

Dogan Holding is currently trading at its historical discount of 20%. A case can be made for a fair discount level of 10% for holding companies in general, however, with lack of important catalysts regarding underlying businesses and new deals flow in the next couple of months, Dogan Holding may find it difficult to break its historical discount benchmark and outperform the market. We re-initiate our coverage for Dogan Holding with a Market Perform rating with US\$3.45bn target Mcap.

◆ **The core business is investment management...**

Dogan Holding identifies its core business as investment management with the aim of maximizing shareholder value. We also adhere to this view and applaud Dogan Holding's past performance in portfolio management, specially on its Petrol Ofisi deals. Most recently, the sale of 58.2% stake in Ray Sigorta to TBİH for US\$81.48mn, which generated a US\$61mn profit on sale, was completed in June 2007. We do not expect to see a substantial new deal on the existing business portfolio soon but going forward, we believe Dogan Holding will maintain its strong track record of making profitable deals.

◆ **New acquisitions may be on the cards in 2008...**

Dogan Holding is considering to participate in the electricity distribution and national lottery tenders of Privatization Administration, which are expected to take place in 2008. We consider Dogan Holding to be one of the stronger contenders on both of these privatizations due to its strong cash position and wide distribution network; however, much will depend on the valuations during these deals. Dogan may refrain from entering these businesses if valuations reach to exorbitant levels.

◆ **Underlying businesses are likely to perform better in the upcoming days...**

Petrol Ofisi will now be able to concentrate on main business as the tax and EMRA fine issues are resolved. In the meantime, Dogan Yayın Holding will try to streamline its recent international endeavors to replicate its domestic success.

**STOCK MARKET DATA (6 July 2007)**

Relative Performance		
<b>1 mth</b>	<b>3 mths</b>	<b>12 mths</b>
-7.4%	-1.8%	-32.4%
<b>52 Week Range (US\$):</b>		1.3 - 2.2
<b>Market Cap (US\$m):</b>		<b>3,230</b>
<b>Average Daily Vol (US\$m) 3 mths:</b>		34
<b>YTD US\$ Return (%):</b>		36
<b>Shares Outstanding (mn):</b>		1,500
<b>Free Float:</b>		34%

**Summary NAV Table**

(US\$ mn)	Current NAV	Target NAV
Market Value of Listed	2,836	3,152
Est. Market Value of Unlisted	45	45
Net Cash	1,159	1,159
<b>Total NAV</b>	<b>4,040</b>	<b>4,356</b>
Dogan Holding's Current M.Cap.	3,230	3,230
<b>Premium/(Discount) to NAV</b>	<b>-20%</b>	<b>-26%</b>
<b>Upside / (Downside) Potential</b>	<b>25%</b>	<b>35%</b>

**Shareholder Structure**

Adil Bey Holding	52.0%
Dogan Family	13.5%
Aydin Dogan Foundation	0.2%
Free Float	34.3%

**FIGURES & FORECASTS**

	Net Sales (US\$m)	EBITDA (US\$m)	Net Income (US\$m)	EBITDA Margin (%)	P/E	P/Sales	P/EBITDA
<b>2005</b>	7,312	399	341	5%	9.5	0.4	8.1
<b>2006</b>	8,421	426	623	5%	5.2	0.4	7.6
<b>2007E</b>	7,376	350	273	5%	11.8	0.4	9.2
<b>2008E</b>	8,483	537	292	6%	11.1	0.4	6.0

## RECENT DEVELOPMENTS

**Petrol Ofisi's retroactive tax and EMRA fine issues are resolved...**In March 2007, the tax office has reported a retroactive tax of YTL985mn for Petrol Ofisi regarding tax evasion in 2002-2006 period. On a negotiated settlement, this tax charge declined to YTL275mn, which was paid in full by Petrol Ofisi in June 2007. Additionally, Dogan Holding paid 34% of this amount to OMV, which was indemnified from such charges that may arise regarding the period before their share purchase. We are still awaiting for the final decision on EMRA fines regarding selling oil products to unlicensed oil stations. However, it is now considered as a near certainty that Petrol Ofisi's massive YTL598mn fine will be reduced to a maximum of YTL59mn. Therefore, both of these issues, important overhangs on Petrol Ofisi and concurrently on Dogan Holding, is now considered as resolved. Having overcome these legal challenges, Petrol Ofisi will thus be able to concentrate on its main business.

**Petrol Ofisi's licence application to build an oil refinery with 10mn tons capacity in Ceyhan region is accepted...**Petrol Ofisi has established a new Company, called Petrol Ofisi Mediterranean Refinery Company regarding its planned refinery investment, following EMRA's rejection of Petrol Ofisi's direct application, citing that oil distribution companies can not directly operate a refining company as a reason. Petrol Ofisi currently owns 99.99% share in this Company, however the ultimate shareholding structure is yet to be finalized. Petrol Ofisi plans to spend a total of US\$4.5bn on this investment in the next five years. The move into refinery is in line with the partnership rationale of OMV, which plans to expand Petrol Ofisi's business into refining and exploration to achieve vertical integration. Going forward, a regional expansion may also be on the cards. Petrol Ofisi has recently established a company to build oil distribution network in Georgia.

**Dogan Yayin Holding (DYH) will try to replicate its domestic success in its new international endeavours...** Having over 40% market share in newspaper and (following Star TV acquisition) in TV advertising market in Turkey, DYH does not have a lot of room to expand inorganically in its home market. Going forward, domestic growth will mostly be driven by macro dynamics and the related expansion in advertising market while the Company will try to maintain its market share and develop its business into digital platforms. DYH is thus seeking investment opportunities abroad. Please note that Hurriyet, 60% subsidiary of DYH has bought 67.3% of Trader Media East, the leading provider of print and online classified advertising in Russian, CIS and Eastern Europe regions for US\$336mn in 2006. The deal has valued the whole company at US\$500mn. DYH also established a general entertainment channel in Romania, Kanal D Romania (Dogan Media International SA), in partnership with Ringier AG (25% share). Kanal D Romania started broadcasting on February 18, 2007. Please recall that DYH also set up a partnership with Axel Springer of Germany by selling 25% share in its TV business. (Dogan TV) Furthermore, DYH has announced that partnership alternatives in Dogan Gazetecilik will be considered.

**58.2% stake sale in Ray Sigorta to TBIH Financial Services for US\$81.48mn was completed in June 2007...** The deal valued the Company at US\$140mn. TBIH has the option to buy the remaining 20% stake in Dogan Holding in 2011. According to Company announcement, Dogan Holding has written a profit of YTL81.84mn (US\$61mn) on this sale, however the profit that will be calculated on UFRS basis may be different.

**Real estate can be a new focus area for Dogan...**Dogan Holding has formerly established a partnership with Deutsche Bank to provide mortgage services in Turkey. Recently, the Company also bought 10% share in Marbleton Property Fund in Moscow. The Fund will have a committed capital of US\$300mn and will develop real estate projects.

**Dogan is cementing its partnerships to develop its energy business...**Dogan has recently announced that it has formed an equal partnership in D Tes Electric Energy Wholesale with Dogus Holding, Anadolu Endustri Holding and Doka Elektrik. Dogan has also become partners with Dogus Holding and Anadolu Endustri Holding on Aslancik Electricity Production Company. We consider these efforts as preparations for the upcoming electricity distribution tenders.

## VALUATION

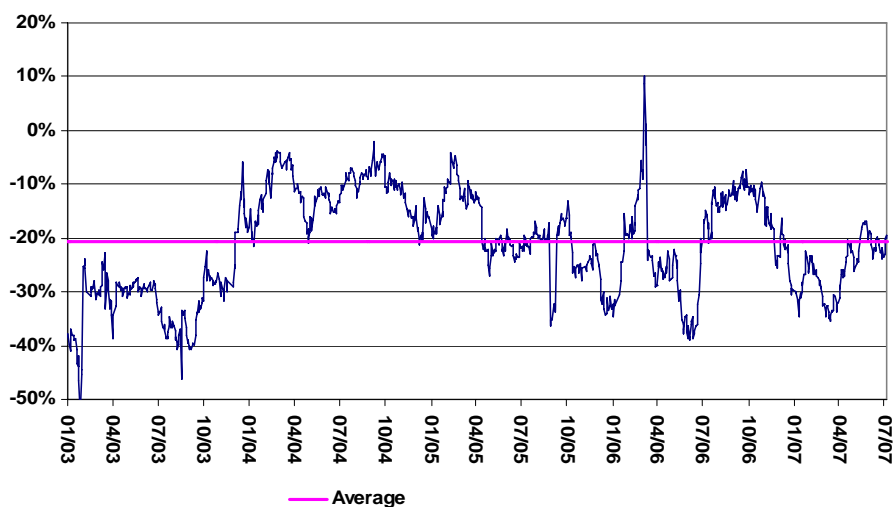
We value Dogan Holding on a NAV basis. As such, Dogan Holding's valuation is dependent on its listed participations, particularly Dogan Yayin Holding -the leader media company of Turkey - and, Petrol Ofisi- a petrol distribution company with the widest network in the country. Cash, reaching about US\$1.16bn, is also an important contributor to Dogan's NAV. The contribution of other listed and unlisted participations is negligible, particularly after the completion of 58% stake sale in Ray Sigorta.

Dogan Holding is interested in a number of privatizations projects that may contribute to the Holding's value, however, they are unlikely to take place before 2008 and moreover, there is yet too many uncertainties making it effectively impossible to account for them in our valuation.

Dogan Holding is currently trading at 20% discount to its current NAV and a 26% discount to its target NAV. Dogan Holding traded with an average discount of 21% to its current NAV in the last 12 months. Historic discount (since 2003 to date) also stands at 20.8%. Applying the last 12 months average discount to our target NAV for Dogan Holding, we reach a target Mcap of US\$3.45bn for Dogan Holding, indicating a mere 6% upside potential over the current valuation. Therefore, we rate Dogan Holding as a market performer with a YTL 3.1 price target.

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<b>Upside / (Downside) Potential</b>	<b>25%</b>	<b>35%</b>

### Historical Net Asset Value Graph



**DOGAN HOLDING – NAV TABLE**

06/07/2007	Direct Stake(%)	Valuation Criteria	Current Value (US\$m)	DOHOL'S stake (US\$m)	Weight in NAV (%)	Target MCAP (US\$m)	DOHOL's Stake (US\$m)	Weight in NAV (%)
<b>MEDIA</b>								
Dogan Yayin Holding-DYHOL	63.02%	@ Market/Target Value	2522	1589	39.3%	2800	1765	40.5%
			<b>2522</b>	<b>1589</b>	<b>39.3%</b>	<b>2800</b>	<b>1765</b>	<b>40.5%</b>
<b>ENERGY</b>								
Petrol Ofisi-PTOFS	53.11%	@ Market/Target Value	2134	1134	28.1%	2400	1275	29.3%
			<b>2134</b>	<b>1134</b>	<b>28.1%</b>	<b>2400</b>	<b>1275</b>	<b>29.3%</b>
<b>FINANCE</b>								
Ray Sigorta-RAYSG	20.00%	@ Market Value	142	28	0.7%	142	28	0.7%
			<b>142</b>	<b>28</b>	<b>0.7%</b>	<b>142</b>	<b>28</b>	<b>0.7%</b>
<b>INDUSTRY</b>								
Ditas Dogan-DITAS	50.94%	@ Market Value	21	11	0.3%	21	11	0.3%
Celik Halat-CELHA	62.44%	@ Market Value	37	23	0.6%	37	23	0.5%
			<b>59</b>	<b>34</b>	<b>0.8%</b>	<b>59</b>	<b>34</b>	<b>0.8%</b>
<b>OTHERS</b>								
Milliyet Pazarlama-MIPAZ	65.00%	@ Market Value	78	51	1.3%	78	51	1.2%
			<b>78</b>	<b>51</b>	<b>1.3%</b>	<b>78</b>	<b>51</b>	<b>1.2%</b>
<b>Unlisted Participations</b>			45	45	1.1%	45	45	
<b>Market value of listed companies</b>			4935	2836	70.2%	5478	3152	72.4%
<b>Adj. NAV of unlisted companies</b>				45	1.1%		45	1.0%
<b>Net cash (2007/06)</b>				1159	28.7%		1159	26.6%
<b>Total Adjusted Net Asset Value</b>				<b>4040</b>	<b>100%</b>		<b>4356</b>	<b>100%</b>
<b>Market Value of DOHOL</b>				3230			3230	
<b>Premium (Discount) to Adj. NAV</b>				-20%			-26%	
<b>Upside Potential</b>				25%			35%	

Source: Garanti Securities estimates, Company Presentations

**1Q07 FINANCIALS**

Dogan Holding posted a net profit of US\$96mn (YTL135 million) in its consolidated financial statements for 1Q07, indicating a 42% YoY increase thanks to high other income on the back of the stake sale in Dogan TV to Axel Springer, which resulted in a profit on sale of US\$428mn. However, please also note that Dogan Holding booked a tax fine provision of US\$170mn in its 1Q07 financials for Petrol Ofisi, effectively dampening the impact of profit of Dogan TV stake sale on net other income and therefore, net income.

On the top line, Dogan Holding recorded a revenue of US\$1,512mn, down by 39% YoY, mainly due to partial consolidation of Petrol Ofisi. On a segmental basis, the revenue generated from energy segment was down by 50% due to partial consolidation while the media segment revenues were up by 7% and other revenues were up by 4% YoY on US\$ basis.

In the meantime, gross margin of Dogan Holding declined from 8% in 1Q06 to 7.3% in 1Q07. Dogan Holding generated a loss of US\$30mn in 1Q07 on the operating line compared to a net profit of US\$28mn in 1Q06, mainly due to deterioration in Dogan Yayin Holding's operating margins with the rise in programming, promotion and paper costs.

**DOGAN HOLDING - SUMMARY FIANCIAL TABLES**

<i>Balance Sheet (US\$mn)</i>	1Q06	4Q06	1Q07	% Change 1Q07/1Q06	% Change 1Q07/4Q06	2005	2006	% Change 2006/2005
<b>Current Assets</b>	<b>2,388</b>	<b>3,095</b>	<b>3,455</b>	45%	12%	<b>2,363</b>	<b>3,095</b>	31%
Cash and Near Cash	712	1,696	2,048	188%	21%	714	1,696	138%
S/T Trade Receivables	1,094	893	916	-16%	3%	1,048	893	-15%
Inventories	442	374	327	-26%	-13%	476	374	-21%
Other Current Assets	141	132	163	16%	24%	126	132	5%
<b>Long Term Assets</b>	<b>3,597</b>	<b>2,528</b>	<b>3,119</b>	-13%	23%	<b>3,828</b>	<b>2,528</b>	-34%
<b>Total Assets</b>	<b>5,985</b>	<b>5,623</b>	<b>6,574</b>	10%	17%	<b>6,191</b>	<b>5,623</b>	-9%
<b>Current Liabilities</b>	<b>1,872</b>	<b>1,324</b>	<b>1,611</b>	-14%	22%	<b>1,923</b>	<b>1,324</b>	-31%
Financial Debt	517	202	323	-38%	60%	509	202	-60%
Trade Payables	729	727	640	-12%	-12%	728	727	0%
Other ST Payables	626	395	647	3%	64%	687	395	-42%
<b>Long Term Liabilities</b>	<b>1,299</b>	<b>1,334</b>	<b>1,592</b>	23%	19%	<b>1,773</b>	<b>1,334</b>	-25%
Financial Debt	931	881	1,100	18%	25%	994	881	-11%
Other LT Payables	368	453	492	34%	9%	779	453	-42%
<b>Minority Interests</b>	<b>779</b>	<b>554</b>	<b>818</b>	5%	48%	<b>517</b>	<b>554</b>	7%
<b>Shareholders' Equity</b>	<b>2,035</b>	<b>2,411</b>	<b>2,553</b>	25%	6%	<b>1,978</b>	<b>2,411</b>	22%
<b>Total Liabilities &amp; Sh. Equity</b>	<b>5,985</b>	<b>5,623</b>	<b>6,574</b>	10%	17%	<b>6,191</b>	<b>5,623</b>	-9%
Net Working Capital	322	277	119	-63%	-57%	235	277	18%
Net Debt Position	737	(614)	(625)	n.m.	2%	789	(614)	n.m.
<i>Income Statement (US\$mn)</i>	1Q06	4Q06	1Q07	% Change 1Q07/1Q06	% Change 1Q07/4Q06	2005	2006	% Change 2006/2005
<b>Net Sales</b>	<b>2,485</b>	<b>1,741</b>	<b>1,512</b>	-39%	-13%	<b>7,312</b>	<b>8,421</b>	15%
Cost of Sales	(2,287)	(1,564)	(1,402)	-39%	-10%	(6,691)	(7,639)	14%
<b>Gross Profit</b>	<b>198</b>	<b>177</b>	<b>110</b>	-45%	-38%	<b>622</b>	<b>782</b>	26%
Operating Expenses	(170)	(234)	(140)	-18%	-40%	(479)	(607)	27%
<b>Operating Profit/ (Loss)</b>	<b>28</b>	<b>(56)</b>	<b>(30)</b>	n.m.	-47%	<b>143</b>	<b>175</b>	22%
<b>EBITDA</b>	<b>113</b>	<b>79</b>	<b>29</b>	-74%	-62%	<b>399</b>	<b>426</b>	7%
Net Other Income	107	(32)	250	133%	n.m.	229	592	158%
Financial (Expenses)/ Income	(16)	57	38	n.m.	-33%	(4)	(111)	2470%
Tax	1	51	(20)	n.m.	n.m.	(58)	27	n.m.
<b>Net Profit / (Loss)</b>	<b>68</b>	<b>12</b>	<b>96</b>	42%	690%	<b>341</b>	<b>623</b>	82%
<i>Ratios(%)</i>	1Q06	4Q06	1Q07			2005	2006	
Gross Margin	8%	10%	7%			9%	9%	
Operating Margin	1%	n.m.	n.m.			2%	2%	
EBITDA Margin	5%	5%	2%			5%	5%	
Net Margin	3%	1%	6%			5%	7%	
Net Debt / Equity	36%	-25%	-24%			40%	-25%	

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