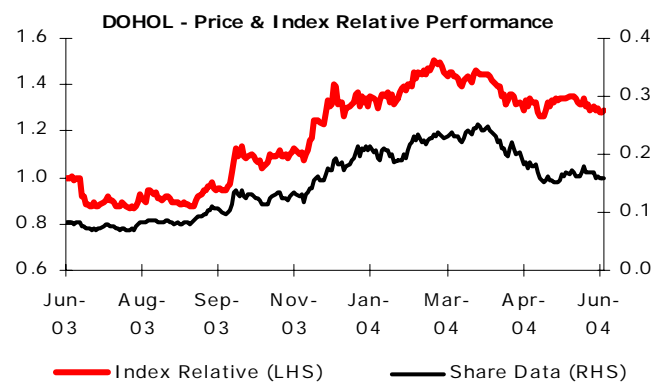


DOGAN HOLDING Conglomerates

Market Outperformer

- Currently, Dogan Holding (DH) is trading with respective 24% and 34% discounts to its current and target NAVs. Our target Mcap for the stock of US\$1,420mn suggests an upside of 51%, markedly above our estimated upside for the ISE - index. Accordingly, we issue a 'Market Outperformer' rating for the stock.
- DH's more attractive valuation when compared with that of its listed subsidiary, Dogan Yayin, renders it an appropriate option to buy into handsome media sector expectations.
- DH recently announced that Disbank is in the process of evaluating potential partnership and share sale opportunities for the bank with its recently hired adviser. Disbank is trading with a one-year forward looking P/B of a mere 0.5x. We believe that the bank deserves to trade with a P/B of 0.6x. Thus, a probable Disbank sale would positively affect the bank's market value and consequently that of the Holding as well.
- Debt position of DH is high but we believe that there is no need to be worried so far. Currently, borrowings of the major debt holder, Petrol Ofisi, are quite long-term, and in the absence of a serious financial crisis in Turkey, or any extraordinary financial difficulty peculiar to DH, we do not expect any problems regarding debt repayment.
- The Holding is prepared to bid for the license distribution tender of the National Lottery (Milli Piyango). We expect investor interest on the stock to rise prior to the tender to be held in 4Q04 or 1Q05. Meanwhile, despite it being at the initial planning stage, DH is also interested in Turk Telekom's (TT) privatization, the success of which is questionable given the fate of other recent privatizations and TT's long and enduring privatization story since 1995.
- Its high beta makes the stock a good recovery play. DH's inclusion in the MSCI index last month, effective as of May 28, 2004, is another positive.

Price (TL / US¢)	2,380 / 0.16
Price Range (1 Year, TL/US¢)	983 / 0.07 - 3,275 / 0.25
Number of Shares (mn)	588,231
Market Cap. (US\$m)	942
Free Float	34%
Daily Vol. (3 Month, US\$m)	51.7
Ticker (Reuters, Bloomberg)	DOHOL.IS, DOHOL.TI
ISE-100 Index (TL / US¢)	16,964 / 1.14



PERFORMANCE

	1 Week	1 Month	3 Month	1 Year
US\$	-5.2%	5.3%	-32.2%	91.8%
Index Relative	-1.3%	-3.7%	-9.4%	29.0%

SUMMARY FORECASTS (IAS, US\$m) & VALUATION

	2002A	2003A	2004F	2005F
Net Sales	3,451	4,461	4,718	4,470
EBIT	125	240	391	369
Net Profit	58	275	223	140
BV	557	1,102	1,350	1,439
P/BV	1.7	0.9	0.7	0.7
P/E	16.2	3.4	4.2	6.7

SHAREHOLDING STRUCTURE

Dogan Family Members and Companies	65.5%
Aydin Dogan Foundation	0.2%
Free Float	34.3%

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INVESTMENT THEME

*Trading with
respective 24%
and 34%
discounts to its
current and
target NAVs*

Currently, Dogan Holding (hereafter referred to as 'the Company', 'the Holding', or 'the Group') is trading with respective 24% and 34% discounts to its current and target NAVs. Our target Mcap for the stock of US\$1,420mn suggests an upside potential of 51%, markedly above our estimated upside for the ISE - index. Accordingly, we issue a 'Market Outperformer' rating for the stock.

*Dogan Holding's
more attractive
valuation when
compared with
Dogan Yayin
renders it an
appropriate
option to buy
into handsome
media sector
expectations*

With its participation in Dogan Yayin Holding, a substructure gathering all media businesses under one roof, Dogan Holding, as Turkey's leading media group with its approximate 40% market share, is expected to benefit the most from favorable media sector expectations. Sustained economic improvement will yield continued advertisement market growth. When past data is examined, we see that ad market growth is strongly correlated with GDP growth together with a 3-4 multiplier effect. When very low domestic per capita ad spending and the share of ad spending in GDP in comparison with those of peer countries are considered, it becomes clear that the Turkish advertisement sector has outstanding growth potential. Privatization, increased foreign direct investments, and EU prospects will also contribute to growth. Accordingly, we expect ad market YoY growth, which was realized at 24% in 2003, to reach 34% and 10% in 2004 and 2005, respectively. Dogan Holding's more attractive valuation when compared with that of its listed subsidiary, Dogan Yayin, renders it an appropriate option to buy into handsome media sector expectations.

Moreover, Dogan Yayin Holding is currently on the way to additionally improve its TV rating base and revenues. With this aim Free TV, the digital broadcasting concern of Dogan Yayin Holding, has started talks with a strong contender, TRT, the state-owned broadcasting company, in order to participate together in the tender for broadcasting rights to the Turkish Football League. Dogan Yayin Holding is also in talks with Italian Mediaset Group for a possible partnership, and with the BRSA to acquire the rights to Cine5, the pay TV channel specialized in movies and sports. The latter was taken over by the SDIF due to the collapse of its owner's bank.

Disbank ranks as the number-two private bank in Turkey in terms of free capital

Disbank is another valuable subsidiary of Dogan Group with its strong positioning in Turkey's banking sector. The bank, ranked the seventh private bank in Turkey in terms of asset size and the second in terms of free capital, stands out with its solid ROE, high asset quality, and robust liquidity. We expect the profit accumulation to further solidify capital adequacy for Disbank in the coming periods. The banking sector draft law previous to the latest revisions had included articles preventing media players from becoming bank owners, raising concerns over Dogan Holding's participation portfolio. And yet the revised version, which has recently been submitted to Parliament, does not include such restrictions. On the other hand, the market expects the draft law to again include similar but softened articles, most probably by offering quite a long time-span for media players to sell their stakes in banks. Along with the easier terms, related concerns over owners of media companies and banks, such as Dogan Holding, have been largely removed.

The banking sector draft law no longer includes articles, preventing media players from becoming bank owners

A probable Disbank sale would positively affect the bank's market value and consequently that of the Holding

Dogan Holding recently announced that Disbank is in the process of evaluating potential partnership and share sale opportunities for the bank with its recently hired adviser. Disbank is trading with a one-year forward looking P/B of a mere 0.5x. We believe that the bank deserves to trade with a P/B of 0.6x. Thus, a probable Disbank sale would positively affect the bank's market value and consequently that of the Holding as well.

The Group's main debt holder, Petrol Ofisi, will be capable of redeeming all of its debt within a 3-4 years horizon

Petrol Ofisi, the Group's fuel retailer, is the undisputed market leader in the fuel retail market, with its respective 34% and 37% market shares in white and black products. In light of our positive expectations for macroeconomic growth in Turkey, Petrol Ofisi is also expected to perform well. The recently-enacted petroleum law imposed minimum proximity restrictions between fuel stations, increasing the value of the established stations of Petrol Ofisi. Additionally, the company is to benefit from import liberalization, due to its stocking capacity, which is the largest of the sector. Moreover, following the awaited price liberalization in 2005, the company might become a price setter in the sector, due to its leading position with significant market share. Meanwhile, we do not expect the price liberalization to result in major erosion of already slim distribution profits. The only threat remains the price cuts of small stations sourced by tax-fraud. Nevertheless this is already an existing problem for the sector in general. Meanwhile, as the main debt holder, Petrol Ofisi will be capable of

redeeming all of its debt within a 3-4 year horizon according to our calculations.

In the absence of a serious financial crisis in Turkey, or any extraordinary financial difficulty peculiar to Dogan Holding, we do not expect any problems regarding debt repayment

Debt position is high, but no need to be worried so far: The Holding's non-finance participations had a consolidated net debt position of US\$838mn as of the end of 2003, versus US\$990mn as of 2002-end. According to our forecasts, the Holding's non-finance consolidated net debt position will further decline during the coming years, receding to US\$631mn and US\$548mn in 2004 and 2005, respectively. Currently, the borrowings of the major debt holder, Petrol Ofisi, are relatively long-term (maturity structure provided on Page 10). In the absence of a serious financial crisis in Turkey, or any extraordinary financial difficulty peculiar to Dogan Holding, we do not expect any problems regarding debt repayment. On the other hand, investors should note that Dogan Group's high debt position renders it highly vulnerable to exchange rate volatility. Thus, wide upward swings in F/X rates could be negatively reflected in the Holding's share price.

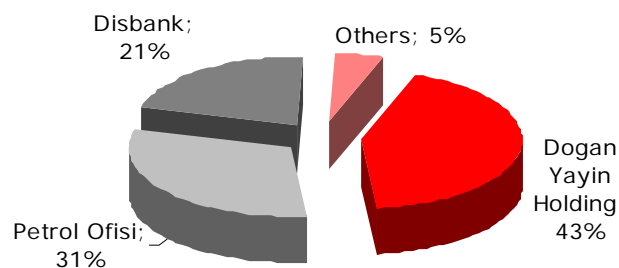
Dogan Holding is prepared to bid for the license distribution tender of the National Lottery and is also interested in Turk Telekom's privatization

Believing that it will provide the highest value added to the Company, thanks to its effective distribution network and its absolute advertising know-how, Dogan Holding is prepared to bid for the license distribution tender of the National Lottery (Milli Piyango). The Group targets a stake equal to or above 50% in the consortium, which is planned to also include two foreign partners, one as a strategic and the other as a technological partner. Negotiations with 3-4 potential partners are ongoing, with the Holding poised to make its decision. Even though the latest negative developments regarding Tupras' privatization, plus Turkey's previous unfavorable privatization track-record cast a shadow over success in forthcoming privatizations, we believe that the government is more likely to be successful in Milli Piyango's privatization, as it will be a less complicated license sell-off. Accordingly, we expect investor interest in the stock to rise prior to the tender to be held in 4Q04 or 1Q05. Meanwhile, despite it being at the initial planning stage, Dogan Holding is also interested in Turk Telekom's (TT) privatization, the success of which is questionable given the fate of other recent privatizations and TT's long and enduring privatization story since 1995.

VALUATION

We perform a sum of the parts valuation while reaching a target Mcap for Dogan Holding. The NAV of the Holding is calculated via both current and target values of its participations. The fact that almost the entire value comes from listed participations renders Dogan Holding more transparent, and thus the Holding's valuation more reliable. In our valuation, the current values of unlisted participations are derived via the 2003 EV/EBITDA multiple of listed industrial companies, while target values are calculated by applying the estimated upside of the ISE-100 index over the current value.

Breakdown of Target Participation Portfolio



** Target Participation Portfolio = Target NAV-Holding-only Net Debt
Source: Company data and Ak Securities

Dogan Yayin Holding dominates the Holding's estimated participation portfolio with a 43% share

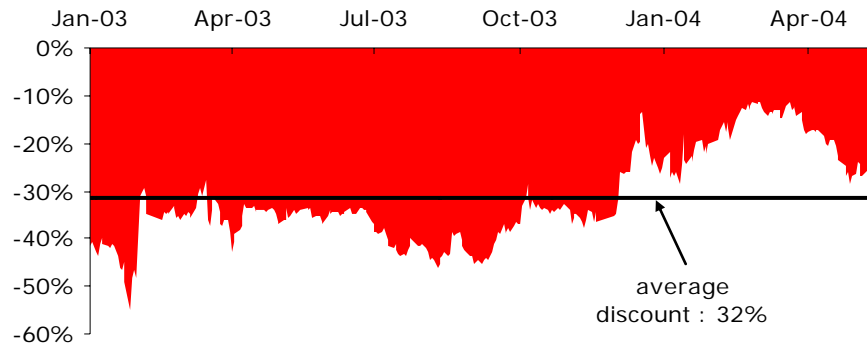
As may be seen in the graph above, Dogan Yayin Holding dominates the Holding's estimated participation portfolio with a 43% share, based on target Mcaps. Petrol Ofisi is the second largest contribution to the Holding's participation portfolio with 31%, while Disbank follows with a 21% share. Other companies, operating mainly in automotive, tourism, and trade constitute only 5% of the participation portfolio. Meanwhile, the potential winning of the forthcoming Milli Piyango privatization tender would surely change the participation portfolio breakdown. The NAV structure of the Holding may also change through the utilization of other new business opportunities, possible IPOs or SPOs, partnership agreements, or likely divestments of certain participations.

Has been trading with an average 32% discount to its NAV since the beginning of 2003

The Holding stock has been trading with an average 32% discount to its current NAV, since the beginning of 2003, following the merger of Is-Dogan and Petrol Ofisi in December 2002, as Dogan Holding's share price has mainly been punished for the Group's high leverage. We believe that investor displeasure with the merger operation, through which Is-Dogan's high debt

position was transferred onto Petrol Ofisi, was the other reason behind this high discount. As might be seen in the graph below, the discount has declined to a great extent until high F/X rate volatility was experienced in April 2004.

Premium/Discount to current NAV



Source: Company data and Ak Securities

Our target Mcap of US\$1,421mn for the stock suggests an upside potential of 50%

Currently, Dogan Holding is trading with respective 24% and 34% discounts to its current and target NAVs. Our target Mcap of US\$1,420mn for the stock suggests an upside potential of 51%, which stands markedly above our estimated upside for the ISE - index. Its presence in the media sector together with its more attractive valuation when compared with that of its listed subsidiary, Dogan Yayin Holding, renders Dogan Holding an appropriate option via which to buy into handsome media sector expectations. Additionally, its high beta makes the stock a good recovery play. Dogan Holding’s inclusion in the MSCI index last month, effective as of May 28, 2004, is another positive. We issue a ‘Market Outperformer’ rating for the stock.

Sum of the Parts Valuation for Dogan Holding

	Current NAV (US\$mn)				Target NAV (US\$mn)				
	stake	valuation method	Mcap	participated Mcap	NAV weight	valuation method	Mcap	participated Mcap	NAV weight
Dogan Yayin Holding	66.6%	Mcap	828	551	44.3%	NAV	938	624	44.0%
Petrol Ofisi	47.4%	Mcap	949	450	36.2%	DCF	969	460	32.4%
Disbank	62.4%	Mcap	364	227	18.3%	2004F-2005F P/BV valuation	490	305	21.5%
Milpa	65.0%	Mcap	27	18	1.4%	Mcap adj. by the ISE's upside	35	23	1.6%
Ditas Dogan	55.7%	Mcap	10	6	0.5%	Mcap adj. by the ISE's upside	13	7	0.5%
Celik Halat	52.4%	Mcap	9	5	0.4%	Mcap adj. by the ISE's upside	12	6	0.4%
Total Value of Listed Participations				1,257				1,425	
Total Value of Unlisted Participations				28				35	
Holding-only Net Cash (2004/04)				-41				-41	
NAV of Dogan Holding				1,243				1,420	
Current Mcap				942				942	
Premium (Discount)				-24%				-34%	

Source: Company Data and Ak Securities

HOLDING OVERVIEW

Dogan Holding is one of the largest conglomerates in Turkey, with a rich participation portfolio diversified mainly into media, fuel retailing, and finance sectors. Internet services & telecom, automotive part production, textiles, aviation, and trading are also businesses in which Dogan is active. Revenue and EBIT breakdown by core divisions are listed in the table below.

Segment Breakdown of Consolidated Revenues and EBIT					
	2001	2002	2003	2004F	2005F
REVENUES					
Finance	24%	20%	19%	17%	18%
Non-Finance	76%	80%	81%	83%	82%
Media	14%	13%	15%	18%	20%
Energy	59%	65%	64%	62%	59%
Others	3%	2%	2%	3%	3%
EBIT					
Finance	97%	85%	96%	41%	44%
Non-Finance	3%	15%	4%	59%	56%
Media	-22%	15%	2%	26%	34%
Energy	77%	34%	29%	21%	26%
Others	-51%	-35%	-27%	13%	-3%

Source: Company data and Ak Securities

New Business Opportunities

MILLI PIYANGO

Dogan Holding is prepared to bid for the license distribution tender of the National Lottery

Dogan Holding is ready to bid for the license distribution tender of the National Lottery (Milli Piyango). It believes that it would provide the highest value-added to the company thanks to its effective distribution network, including around 23,000 Yaysat (print media distribution company) dealers and more than 3,600 PO stations, as well as its thorough advertising know-how. The Group targets obtaining a stake equal to or above 50% in the consortium, which is planned to also include two foreign partners, one as a strategic and the other as a technological partner. Negotiations with 3-4 potential partners are ongoing with the Holding set to make its decision.

Studies for the tender via which a ten-year license will be awarded, have already begun. The privatization process is planned to commence soon with the tender expected to take place in 4Q04 or 1Q05. The current National Lottery company will remain the regulatory and controlling body. Bidders will submit their bids for both the ongoing license fee as a portion of total

revenues and the commitment to enlarge the pie for the lottery games, which was realized at around US\$750mn (approximately three fourths of which are taxes) in 2003, through new games to be offered. In other words, the bidder, which will commit the highest payment as a combination of these two, will be determined the winner. Additionally, an up-front fee (expected to range between US\$50mn - US\$300mn), which will be set by the Privatization Administration, is to be paid by the winner.

TURK TELEKOM

The Holding is also interested in Turk Telekom's privatization

Dogan Holding is also interested in the privatization of Turk Telekom, even if not in a pro-active phase. The Group has a tendency to participate in one of the bidder consortiums with a minority share, in order to create value from the synergy to be established between telecom and media businesses.

ELECTRICITY DISTRIBUTION

Dogan Holding has lost its enthusiasm for electricity distribution business after the Council of State cancelled the transfer of operating rights for electricity distribution of two regions awarded to the Group in 1995. As for past developments regarding the issue, the Council of State had halted procedures for these two projects prior to Cabinet approval, based on the old Radio and Broadcasting Law in effect. It claimed that owners of broadcasting companies with more than a 10% stake were not allowed to bid for public tenders. At the end of June 2001, the deadline set by the World Bank for the privatization of electricity distribution, all of the awarded energy distribution licenses, including Dogan's, became invalid.

Dogan Holding currently has the right to bid for the previously cancelled electricity distribution tenders

The new law, which was approved by Parliament in May 2002, removed constraints on the bidding of owners of broadcasting companies in public tenders. However, President Sezer sent the related article (plus another article in the law) to the Constitutional Court. Duly, the Holding currently has the right to bid for public tenders, including privatization tenders, as there is no related article of law in effect.

The Holding may be interested again, if privatization is based on the TOR model

As for the privatization of the electricity distribution rights, new tenders are planned for next year. Dogan Holding management states that it is following developments regarding the issue, and may be interested in these projects again, should the privatization be based on the transfer of operating rights model, and not on the asset sale model.

The Holding also plans to enter the natural gas distribution business

NATURAL GAS DISTRIBUTION

The Holding also plans to enter the natural gas distribution business through Petrol Ofisi. As related tenders are arranged separately for each city and more than one project is not allowed to be awarded to any of the bidders, Dogan Group, as other large groups, is waiting for the tenders to be opened for large cities, such as Istanbul and Ankara. Mentioned privatizations are expected to take place next year.

Potential Public Offerings

SPO's for Petrol Ofisi and Disbank and IPO of TV Channels are likely in the long-term

PETROL OFISI

As the majority of public shareholders participated in the pre-merger share call-back of the main shareholders, the merger of Petrol Ofisi and its shareholder Is-Dogan Petrol Yatirimlari in December 2002 led to a significant slide in the company's free float (from 23.1% down to 5.1%). Once appropriate market conditions are reached, the Holding plans an SPO for the stock.

TV CHANNELS

TV channels, which started to feature in Dogan Yayin Holding's participation portfolio following the takeover at the end of 2002, may also be offered to the public, probably once these companies reach sustainable profitability levels.

DISBANK

Even though Disbank has a 17% free float rate, the stock's liquidity is quite low, causing the stock to trade at a considerable discount to its fair value. The bank's liquidity may be increased via an SPO in the longer term. Although this may cause short-term selling pressure, in the long-term, it would help reduce the stock's discount to its fair value.

The management states that cash to be generated from a possible Petrol Ofisi SPO would be utilized for Petrol Ofisi itself, most probably in debt repayments. Cash to be raised from the remaining likely public offerings will most probably fulfil financing needs for potential projects such as privatizations.

Disposals

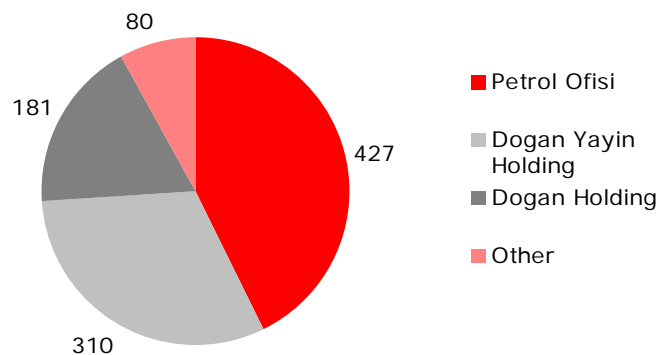
The Holding intends to exit from businesses excepting the media, finance, and energy sectors within a two-three year time span, should any potential acquirers appear.

Debt Structure

The Holding's non-finance participations had a consolidated debt position of US\$998mn as of the end of 2003, the breakdown of which is given below.

The Holding's non-finance participations had a net debt position of US\$838mn as of 2003-end

Consolidated non-finance debt as of 2003-end (US\$mn) *



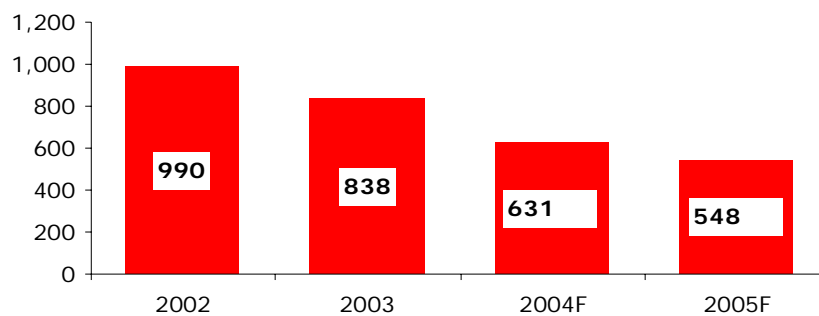
Source: Company data

*After intersegment eliminations

The Holding's consolidated net debt position was US\$838mn as of 2003-end, versus US\$990mn as of 2002-end. According to our forecasts, the Holding's non-finance consolidated net debt position will further decline during the following years, receding to US\$631mn and US\$548mn in 2004 and 2005, respectively.

We expect the Holding's consolidated net debt to decline to US\$631mn and US\$548mn as of 2004-end and 2005-end, respectively

Consolidated non-finance net debt (US\$mn) *



Source: Company data

*After intersegment eliminations

The Holding company had a net debt position of US\$41mn as of the end of April 2004

Dogan’s holding-only financial debt, currently amounting to US\$210mn, was restructured, resulting in the following maturity schedule. Around US\$50mn of this amount is to the Group bank, Disbank. Meanwhile, in early 2004, the Holding redeemed €18.7mn of its debt maturing in 2005. As of the end of April 2004, the Holding company had a net debt position of US\$41mn.

Maturity Structure of Holding-only Financial Debt (US\$m)

	2004	2005	2006	2007 and beyond
Debt to be repaid	34	105	48	24

Source: Company data

DOGAN YAYIN HOLDING

Dogan Yayin Holding’s EBITDA generation is strong enough to repay its debt, and only partial rollovers may be required

Dogan Yayin Holding’s consolidated financial debt amounted to US\$325mn as of 2003-end, while net debt position stood at US\$228mn. Holding-only net debt position stood at US\$182mn. Dogan Yayin Holding’s financial debt has shorter terms, with repayments accumulating in 2004 and 2005. Nevertheless, when the Holding’s US\$178mn 2004F EBITDA is considered only partial rollovers may be required.

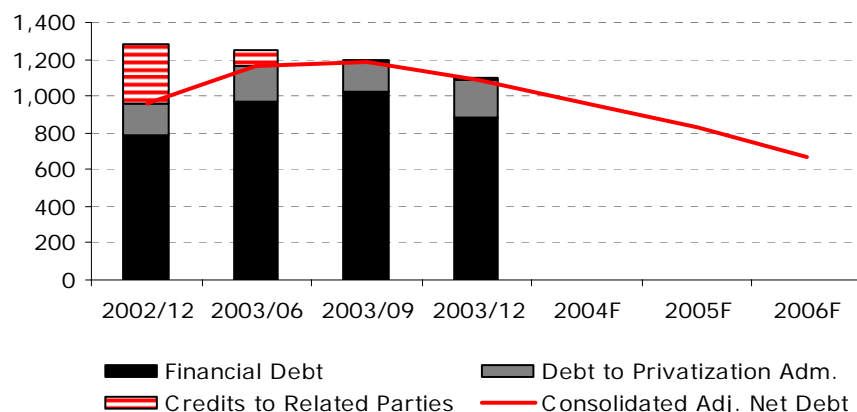
Maturity Structure of Dyhol’s Consolidated Fin. Debt (US\$m)

	2004	2005	2006	2007 and beyond
Debt to be repaid	144	159	10	11

Source: Company data

PETROL OFISI

Petrol Ofisi Consolidated Debt Position (US\$m) *



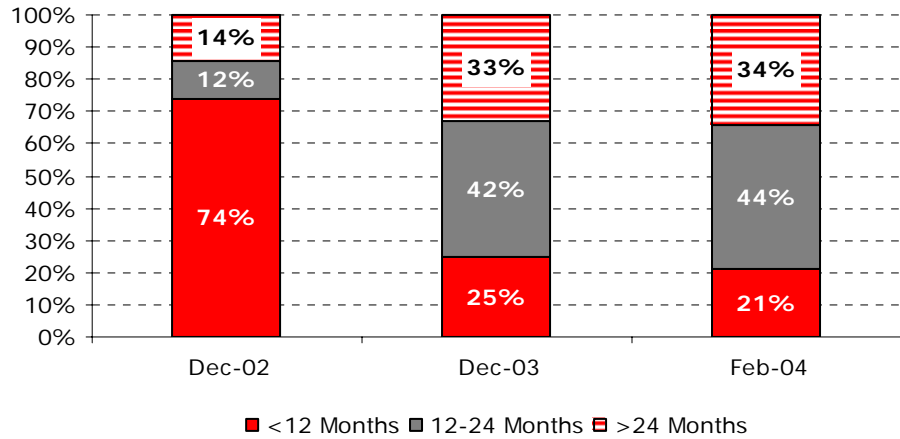
Source: Petrol Ofisi and Ak Securities

* Credits to related parties item is another factor augmenting the debt position. Hence, we have subtracted it from financial debt, obtaining an adjusted net debt position.

Petrol Ofisi is capable of decreasing debt to a moderate level within a period of 1-2 years

Upon merger with the parent company Is-Dogan, a sizeable debt of US\$1.2bn entered Petrol Ofisi’s balance sheet. As the company has significant cash generation power from operations (2003 EBITDA: US\$242mn), we believe it is capable of decreasing debt to a moderate level within a period of 1-2 years.

Petrol Ofisi – Maturity Composition of Financial Debt



Source: Petrol Ofisi

Ratio of Petrol Ofisi’s short-term debt to total debt was 21% as of February 2004

Note that the debt re-structuring in 2H03 had brought the ratio of short-term debt (maturity < 1 year) down from 74% to 21% as of February 2004. And as may be seen in the graph below, borrowings of the major debt holder, Petrol Ofisi, are relatively long-term.

Average cost of debt at 5.64%

Note also that having stated its intention to increase the average maturity of debt from 2 to 5 years, Petrol Ofisi is preparing for a Eurobond issue of unspecified amount. While a longer maturity would be positive, the compounded annual yields of bonds issued by Vestel (11.83%, ~3 years to maturity) and Turkcell (13.12%, ~1.5 yrs to maturity) suggest that the cost of debt would be higher than Petrol Ofisi’s current average. Management had announced its average cost of debt as 7.62% in December 2002 and 5.64% in February 2004.

In the absence of a serious financial crisis in Turkey, or any extraordinary financial difficulty peculiar to Dogan Holding, we do not expect any problems regarding debt repayment.

IAS Financials

Summary Consolidated Financials of Dogan Holding

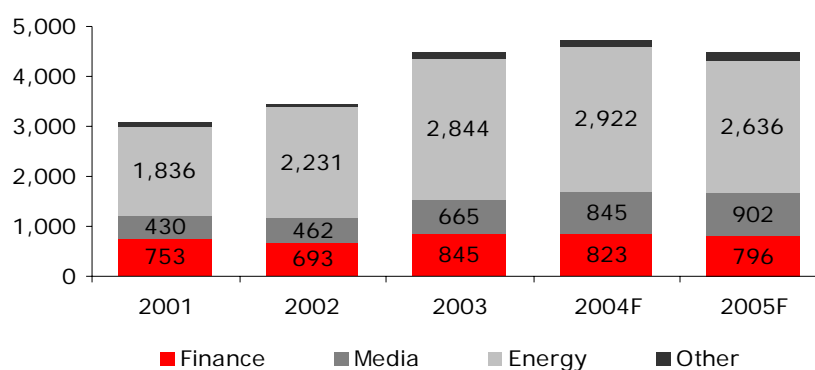
(US\$m)	2001	2002	2003	chg.	2004F	chg.	2005F	chg.
Revenues	3,098	3,451	4,461	29%	4,718	6%	4,470	-5%
EBIT	69	125	240	92%	391	63%	369	-6%
Other Income	-675	-135	58	n.m.	-138	n.m.	-96	30%
Gain on Net Monetary Position	343	121	133	10%	139	4%	62	-55%
Earnings Before Tax	-263	111	431	288%	392	-9%	335	-15%
Taxation on Income	66	-31	-69	122%	-100	46%	-128	28%
Income Before Minority Interest	-198	80	362	354%	292	-19%	206	-29%
Minority Interest	50	-22	-88	305%	-69	-22%	-66	-3%
Net Income	-147	58	275	372%	223	-19%	140	-37%

Source: Company data and Ak Securities

2004 EXPECTATIONS

For 2004, we forecast a top-line of US\$4,718mn, representing a 6% USD YoY rise. In real-terms, the top-line is expected to grow slightly by 3% YoY. On an individual segment basis, we forecast an 8% YoY revenue increase for the non-finance segment, while anticipating a 3% contraction in finance, due to lower interest rates.

Revenue Breakdown by Segments (US\$m)



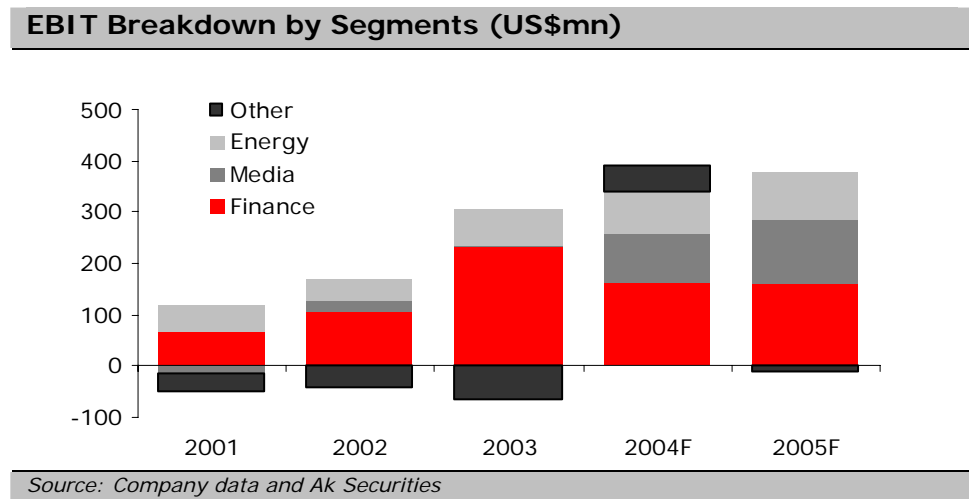
Source: Company data and Ak Securities

Consolidated EBIT is expected to surge 63% to US\$391mn in 2004

Despite a 31% decline to US\$159mn, in the finance segment's (dominated by Disbank) EBIT on the same grounds, the Holding's consolidated EBIT is expected to surge 63% to US\$391mn. This is due to both anticipated improvement in the performances of non-finance businesses and income from the sell-off of a 10% stake in Dogan Yayin Holding to foreign institutional investors in January 2004, recorded as other operating income of the others

segment. In 2003, the same account was a considerable loss at US\$39mn, mainly due to the impairment losses of fixed assets (the decline in the expertise valuation of Milta’s marina). We forecast proceeds from the transaction at US\$70mn as of 2004-end (around TL94 trillion at transaction date), by subtracting 10% of the shareholders’ equity of Dogan Yayin (TL501 trillion as of 2003-end) from the sell-off price (TL144 trillion). Accordingly, non-finance EBIT is forecast at US\$232mn in 2004 versus only US\$9mn in 2003. Non-finance EBITDA is expected to reach US\$318mn along with a 39% rise. We forecast a 42% improvement in the media segment’s EBITDA as a result of expected growth in the ad market and related improvement in profitability. We meanwhile anticipate a 26% rise in the energy segment due to the 2 cent increase (a 25% USD rise on average) in fuel distribution margins in June 2003.

Non-finance EBITDA is expected to reach US\$318mn along with a 39% rise



Financial income of US\$58mn in 2003 is expected to turn into a negative US\$138mn, as the Holding will record F/X losses over its high F/X open position in the anticipated devaluation environment of 2004. We forecast 12% devaluation in 2004 against TL appreciation experienced at 17% in 2003.

Bottom-line contraction due to the decline in Disbank’s profitability and the expected devaluation of TL in 2004, versus its appreciation in 2003

The gain on monetary position is expected to reach US\$139mn in 2004 from US\$133mn, due to our expectation of a slight increase in the annual inflation rate from 14% in 2003 and 16% in 2004.

The decline in Disbank’s profitability together with 2003’s financial income turning into a financial expense in 2004 will result in a sizeable contraction in Dogan Holding’s consolidated bottom-line from US\$275mn in 2003 to US\$223mn in 2004, representing a 19% YoY fall.

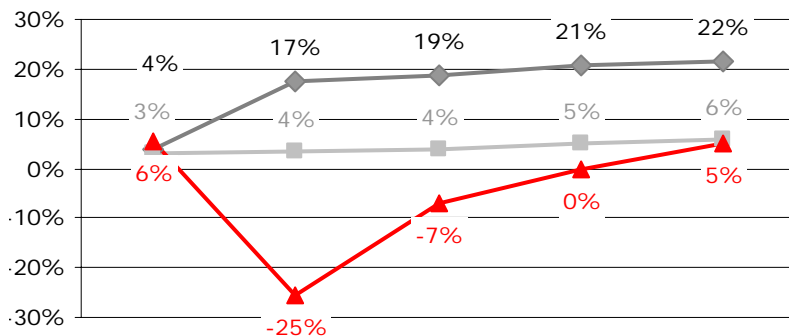
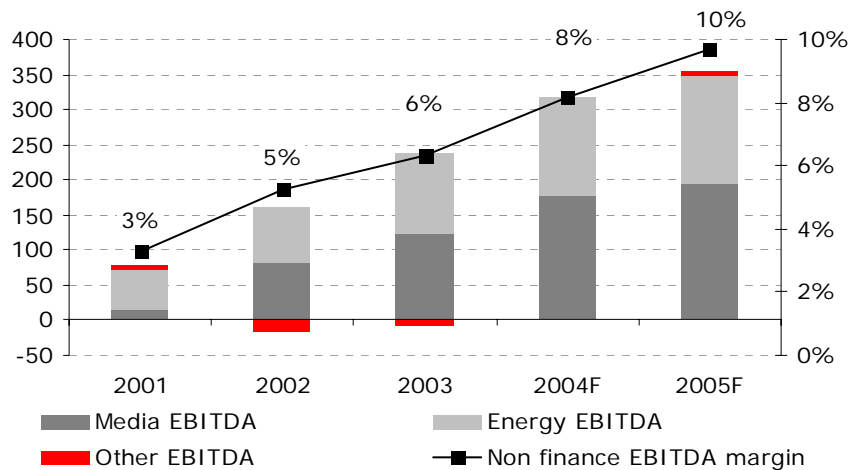
2005 EXPECTATIONS

In 2005, we anticipate a 5% USD contraction to US\$4,470mn, which means a 2% real contraction in the consolidated top-line of Dogan Holding. The decline in banking revenues due to the anticipated continuation of the interest rate fall and lower energy segment revenues related to our unit petroleum price forecast for 2005 remaining below those for 2004 will be responsible for this contraction.

Non-finance EBITDA is expected to improve from US\$318mn in 2004 to US\$355mn in 2005

The EBIT of the finance segment is likely to be realized at the same levels as in 2004. On the non-finance side, EBIT is forecast to decline by 10% to US\$210mn in the absence of the proceeds from the Dogan Yayin stake sell-off in 2004; although an improvement in non-finance EBITDA from the US\$318mn of 2004 to US\$355mn in 2005 is anticipated. Accordingly, we forecast 2005 consolidated EBIT at US\$369mn, representing a 6% YoY decline.

Non-finance EBITDA Breakdown by Segments (US\$m)



Source: Company data and Ak Securities

Additionally, monetary gain is forecast to decline from US\$139mn in 2004 to US\$62mn in 2005 along with decelerating WPI. Moreover, we anticipate an increase in the tax rate in 2005 from 26% to 38%, as Disbank is set to run short

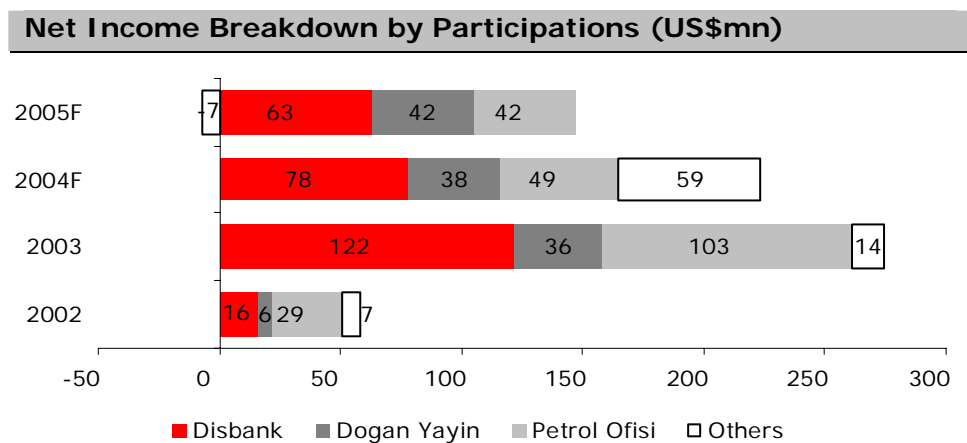
2005 net profit is expected to fall due to the absence of proceeds from the Dyhol stake sell-off and provisional tax benefits of Disbank

2003 net profit was realized at US\$275mn, rising 372% YoY, due both to enhanced operational performances of finance and energy and TL appreciation

of the provisional tax benefits related to previous years’ monetary losses. Furthermore proceeds from participation stake sell offs are not taxable once the decision is made to add them to paid-in capital (there is income from the Dogan Yayin stake sell-off in 2004, to be added to the paid-in capital). Consequently, the Holding’s bottom-line is expected to fall materially, by 37%, to US\$140mn in 2005 from US\$223mn in 2004.

2003 RESULTS

We should initially note that USD-based figures became overstated due to the devaluation rate, which stood well below the inflation figure during the year. The Holding’s net profit was realized at US\$275mn, increasing 372% on a YoY basis. The bottom-line improvement was due to both enhanced operational performances of finance and energy, and huge net FX gains booked on the debt position of the highly leveraged group in the TL appreciation environment of 2003. Thus, Petrol Ofisi made the highest contribution to the Holding’s consolidated net profit increase amongst non-finance companies. The net profit of Petrol Ofisi, in which Dogan Holding has a 47.42% stake, was announced at US\$218mn on a 141% YoY real rise. This was despite the negative impact of a sizeable goodwill amortization expense of US\$88.4mn (Petrol Ofisi’s acquisition cost of Is-Dogan began to be amortized by Petrol Ofisi following the merger of Is-Dogan and Petrol Ofisi).



Source: Company data and Ak Securities

In fact, the finance segment (dominated by Disbank) was the highest contributor to the Holding’s consolidated EBIT growth in the substantially lower interest rate environment of 2003. Finance sector EBIT was realized at US\$231mn, indicating a 116% YoY rise. Of the EBIT 96% was sourced by the finance segment in 2003, while the ratio in 2002 had been lower at 85%. Non-

finance EBITDA was realized at US\$230mn along with a 59% increase. Nevertheless, non-finance EBIT almost halved to US\$9.1mn, mainly due to contraction in the media segment's figure, as a result of higher depreciation expenses sourced by newly added TV channels and increased other operating expenses (such as fixed asset valuation decline provisions).

PARTICIPATION PORTFOLIO

Dogan Yayin Holding

Business Lines of DYH and its Stake in Each Participation

Printed Media

- Newspaper Publishing
 - Hurriyet Gazetecilik (66.6%)
 - Dogan Gazetecilik (79.8%)
- Magazine Publishing
 - Dogan Burda Rizzoli (40.7%)
 - Dogan Egmont (50.0%)
- Book Publishing
 - Dogan Kitap (99.9%)
- Printing
 - Dogan Ofset (99.9%)
- Distribution
 - Dogan Dagitim (100%)
 - Dergi Pazarlama Planlama (46.0%)
- News Agency
 - Dogan Haber Ajansi (87.8%)

Broadcasting

- TV Broadcasting
 - Kanal D (88.9%)
 - CNN Turk (78.0%)
 - Bravo TV (99.6%)
 - Dream TV (49.0%)
- Radio Broadcasting
 - Radyo D (99.9%)
- Program Production
 - ANS Production (70.0%)
- Digital Broadcasting
 - Milenyum TV (99.1%)

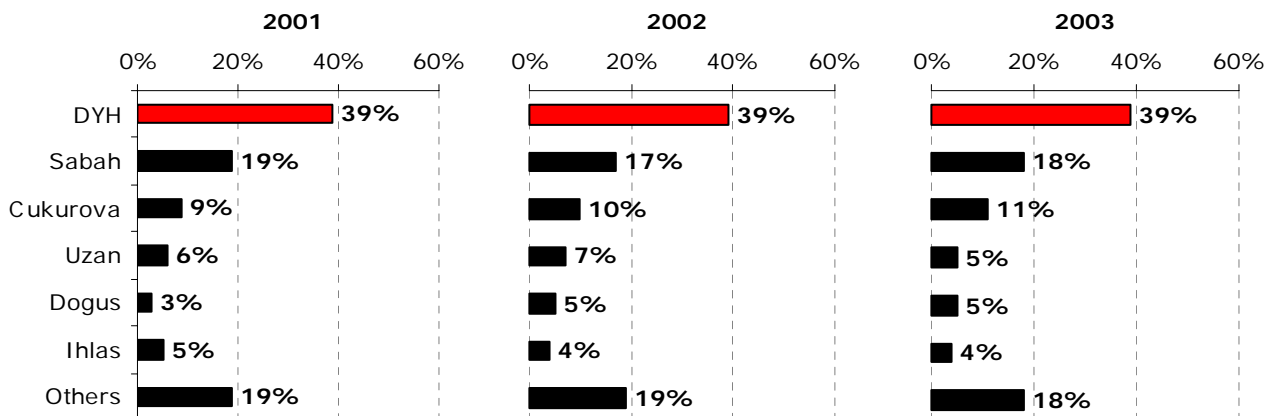
Other Business Lines

- Internet Services Providing
 - Dogan Online (60.0%)
- Music Production
 - Dogan Muzik (99.2%)
- Cable TV Services Providing
 - Ultra Kabloolu (50.0%)
- Music and Book Retailing
 - Dogan Muzik Kitap (100%)
- Factoring
 - Dogan Factoring (98.9%)

Source: Company Data

Leading Turkish media conglomerate: With its 19%, 38%, and 44% respective shares in TV rating, newspaper circulation, and magazine sales, Dogan Yayin Holding is Turkey’ leading media conglomerate . It boasts a wide range of operations, including newspaper publishing, TV and radio broadcasting, magazine and book publishing, music production, TV production, and music and book retailing, as well as Internet services.

Market Shares in the Advertisement Market

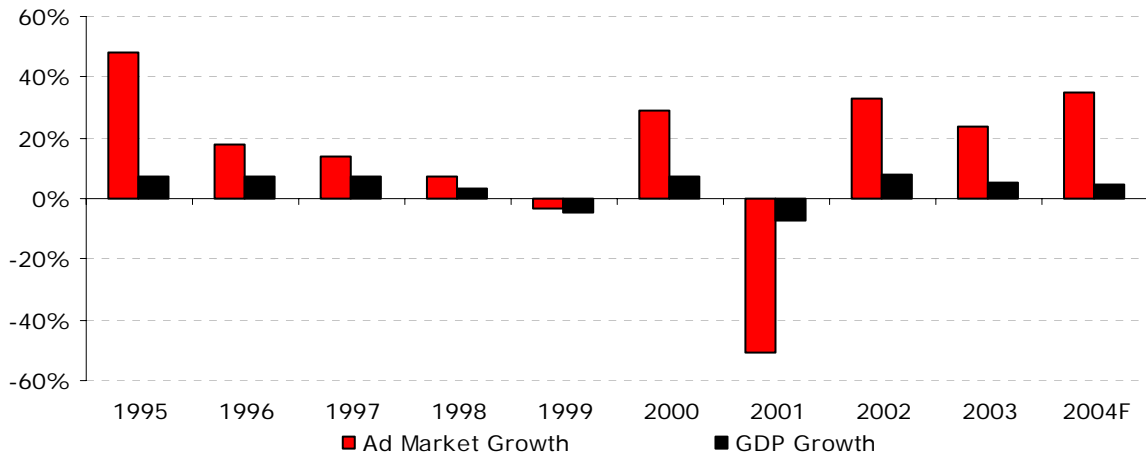


Source: Company Data

Dogan Yayin dominates the ad market with a 39% share

Dominating the advertisement market: As a result of its leading position in the media, Dogan Yayin Holding captured a 39% share of the Turkish advertising market in 2003. The company’s segmental ad revenue market shares are 60% in newspapers, 46% in magazines, and 30% in broadcasting. With a 24% US\$-based growth in 2003, the Turkish advertising sector reached a size of US\$910mn.

Turkish Ad Market Growth vs. GDP Growth

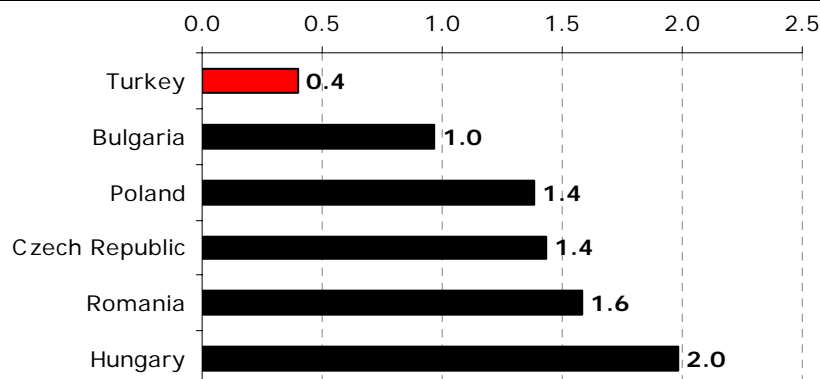


Source: Company Data, Central Bank of Turkey, Ak Securities forecast

GDP growth-backed enhancement in ad spending

GDP growth-backed enhancement in ad spending: Ad spend is highly correlated with GDP growth. For example, we witnessed an ad spend contraction of 51% in 2001, versus a GDP growth of minus 7.5%, while in 2003, ad spend rose by 24% alongside a 5.8% GDP growth. Sustained economic improvement will yield continued ad market growth.

Some Countries' Ad Spending/GDP Ratios (%)



Source: Company Data

Share of ad spending in GDP also expected to grow: During rosy times, not only the advertisement market, but also the share of ad spend in total GDP

Privatization, increased foreign direct investments, and EU prospects will also contribute to growth

grows, due to rising disposable income levels. As of 2003, the size of the advertising market reached US\$910mn, or 0.4% of total GDP. Thus, due to relatively small domestic per capita ad spending, the Turkish advertisement sector offers outstanding growth potential, when we consider both GDP and ad spend share growth. Privatization as well as increased foreign direct investments and EU prospects will also contribute to growth.

Strong 5M04 ad revenues

Strong 5M04 ad revenues: In the first five months of 2004, the YoY monthly growth rates of Dogan Yayin Holding's ad revenues registered at 57%, 77%, 80%, 67%, and 24%, respectively. Hence, 5M04 YoY advertisement market growth stood at 55%. Although we should mention the low base period effect due to the Iraq War in the first half of 2003, these growth rates were significantly above market expectations.

Growth expected to slow down, but continue: We expect ad spend to continue its growth in 2H04, albeit at a slowing pace due to higher base period effect. Our advertisement market growth and size forecasts are 34% and US\$1.2bn, respectively for 2004. We expect Dogan Yayin Holding to record a 34% YoY growth to US\$475mn in advertising revenues in 2004.

Broadcasting assets acquired at a deep discount to our fair value: Having added the radio and television broadcasting companies for a total of US\$150mn (acquisition cost plus capital increases) in 2003, Dogan Yayin Holding enjoys the value created by these companies. Our valuation for broadcasting operations is US\$342mn.

Dogan Yayin Holding is currently on the way to additionally improving its TV rating base and revenues

New opportunities ahead: Free TV, the digital broadcasting concern of Dogan Yayin Holding, has started talks with a strong contender, TRT, the state-owned broadcasting company, in order to participate together in the tender for broadcasting rights to the Turkish Football League. Dogan Yayin Holding is also in talks with Italian Mediaset Group for a possible partnership, and with the BRSA (Banking Regulatory and Supervisory Agency) to acquire the rights to Cine5, the pay TV channel specialized in movies and sports. The latter was taken over by the SDIF (Savings Depository Insurance Fund) due to the collapse of its owner's bank.

We expect Dogan Yayin Holding's EBITDA to grow by 47% in 2004 and 11% in 2005

Sustainable EBITDA growth: Having a look at the consolidated EBITDA of Dogan Yayin, we see that the most important contributions stem from Hurriyet with 58% and Kanal D with 16%. Additionally, the merger of Simge (publishing five newspapers including the circulation leader Posta) and Milliyet is expected to create synergies, through overall general administrative cost reduction. Together with growth in advertising revenues, we expect Dogan Yayin Holding's EBITDA to rise by 47% in 2004 and 11% in 2005.

Enhancing value through stock repurchasing: In 2003, Dogan Yayin Holding announced that it would support its listed subsidiaries Hurriyet, Dogan Gazetecilik, and Dogan Burda Rizzoli by directly purchasing their stocks at the ISE with approximately 10% of its expected EBITDA. The stocks purchased were sold to international institutional investors.

Dogan Yayin trades at a slight discount to its target NAV

Trades at a slight discount to its target NAV: Our target NAV for Dogan Yayin Holding stands at US\$938mn, while its current market capitalization represents a 13% upside. The shares of printed media, broadcasting, and other businesses in the holding's target participation portfolio is 64.1%, 30.5%, and 5.4%, respectively.

Net Asset Valuation for DYH (US\$m)

Participation	CURRENT NAV				TARGET NAV		
	DYH's Stake	Valuation Method	Total Value	DYH's Value	Valuation Method	Total Value	DYH's Value
Printed Media				579			718
Hurriyet	66.6%	MCap.	644	429	DCF+Peer	807	538
Dogan Gazetecilik	79.8%	MCap.	74	59		107	85
Dogan Burda Rizzoli	40.7%	MCap.	27	11		37	15
Other Printed Media				80			80
Broadcasting				342			342
Kanal D	88.9%	DCF+Peer	314	279	DCF+Peer	314	279
CNN Turk	78.0%	Peer	23	18		23	18
Other Broadcasting				45			45
Others				60			60
Total Participation Value				981			1,120
(-) Holding-only Net Debt				182			182
Net Asset Value				799			938
Current Market Capitalization				828			828
Premium (Discount) to NAV				4%			-12%
Upside (Downside) Potential of the Current MCap				-4%			13%

Source: Ak Securities

See our separate report on Dogan Yayin Holding for details.

Disbank

Disbank is a medium-sized bank, the main selling point of which is foreign trade financing

Disbank is a medium-sized bank with assets making up 2% of the aggregate banking sector balance sheet. It is also the 11th largest out of 36 commercial banks. Around 17% of the bank is publicly held, whereas Dogan Group and Aydin Dogan have 62% and 4% stakes, respectively. Disbank Employees' Pension Fund also has a 17% stake in the bank. The bank is focused solely on banking and other financial intermediation services such as leasing, portfolio management, brokerage, insurance and factoring. The bank's staff quality is the highest among peers, with an education level of university graduates or higher degrees making up 77% of the total headcount, versus the 65% average of the peer group.

Disbank's name means Turkish 'Foreign Trade Bank', and as the name suggests, its main selling point is foreign trade financing. It has become the preferred domestic bank in international trade transactions, and has managed to double its market share to 6.2% in 2003, YoY.

The share of retail loans makes up a mere 14% of the lending book versus 31% of the banking sector

The share of retail loans comprises a mere 14% of the lending book versus 31% of the banking sector. Its share in core consumer loans has been stable at 0.7% since 2002-end, whereas its market share in credit card loans climbed from 1.9% to 3.1% during the same period on the back of the Ideal Card scheme launched in mid-2001. The bank's credit card turnover market share rose from 1.6% to 2.3% in 2003, YoY, further rising to 2.9% in 1Q04. The competitive advantage of the bank in the credit card business is mainly on the acquisition side. Disbank has the 5th largest network in terms of POS size via a 7.3% market share; whereas its market share in credit card acquiring volume has been stable since 2002, at 6%.

Dogan Group exposure corresponds to only 9% of the loans as of 2003-end

The main obstacle against the bank frequently discussed in the market was its so-called related party exposure. However, it managed to reduce the share of Dogan Group exposure in IFRS-consolidated statements to 9% of loans at the end of 2003 from 26% at the end of 2002. Therefore, we believe that related party exposure is no longer at all an obstacle for the bank.

The bank's asset quality is improving quarter by quarter. The IFRS NPL ratio came down to a mere 3.6% at the end of 2003 (6.6% at 2001-end), whereas the provision coverage increased to 94% (70% at 2001-end). The high asset quality

High asset quality and robust capital adequacy ratio at 20.4%

of the bank can be clearly observed when compared with the banking sector's NPL ratio of 12% and the 90% NPL coverage.

An IFRS capital adequacy ratio (CAR) of 20.4% at the end of 2003 indicates a robust level. Around US\$490mn of strong free capital, on the other hand, corresponding to 12% of assets enables Disbank to further grow organically as well as look into inorganic growth opportunities. We expect the free capital to enhance gradually to 14.4% of the assets until the end of 2006. Disbank's free capital is the second largest in the domestic banking sector after Akbank, both in absolute-terms and as a percentage of assets according to BRSA financials.

We expect the bank's balance sheet, which expanded by 4% in 2003, to increase by 15% in 2004 in IFRS-terms as we project a 13% rise on the deposit side

We expect the bank's balance sheet, which rose 4% in 2003 to grow by 15% in 2004 in IFRS-terms as we project a 13% rise on the deposit side. The management of Disbank on the other hand plans to expand its balance sheet by more than 70% and its deposits by 45% in 2004, which we believe are quite unlikely to be achieved as the high withholding tax (around 18%) on interest earned on deposits persists. The US\$193mn IFRS net profit target of the bank for 2004 is also significantly higher than our US\$125mn. We believe that the bank set the bottom-line target before the surge in Eurobond yields and the devaluation of the TL in late April 2004. We project the bank's net interest margin declining from 11% in 2003 to 8% in 2004 and stabilizing at that level.

Valuation: Disbank has been among our banking picks for the past year, generating a hefty 133% US\$-return in that period. With its outstanding performance, the bank has outperformed the ISE-100 index by around 60%. And yet we still see upside in the bank, while expecting it to continue outperforming the benchmark index.

Our major tool in bank valuation is the warranted equity method. Rather than putting the bank's multiple side-by-side with the peer group average, we have chosen to weigh it against $[(ROE-g)/(k-g)]$ as a benchmark. Subsequent to reaching a benchmark P/B multiple via the warranted equity approach, it is quite a straightforward process to reach a fair value.

Our warranted equity approach yields a target value of US\$490mn for Disbank, which corresponds to an upside of 35%. Taking into consideration the bank's asset quality, strong capital adequacy, declining related party exposure and the upside to our fair value target, we maintain our 'Market

Our warranted equity approach yields a target value of US\$490mn for Disbank, which corresponds to an upside of 42%

Outperformer' rating for Disbank. Meanwhile, Dogan Holding recently announced that Disbank is in the process of evaluating potential partnership and share sale opportunities for the bank with its recently hired adviser. Disbank is trading with a one-year forward looking P/B of a mere 0.5x. We believe that the bank deserves to be traded with a P/B of 0.6x. Thus, a sale would positively affect the bank's market value and consequently that of the Holding.

Warranted Equity Approach (Based on Consolidated IFRS Financials)				
	2003	2004	2005	2005 Avg. SE
P/BV :	0.57	0.47	0.43	0.47
Market Cap	364	364	364	364
Sh. Equity	637	777	849	813
ROE (Sustainable)	10%			
BV g	3.0%			
R _f Turkey (Sustainable LT Eurobond Yield)	9.5%			
R _f US (30yr Eurobond)	5.6%			
B	1.05			
R _f Turkey - R _f US	3.9%			
k	14.6%			
Benchmark P/B [(ROE-g)/(k-g)]	0.60			
Target Value of the bank (BV F)	384	468	512	490
Upside				35%

Source: Ak Securities Estimates

Petrol Ofisi

Petrol Ofisi is the undisputed market leader in the fuel retail market

Petrol Ofisi is the undisputed market leader in the fuel retail market, with its respective 34% and 37% market shares in white and black products. The fuel retail sector is a competitive environment, posing various challenges to its players. There are 17 fuel retailers, with the top five commanding an 83% market share.

Major Players in the Fuel Retail Market	
Petrol Ofisi	35%
BP	16%
Shell	15%
Opet	10%
Turcas	7%
Total Market Share of Top-Five	83%
Total	6%
Aytemizler	4%
Bolunmez	2%
Altinbas	2%

Source: Petder

An Explanatory Note on Distribution Profits

Distribution profit is the prime determinant of fuel retailers' profitability. Fuel retailers and their dealers receive a fixed profit (in US\$-terms) per unit sales of fuel. Petrol Ofisi management states that the company shares the distribution profits at a ratio of 45%/55% (former belonging to Petrol Ofisi), on average.

Distribution Profits

	April-2002	June-2003	2004 (not effective yet)
Gasoline (Usc/lt)	9.0	11.0	13.0
Diesel (Usc/lt)	7.0	9.0	11.0
Kerosene (Usc/lt)	6.5	6.5	6.5
Heating Oil (Usc/kg)	3.2	3.2	3.2
Fuel Oil #6 (Usc/kg)	2.5	3.5	3.5
LPG (Usc/kg)	22.0	24.0	24.0

Source: Ak Securities

20% on average increase in distribution profits had been announced recently, but there are oppositions from some Cabinet members

Cabinet decrees have been responsible for setting distribution profits. In June 2003, profits for gasoline and diesel were raised by 22% and 28% respectively via a USc2/lt increase. We estimate that this has lifted Petrol Ofisi's stand-alone EBITDA by ~15% in US\$-terms. Later in 2004, another respective 18% and 22% increase was announced (the increase proposal was opened to Cabinet approval, although there remains opposition from certain Cabinet members, according to the latest press news). Together with the full-year effectiveness of the increase in June 2003, this probable rise might lead to a lift of up to 25% in Petrol Ofisi's 2004 EBITDA in US\$-terms.

Fuel tax hikes and margins

Due to continuous increases in fuel taxes since 2000, the share of distribution profits in fuel retail sales prices experienced a continuous decline, receding from ~16% (for gasoline and diesel) in early 2001 to ~10% today. The share of taxes (VAT + SCT) on the other hand, reached ~70%. This means lower margins for Petrol Ofisi and the other sector players.

High fuel prices hurt both companies and customers, by way of:

Suffering from high fuel prices

- Increasing working capital requirements
- Further decline in already slim margins
- Increased incentive for illegal tax-free fuel sales, which create unfair competition
- Curbed demand

TL appreciation affected margins negatively in 2003

TL appreciation decreased fuel retailers' margins

TL appreciation spells a real decline in the company's profitability, as the distribution it receives from fuel sales is fixed in US\$-terms. Also, the presence of TL-based costs in general and administrative expenses tightens margins at times of TL appreciation. Hence, the FX movements in 2003 were not favorable for the company.

1Q04 data shows signs of recovery in fuel demand

Domestic Demand

Demand in the fuel retail sector did not show signs of recovery in 2003, despite economic growth and the remarkable surge in automotive sales (in particular the 6.3% decline in gasoline sales at the time of booming auto demand is noteworthy). Apart from the negative impact of the hike in fuel taxes, the evolution of cars with increased fuel efficiency and the above-mentioned tax-free unregistered fuel sales are other important reasons. Following the enactment of the Petroleum Markets Law, fuel retailers will be required to have cash registers installed at their pumps to prevent tax-free unregistered sales. 1Q04 data shows signs of demand recovery. The continued strength of automotive sales and better control over sector players to prevent inter-station sales and other types of fraud are important contributors.

Apparent Domestic Fuel Consumption*			
	2003	YoY Ch (%)	1Q04 YoY Ch (%)
Gasoline (m3)	3,809,055	-6.3%	3%
Diesel (m3)	11,394,977	1.4%	10%
White Products (Gasoline+Diesel)	15,204,032	-0.6%	8%
Jet Fuel (m3)	1,722,171	2.2%	9%
Lubricants (ton)	103,117	2.2%	5%
Black Products (ton)	4,563,954	-6.4%	-11%

Source: Petrol Ofisi **Stands for the registered sales of fuel retailers*

Petrol Ofisi is to benefit from the enactment of the new Petroleum Markets Law

Petroleum Markets Law and its Implications

The Petroleum Markets Law, which intends to liberalize Petroleum markets, was finally enacted by Parliament in December 2003.

Newly-imposed minimum proximity restrictions between fuel stations will increase the value of established stations, especially in metropolitan areas. This means higher expenditures for fuel retailers to ensure the loyalty of their station network.

Petrol Ofisi is to benefit from import liberalization, due to its stocking capacity, which is the largest within the sector. The new law will abolish the

previously imposed limit on fuel retailers' imports According to which fuel retailers had to procure a minimum 60% of their fuel requirements from domestic suppliers (i.e. Tupras and Atas, which recently ceased operations).

We do not expect the price liberalization to yield major erosion in already slim distribution profits

Following the awaited price liberalization in 2005, the company could become a price setter in the sector, due to its leadership position with significant market share. Back in 2001, Petrol Ofisi had assumed such a role when the Automatic Pricing Mechanism had to be suspended for a couple of weeks, following the sharp depreciation of the TL. Meanwhile, we do not expect price liberalization to yield major erosion of already-slim distribution profits. The only threat remains the price cuts of small stations sourced by tax-fraud. And yet this is already an existing problem for the sector in general.

2003 profitability and 2004 expectations

Petrol Ofisi Summary Financials (Consolidated IFRS)

	2003A	2004F
Net Sales	5,998	6,161
EBITDA	242	299
Net Financial Income	24.7	-198
Monetary Gain (Loss)	161	180
Net Profit	218	104

Source: Petrol Ofisi, Ak Securities

Due to expected FX losses in 2004, we expect a significantly lower bottom-line, despite the EBITDA growth

The major reason behind the 3% rise (in US\$-terms) in net sales in 2003 is fuel price rises, due to increased oil prices and taxes. While we expect a 4% rise in the company's white product sales in 2004, we expect the decline in black product sales to continue, creating a neutral impact on the top-line. Our expected 24% (in US\$-terms) rise in EBITDA stems mainly from higher distribution profits. Meanwhile, due to a sizeable short FX position (US\$987mn at 2003-end), our expected 12% nominal TL depreciation leads to a net financial expense of US\$198mn, vs. US\$24.7mn income recorded during 17% TL appreciation. Meanwhile, a goodwill amortization of US\$90mn (vs. US\$88mn in 2003) is to continue pulling down the bottom-line. Due to a net-non-monetary position (thanks to sizeable debt), the company could record another hefty monetary gain in 2004. And yet due to expected FX losses in 2004, we expect a significantly lower bottom-line, despite EBITDA growth.

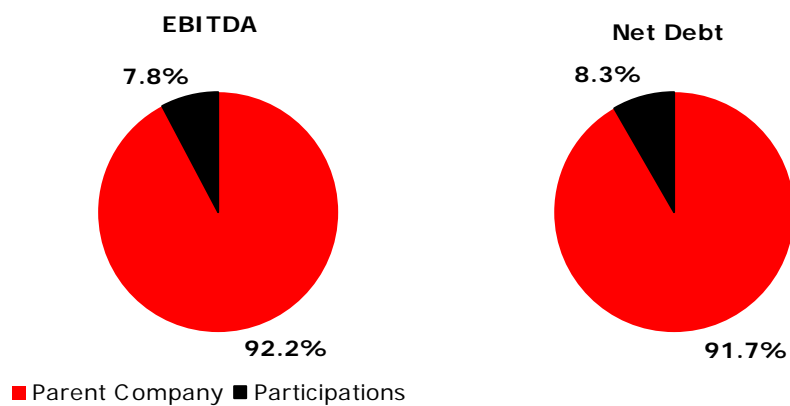
Participations

Petrol Ofisi started to release its financials in consolidated IFRS format as of 2003-end. Accordingly, Petrol Ofisi consolidates ERK (Petrol Ofisi's secondary brand), Petrol Ofisi International (POINT, previous name: Lysa)

and Kibris Turk Petrolleri A.S. (KIPET). Those participations' contribution to EBITDA and Net Sales is limited at the 3-5% level. Currently, the major contribution comes from POINT. Additionally, the participations lift the consolidated net debt position.

Erk: Petrol Ofisi's secondary brand, ERK, has opened its first gas station. ERK targets reaching 800 stations and a 2.5% market share within three years. According to the new Petroleum Law, no-brand gas stations, the number of which is estimated at around 2,000, were required to become the franchise of a distributor.

Share of Participations in EBITDA and Net Debt



Source: Petrol Ofisi

We believe that the company would be able to decrease the debt to a moderate level within a period of 1-2 years

Debt Position

Significant cash generation power from operations will be used for debt payments for a couple of years: Upon merger with the parent company Is-Dogan, a sizeable debt of US\$1.2bn entered into Petrol Ofisi's balance sheet. As the company has significant cash generation power from operations (2003 EBITDA: US\$242mn), we believe that the company would be able to decrease the debt to a moderate level within a period of 1-2 years.

Debt Restructuring

Note that the debt re-structuring in 2H03 had brought the ratio of short-term debt (maturity < 1 year) down from 74% to 21% as of February 2004 (see page 2 for maturity structure).

Petrol Ofisi is preparing to make a Eurobond issue

Note also that after stating its intention to increase average debt maturity from 2 years to 5 years, Petrol Ofisi is preparing to make a Eurobond issue. While a longer maturity would be positive, the compounded annual yields of bonds issued by Vestel (11.83%, ~3 years to maturity) and Turkcell (13.12%, ~1.5 yrs to maturity) suggests that the cost of debt would be higher than Petrol Ofisi's current average. The management had announced its average cost of debt as 7.62% in December 2002 and 5.64% in February 2004.

The amount has not been specified yet, although they do not intend to convert all of their financial debt from bank credits to bonds

The amount of financing to be raised from the Eurobond issue is not specified. Note however that in a prior conversation (in response to market talk that the company is preparing to replace all of its bank credits with bonds), the company management had stated that they do not intend to convert all of their financial debt from bank credits to bonds. Note that as of February 2004, 21% of financial debt had a maturity of less than one year. Considering the fact that bonds are costlier than bank credits, we believe that the amount of the Eurobond issue might just match this short-term debt (i.e. ~US\$200mn).

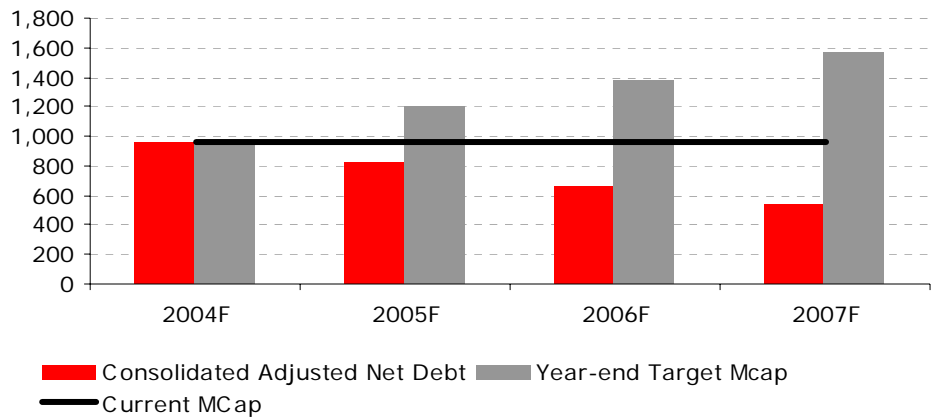
Our target Mcap of US\$969mn for Petrol Ofisi suggests a mere 2% upside potential

While we do not think that the sizeable debt currently poses a liquidity risk for the company, it pulls down future cash flows to stockholders, thereby reducing our target Mcap yielded by DCF. Hence, our target Mcap of US\$969mn suggests a mere 2% upside potential. While we do not see a premium on the stock after the significant 28% underperformance (adjusted by the additional shares transferred to public investors in early 2003) of the index since the beginning of 2003, the estimated upside is still fairly below our estimated upside for the index. The graph on the next page is a summary of our projections for net debt, and year-end target Mcap. Note that Petrol Ofisi's year-end target Mcap estimates gradual increase over the years thanks mainly to reduction in net debt. The red line indicates the company's current Mcap.

According to our projections, Petrol Ofisi will be able to distribute dividends as of 2007

Petrol Ofisi plans to reduce its stand-alone financial debt (excluding the US\$212mn debt to the Privatization Administration) from US\$798mn at 2003-end to US\$650m at 2004-end. The amount of debt reduction is slightly above our current projection of a US\$125mn debt payout. Note that the additional net working capital need due to higher fuel prices stemming from rising oil prices may also require cash outflow. The company targets to keep its net debt position at US\$500-600mn, believing it to be an optimum level. With our projections, this means that the company will be able to distribute dividends as of 2007.

Petrol Ofisi - Target Net Debt and Target Mcap



Source: Petrol Ofisi, Ak Securities

We do not rate the stock, as its free float declined to 5.1% following the call-back during its merger with Is-Dogan

As the majority of the public shareholders participated in the pre-merger share call-back of the main shareholders, the merger between Petrol Ofisi and its shareholder Is-Dogan Petrol Yatirimlari in December 2002 led to a significant slide in the company’s free float (up from 23.1% down to 5.1%). Since then, we have not been rating the stock.

Other Companies

Dogan Holding’s participation portfolio includes various small-scale automotive, trade, and tourism companies. Of these, Milliyet Pazarlama (a trade company), Celik Halat, and Ditas Dogan (auto-part producers) are the listed ones. All of these companies constitute only 5% of the Holding’s participation portfolio, and thus we do not provide detailed information about them in this report.

Dogan Online received one of the recently delivered long distance call licenses

Meanwhile, Dogan Online, the data service provider company of Dogan Holding, received one of the recently delivered long distance call licenses, following the removal of the Turk Telekom monopoly in voice services as of January 1, 2004. Dogan Online, which will operate an A-type license, will be authorized to provide voice and data services for intercity and international connections. A-type license holders are expected to be operational within the coming 18 months. Seventeen entrepreneurs have received such licenses, while only a few operators are expected to survive in the long-term. Since market conditions are as yet far from clear, we do not attach any value to Dogan Online’s potential business.

SUMMARY FINANCIALS*		IFRS, US\$m			
Balance Sheet	2002A	2003A	2004F	2005F	
Current Assets	3,267	4,554	5,342	5,524	
<i>Cash and Cash Equivalents</i>	543	700	905	1,036	
<i>Trading investments</i>	391	386	302	306	
<i>Banking loans</i>	1,199	1,667	1,791	1,834	
<i>Investment securities</i>	495	1,002	1,432	1,447	
<i>Trade Receivables</i>	242	383	397	389	
L/T Assets	1,643	1,984	2,076	2,118	
<i>Net Fixed Assets</i>	686	842	898	897	
TOTAL ASSETS	4,910	6,538	7,419	7,642	
S/T Liabilities	3,155	3,967	4,424	4,463	
<i>Bank Borrowings</i>	872	1,070	1,095	1,090	
<i>Deposits</i>	1,899	2,294	2,673	2,702	
<i>Trade Payables</i>	105	230	248	247	
L/T Liabilities	855	931	961	984	
<i>Bank Borrowings</i>	700	772	790	813	
Minority Interest	342	539	656	698	
Shareholders' Equity	557	1,102	1,350	1,439	
TOTAL LIABILITIES AND SH. EQUITY	4,910	6,538	7,392	7,583	
Income Statement					
Revenues	3,451	4,461	4,718	4,470	
<i>Operating costs</i>	-3,242	-4,099	-4,344	-4,054	
<i>Other operating income</i>	-84	-122	18	-46	
EBIT	125	240	391	369	
Non-finance EBITDA	145	230	318	355	
<i>Financial income - net</i>	-135	58	-138	-96	
<i>Gain on net monetary position</i>	121	133	139	62	
Income before tax	111	431	392	335	
<i>Taxation on income</i>	-31	-69	-100	-128	
Income after tax	80	362	292	206	
<i>Income of outside interests</i>	-22	-88	-69	-66	
Net profit	58	275	223	140	
Growth (YoY)					
Net Sales	11%	29%	6%	-5%	
EBIT	82%	92%	63%	-6%	
Non-finance EBITDA	182%	59%	39%	11%	
Net Financial Income	78%	n.m.	n.m.	30%	
Net Profit	n.m.	372%	-19%	-37%	
Margins					
EBIT	3.6%	5.4%	8.3%	8.3%	
Non-finance EBITDA	4.6%	6.4%	8.2%	9.7%	
Net Profit	1.7%	6.2%	4.7%	3.1%	
Liquidity					
Current Ratio	1.0	1.1	1.2	1.2	
Quick Ratio	1.0	1.1	1.1	1.2	

Source: Company data and Ak Securities

* Financials are stated as at related year end

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