

Rating: Market Performer (downgraded)

Current Price: TL2,575 / USc 0.17

Ticker: DOHOL.IS

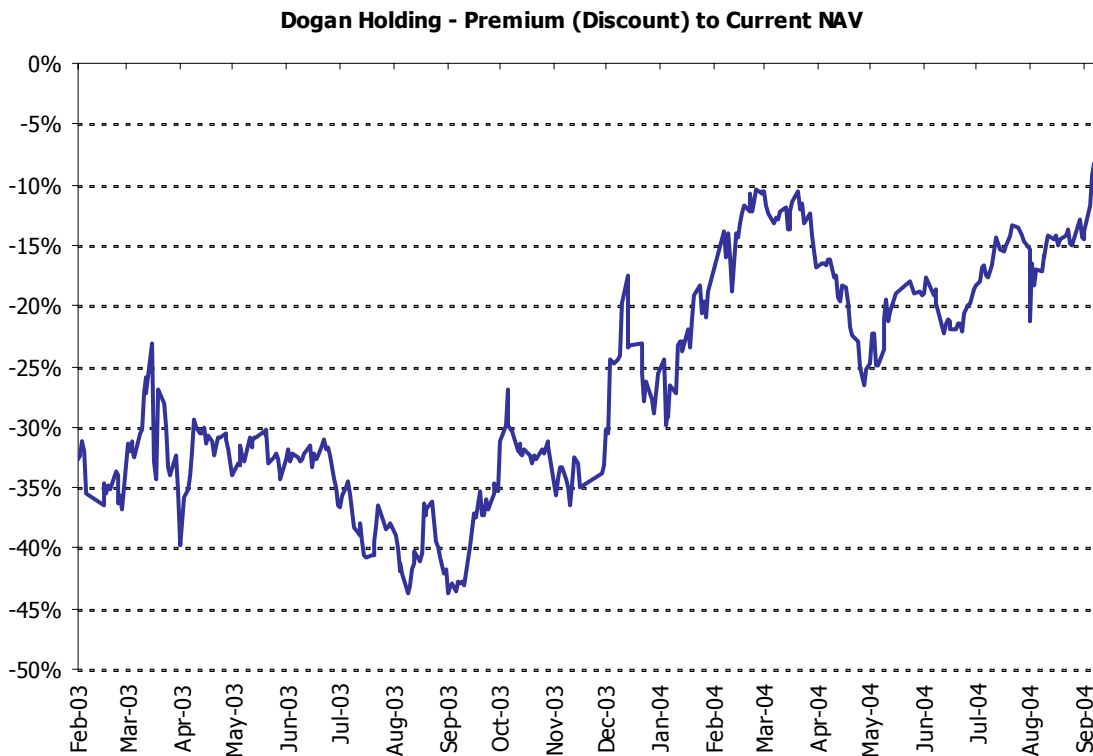
Target Price: TL2,550 / USc 0.17

## Upside and momentum exhausted - Rating downgraded...

Forecasts & Valuation	2001	2002	2003	2004E	2005E
Net Profit (US\$ mn)	-147	58	275	115	158
P/E (x)	-7.6	19.3	4.1	9.8	7.1

Market Cap (US\$ mn)	1,268	US\$ / TRL	1,493,249
Shares Outstanding (mn)	735,288	ISE 100 (TRL)	21,060 / 1.41
Free Float (%)	34	YTD Perf (US\$)	12
Daily Volume (3mo, US\$ mn)	39.7	YTD Perf (Rel)	7

- **Dogan Holding reported a TL162 trillion (US\$109mn) net loss for 2Q04, leading to a 1H04 cumulative net loss of TL9 trillion (US\$6mn). Given Dogan Holding's US\$1.2bn short FX position as of 1Q04 (US\$1bn as of 2Q04) the appreciation in the TRL had boosted the 1Q04 bottom line, while weakness in the currency has reversed those gains in 2Q04**
- **Operating profit in 2Q04 was a negative US\$40mn (decomposed as US\$49mn operating profit from non-financials versus a US\$88mn operating loss from financials)**
- **While we have downgraded our FY04 net profit forecast from US\$246mn to US\$115mn (versus FY03A net profit of US\$275mn), we wish to reiterate that Dogan Holding's valuation is not driven by its consolidated profit**
- **We had upgraded our rating for Dogan Holding on August 5, 2003 (right at the start of the rally) based on the strong operating and financial leverage at subsidiary and holding level, as well as deep discount to NAV (as much as 40%). Indeed, since then the stock is up by 170% in US\$-terms, outperforming the ISE-100 by 58%.**
- **YTD, the stock has also remained strong, appreciating by 13% in US\$-terms, outperforming the ISE-100 by 7%**
- **Currently, Dogan Holding trades at a 14% discount to current NAV and at par with target NAV of US\$1.27bn**
- **Hence, we hereby downgrade our rating to "Market Performer", as the stock offers neither relative value versus its parts (all listed), nor absolute value (fairly valued), while earnings are also set to decline rapidly in 2004**

**NAV Valuation**


Along with very strong appreciation in the stock over the past year, as of last Friday (i.e. before the 2Q04 earnings release) Dogan Holding had been trading at a 10% discount to current NAV versus a one-year average discount of 22% (and 43% discount a year ago).

Now, Dogan Holding is trading at a 14% discount to current NAV. Yet Petrol Ofisi, accounting for 34% of current NAV, is overvalued according to our oil and gas analyst, while today we have downgraded our rating on Dogan Yayin Holding (DYHOL.IS, TL5,600, Market Performer, Price Target TL5,500), which accounts for 51% of current NAV.

Hence, the stock now trades at par with our target NAV of US\$1.27bn.

<b>NAV Summary (US\$m)</b>	<b>Current NAV</b>	<b>Target NAV</b>
Dogan Yayin Holding – 67%	752	739
Petrol Ofisi – 47%	504	307
Disbank - 62%	249	249
Others	31	31
<b>Gross Value from Participations</b>	<b>1536</b>	<b>1327</b>
Net Cash	-55	-55
<b>TOTAL NAV</b>	<b>1,481</b>	<b>1,272</b>
DOHOL MCAP	1,268	1,268
<b>Premium / (Discount) to NAV</b>	<b>-14%</b>	<b>0%</b>

## Review of 2Q04 Results

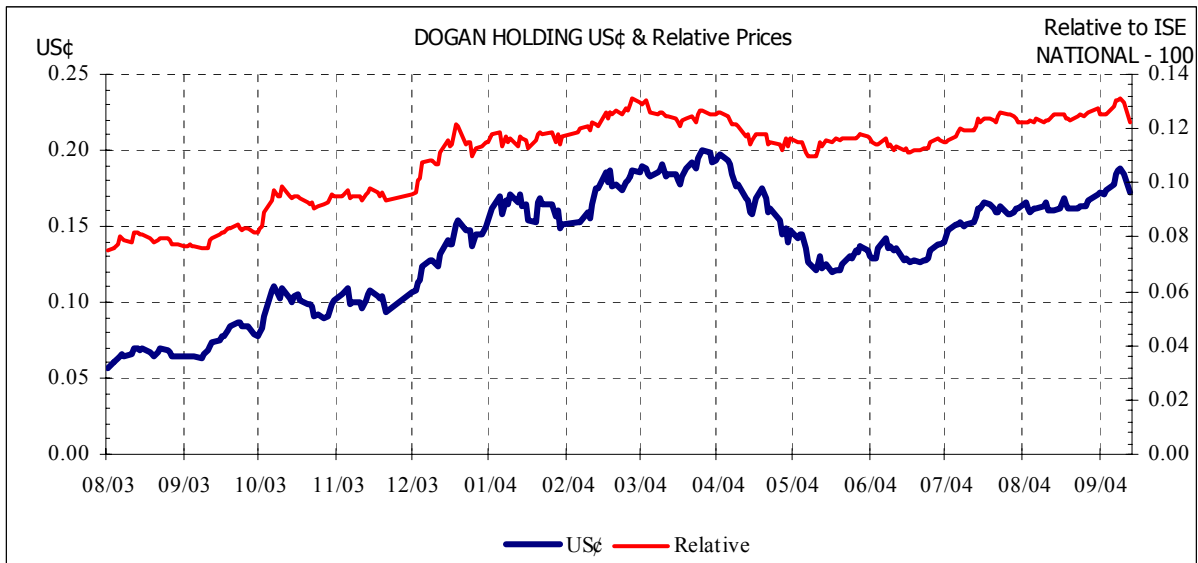
Dogan Holding IFRS Consolidated Results	TLbn 1Q04 restated	TLbn 2Q04 reported	TLbn 1H04 reported	US\$m 2003 not rest.	US\$m 1Q04 not rest.	US\$m 2Q04 reported	US\$m 1H04 reported
<b>Revenues</b>	<b>1,578,793</b>	<b>1,543,750</b>	<b>3,122,543</b>	<b>4,461</b>	<b>1,186</b>	<b>1,039</b>	<b>2,101</b>
Non-finance	1,253,748	1,457,505	2,711,252	3,617	942	981	1,825
Finance	325,046	86,245	411,291	845	244	58	277
<b>Operating costs</b>	<b>-1,479,033</b>	<b>-1,602,523</b>	<b>-3,081,556</b>	<b>-4,099</b>	<b>-1,111</b>	<b>-1,078</b>	<b>-2,074</b>
Non-finance	-1,223,367	-1,384,899	-2,608,266	-3,499	-919	-932	-1,755
Finance	-255,665	-217,624	-473,289	-600	-192	-146	-319
<b>Clean Operating Profit</b>	<b>99,761</b>	<b>-58,773</b>	<b>40,988</b>	<b>362</b>	<b>75</b>	<b>-40</b>	<b>28</b>
Non-finance	30,380	72,606	102,986	117	23	49	69
Finance	69,380	-131,379	-61,998	244	52	-88	-42
Other income	11,953	-42,360	-30,407	-122	9	-29	-20
Non-finance	28,420	-22,343	6,077	-108	21	-15	4
Finance	-16,467	-20,018	-36,485	-14	-12	-13	-25
<b>Operating Profit</b>	<b>111,714</b>	<b>-101,133</b>	<b>10,580</b>	<b>240</b>	<b>84</b>	<b>-68</b>	<b>7</b>
Non-finance	58,800	50,263	109,064	9	44	34	73
Finance	52,913	-151,396	-98,483	231	40	-102	-66
Financial income (expense) - net	76,855	-165,263	-88,409	58	58	-111	-59
Monetary gain (loss)	28,940	-358	28,581	133	22	0	19
<b>Profit before tax and minorities</b>	<b>217,508</b>	<b>-266,754</b>	<b>-49,247</b>	<b>431</b>	<b>163</b>	<b>-180</b>	<b>-33</b>
Taxes	-46,235	49,919	3,684	-69	-35	34	2
<b>Profit before minorities</b>	<b>171,272</b>	<b>-216,835</b>	<b>-45,563</b>	<b>362</b>	<b>129</b>	<b>-146</b>	<b>-31</b>
Minorities	-18,118	54,528	36,410	-88	-14	37	25
- Dogan Family	-1,751	8,206	6,455	-7	-1	6	4
- Other	-16,367	46,322	29,955	-80	-12	31	20
<b>Net Profit</b>	<b>153,154</b>	<b>-162,308</b>	<b>-9,153</b>	<b>275</b>	<b>115</b>	<b>-109</b>	<b>-6</b>
<b>Shareholders' Equity</b>	<b>1,803,999</b>	<b>1,650,847</b>	<b>1,650,847</b>	<b>1,102</b>	<b>1,355</b>	<b>1,111</b>	<b>1,111</b>
<b>Minority Interest (B/S)</b>	<b>885,447</b>	<b>809,632</b>	<b>809,632</b>	<b>539</b>	<b>665</b>	<b>545</b>	<b>545</b>

**Revenues** for 2Q04 were realized at US\$1,039mn. Non-finance revenues grew 4% q-o-q, while finance revenues almost vanished, given the weakness in Turkish financial markets during 2Q04, which impacted Disbank's performance.

Dogan Holding posted a US\$40mn **operating loss** in 2Q04. While non-finance produced a US\$49mn quarterly operating profit, losses (mostly one-off due to marked-to-market losses) at the finance segment produced a negative US\$88mn operating profit.

Meanwhile, Dogan reported a TL162 trillion (US\$109mn) **net loss** for 2Q04, leading to a cumulative net loss of TL9 trillion (US\$6mn) for 1H04 due to Dogan Holding's US\$1bn short FX position as of 2Q04 (US\$1.2bn as of 1Q04). Recall that appreciation of the TRL had boosted the 1Q04 bottom line, while weakness in 2Q04 has produced a large loss. Accordingly, we have downgraded our FY04 net profit forecast from US\$246mn to US\$115mn (versus FY03A net profit of US\$275mn).

13-Sep-04 US\$m	DOHOL Direct Stake	CURRENT NAV				TARGET NAV			
		Valuation Multiple	Total Value	Value of DOHOL Stake	Share in NAV	Valuation Multiple	Total MCap	Value of DOHOL Stake	Share in NAV
Doğan Yayın Holding A.Ş.	67%	-	1125	752	51%	-	1107	739	58%
Disbank-Türk Dış Tic. Bankası A.Ş.	62%	-	400	249	17%	-	400	249	20%
Milpa Tic.Sin.Ürün.Paz.A.Ş.	65%	-	30	20	1%	-	30	20	2%
Diş Doğan Yed.Paç.İm.VeT ek. /	56%	-	12	7	0%	-	12	7	1%
Petrol Ofisi A.Ş.	47%	-	1063	504	34%	-	648	307	24%
Çelik Hâlat Tel Sanayi A.Ş.	48%	-	10	5	0%	-	10	5	0%
Other		-	0	0	0%	-	0	0	0%
<b>Total Value From Participations</b>				<b>1,536</b>	<b>104%</b>			<b>1,327</b>	<b>104%</b>
Listed				1,536	104%			1,327	104%
Unlisted				0	0%			0	0%
Net Cash				-55	-4%			-55	-4%
<b>Total NAV</b>				<b>1,481</b>				<b>1,272</b>	
Current MCap				1,268				1,268	
<b>Premium / (Discount) to NAV</b>				<b>-14%</b>				<b>0%</b>	



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