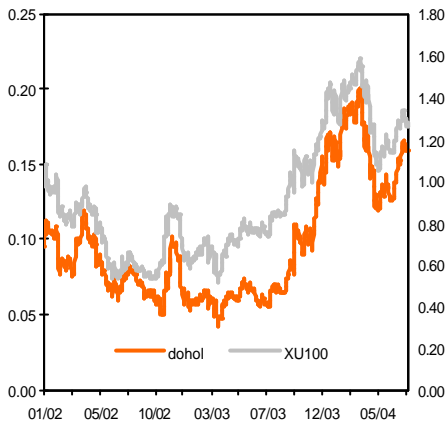


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**July 29, 2004, Thursday**



	2003A	2004E	2005E	Value date: July 28, 2004
<b>Net Sales (US\$m)</b>	4,459	4,604	4,747	<b>Current</b>
<b>EBITDA (US\$m)</b>	462	513	551	Price (TL)
<b>EBITDA Margin</b>	10.4%	11.1%	11.6%	Price (USc)
<b>Net Income (US\$m)</b>	274	271	278	Mcap (US\$m)
<b>Sales Growth</b>	29%	3%	3%	Free float
<b>EBITDA Growth</b>	92%	11%	7%	FF. MCap
<b>Net Income Growth</b>	371%	-1%	2%	<b>12 Months Target</b>
<b>P/E</b>	4.3	4.3	4.2	Price (TL)*
<b>EV/EBITDA</b>	n.a	n.a	n.a	Price (USc)
<b>EV/Sales</b>	n.a	n.a	n.a	Mcap (US\$m)
	<b>1m</b>	<b>3m</b>	<b>12m</b>	<b>US\$ upside</b>
<b>Relative Performance</b>	8%	10%	62%	28%
<b>Avg. Daily vol. (US\$m)</b>	43	41	64	<i>*Calculated from 12mnt. fwd. rate</i>

**We believe that Dogan Holding is well positioned to benefit from the current macroeconomic environment.** The company has significant exposure to the largest media operations of Turkey (Dogan Yayin Holding); a mid-size banking franchise (Disbank) and Turkey's largest petroleum distribution company (Petrol Ofisi) which are perfectly positioned to capitalize on the declining inflation, stable exchange rates and increase in the economic activity.

**Dogan Yayin Holding (DYH) will be the major beneficiary from the expected growth in high-margin ad revenues.** We expect Turkey's total ad spending to record 27% YoY growth in 2004, topping US\$1,150mn. On the other hand, 1H04 data for DYH's ad revenues indicates 47% YoY jump to US\$227mn. Despite the expected slowdown in the growth rate for 2H04, we still forecast 29% YoY increase in DYH's 2004 ad revenues, which is forecasted to reach US\$450mn. We also foresee significant YoY improvement (37%) in the company's consolidated EBITDA figure to US\$145mn. Another short-to-midterm positive for the company will be the recently announced IPO of Kanal D, the largest TV channel of Turkey in terms of ad revenues. Kanal D is 90% owned by Dogan TV, the broadcasting company of DYH which also owns CNN and the Group's radio assets.

**Petrol Ofisi (PO), on the other hand, is in a much better position in terms of future profitability growth and further decrease in the company's leverage.** The successive increases in the distributor commissions in 2003 and 2004 will positively affect the company's EBITDA performance this year. On the other hand, the new Petroleum Market Law will (to be effective as of January 2005) be very constructive for the company's future since it will: 1) enact free pricing in the market, 2) remove the import barriers 3) apply strict licensing/exclusivity rules to the dealers. The company's working capital need will be significantly reduced with the increase of product imports whereas PO is likely to capitalize on its market leadership in the new pricing system. Finally, the company will continue to reduce its massive debt burden considerably. According to the management, consolidated net debt fell from US\$1.47bn as of 2002YE to below US\$800 as of 1H04. On the other hand, recently PO managed to issue a five-year corporate bond of US\$175mn with an average annual interest rate of 9-9.5%. Recently, the company also obtained a two-year Islamic bond totaling US\$92.5mn. The proceeds from these loans will be used to reduce the short-term debt burden.

**Disbank might be an ideal banking asset for strategic sale or partnership.** With a 1Q04 total asset size of US\$4.2bn and total shareholders' equity of US\$723mn, we think that the size of the bank is ideal for a partnership or strategic sale to a foreign partner, considering that the interest of the European banks have significantly increased in Turkish banking assets recently. Currently, the bank is pretty strong in trade finance and aims to increase its market share both in corporate and consumer loans along with the credit cards.

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**More positive news for the Dogan Holding itself...** Thanks to the US\$110mn proceeds from the private placement of 10% DYH shares in February, Dogan Holding's (holding only) net debt fell to US\$74mn. On the other hand, we believe that a successful SPO of PO shares that Isbank and Dogan Holding had obtained from the call in 2002, might be possible throughout 2005 which will further improve the cash position of the company. Moreover, Dogan Holding has recently been included in the MSCI Turkey Index, which has increased institutional interest in the stock. Last but not least, we believe that the company will be a serious candidate for the upcoming privatization of National Lottery and will not rule out the block sale of Turk Telekom.

**Despite its risky portfolio and its apparent vulnerability to a macroeconomic downturn, investors should be tempted by Dogan Holding's attractive portfolio which will be very positive affected by the improving macroeconomic fundamentals. Furthermore, we strongly believe that Dogan Holding's options for further financing and growth prospects have vastly enhanced. We think that the stock is mispriced relative to the value of its participation portfolio and claim that the reasons for the discount attached to the company's valuations mostly eliminated in the current environment. We maintain our BUY recommendation for Dogan Holding with 28% upside potential to our target value of US\$1,500mn, derived from the target NAV of the company.**

Figure 1- NAV Model

Listed Participations	Business	Stake	Mcap (US\$mn)	Valuation method	Target Mcap (US\$mn)	Part. Mcap (US\$mn)	Part. Target Mcap (US\$mn)
Dogan Yayin Holding	Media	66.57%	1,005	@Target NAV	1,080	669	719
Petrol Ofisi	Petr. Distribution	47.43%	1,005	@DCF	1,090	477	517
Milliyet Pazarlama	Marketing & Distr.	65.00%	27	@mcap	27	17	275
Disbank	Banking	62.37%	386	@Dis Adj Earnings Val.	441	241	259
Celik Halat	Iron, Metals	48.44%	9	@mcap	9	5	5
Ditas Dogan	Auto Parts	55.71%	11	@mcap	11	6	6
<b>Listed Total</b>			<b>2,443</b>		<b>2,658</b>	<b>1,415</b>	<b>1,539</b>
Unlisted participations	Business	Stake		Valuation Method		Estim. Val (US\$mn)	Particip. Equity (US\$mn)
Others	Various	-		Book Value		45	34
<b>Unlisted Total</b>						<b>46</b>	<b>35</b>
						Current	Target
			<b>Subtotal (listed+unlisted – US\$ mn)</b>			<b>1,450</b>	<b>1,574</b>
			<b>Net Cash (US\$ mn)*</b>			<b>-74</b>	<b>-74</b>
			<b>Net Asset Value (US\$ mn)</b>			<b>1,376</b>	<b>1,500</b>
			<b>Dogan Holding Mcap (US\$ mn)</b>			<b>1,173</b>	<b>1,173</b>
			<b>Prm/(Disc) to Listed Part.</b>			<b>-14%</b>	<b>-20%</b>
			<b>Prm/(Disc) to NAV</b>			<b>-13%</b>	<b>-22%</b>
			<b>Upside potential</b>			<b>17%</b>	<b>28%</b>

Source: Company, Ekspres Invest estimates

(\*) as of July 2004

FIGURE 3- IAS &amp; IFRS Income Statements and Forecasts (US\$m)

	2001	2002	2003	2004E	2005E
<b>Revenues</b>	<b>3,574</b>	<b>3,451</b>	<b>4,459</b>	<b>4,604</b>	<b>4,747</b>
Non-banking and financial services	2,707	2,758	3,614	3,810	3,914
Banking and Financial services	868	693	844	794	833
<b>Operating Expenses</b>	<b>-3,504</b>	<b>-3,242</b>	<b>-4,097</b>	<b>-4,226</b>	<b>-4,274</b>
Non-banking and financial services	-2,713	-2,687	-3,497	-3,649	-3,657
Banking and Financial services	-791	-555	-600	-576	-617
<b>Operating Profit/(Loss)</b>	<b>15</b>	<b>125</b>	<b>240</b>	<b>291</b>	<b>345</b>
Non-banking and financial services	-26	18	9	123	182
Banking and Financial services	41	107	231	168	163
Financial Income (net)	-721	-135	58	67	49
(loss)/Gain on net monetary position	403	121	133	68	36
<b>Income before tax, min int, extra. items</b>	<b>-304</b>	<b>111</b>	<b>431</b>	<b>425</b>	<b>431</b>
Taxation	76	-31	-69	-136	-134
<b>Profit/(Loss) before minority interests</b>	<b>-228</b>	<b>80</b>	<b>362</b>	<b>289</b>	<b>298</b>
Minority Interest - Dogan Family	15	1	-7	4	4
Minority Interest - other	43	-23	-80	-22	-24
<b>Net Profit/(Loss)</b>	<b>-170</b>	<b>58</b>	<b>274</b>	<b>271</b>	<b>278</b>
<b>EBITDA</b>	<b>81</b>	<b>205</b>	<b>462</b>	<b>513</b>	<b>551</b>

Source: Ekspres Invest estimates, Company

FIGURE 4- IAS &amp; IFRS Summary Balance Sheets and Forecasts (US\$m)

	2001	2002	2003	2004E	2005E
Cash & Marketable Securities	1,167	934	1,487	1,440	1,662
Trade Receivables (net)	250	242	382	404	416
due from Related Parties	22	22	14	15	15
Inventories (net)	81	91	138	153	154
Other Current assets	1,009	1,646	1,929	2,412	2,682
<b>Total Current Assets</b>	<b>2,529</b>	<b>2,935</b>	<b>3,951</b>	<b>4,423</b>	<b>4,930</b>
Property, Plant & Equipment (net)	637	686	842	1,020	1,158
Intangible Assets	595	788	992	1,020	945
Other non-current assets	330	501	749	1,161	1,251
<b>Total Non-current Assets</b>	<b>1,561</b>	<b>1,975</b>	<b>2,583</b>	<b>3,201</b>	<b>3,354</b>
<b>TOTAL ASSETS</b>	<b>4,091</b>	<b>4,910</b>	<b>6,534</b>	<b>7,624</b>	<b>8,284</b>
Bank Borrowings	702	872	1,069	1,250	1,305
Trade Payables	85	105	230	289	293
Due to related parties	14	18	10	12	13
Other Current Liabilities	1,560	2,161	2,655	3,080	3,292
<b>Total Current Liabilities</b>	<b>2,362</b>	<b>3,155</b>	<b>3,964</b>	<b>4,632</b>	<b>4,902</b>
Bank Borrowings	787	700	795	750	791
Deferred Tax Liabilities	51	46	2	35	41
Other Long term Payables	57	109	133	141	152
<b>Total Long Term Liabilities</b>	<b>896</b>	<b>855</b>	<b>930</b>	<b>926</b>	<b>984</b>
<b>Total Minority Interest</b>	<b>441</b>	<b>342</b>	<b>538</b>	<b>694</b>	<b>748</b>
<b>Total Shareholders Equity</b>	<b>392</b>	<b>557</b>	<b>1,101</b>	<b>1,372</b>	<b>1,650</b>
<b>TOTAL LIABILITIES AND SHEQUITY</b>	<b>4,091</b>	<b>4,910</b>	<b>6,534</b>	<b>7,624</b>	<b>8,284</b>

Source: Ekspres Invest estimates, Company

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