to boost profits:** The companies in the media and energy segments have transformed their cost and organization structures successfully within the last three years. Investments after 2005 will be very limited in these sectors. With dominant market positions in both segments, which are set to grow with higher GDP/capita figures, Dogan Holding is extremely well positioned. Advertising spending, which is very low compared to other EU candidates, is anticipated to show an outstanding growth rate in the following decade. Dogan Yayin Holding, which has dominant market shares in newspaper circulation, TV viewer rates, magazine sales and ads is ready to collect the fruits of this era. Petrol Ofisi, Turkey's leader in fuel distribution business is also set to increase its operational profit at an exceptional pace based on GDP growth expectations coupled with the positive impacts of liberalization that will mainly serve the market leader's purposes. As a result, these two segments will be important cash cows in the upcoming years.

**Energy and media segments will be important cash cows in the upcoming years**

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**New era might pave the way for a good exit from banking business:** 2005 is expected to be a year in which some of the domestic banks will form partnerships or be sold entirely to foreign investors. Disbank, Holding's mid-scale banking subsidiary, is one of the domestic banks which has initiated a sales process with foreigners. Falling risk free rates, improving macro expectations and a healthier group structure would allow Dogan Holding to reach a feasible solution in this process. Proceeds from a possible sale will support the Group's expansion plans in the main focus areas.

**Falling risk free rates, improving macro expectations and a healthier group structure would allow Dogan Holding to reach a feasible solution in this process.**

**Debt is no longer a vital issue, cash generating plans executed:** Dogan has adopted a less risky financial strategy after the recent restructuring in 2002. Recently, Dogan Holding has sold its 10% stake in Dogan Yayin Holding for USD107m, while Dogan Yayin Holding sold 6.6% of Hurriyet for USD54m to foreign investors. Petrol Ofisi utilized a USD175m eurobond issue and borrowed a murabaha syndication loan (an Islamic bank loan) worth USD92.5m. The increasing availability of international financial sources has improved the company's financial prospects as well as Holding's debt structure. In addition to that, Dogan Holding has scheduled an IPO of its major broadcasting asset, Kanal D, in the first half of 2005. Further SPO's might come onto the agenda. These actions will improve the sentiment for Dogan Holding shares and it will create the cheapest finances for the expansion plans.

**Dogan Holding has scheduled an IPO of its major broadcasting asset, Kanal D, in the first half of 2005**

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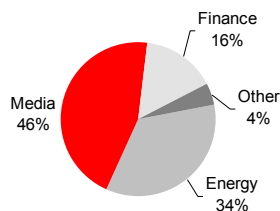
### Valuation

#### Current NAV

Dogan Holding's current net asset value is composed mainly of the listed companies, which increases the transparency of the valuation (the listed company stakes are currently worth USD1,565m, compared to an unlisted stake valuation of USD31m). Media subsidiary, Dogan Yayin Holding, fuel retailer subsidiary, Petrol Ofisi, and finance subsidiary Disbank make up almost all of the net asset value. Assuming that the market valuation gives an accurate indication, Dogan Holding shares currently have an upside potential of 16%.

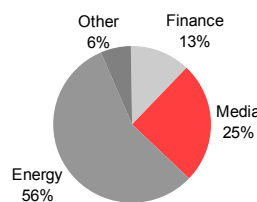
**Dogan Holding shares currently have an upside potential of 16% based on current NAV**

#### Current NAV Segment Breakdown



Source: HSBC

#### Revenue Breakdown



Source: HSBC

#### Current NAV - Dogan Holding

	Stake	Valuation Method	Total Value (USDm)	Stake Value (USDm)	% of NAV	
<b>Energy</b>						
Petrol Ofisi	47.43%	Market value	1,140	541	35.52%	
<b>Media</b>						
Dogan Yayin Holding	66.80%	Market value	1,095	732	48.05%	
Other Unlisted			20	2	0.12%	
Total			1,115	733	48.17%	
<b>Financial Services</b>						
Disbank	62.37%	Market value	403	252	16.53%	
<b>Other</b>						
Milpa	65.00%	Market value	31	20	1.31%	
Celik Halat	57.53%	Market value	12	7	0.46%	
Ditas Dogan	50.94%	Market value	27	13.8	0.91%	
Milta	95.46%	NAV	20	19	1.25%	
Other Unlisted			10	10	0.65%	
Total			100	70	4.58%	
<b>TOTAL</b>			<b>2,759</b>	<b>1,596</b>	<b>104.79%</b>	
				Total Listed	1,565	102.77%
				Total unlisted	31	2.03%
				Net Cash	-73	-4.79%
				Current NAV	1,523	100.00%
				Current MCAP	1,306	
				Pre./(Disc.)	-14.21%	

Source: HSBC

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### Target NAV

The target net asset value for the existing subsidiaries shows that the current market value of Dogan Holding is 6% lower than that based on a sum of the parts fundamental valuation (mainly DCF driven). Petrol Ofisi, currently trading at USD1,140m, is valued at USD1,000m since the company still carries a significant (USD981m) net debt position. Dogan Yayin Holding also trades at around 9% premium to our target value of USD995m, while Disbank's current market value is around our dividend yield and DCF-driven target value of USD400m. Adding in the USD73m net debt position of Dogan Holding, the total target NAV remains just above the current market value. Keep in mind that the National Lottery in our base case analysis is excluded in the following table (please see scenario analysis on page 12)

**Existing target NAV remains just above the current market value**

### Target NAV - Dogan Holding

	Stake	Valuation Method (Target)	Target Value (USDm)	Stake Value (USDm)	% of NAV
<b>Energy</b>					
Petrol Ofisi	47.43%	DCF	1,000	474	34.20%
<b>Media</b>					
Dogan Yayin Holding	66.80%	NAV	995	665	47.92%
Other Unlisted			20	2	0.13%
Total			1,015	666	48.05%
<b>Financial Services</b>					
Disbank	62.37%	DCF & Div. Disc.	400	249	17.99%
<b>Other</b>					
Milpa	65.00%	Market value	31	20	1.43%
Celik Halat	57.53%	Market value	12	7	0.51%
Ditas Dogan	50.94%	Market value	27	13.8	0.99%
Milta	95.46%	NAV	20	19	1.38%
Other Unlisted			10	10	0.72%
Total			100	70	5.03%
<b>TOTAL</b>			<b>2,515</b>	<b>1,460</b>	<b>105.26%</b>
			Total Listed	1,429	103.04%
			Total unlisted	31	2.22%
			Net Cash	-73	-5.26%
			Target NAV	1,387	100.00%
			Current MCAP	1,306	
			<b>Prem./(Disc.)</b>	<b>-5.83%</b>	

Source: HSBC

However, as is traditional with the major conglomerates in Turkey, when the macro conditions recover conglomerates start to reveal their hidden asset values with the expectations of new acquisitions through privatisation activities or asset sales. We believe that some of the specific projects on the agenda could be incorporated in the valuations as these expectations begin to materialize in the upcoming months. We foresee that Dogan Holding is one of the most likely possible nominees for some of the projects, which will enhance the valuations of the media and energy assets. Based on the economic trends in the next few years, new segments could also be included in the portfolio. Therefore, we

**But, some projects could be incorporated in the valuations**

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think it is the right time to evaluate these possibilities and their possible contribution to Dogan Holding's prospects.

### Potential businesses/acquisitions:

Dogan Holding aims to improve its business in its focus areas, media and energy, in the long term but exit from banking. Based on this strategy, some privatisation or asset sales, which meets Holding's objectives in order to create the right synergies, are on the radar screen. In the short-term, the National Lottery privatisation and the Banking Watchdog's TV asset sales, primarily Star TV, are on the agenda. In the long-term, the regional natural gas and electricity distribution tenders (one by one in 2005) will improve the prospects of the energy segment. Turk Telekom's privatisation in 2005 will bring sell offs of the cable TV and internet segments of Turk Telekom (due to the Competition Board's requirement) on the agenda within two years. These two businesses also perfectly comply with the existing dominant media presence of the Holding.

**Some privatisation or asset sales are on the radar screen**

### i) Short-term Agenda:

#### ► National Lottery:

The Privatisation Administration is anticipated to launch the tender for the National Lottery license at the beginning of 2005. Most recently the Administration announced that it has assigned an international advisor for the process in September 2004. Since it would be a lottery games license sale for 10 years, instead of a company sale, we believe that the tender could be realized without further delay in the first quarter of 2005. The existing national lottery company will be the regulator in the sector.

**Dogan Holding has a significant advantage over the other competitors since it owns a strong distribution network and a dominant media presence**

The lottery market in Turkey is expected to double within two years from its current size of USD750-800m with a sound business plan supporting the business with a nationwide distribution network and media presence. The tender strategy is expected to be based on a revenue sharing agreement with a small upfront fee coupled with a beauty contest. It will be initiated with an upfront cash fee of around USD100-200m and the interested parties will submit their offers for the total amount that they guarantee they will deliver to the Government (revenue commission) during the 10 year-period. Assuming that entire existing business of the National Lottery will be privatised, we executed a cash flow analysis for different types of investors. We believe that Dogan Holding has a significant advantage over the other competitors since it owns a strong distribution network (22,000 newspaper distributors and 5,000 of them has a data link) and a dominant media presence. We believe that the bid for the discounted revenue commission to be paid to the Government for 10 years (excluding taxes of 18%), should range between USD850m and USD1,200m and Dogan could beat this range with a more aggressive offer. Dogan will also enhance its earnings in other sectors, primarily media.

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### National Lottery Tender

Approach	Assumptions				Bid		Valuation	
	Market CAGR	Net Sales 2004F	Net Sales 2014F	Avg. Cash Flow/Sales	Discounted Commission*	Upfront Fee	DCF Valuation	60% stake
Conservative approach for a standard investor	5.0%	750	1,217	7.8%	850	100	370	
Aggressive approach for a standard investor	10.0%	750	1,949	4.7%	1,200	100	280	
Winning approach for Dogan Holding (base case scen.)	11.7%	750	2,261	4.6%	1,250	100	325	195
Winning approach for Dogan Holding (best case scen.)	13.6%	750	2,677	6.2%	1,250	100	550	330

Source: HSBC \*Discount rate for annual license fee is assumed at 10.8%. Total fee will be guaranteed to the Government and paid annually based on sales revenues.

In a base case scenario, where Turkey's lottery games market will grow with a CAGR of 11.7% over the following decade, we calculate that Dogan's possible 60% stake in a consortium will provide an additional USD195m value (details of the case demonstrated in the table below). On the other hand, the contribution might increase up to USD330 if the macro recovery is sustained in the long term. For this case we assume that the CAGR of the market will reach 13.6% for the following decade. We believe these growth figures, both base and best cases, are easily achievable since lottery games have not been efficiently promoted in Turkey.

### National Lottery Business Plan for Dogan Holding (Base Case)

	2004	Year 1 2005	Year 2 2006	Year 3 2007	Year 4 2008	Year 5 2009	Year 6 2010	Year 7 2011	Year 8 2012	Year 9 2013	Year 10 2014
COGS/Sales	87%	92%	92%	92%	93%	93%	93%	93%	93%	93%	93%
Sector Growth		30%	20%	15%	10%	10%	10%	7%	6%	6%	5%
Net Sales	750	975	1,170	1,346	1,480	1,628	1,791	1,916	2,031	2,153	2,261
Cash Flow		58.6	53.8	58.7	56.3	62.2	77.0	82.8	92.9	109.3	121.5
Discounted CF		53	44	43	37	37	42	40	41	43	44
DCF Value	325										
License Fee Paid	101	132	158	182	200	220	242	259	274	291	305
Discounted Commission		119	129	134	133	132	131	126	121	115	109
Commission Total	1,250										
Upfront License Fee	100										
Total Payment	1,350										

Source: HSBC

### ► Broadcasting Assets (Star TV)

Dogan Holding, through its subsidiary Dogan Yayin Holding, is the leading media-entertainment conglomerate in Turkey. It has dominant operations in newspaper, magazine, book publishing, TV and radio broadcasting, printing and alternative media. The Group aims to increase its total share in the advertising sector from the current 40% to the 50-52% level within the following few years by acquiring a few TV channels in order to improve its presence in the national TV sector. Currently the Group owns Kanal D (one of the top rated national channels for all day viewing), CNN Turk (a joint venture between the Dogan and Time Warner Groups), Euro D (the top rated private TV channel for Turkish viewers in Europe based in Germany) and cable TV channels Bravo TV and Super Channel. The

**The Group aims to increase its total share in the advertising sector from the current 40% to the 50-52% level**

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Group's share of TV viewers in Turkey is currently 19%, well below the newspaper segment at 38%. By acquiring two or three more national TV channels, the Group aims to increase its viewer rate to the 40% level, which will boost the Group's market share in TV advertisements from 32% in 2003 to 50% in the coming three years. By raising this share, the company will be able to achieve economies of scale and boost its operational profitability with higher revenues sharing the overhead costs. This action will fully utilize the recently completed TV studios, which are anticipated to have a 50% utilization rate currently and other sub operations such as production companies and support systems.

Star TV, which is the first national private TV, will be put on sale by the year-end by the Savings Depository Insurance Fund (SDIF). The asset was taken over from the Uzan Group and SDIF will sell only the license, brand name, transmitters and the library of the company. Star TV still has a good reputation with a current 15% market share in TV commercials, compared to 26% for the Dogan Group's Kanal D. Therefore; Star TV properly fits into Dogan's growth strategy in the TV segment and could be the first step to full utilization of its broadcasting capacity. The tender is expected to be initiated with an upfront fee (around USD100m) and it will be continued with an open bidding process if the number of parties accepting the upfront fee is more than just one. Dogan Yayin Holding is expected to own a 45% stake in the bidding consortium together with Vatan Newspaper (10%) and two foreign partners (total max. 25% share due to the current law). Since the acquisition of Star TV will create significant synergy for other Dogan media assets, we believe that the Dogan Group's consortium has a significant chance to win this tender.

For valuation purposes, we assume that the Dogan Group will be able to acquire Star TV for USD150m. Incorporating the possible impact to be realized after the acquisition of Star by the Dogan Group (increasing market share from current 15% to 20% within two years) and comparing with our Kanal D valuation, we value Star TV for Dogan at USD230m. Subtracting the bid we reach a USD80m net present value (USD36m for Dogan Holding's 45% stake) according to our base case scenario. On the other hand, our best case scenario suggests that the contribution of Star TV to Dogan Yayin Holding's NAV will go up to USD68m.

**Star TV still has a good reputation with a current 15% market share in TV commercials**

**Our best case scenario suggests that the contribution of Star TV to Dogan Yayin Holding's NAV will go up to USD68m**

### Star TV Tender

Scenarios	Assumptions					Valuation			
	Tender Result	Stake in Consortium	Current Market Share	Target Market Share	CAGR of TV commercials	Value of Star	Winning Bid	Rem. Value	Value of 45% stake
Worst Case	Loses								
Base Case	Wins	45.0%	15.0%	20.0%	8.0%	230	150	80	36
Best Case	Wins	45.0%	15.0%	20.0%	12.0%	300	150	150	68

Source: HSBC

Meanwhile, Dogan Holding will also be interested in the asset sales of two other national TV's (Cine 5 and Kral TV) by SDIF. Keeping in mind that their sizes are smaller compared to Star and Kanal D, we ignore their possible acquisitions and contributions to the NAV in our analysis.

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### ii) Long-term agenda:

Dogan Holding has shown an interest in Turk Telekom's Cable TV and internet segments as well as in natural gas and electricity distribution tenders. Whether Dogan Holding will acquire these businesses is dependent on the conditions of these tenders, developments regarding the macro economy and the company's financial outlook in the following years. However, we believe that if macro conditions sustain the current positive trend in the following years with the expectations of accession to the EU, Dogan Holding will be able to sell off its banking assets at a good value in a few years, as it plans, and replace this business with at least two of the above mentioned ones. We think that Dogan will most probably acquire one or two regions for distribution of electricity and natural gas and will pursue a stake in Cable TV if the sales can be realized in the future. It is hard to make a valuation on these projects at this stage, however we assume a conservative USD350m value arising from these businesses in the long term after Disbank is sold with a value of USD287m (62% stake) according to our base case scenario illustrated in the related section.

**Dogan Holding might acquire these businesses, based on the conditions of these tenders, developments regarding the macro economy and the company's financial outlook in the following years**

### ► Turk Telekom's CATV and internet segments

The recently revealed Turk Telekom privatisation plan forces the possible new owner of the company to separate its internet and cable TV businesses and sell especially cable TV to third parties within one year. Turk Telekom's tender for privatisation 55% state owned shares is expected to be initiated by the end of this month. Although the tender conditions are not clear yet, we believe if these segments are sold, both of them perfectly fits with Dogan Holding's main strategy to improve its core businesses. We believe that the internet segment of Turk Telekom is huge and it will have to remain within Turk Telekom after the privatisation. The long-term telecommunication trend shows that fixed line revenues will have to be compensated with the GSM and data (internet) business growth. Coupled with the 40% Avea stake in Turk Telekom, data will be the other key element to drive the growth of the company, hence help the privatisation to be realized.

**Cable TV technology could be an alternative for both the data segment and fixed line telephony services in the long run**

### Data Segment Projections - Turk Telekom

	2000	2001	2002	2003E	2004F	2005F	2006F	2007F	2008F	2009F	2010F	2011F	2012F	2013F
Net Rev.	96.8	149.4	278.8	360.7	396.8	436.5	523.8	628.6	722.8	831.3	914.4	1,005.8	1,046.1	1,077.4
% Growth	430.5%	54.4%	86.6%	29.4%	10.0%	10.0%	20.0%	20.0%	15.0%	15.0%	10.0%	10.0%	4.0%	3.0%
Opr. Marg.	43.1%	59.6%	77.0%	73.0%	70.0%	66.5%	63.0%	59.5%	56.0%	52.5%	49.0%	45.5%	45.5%	45.5%
Opr. Profit	41.7	89.1	214.7	263.4	277.8	290.3	330.0	374.0	404.8	436.5	448.1	457.7	476.0	490.3

Source: HSBC

CATV, on the other hand, is relatively a small business and, based on the Competition Board's decision, it could lack competition in the sector. Cable TV technology, despite its current immature stage in Turkey, could be an alternative for both the data segment and fixed line telephony services in the long run. As a dominant player in the broadcasting sector (TV and radio channels) and an internet service provider, Dogan Holding will most probably urge a possible sell off of the CATV operations.

Turk Telekom launched cable TV services in 1991 in 9 large provinces. However, the cable TV infrastructure could not be expanded because of legal problems. As of 1998, cable TV operations were built and operated under revenue sharing agreements with six private

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consortiums in 20 provinces. Although subscriber capacity had reached 2.2mn as of end-2001, the subscriber base has remained at around 0.9mn. Penetration is low compared to other OECD countries, based primarily on the delay in launching services and in expanding the network. Satellite broadcasting services replaced the need for Cable TV so far in Turkey. However, we believe Dogan Holding can add value to this technology and create significant synergy with its existing assets. Turk Telekom's cable TV is estimated to be just above USD30m in 2004. However, significant growth rates are achievable for the following decade in this high profit margin segment with major investments at the initial stage and a sound business plan with aggressive marketing.

### Cable TV projections - Turk Telekom

	2000	2001	2002	2003E	2004F	2005F	2006F	2007F	2008F	2009F	2010F	2011F	2012F	2013F
Net Rev.	20.6	25.6	30.9	39.6	45.6	52.4	62.9	78.7	94.4	113.3	130.2	143.3	150.4	154.9
% Growth	-1.9%	23.8%	20.9%	28.4%	15.0%	15.0%	20.0%	25.0%	20.0%	20.0%	15.0%	10.0%	5.0%	3.0%
Opr. Marg.	20.7%	69.9%	75.7%	72.2%	69.2%	62.2%	57.2%	55.2%	53.2%	51.2%	49.2%	49.2%	49.2%	49.2%
Opr. Profit	4.3	17.9	23.4	28.6	31.5	32.6	36.0	43.4	50.2	58.0	64.0	70.5	74.0	76.2

Source: HSBC

### ► Electricity and natural gas distribution tenders

The long awaited electricity distribution privatisation is expected to kick off at the beginning of 2005. According to recent media reports, the tenders for 21 distribution regions will transfer the ownership of the assets for 49 years. The first tender is expected to be realized for the city of Tekirdag, followed by the Asian part of Istanbul and city of Konya. Istanbul's European part, which consumes 15% of Turkey's total usage, will be top target for the large conglomerates. Dogan Holding as well as other major conglomerates Sabanci and Koc are willing to take part in these tenders and all of them will focus on the large cities, where the largest consumption is realized. Details of the tenders are not clear yet, but it is possible that Dogan Holding will acquire at least one of the lucrative areas in the electricity distribution tender.

**First electricity tenders expected to be initiated at the beginning of 2005**

Dogan Holding also aims to acquire some of the lucrative regions from the ongoing natural gas tenders. In 2005 and 2006 larger cities will be subject to privatisation, which will take a larger interest from Dogan Holding. The natural gas distribution business will diversify Petrol Ofisi's product portfolio. This will remove the risks arising from the replacement of heating oil and LPG demand with increasing natural gas usage in the long-term.

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### Scenario Analysis

Since Dogan Holding's prospects are strongly linked to Turkey's macro economic perspective, we have analysed the impact on our base case scenario as well as two alternatives (best and worst cases). Although we have based our current view on the base case, investors should also evaluate the outcomes of the other cases. The table below demonstrates our major assumptions for Turkey's macro economy and Dogan Holding's businesses.

**Investors should also evaluate the outcomes of the alternative cases**

### Major Assumptions

	Worst Case:	Base Case:	Best Case:
Turkey's EU convergence process:	weak	fair	strong
Risk Free Rate	10%	7.5%	5%
Average GDP Growth Rate for 2005-2014	2.8%	5.5%	8.0%
Average Advertisement Sector Growth:	4.5%	8.0%	12.0%
Average Fuel Sector Growth:	2.8%	5.5%	8.0%
Sales process of Dişbank finalizes	No	No	Yes
Sales price of Disbank: (USDm)	0	0	460 (15% premium)
Acquisition of 3 National TV's:	No	Yes	Yes
Acquisition of National Lottery License:	No	Yes	Yes
Acquisition of TT's Cable TV operations:	No	No	Yes
Acquisition of TT's Internet operations:	No	No	No
Acquisition of Natural Gas Tenders:	No	No	Yes
Acquisition of Electricity Distribution Tenders:	No	No	Yes

Source: HSBC

### ► Base case – EU process provides a gradual improvement

Based on our initial base case scenario, we foresee an average GDP growth rate of 5.5% for the following decade. Although it will not provide a boost to the economy, we assume that the Turkish economy will not experience severe crises and will post consistent growth rates. Dogan Holding will be able to acquire the National Lottery in the first quarter of 2005 and three more TV channels, including Star TV by the end of this year. Other mentioned projects will not come on to the agenda or Dogan will not be winning those tenders. Disbank's sale will not be realized in the medium run, but the Bank will continue to post solid earnings for the company. Valuation will remain at our current target price of USD400m.

**Base case scenario target value is USD1,580m**

The media sector will continue to benefit from significant growth in the ad market. Operational profitability will show significant growth rates with the help of the strengthening position in the TV segment. With the USD36m additional value provided from the Star TV acquisition, Dogan Yayin's target value will reach USD995m. Petrol Ofisi will benefit from continuing macro economic stability with better financing conditions. With deregulation in the market, operational profitability will post modest but consistent growth rates. Petrol Ofisi's target value for the base case is currently USD1,000m due to its high debt position. In addition to our Target NAV, we assume that the national lottery (with our base case valuation) will contribute a USD195m value to NAV of Dogan Holding. This makes up a base case scenario target value of USD1,580m. Based on this scenario we maintain our **Add** rating on the stock.

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► **Best case - EU convergence process improves Turkey’s macro prospects radically**

Based on this scenario, we foresee an average GDP growth rate of 8% (2.5pps higher than current forecast) for the following decade. During the period interest rates and risk free rates will reduce significantly while asset prices appreciate. During the first two years, Dogan Holding acquires three national broadcasting assets, the national lottery, some lucrative natural gas and electricity distribution regions, CATV and the internet segment of Turk Telekom.

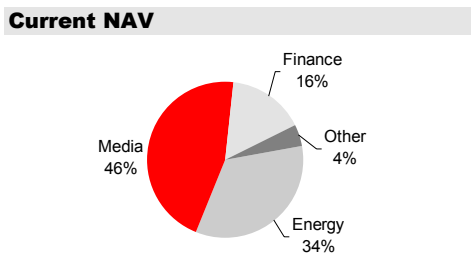
**Our target NAV for Dogan Holding improves from the current USD1.6b to USD2.2b in the best-case scenario**

Media sector assets benefit strongly from the outstanding growth in the advertisement sector (CAGR of 12%) as well as the opportunities created by the new businesses and acquisitions of the additional TV assets. Hürriyet, the largest contributor to the media NAV, could post a 10% ad revenue CAGR until year 2013 under our best case scenario, compared to a 7% CAGR in the base case scenario. We have also foreseen a higher EV/EBITDA multiple to value Kanal D under the best case, implying a USD50m improvement. We assumed Doğan Yayın will buy Star TV under base and best cases, but have attached different NPV’s for each scenario. Overall, the contribution of the media segment under the best-case scenario could improve Doğan Holding’s valuation by 11%.

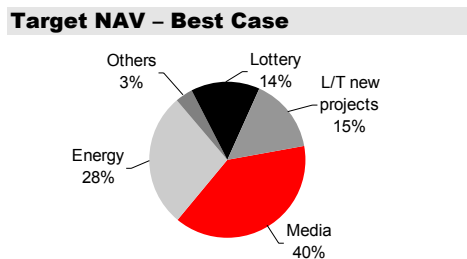
<b>Doğan Yayın Holding NAV</b>		
USDm	Base case	Best case
Hürriyet (60% stake)	528	771
Kanal D (100% stake)	300	350
Star TV (45% stake)	36	68
Other broadcasting and distribution assets	277	277
Net debt*	-145	-145
<b>NAV</b>	<b>995</b>	<b>1,320</b>

\* Year-end 2004 figure; Hürriyet stake sale proceeds included. Source: HSBC, The Company

Petrol Ofisi will also take advantage of the improvement in the economy with high growth in demand, lower tax rates and limited smuggled products with the regulated market. Coupled with the positive impact of the new businesses, we believe Petrol Ofisi’s turnover will experience an average 7% annual growth in the following decade. Petrol Ofisi’s target value will improve from the current USD1.0bn to USD1.35bn.



Source: HSBC



Source: HSBC

Banking assets will be sold with at a 15% premium to our target value (USD460m) to foreign investors within two years. The NAV will exclude current banking assets but include some of

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the possible long-term projects (electricity distribution, National Lottery and TT internet companies) with reasonable stakes in the winning consortiums. We assume a USD350m long term contribution from these projects to Dogan Holding's NAV conservatively replacing the banking subsidiary sell off.

New projects will be financed by slight stake sell offs in Petrol Ofisi and Dogan Yayin Holding, disposal of finance and trade assets, the IPO of Kanal D and some of the cash flow proceeds of the existing and new assets during the acquisition and payment periods. We assume financial debt to be reduced by 20-30% within five years. Based on these assumptions our target NAV for Dogan Holding improves from the current USD1.6b to USD2.2b. For this case, our valuation suggests a **BUY** recommendation for Dogan Holding with a 62% upside potential relative to current market value.

### ► Worst case – EU case offers limited opportunities for Turkey

The following decade will not be different to what Turkey experienced in the last 10 years period. The average GDP growth rate will be realized at 2.8%, while Turkey might experience some financial crisis. Certainly, having the most sensitive portfolio, Dogan Holding is exposed to macro economic problems. For this case, we do not foresee any asset acquisition and with a target NAV of USD1,005m indicating a 23% downside risk, we would issue a **Sell** rating for the stock. Investors should be aware that based on unforeseeable macro risks the stock will bear significant risks at the current level.

### Valuation Summary

According to the scenario analysis, the base case suggests that the target NAV of Dogan Holding is at USD1,580m, 21% higher than the current market value. The upside could be extended to the 69% level if the macro conditions improve radically during the following decade with the EU accession hopes. However, if the EU story fails and economic conditions worsen in the following years, the current share price will bear a 23% downside risk.

#### Target NAV – Scenario Analysis

	Worst Case	Base Case	Best Case
Media*	465	665	882
Energy**	403	474	640
Finance	175	249	-
Others	35	70	77
Lottery	-	195	330
Long-term projects ***	-	-	350
Net cash	(73)	(73)	(73)
Target NAV	1,005	1,580	2,206
Current MCAP	1,306	1,306	1,306
Upside Potential	-23.1%	21.0%	68.9%

Source: HSBC \*Media includes Star TV in base and best cases \*\*Energy includes natural gas projects in best case

\*\*\*Long-term projects in the best case assume that CATV and some electricity regions are acquired

Taking our base case analysis as the main indicator, therefore including new assets into the portfolio and improving our media sector expectations; we set our Target Mcap at USD1.6bn and maintain our Add rating on the stock.

Valuation suggests a **BUY** recommendation for Dogan Holding with a 62% upside potential in the best case

For worst case with a target NAV of USD1,005m indicating a 23% downside risk, we would issue a **Sell** rating

Taking our base case analysis as the main indicator we set our Target Mcap at USD1.6bn and maintain our Add rating on the stock

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### Financials and Forecasts

#### H1 results below consensus, but recovery expected in H2

Dogan Holding announced a net loss of USD6.2m in H1 2004, according to its IFRS financials. The figure was significantly below the market consensus of USD103m and HSBC estimate of USD59m net profits. The Q2 net loss figure was USD110m and it was mainly a result of the unstable financial markets in Q2, which led to an increase in interest rates and depreciation of the TL. In Q2, financial subsidiaries posted an operating loss higher than our expectations at USD102m, due to the trading and FX losses. Additionally, due to 13% depreciation of the TL against the USD in Q2, the huge FX debt position of especially Petrol Ofisi generated higher FX losses and led to an USD111m of financial losses. In the second quarter USD38m EBIT of the energy and media assets, together with the USD38m deferred tax revenues, allowed the H1 bottom line loss to be limited to USD6.2m.

**The financials were below the market consensus**

Looking at the first half figures, EBITDA of the media and energy segments reached USD70.4m and USD60.2m, respectively. The huge Q2 loss led the banking EBITDA to remain at USD43m loss level at the end of the first half. Since the macro conditions improved in Q3 and Q4, we expect most of the losses in Q2 to be compensated for by the profits to be recorded in the second half of the year. The stronger TL and lower interest rates will help the banking division improve its profitability and lower financial expenses will be posted at the year-end financials.

#### Operational H1 2004 Profitability Breakdown by segments (USDm)

	EBIT	EBITDA
Media	29.3	70.4
Energy	26.5	60.2
Finance	-66.3	-43.1
Others	17.6	22.9
Total	7.1	110.4

Source: HSBC

#### Media sector boosted profits

The healthy state of the Turkish economy was also evident in the advertising market. Dogan Yayin Holding's advertising revenues (with a 40% market share in the Turkish advertising market in 2004), increased by 41.5% in the Jan-Oct 2004 period to USD384m. If we disregard the Q1 Yoy growth of 71% (due to the negative effect of Iraq on Q1 2003 advertising revenues), October ad revenues posted a record monthly Yoy growth of 38%, reaching USD52m. Assuming a 38% Yoy growth in the remaining two months of 2004, DYH's ad revenues could reach USD490m by year-end, implying a 40.7% expansion compared to 2003. Based on these figures, we forecast 35% growth for the Turkish advertising market, the market reaching USD1.2bn in 2004. We expect the media group's EBITDA contribution to Dogan Holding to increase by 63% in 2004 to USD157m (the first half was USD70.4m).

**We foresee a 13% CAGR between the 2004-08 period for advertising market**

We foresee the EU accession process continuing to have a positive impact on the advertising market and expect a 13% CAGR between the 2004-08 period, the market size

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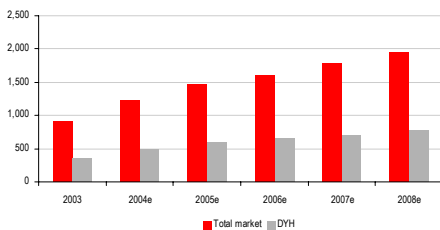
eventually reaching USD2.0bn by the end of 2008. Overall, we expect Dogan Yayın Holding to preserve its 40% market share in the broadcasting and newspaper advertising market, with the company's consolidated ad revenues reaching USD800m. A strong inflow of FDI, greater than expected competition in banking, insurance, airline, automotive, and all consumer related sectors could boost the advertising market beyond our expectations.

### Media Segment Financials (USDm)

	Q1 2004	Q2 2004	H1 2004	2003	2004E	2005E
Revenues	177.5	216.0	393.5	672.4	734.1	810.9
Gross Profit	40.2	65.5	105.7	161.2	209.5	230.7
EBIT	5.5	23.8	29.3	5.2	80.7	92.6
EBITDA	26.2	44.2	70.4	96.5	157.2	167.8

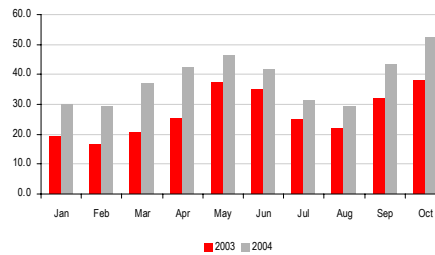
Source: HSBC

### Advertising revenues (USDm)



Source: HSBC

### DYH monthly adrevenues (USDm)



Source: HSBC

We believe that the media group also has the opportunity to benefit from possible acquisitions of new businesses and companies. Possible acquisitions of a few TV channels will strengthen the Group's advertisement market position, while cutting some overhead costs in the segment. The National Lottery tender is also crucial since it could optimise the newspaper distribution network and enhance efficiency in the business. On the other hand, FDI's interest to the media sector could also help the company improve its profitability as well as create a challenge in the long term.

### Energy segment recovery process gaining momentum

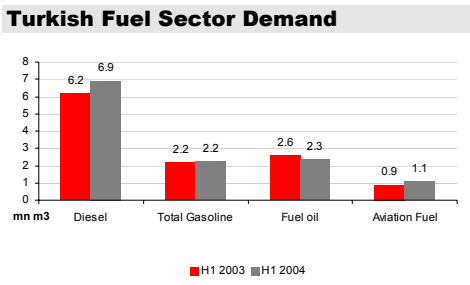
Looking at the first half results of Petrol Ofisi, we see a fall in net profit, from USD134m in H1 2003 to USD8m, in H1 2004. The bottom-line figure came in below the market consensus of USD52m but slightly higher than HSBC's loss estimate of USD9m. Hence, the contraction in net profit was not related to weakness in the operations. The negative impacts of the TRL depreciation and the increased financing costs related to the debt position of the company harmed bottom line profitability in Q2. In addition, based on the declining net debt position and lower inflation figures, net gains in the monetary position also saw a significant contraction (93% q-o-q, 46% y-o-y). These two non-operational items therefore led to the decline in H1 net profit when compared to both the Q1 and H1 2003 figures.

As of July 2004, Turkish gasoline and diesel demand increased by 2% and 11% y-o-y respectively, while fuel oil sales contracted by 10%. The increasing sales volume of

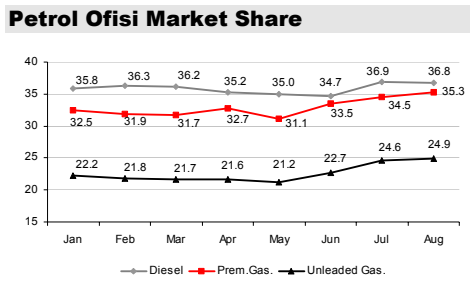
**The negative impacts of the TRL depreciation and the increased financing costs harmed Petrol Ofisi's bottom line profitability in Q2**

### Ever more attractive outlook

smuggled products, increasing usage of natural gas and a boost in product prices, which was based on the higher tax base and crude oil prices, were the main factors causing the sector to see weaker growth figures compared to the growth of the Turkish economy. Petrol Ofisi has been able to increase its market share slightly in the growing higher value-added white products segment since the beginning of the year. Its market share in diesel products, which makes up 76% of the Turkish white oil segment, increased from 35.8% at end-2003 to 36.8% in August 2004. Petrol Ofisi's premium gasoline market share also increased from 32.5% to 35.3%. The outstanding 2-4 pps growth in market share, especially in the most recent four months, proves that Petrol Ofisi has started to exert more effort in capturing market share from its competitors following the slight losses in 2003. Improving efficiency, also due to the increasing share of more value-added products such as jet fuel, and the increasing share of imports, helped the company maintain its 2003 gross margin levels. Despite the deterioration in distribution margins as a result of TRL strength and increasing product prices, the H1 2004 gross profit margin was realized at 5.6%, at a similar level to the Q1 2004 and 2003 margins of 5.7% and 5.6% respectively. EBITDA was also strong in 2004 and reached USD126m in H1, indicating y-o-y growth of 5.2%. A 12% increase was realized in sales revenues as these were helped by higher product prices.



Source: HSBC



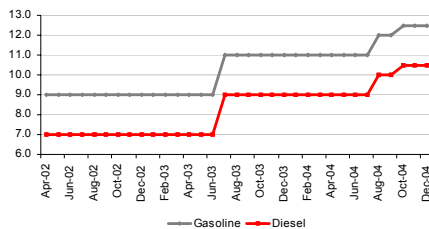
Source: HSBC

Furthermore, the pressure from the strengthening of the TRL and increasing product prices was relieved by the recent decision to increase distribution margins. The government decided to increase fuel distribution profit margins (which are shared between the dealers and the distribution companies) by 1cent/litre at the beginning of August 2004 and a further 0.5 cents/litre at the beginning of October 2004. Therefore, the distribution margin for gasoline and diesel reached 12.5 cents and 10.5 cents, respectively. The previous increase was amended in June 2003 with a 2 cents increase for both products. The share of the distribution margin in the sales price, which averaged 12% in FY2001 and bottomed in June '03 at 8.5%, recovered to 11% after the increase in August '04. Therefore, the gross margin of Petrol Ofisi is expected to improve slightly in Q3 and Q4. We estimate that 2004 EBITDA will grow by 5.4% y-o-y to reach USD270m. We believe that Petrol Ofisi has succeeded in improving its operating performance with the help of its cost cutting measures and other successful strategies, which were implemented after the privatisation. Based on the growth expectations for the Turkish economy and the liberalization of the pricing mechanism in 2005, we expect the improvement in operating profitability to be sustained in the medium term.

**The government decided to increase fuel distribution profit margins**

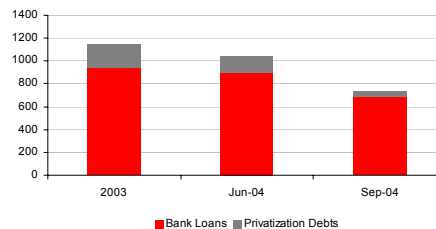
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### Distribution Margins (UScents/litre)



Source: HSBC

### Bank and Privatisation debts (USDm)



Source: HSBC

Accordingly, we expect the energy segment's EBITDA contribution to Dogan Holding to increase by 4% and 5%, respectively in 2004 and 2005. EBITDA from the energy segment will reach USD141.1 m in 2005, while EBIT will be at USD85.6m, 21% higher than the expected 2004 figure.

Petrol Ofisi's decision to merge with its highly leveraged parent company, Is-Dogan Petroleum, at the end of 2002 had damaged the financial structure of the company by increasing short-term debt to a risky level. However, the recovery in the macro economic outlook during the last two years period, with falling interest rates and the greater than expected strength of the TRL, has improved Petrol Ofisi's outlook significantly. Solo bank loans declined from \$1,311mn in December '02 to \$897m in June '04 and \$684m in September '04. The average financing cost declined significantly by 2-3pps, while the share of short-term loans fell sharply, from 74% to 30%.

### Energy Segment Financials (USDm)

	Q1 2004	Q2 2004	H1 2004	2003	2004E	2005E
Revenues	637.2	722.6	1,359.9	2,844.6	3,023.7	3,107.8
Gross Profit	36.1	39.9	76.1	159.5	160.2	170.4
EBIT	9.2	17.2	26.5	69.8	70.8	85.6
EBITDA	26.3	33.9	60.2	129.2	134.1	141.1

Source: HSBC

In July 2004, Petrol Ofisi announced that it had completed a USD175m eurobond issue and signed an additional USD92.5m murabaha syndication agreement (an Islamic bank loan). Eurobonds with a five-year maturity will bear an annual 9.75% interest rate with semi-annual coupon payments. The average cost of the additional loans appears to be higher than the company's current estimated 5% annual cost of debt, due to the nature of the high yield bond markets. However, significant support from the international finance market (there was USD250m demand for the USD175m bond issue) and the considerable improvement in debt maturities will improve Petrol Ofisi's outlook. The increasing availability of international financial sources will also improve the company's financial prospects and lower its short term financing costs. Dogan Holding and other major shareholder Isbank's recent attempt to sell stakes in Petrol Ofisi, revenues of which will be used for debt payments of the company, proved to be unsuccessful last month. However, we still believe that gradually increasing debt market credibility and improving macro conditions might lead to a successful SPO (or any other equity transaction) for Petrol Ofisi soon in 2005. We expect Petrol Ofisi's net debt

**We expect the energy segment's EBITDA contribution to Dogan Holding to increase by 4% and 5%, in 2004 and 2005**

**Petrol Ofisi announced that it had completed a USD175m eurobond issue**

## Ever more attractive outlook

position to decline from USD981m in Q2 2004 to more reasonable levels (around USD450m) by the end of 2007. The vulnerability of the company to fluctuations in the macro economy will also decline sooner with these borrowings and equity transactions.

Although the fuel-retailing sector is not as sensitive as media to consumer spending, Petrol Ofisi, carrying a huge debt position, is a strong nominee to benefit from the new era. The EU process coupled with the deregulation in the sector, will most probably serve to the benefit of the large players in the market. Lower smuggled products, free pricing and removal of import limits will increase operational profitability. Strong market conditions and probably lower tax rates in the long run will increase local consumption significantly. Petrol Ofisi's plans to support its existing operations with natural gas distribution business and vehicle inspection licenses will certainly diversify the portfolio and minimize the product specific risks of the company. Especially, growing natural gas consumption, which has been a significant threat also to some existing products sold by Petrol Ofisi is a chance to sustain long-term growth for the company.

## Banking profitability will recover in the second half

### Finance Sector Performance

	Q1 2004	Q2 2004	H1 2004	2003	2004E	2005E
Revenues	223.9	65.5	289.4	867.0	700.9	744.6
Gross Profit	122.1	-20.9	101.3	476.7	344.9	315.0
EBIT	35.6	-101.9	-66.3	230.7	150.2	157.7
EBITDA	47.1	-90.2	-43.1	283.7	195.1	198.2

Source: HSBC

The downward trend in inflation, as part of the IMF-backed programme, and a more stable macroeconomic and political environment pushed nominal interest rates lower in 2004. Lower interest income and the sharp contraction in trading gains in accordance with the new era, therefore, caused a deterioration in the contribution of Dogan's finance sector (which makes up 17% of the overall NAV) to operating profitability. On the other hand, the 2004 financial performance reflected the efforts by the group to adapt Disbank to a non-inflationary environment. More specifically, a shift to high-yielding TRL-based interest earning assets (such as credit card and consumer loans) accelerated in the period. This has allowed the bank to limit the decline in its interest margins as compared on an annual basis. Moreover, commission income (the key revenue item in an environment when interest income is contracting) increased 85% on an annual basis in the first six months of the year, and now covers 26% of operating expenses, against 18% a year earlier. Nevertheless, it should be recalled that 2003 was a period when the TRL appreciated in real terms against foreign currencies, and interest rates declined sharply in parallel to the CBRT's rate cut decisions. As a result, the Turkish banking sector had huge FX and trading gains, boosting the profitability of the Turkish banking sector. With a more stable macroeconomic and political environment, this would mean lower trading income and FX gains (if any), and hence a contraction in net profits in 2004. We forecast that the EBIT contribution of the financial subsidiaries will decline by 35% to USD 150m this year. Accordingly, the EBITDA of the finance sector will also contract by 31% to USD195m in 2004.

**The EBITDA of the finance sector will also contract by 31% to USD195m in 2004.**

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# Summary financials

Current price (USc) Recommendation	0.18	Target price(USc) Add	0.22	Market cap (USDm) Enterprise value (USDm)	1,306 2,076	Bloomberg code Reuter RIC	DOHOL TI DOHOL.IS		
<b>Year to</b>	<b>12/2003a</b>	<b>12/2004e</b>	<b>12/2005e</b>	<b>12/2006e</b>	<b>Year to</b>	<b>12/2003a</b>	<b>12/2004e</b>	<b>12/2005e</b>	<b>12/2006e</b>
<b>Per share data (USc)</b>					<b>Ratios (%)</b>				
Reported EPS	0.37	0.18	0.20	0.25	Revenue/IC (x)	2.5	2.1	2.1	2.3
HSBC EPS	0.37	0.18	0.20	0.25	NOPLAT margin	5.6	5.4	5.7	5.7
CEPS	0.68	0.44	0.44	0.50	ROIC	14.2	11.4	12.0	12.9
DPS	0.00	0.00	0.00	0.00	ROE	33.1	10.7	10.4	11.8
NAV	1.50	1.79	1.98	2.23	ROA	6.3	2.5	2.7	3.3
<b>P&amp;L summary (USDm)</b>					ROCE	12.2	4.9	5.5	7.1
Revenue	4,461.4	4,541.0	4,755.8	4,874.3	ROIC/Cost of capital	1.31	1.05	1.11	1.19
EBITDA	462.8	438.5	462.2	473.9	Cost of capital	10.8	10.8	10.8	10.8
EBIT	240.0	244.1	280.8	292.4	EBITDA margin	10.4	9.7	9.7	9.7
Net interest	57.9	-72.8	-82.8	-30.8	EBIT margin	5.4	5.4	5.9	6.0
PBT	431.1	202.7	226.3	287.1	PAT margin	8.1	3.7	4.0	4.9
HSBC PBT	431.1	202.7	226.3	287.1	Interest Cover	6.2	2.8	3.0	3.8
Taxation	69.0	32.4	36.2	45.9	Net debt/equity	69.6	65.3	48.1	27.8
Reported net profit	274.6	129.1	144.1	182.9	Net debt/EBITDA	1.31	1.05	1.11	1.19
HSBC Net profit	274.6	129.1	144.1	182.9	<b>Growth (%)</b>				
NOPLAT	248.5	246.5	269.1	277.8	Revenue	29.2	1.8	4.7	2.5
<b>Cash flow summary (USDm)</b>					EBITDA	91.7	-5.2	5.4	2.5
Op free cash flow	n.m.	n.m.	n.m.	n.m.	EBIT	92.3	1.7	15.0	4.1
HSBC cash flow	n.m.	n.m.	n.m.	n.m.	PBT	288.3	-53.0	11.6	26.9
Capital expenditure	n.m.	n.m.	n.m.	n.m.	HSBC Net profit	371.4	-53.0	11.6	26.9
Cash earnings	n.m.	n.m.	n.m.	n.m.	HSBC NOPLAT	114.6	-0.8	9.2	3.2
Change in net debt	n.m.	-482.6	-214.7	-221.4	HSBC EPS	371.4	-53.0	11.6	26.9
<b>Balance sheet summary (USDm)</b>					<b>Valuation (x)</b>				
Intangible fixed assets	992.8	1,003.3	1,086.0	1,175.5	PE	4.8	10.1	9.1	7.1
Tangible fixed assets	879.4	1,088.3	1,108.3	1,129.9	PNAV	1.2	1.0	0.9	0.8
Cash	700.1	439.5	395.6	435.6	PCE	2.6	4.0	4.0	3.6
Current assets	3,953.0	4,069.2	4,150.3	4,257.3	Yield (%)	0.0	0.0	0.0	0.0
Operating liabilities	3,055.3	3,449.2	3,727.9	4,029.4	EV/Revenue	0.3	0.2	0.2	0.2
Gross debt	1,842.2	1,654.7	1,383.2	1,073.2	EV/EBITDA	3.1	2.6	1.9	1.7
Net debt	1,320.6	838.0	623.3	401.9	EV/IC	0.7	0.5	0.4	0.4
Shareholders funds	1,101.6	1,314.5	1,458.6	1,641.5	ROIC/Cost of capital	1.3	1.1	1.1	1.2
Invested capital	2,069.7	2,272.1	2,221.1	2,097.7	HSBC REP	0.5	0.5	0.4	0.3

## Business description

Dogan Holding is one of the largest conglomerates in Turkey, and 99% of its asset value originates from three main sectors namely media, energy and banking but the focus of the group is on the media and energy segments. Dogan Yayin Holding in the media sector and Petrol Ofisi in the energy sector are unchallenged market leaders. By exiting from the banking business Dogan Holding plans to expand in the businesses that would create synergies with its energy and media assets. Through acquiring new TV channels, Dogan aims to increase its 40% advertisement share to 50% in the long term. Dogan is also eyeing the upcoming National Lottery privatisation, cause it perfectly complies with its media presence.

## Net Asset Value – Breakdown by segments

