



FY06 Financial Analysis

DOGAN HOLDING

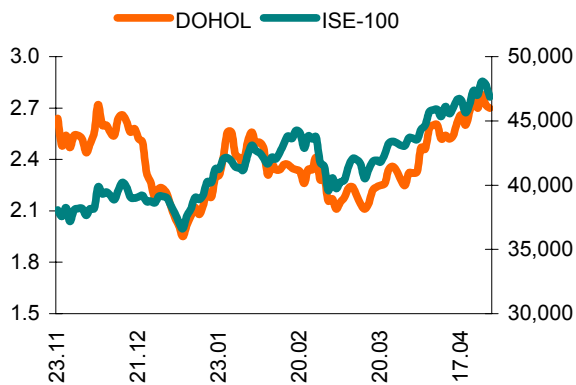
Opinion

Rating	BUY
Target Price (mn US\$)	4,162

Company Data

Shares Outstanding (mn)	1,500
Stock Price (YTL)	2.7
Free Float Rate (%)	34.0
Average Daily Volume (mn US\$)	57.28
Market Cap.(mn US\$)	3,051
Target Mcap (mn US\$)	4,162
Upside Potential %	36.4%

Relative Performance	DOHOL	XU100	Rel.%
1 m	18.4%	8.7%	8.9%
3 m	5.5%	12.0%	-5.8%
12 m	-8.6%	7.1%	-14.7%



■ Dogan Holding reported its FY06 consolidated financials with a bottom line figure of US\$623 mn, lower than our estimation (US\$675 mn) and the market consensus (US\$648 mn). The difference between the actual figure and our estimation was attributable to higher than expected operating expenses, hence EBITDA while non-operating items were broadly in line with our expectations.

■ Although lower-than-expected, net earnings figure implies 82% growth over 2005 results. This is mostly thanks to the one off profit derived from the transaction (34% of Petrol Ofisi was sold to OMV on May 16, 2006), which surged “income from other operations” by 116% from US\$313 mn in 2005 to US\$677 mn in 2006. It is also worth to mention that Dogan Holding restated the 2005 financial statements after completing the purchase price allocation accounting relating to purchase of the %44.06 of POAS shares from Is Bank in 2005.

■ Increasing by 15.2% over 2005, top line figure reached US\$8,421 mn. Note that the growth rate was much more significant in 9M06 with 47% YoY. This is due to the change in consolidation methodology for Petrol Ofisi rather than being operational. Accordingly, in 2006 until May 16, Petrol Ofisi was fully consolidated into Dogan Holding’s financials whereas partial consolidation was applied at the same period of 2005 due to strategic partnership with Isbank Group.

■ With the transfer of 34% stake of Petrol Ofisi to OMV in May 2006, Dogan Holding’s stake in Petrol Ofisi fell to 52.73% and according to “equal management” term agreed between the parties, Dogan Holding now again partially consolidates Petrol Ofisi, which was also the case in Q406. However in Q405, Petrol Ofisi was fully consolidated as Dogan Holding purchased 44.06% interest of Isbank Group in September 2005 to become the sole majority controller over the company, which explains the slow down in growth rate in Q406. In this respect, revenues from energy segment grew by 14.4% YoY to US\$6.5 bn, contributing 77% to the consolidated revenues of Dogan Holding. This was also helped by the rise in oil prices.

Key Valuation Metrics	2006/12	2005/12	4Q06	4Q05	Financials (mn US\$)	2006/12	2005/12	Change. %	4Q06	4Q05	Change %
Int'l Rev /Sales	2.1%	2.8%	0.1%	2.8%	Sales	8,420.9	7,312.2	15.2%	1,735.4	2,763.2	-37.2%
Gross Margin	9.3%	8.5%	10.2%	7.5%	Gross Profit	782.0	621.6	25.8%	177.1	207.5	-14.7%
EBIT Margin	2.1%	2.0%	-3.3%	-0.6%	EBIT	174.6	143.0	22.1%	-57.9	-16.4	-253.3%
EBITDA Margin	5.0%	5.4%	4.5%	3.6%	Net Other Income	591.6	281.7	110.0%	-34.8	-99.2	64.9%
Net Margin	7.4%	4.7%	0.6%	-4.0%	Net Fin.Expenses (-)	-111.2	-4.3	2470.0%	58.5	-8.3	n.m.
Fin Debt/T.A.	22.8%	34.6%	22.8%	34.6%	Profit Before Tax	595.5	399.6	49.0%	-41.6	-113.7	63.4%
ROE	25.8%	17.3%	25.8%	17.3%	Net Profit	622.9	341.5	82.4%	9.9	-110.6	n.m.
Fin. Debt/SHE	53.2%	108.2%	53.2%	108.2%	EBITDA	422.4	396.2	6.6%	77.7	98.7	-21.3%
Inventory Turnover	20.4	20.7	20.4	20.7	Net Cash (Debt)	414.4	-1,426.7	n.m.	414.4	-1,426.7	n.m.
Receivables Turnover	8.9	9.7	8.9	9.7	Shareholders' Equity	2,411.5	1,978.4	21.9%	2,411.5	1,978.4	21.9%

■ In the mean time, revenues from media segment increased to US\$1,443 mn from US\$1,205 mn in 2005, implying 20% growth. This also reflects an inorganic growth due to the improved market share in Turkish advertisement sector as a result of integration of Star TV to group's broadcasting operations. Media segment accounts for 17% of the consolidated revenues.

■ In line with expectations, gross profit increased from US\$622 mn to US\$782 mn (26% YoY growth) with a gross margin of 9.3% up from 8.5% compared to 2005. However due to increase in operating expenses and decreasing depreciation expenses, this was reflected as 6.6% growth to EBITDA figure with EBITDA margin of 5% (5.4% in 2005). EBITDA margin in energy segment was slightly higher (4.1% in 2005 vs 4.2% in 2006) thanks to continuing increase in distribution mark ups while EBITDA margin in media contracted from 12.7% to 11.1% mainly due to rising global newsprint prices combined with increase in newsprint consumption and promotional expenses in publishing segment.

■ On the non-operational side, Dogan Holding reported a growth, increasing from US\$313 mn in 2005 to US\$677 mn in 2006 at "income from other operations". The conglomerate recorded US\$630 mn "participation sale profit", US\$532 mn of which was attributable to Petrol Ofisi transactions. Recall that in 1H06, Dogan Holding had sold 34% of Petrol Ofisi to OMV in return for US\$1,054 mn, which had implied US\$3.1 bn total value for the company. Another transaction was 6.25% stake sell of Petrol Ofisi in the ISE Wholesale market earlier in the year. Remaining US\$98 mn participation sale profit stemmed from 5.3% stake sell of Dogan Yayin Holding in the ISE. Note that, 2005 other income also includes participation sale profit of US\$263 mn thanks to the sale of Disbank to Fortis.

■ The conglomerate has a net cash position of US\$414 mn up from US\$278 mn in 9M06. Consolidated cash and cash equivalents amounts to US\$1.7 bn. QoQ improvement in net cash position was thanks to Petrol Ofisi positive change in working capital requirement of the company. Increase in days payables helped the cash cycle of Petrol Ofisi.

■ It is also worth to mention that Petrol Ofisi did not account any provisions due to issues related to Energy Market Regulatory Authority (EMRA) fines and tax fines, hence neither did Dogan Holding.

■ Investors will recall that the company was troubled by the fine imposed by Energy Market Regulatory Authority (EMRA) at the end of August 2006 when EMRA had announced that it was fining 28 fuel distribution companies a total of YTL1.7 bn (US\$1.1 bn) claiming that they had supplied fuel to some unlicensed stations where Petrol Ofisi was fined approximately YTL600 mn (US\$400 mn) together with its fully owned subsidiary ERK. However after an insignificant injunction issued by the 13th Chamber, the upper court in the Council of State issued injunction on the files on the grounds that the companies should be responsible for supplying fuel to unlicensed stations since April 12, 2005, which is the date, when the EMRA sent the list of licensed stations to the distributors. Hence, Petrol Ofisi did not account provisions.

■ Tax examination is another issue. On March 12, 2007 Petrol Ofisi received an adjusted tax assessment from the Tax Office for period between 2002 and 2006 as YTL360 mn tax evasion, YTL265.5 mn pre-paid tax evasion (this amount would be offset) and YTL625.5 mn tax penalty totaling at YTL985.5 mn (US\$694 mn) excluding the pre-paid tax amount. Petrol Ofisi announced to emphasize all its legal rights and the company applied to the Ministry of Finance for settlement. Petrol Ofisi did not account any provision in its FY2006 financials regarding the issue on the grounds that the uncertainty hangs over the finalization of the legal proceedings. Note that these figures do not include any interest on the penalties since it would depend on how the legal process is finalized.

Balance Sheet (mn US\$)	2006/12	2005/12	Change %	2006/09	2005/09	Change %
Current Assets	3,095.3	2,363.4	31.0%	2,800.1	2,501.1	12.0%
Liquid Assets	1,675.4	670.2	150.0%	1,472.9	772.3	90.7%
Marketable Securities	21.0	43.8	-52.0%	44.2	56.2	-21.4%
Short Term Trade Receivables	892.9	1,048.1	-14.8%	874.3	1,076.0	-18.7%
Other Short-Term Receivables	52.9	61.1	-13.4%	38.2	47.3	-19.2%
Inventory	374.3	475.6	-21.3%	303.5	456.5	-33.5%
Other Current Assets	78.7	64.7	21.7%	67.0	92.8	-27.8%
Long Term Assets	2,527.7	3,827.9	-34.0%	2,238.7	3,252.5	-31.2%
Long Term Trade Receivables	5.7	11.4	-50.2%	6.8	12.8	-46.9%
Other Long Term Receivables	2.7	2.5	8.5%	2.4	6.2	-61.5%
Long Term Financial Assets	3.1	3.7	-15.7%	2.8	7.4	-61.7%
Tangible Fixed Assets	1,005.7	1,220.9	-17.6%	897.6	1,168.1	-23.2%
Intangible Fixed Assets	1,433.4	2,467.5	-41.9%	1,268.3	1,966.6	-35.5%
Other Long Term Assets	77.2	121.8		60.8	91.4	-33.5%
Total Assets	5,623.0	6,191.3	-9.2%	5,038.8	5,753.5	-12.4%
Short Term Liabilities	1,323.9	1,923.4	-31.2%	1,200.1	1,904.9	-37.0%
Short Term Financial Loans	399.2	1,044.9	-61.8%	411.2	829.3	-50.4%
Short Term Trade Payables	727.0	727.7	-0.1%	595.2	901.8	-34.0%
Other Short Term Payables	3.6	3.5	4.7%	0.7	2.9	-73.9%
Short Term Advances Received	8.4	3.2	162.9%	8.4	2.1	295.4%
Short Term Provisions	185.7	144.2	28.8%	184.4	168.8	9.2%
Long Term Liabilities	1,333.6	1,772.6	-24.8%	1,104.2	1,257.2	-12.2%
Long Term Financial Loans	882.8	1,095.9	-19.4%	827.7	1,103.9	-25.0%
Long Term Trade Payables	314.7	270.1	16.5%	221.7	24.0	822.1%
Other Long Term Liabilities	0.0	0.0		0.0	0.0	
Long-Term Advances Received	1.2	30.5	-96.0%	4.2	30.1	-86.0%
Provisions	134.8	376.2	-64.2%	50.6	99.1	-48.9%
Shareholder's Equity	2,411.5	1,978.4	21.9%	2,239.4	1,922.2	16.5%
Share Capital	1,067.2	548.0	94.7%	1,001.9	547.8	82.9%
Adjustments to Share Capital	0.0	0.0		0.0	0.0	
Premium in Excess of Par	0.4	0.5	-4.5%	0.4	0.5	-10.3%
Revaluation Surplus of Fixed Assets	165.1	209.6	-21.2%	0.0	0.0	
Income Reserves and Other SHE Items	481.4	907.0		456.0	909.1	-49.8%
Current Year Income /(Losses)	634.3	341.2	85.9%	583.8	450.6	29.6%
Retained Earnings /(Acc. Losses)	63.0	-27.8	-326.3%	197.2	14.2	1284.4%
TOTAL LIABILITIES AND S.HOLDERS EQUITY	5,623.0	6,191.3	-9.2%	5,038.8	5,753.5	-12.4%

Income Sheet	2006/12	2005/12	Change %	4Q06	4Q05	Change %
Net Sales	8,420.9	7,312.2	15.2%	1,735.4	2,763.2	-37.2%
Cost Of Sales	-7,638.8	-6,690.6	14.2%	-1,558.3	-2,555.8	-39.0%
Service Revenues	0.0	0.0		0.0	0.0	
Proceeds from Operations/int.+div+lease	0.0	0.0		0.0	0.0	
GROSS PROFITS/LOSSES	782.0	621.6	25.8%	177.1	207.5	-14.7%
Operating Expenses	-607.4	-478.6	26.9%	-235.0	-223.9	5.0%
NET OPERATING PROFITS	174.6	143.0	22.1%	-57.9	-16.4	253.3%
Inc.or Exp from Other Operations (Net)	591.6	281.7	110.0%	-34.8	-99.2	-64.9%
Financial Expenses	-111.2	-4.3	2470.0%	58.5	-8.3	-804.1%
Net Changes on Monetary Positions	0.0	0.0		0.0	0.0	
MINORITY INTERESTS	-59.5	-20.7	186.9%	-7.4	10.2	-172.3%
INCOME BEFORE TAXES	595.5	399.6	49.0%	-41.6	-113.7	-63.4%
Taxation on Income	27.4	-58.1	-147.1%	51.5	3.1	1572.1%
NET PROFIT AFTER TAXES	622.9	341.5	82.4%	9.9	-110.6	-108.9%

ATA INVEST INC.

Emirhan Cad. Atakule No: 145/ A 34349
Istanbul - TURKEY
Tel-PBX: 90-212-310 6200
www.atainvest.com

Key Contacts

Sales

Tel-Direct: 90-212 310 6260

Fax: 90-212-310 6269

	Title	Tel-Direct	E-mail
Elif Erdem	Director	90-212-310 6261	eerdem@atainvest.com
Mehmet İlgen	Asst. Director	90-212-310 6267	milgen@atainvest.com
Nalan Çakır	Asst. Director	90-212-310 6263	ncakir@atainvest.com

Research

Fax: 90-212-310 6291

	Title	Tel-Direct	E-mail
Nergis Kasabali	Senior Vice President	90-212-310 6282	nkasabali@atainvest.com
Nurhan Toguc	Chief Economist	90-212-310 6281	ntoguc@atainvest.com

AUERBACH GRAYSON & CO INC.

25 West 45th Street
New York NY 10036 USA
Tel-PBX: 1-212-557 4444
www.agco.com

Sales - USA

	Title	Tel-Direct	E-mail
John Burge	EVP	1-212-453 3528	jburge@agco.com
Can Yazgan	VP	1-212-453 35 86	cyazgan@agco.com

Trading - USA

	Title	Tel-Direct	E-mail
Jonathan Auerbach	Partner	1-212-557-4444	jonathan@agco.com
Julien Libaire	VP	1-212-557-4444	Jlibaire@agco.com



For additional information, please contact:

Mehmet Sami, Executive Board Member
Tel-D : 90-212-310 6240
Fax : 90-212-310 6244
e-mail : msami@atainvest.com

Disclaimer: This report has been prepared on behalf of Ata Invest solely for the information of its clients. The information and statistical data contained herein have been obtained from sources which we believe to be reliable but in no way are warranted by us to accuracy or completeness. All opinions and estimates in this report constitute our judgment as of this date and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. Ata Invest, with all relevant licenses obtained from the Turkish Capital Market Board, may have taken part in public offerings, or may from time to time perform investment banking or other services or solicit investment banking or business from any company mentioned in this document. Neither Ata Invest nor any of its officers or employees accepts any liability for any direct or consequential loss arising from any use of this report. This report may not be reproduced, distributed or published by any person for any purpose without the prior consent of Ata Invest. Any investments referred to herein may involve significant risk and may not be suitable for all investors. The value of, or income from, any investments referred to herein may fluctuate and/or be affected by changes in exchange rates. Investors should make their own investment decisions without relying on this report.