

DOHOL.IS Dogan Holding

OUTPERFORM (U)

RESEARCH DEPARTMENT

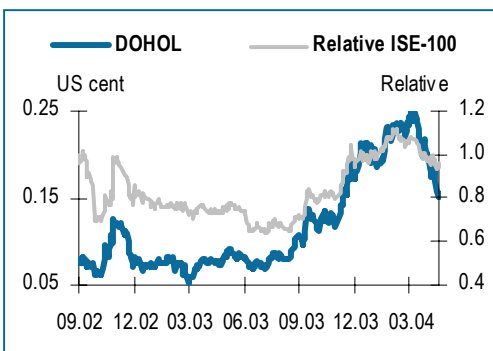
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General Company Information	
Sector	Conglomerates
Operations	Media, energy, finance, other
Shareholder Structure	
%52.0	Adilbey Holding
%13.5	Dogan Family
%0.2	Aydin Dogan Foundation
%34.3	Free Float

Stock Data	TL	US\$
Share Price	2,400	0.16 ¢
ISE-100	17,103	1.11 ¢
Paid In Cap	588,231 bn	\$381 m
Float	34.3%	
Market Cap	1,411,753 bn	\$915 m
Float MCap	484,090 bn	\$314 m
Estimated Value (\$)		
Target M Cap		\$1,350 m
Target Share Price		0.23 ¢

Stock Perf.	1 Mn	3 Mn	12 Mn
TL % Chng.	-18.6	-7.7	106.3
US\$ % Chng.	-29.8	-19.5	100.3
Rel Index % Chng	-7.2	-6.0	29.2
Avg Vol. (000\$)	51,675	58,634	58,140



Trading at a steep discount

Recommendation upgraded to "Outperform"

Dogan Holding has underperformed the ISE-100 index by 3% since 15 December, the last time we changed our recommendation to "Market Perform". Since that time, we have increased our valuations for Dogan Yayin Holding (DYH) and Petrol Ofisi, which account for 87% of Dogan Holding's target NAV. We raised our fair value estimate for DYH from \$990 million to \$1.2 billion, following a surge in the advertising market. Likewise, we raised our fair value estimate for Petrol Ofisi from \$450 million to \$800 million, due the reduction in its net debt position. Consequently, we have revised our target market capitalisation for Dogan Holding from \$1.08 billion to \$1.35 billion, which implies 47% upside on the basis of our 1.5 US¢ index target. *Positive catalysts for the share price could include developments on the possible sale of Disbank, a restructuring of Petrol Ofisi's debt and/ or a possible secondary offering, and the privatisation of the National Lottery (Milli Piyango), where the company is expected to announce its international partner in the next few weeks. Nevertheless, the recent depreciation of the Turkish Lira may pressure the shares in the short-term, due to the high level of leverage.*

Energy segment continues to dominate revenues

In 2003, Dogan Holding (DH) generated \$4,461 million in consolidated revenues, 3% lower YoY in US\$ terms. The revenues of non-banking and non-financial services diminished by 2% in US\$ terms (although the media sector recorded 8% growth, thanks to strong advertising revenues), while revenues from banking and financial services dropped by 9%. The largest contributor to consolidated revenues was the energy segment, with a 64% share.

Benefited from TL appreciation

Dogan's operating profit improved significantly in 2003, as the operating profit of the finance segment jumped by 62% YoY to \$231 million. The finance segment accounted for 19% of revenues and 96% of operating profit. On the other hand, the operating profit of the non-finance segment declined by 61% to \$9.4 million, mainly due to a lower operating profit from the media segment, because of non-cash expenditures. DH's consolidated EBITDA rose by 43% to \$448 million, corresponding to an EBITDA margin of 10.1% (2002: 6.8%). Non-banking and non-finance EBITDA grew by 52% to \$151 million. All in all, DH announced a \$275 million net profit in its FY03 IFRS consolidated financials, 253% higher than in FY02. The surge in the bottom-line stemmed mainly from net financial income (which was negative in 2002), due to the Company's FX-denominated net debt position; it had benefited from the appreciation of the Turkish Lira.

A much improved risk profile thanks to reduction in overall debt

DH's book value increased by 48% to \$1.1 billion, thanks to the capital injection through rights issue in September 2003. The net debt of the non-finance segments declined to \$209 million (\$476 million in 2002), while net FX liabilities was reduced from \$1,134 million at the end of 2002 to \$1,013 million by the end of 2003. In sum, DH's consolidated net debt declined to \$836 million, from \$1,354 million in 2002.

Valuation

We prefer to base our valuation on the value derived from the sum-of-the-parts valuation method, which focuses on the fair value of assets, as Dogan Holding is active in three main sectors—media, energy and finance. Based on the target value of its subsidiaries, we estimate that Dogan Holding offers 47% upside potential, based on its target NAV for 2004.

Dogan Holding NAV Estimate						
11.05.2004						
Company	Current NAV			Target NAV		
	Current Mcap (\$ mn)	% Stake	Participated MCap	Fair Value Estimate (\$ mn)	Participated MCap	
Dogan Yayin Holding (DYHOL.IS)	797	66.6	531	1,190	792	
Disbank (DISBA.IS)	326	62.4	203	326	203	
Petrol Ofisi (PTOFS.IS)	943	47.4	447	800	379	
Milliyet Pazarlama (MIPAZ.IS)	24	65.0	16	24	16	
Celik Halat (CELHA.IS)	9	52.4	5	9	5	
Ditas Dogan (DITAS.IS)	10	55.7	6	10	6	
Others (unlisted)			18		18	
Total			1,225		1,419	
Net Cash (Debt)			-71		-71	
NAV			1,154		1,348	
Mcap of Dogan Holding			915		915	
Upside/(downside) Potential (%)			26%		47%	

Source: Is Investment estimates

Consolidated Balance Sheet			
As at December 31, 2003		(Restated)	
(\$ million)	2003	2002	
Cash and amounts due from banks	700	725	
Investment securities:			
trading	386	522	
available-for-sale	379	205	
held-to-maturity	22	13	
Reserve Deposits with the Central Bank of Turkey	164	210	
Originated Loans	1,667	1,600	
Derivative financial instruments	6	4	
Trade receivables	383	323	
Due from related parties	14	29	
Inventories	138	121	
Other current assets	94	139	
Total Current Assets	3,953	3,891	
Investment securities:			
available-for-sale	601	451	
Real estate investments	28	38	
Property, plant and equipment	842	883	
Intangible assets	993	1,071	
Other non-current assets	9	5	
Deferred tax assets	112	212	
Total Non-Current Assets	2,585	2,660	
TOTAL ASSETS	6,538	6,551	
Short-term bank borrowings	1,070	1,163	
Banking deposits	2,294	2,534	
Derivative financial instruments	1	1	
Trade payables	230	139	
Due to related parties	10	23	
Insurance technical reserves	40	34	
Other current liabilities	310	290	
Taxes on income	12	24	
Total Current Liabilities	3,967	4,209	
Bank borrowings	772	934	
Banking deposits	23	0	
Trade payables	27	41	
Employee termination benefit	13	13	
Insurance technical reserves	14	11	
Other non-current liabilities	80	81	
Deferred tax liabilities	2	61	
Total Non-Current Liabilities	931	1,141	
Minority interest			
- Dogan family members	53	30	
- Other	485	426	
Share capital	421	324	
Adjustment to share capital	461	458	
Share premium	3	3	
Translation gain (loss)	-15	2	
Accumulated profit (deficit)	231	-43	
Total Equity	1,102	743	
Total LIABILITIES AND EQUITY	6,538	6,551	

Consolidated Statement of Income		
As at December 31, 2003		
(\$ million)	2003	(Restated) 2002
Revenues	4,461	4,604
Non-banking and non-financial services	3,617	3,680
Banking and financial services	845	924
Operating Expenses	-4,099	-4,326
Non-banking and non-financial services	-3,499	-3,585
Banking and financial services	-600	-741
Other Operating Expense-net	-122	-112
Non-banking and non-financial services	-108	-71
Banking and financial services	-14	-41
Operating Profit (loss)	240	166
Non-banking and non-financial services	9	24
Banking and financial services	231	142
Financial income (expense)	58	-180
Monetary gain	133	162
Taxation charge	-69	-42
Minority interests		
- Dogan family members	-7	2
- Other	-80	-30
Net Profit	275	78

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Abbreviations and formulas used in the report: ISE: Istanbul Stock Exchange; CMB: Capital Market Board; CB: Central Bank; MCap = Market Capitalization; P/E: Price/Earnings Ratio = Price/Earnings per share; P/BV: Price / Book Value = Price/Shareholders' Equity per share