

**DOGAN HOLDING**  
**Rating Upgrade**

**Market Outperformer**

We upgrade our rating for Dogan Holding from 'Market Performer' to 'Market Outperformer', based on the attractive valuation of the stock. Revisions in our valuation model for Petrol Ofisi, following the release of the company's consolidated financial statements, which came above our expectations, especially due to better than expected impact of the company's participations, pulled our fair value for the company up to US\$1,222mn from the previous US\$948mn. Additional information released regarding the company's business in the Iraqi market that it provides higher than expected margins and that it will be a continuous business rather than being a one-shot transaction, also played an important role in our valuation upgrade for Petrol Ofisi. Petrol Ofisi has a 36% weight in the target value of Dogan Holding's participation portfolio. Meanwhile, the stock underperformed the ISE-100 index by 4.9% and 5.4% in the last one week and one month, respectively, especially during the recent weakness in the market due to the uncertainty regarding the Cyprus issue.

We have already been positive over Dogan Group's operations and have been appreciating the improvement in the Group's financial structure, which had been one of the major concerns for a long time in the past. According to our calculations, the major debt holder participation, Petrol Ofisi will be capable of redeeming all of its debt within a 3-4 years horizon.

Currently, at an Mcap of US\$1.17bn, Dogan Holding is trading with respective 19% and 26% discounts to its current and target NAVs, respectively. Our target Mcap of US\$1.57bn for the stock suggests an upside potential of 34%, which stands markedly above our estimated upside for the ISE-index at 21%. In addition to its attractive valuation, we believe that our positive outlook for the market will also support the outperformance of the high beta stock.

Listed Participations	stake	Valuation method	Current NAV (US\$m)			Valuation method	Target NAV (US\$m)		
			Mcap	participated Mcap	NAV weight		Mcap	participated Mcap	NAV weight
Milpa	65.0%	Mcap	32	21	1.5%	Current Mcap adj. by the ISEs upside 2003F P/BV valuation	39	25	1.6%
T. Disbank	62.4%	Mcap	413	257	17.8%		613	383	24.4%
Celik Halat	52.4%	Mcap	12	6	0.4%	Current Mcap adj. by the ISEs upside	15	8	0.5%
Ditas Dogan	55.7%	Mcap	13	7	0.5%		15	8	0.5%
Dogan Yayin Holding	66.6%	Mcap	974	649	45.0%	NAV DCF	931	620	39.6%
Petrol Ofisi	47.4%	Mcap	1,178	559	38.7%		1,222	579	37.0%
<b>Total Value of Listed Participations</b>			<b>1,499</b>		<b>104.0%</b>		<b>1,623</b>		<b>103.6%</b>
<b>Net Cash of Dogan Holding (03/10) - Adjusted by DYHOL stake sell-off</b>					<b>-4.0%</b>				<b>-3.6%</b>
<b>NAV of Dogan Holding</b>				<b>1,442</b>				<b>1,566</b>	
<b>Current Mcap</b>				<b>1,165</b>				<b>1,165</b>	
<b>Premium/Discount</b>				<b>-19%</b>				<b>-26%</b>	

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