

FY07 Financial Analysis
Dogan Holding
Opinion 14 April 2008

Rating	BUY
Target Share Price (YTL)	2.78

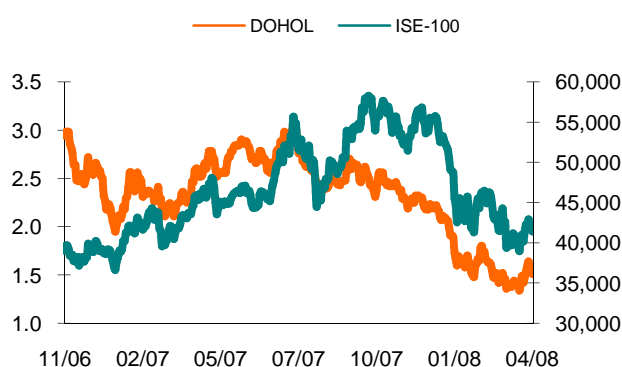
Company Data

Shares Outstanding (mn)	1,500.0
Stock Price (YTL)	1.5
Free Float Rate (%)	34
Average Daily Volume (mn YTL)	21.14
Market Cap.(mn YTL)	2,235
Target Mcap (mn YTL)	4,172
Upside Potential %	86.7%

Trailing Multiples 2007/12

P/E	5.7
EV/EBITDA	4.7
EV/Sales	0.3

Relative Performance	DOHOL	ISE100	Rel.%
1 m	2.1%	-2.0%	4.1%
3 m	-27.7%	-18.9%	-10.8%
12 m	-41.3%	-9.3%	-35.3%



Key Valuation Metrics	FY07	FY06	4Q07	4Q06	3Q07
Export /Sales	4.4%	2.1%	2.6%	0.1%	5.2%
Gross Margin	11.0%	9.3%	11.8%	10.5%	11.0%
EBIT Margin	2.0%	2.1%	2.2%	0.9%	2.7%
EBITDA Margin	5.4%	5.0%	5.7%	4.6%	5.8%
Net Margin	3.8%	7.4%	1.4%	1.1%	2.7%
Fin Debt/T.A.	23.8%	22.9%	23.8%	22.9%	23.0%
ROE (Trailing)	11.0%	29.0%	11.0%	29.0%	10.9%
Inventory Turnover	16.80	20.28	16.80	20.28	17.19
Receivables Turnover	7.98	8.88	7.98	8.88	7.84

Financials (mn YTL)	FY07	FY06	YoY Ch.	4Q07	4Q06	YoY Ch.	3Q07	QoQ Ch.
Sales	10,310	11,984	-14.0%	2,781	2,453	13.3%	2,771	0.3%
Gross Profit	1,134.9	1,119.4	1.4%	327.6	257.0	27.5%	303.5	8.0%
EBIT	203.4	250.0	-18.6%	60.8	21.4	183.7%	75.3	-19.3%
Fin.Income (Expenses)	251.0	-159.2	n.m.	55.2	82.8	-33.3%	94.3	-41.4%
Profit Before Tax	551.2	852.4	-35.3%	71.7	39.7	80.4%	131.4	-45.4%
Net Profit	395.2	891.6	-55.7%	38.3	26.7	43.5%	74.8	-48.8%
EBITDA	554.0	604.6	-8.4%	158.2	113.3	39.7%	159.4	-0.8%
Net Cash (Debt)	-345	-586	-41.1%	-345	-586	-41.1%	-428	-19.4%
Shareholders' Equity	3,758	3,390	10.9%	3,758	3,390	10.9%	3,719	1.0%

Dogan Holding: Full year results

Dogan Holding posted YTL 395 mn net earnings in FY07, slightly higher than our YTL 384 mn estimate, but lower than YTL 425 mn market consensus. FY07 bottom line figure is down by 56% YoY, however YoY comparison of full year results could be misleading.

YoY comparison is not meaningful due to the change in consolidation methodology for Petrol Ofisi (PO) as well as some one off impacts at the non-operating level. Having become strategic partners with OMV, Dogan Holding started to consolidate PO on a proportionate basis (previously full consolidation) since May 06.

On the other hand, the one off impacts include participation sale profits from PO deal with OMV in 2006, and Dogan TV deal with Axel Springer, Ray Sigorta deal with TBIH as well as negative contribution of PO's tax fine in 2007.

On incremental basis, Dogan reported YTL 38 mn net profit in 4Q07, which is up by 43% compared to 4Q06, but 49% lower QoQ terms. YoY improvement was largely on the back of improved operational performance while QoQ contraction was attributable to non-operational figures such as lower interest income, lower FX gains, and some unexpected other non-operating expenses including provisions for lawsuits (YTL 46 mn) and doubtful receivables (YTL 26 mn).

On the operational side, consolidated top line was up by 13% to YTL 2.8 bn in 4Q07, bringing the full year figure to YTL 10.3 bn, higher than YTL 10.1 bn expectations. Operational revenues decreased by 14% YoY as Dogan started consolidating PO partially since May 06.

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To this end, revenues from energy segment declined by 23% contributing 70% to the consolidated top line in 2007 (77% in 2006). However, in 4Q07 incremental revenues were up by 12% YoY in this segment, largely attributable to higher oil prices.

Meanwhile, revenues from media operations increased by 22% YoY in 4Q07, bringing the full year growth to 27%. The growth is partly inorganic due to the acquisition of Trader Media East (TME) starting from 2Q07 as well as some other new ventures in broadcasting such as Kanal D Romania, D-Smart, teleshopping and Smile Holding.

Operational profitability...

On the same ground, down by 8% YoY consolidated EBITDA was YTL 554 mn, in line with our YTL 543 mn expectation while market consensus was YTL 586 mn. In the meantime, EBITDA margin slightly improved from 5% in 2006 to 5.4% in 2007 thanks to strong last quarter margins reflecting the higher performance in media segment.

Quarterly EBITDA was up by 40% in 4Q07 to YTL 158 mn. Accordingly, 4Q07 EBITDA margin was 5.7% vs 4.6% in 4Q06. Media margins were higher (from 9.7% in 4Q06 to 12.1% in 4Q07) while energy margins almost remained flat (sequentially 4% in 4Q06 and 3.9% in 4Q07).

Non-operating figures...

One off gains from transactions... Dogan Holding booked YTL 694 mn participation sale profits in 2007, YTL 601 mn of which is related to Dogan TV Holding deal with Axel Springer and the remaining YTL 93 mn is out of Ray Sigorta deal with TBIH. Meanwhile transaction gains were much stronger in 2006, totaling at YTL 902 mn. Accordingly, YTL 762 mn of the total was attributable to PO transaction with OMV while the remaining YTL 140 mn had stemmed from 5.3% stake sell of Dogan Yayin Holding on the ISE.

One off tax fines... Having reached a settlement with the Ministry of Finance on the tax issue, PO paid YTL 275 mn in June 07. Dogan Holding recorded YTL 145 mn loss from the tax fine in line with its stake in PO. Moreover, Dogan Holding recorded further YTL 94 mn loss from the tax fine due to its liability to OMV, totaling at YTL 239 mn loss reflected to the financials. Recall that Dogan Holding is responsible to protect OMV against any losses regarding the tax related matters for periods prior to the purchase according to the Shareholders' Agreement signed between the parties.

Financial income/expenses... Having sold 34% of Petrol Ofisi to OMV, Dogan Holding has been sitting on a net cash position of US\$1.2 bn at the parent level, which paved the way for app YTL 300 mn interest income from bank deposits up from app YTL 220 mn in 2006. Meanwhile, FX gains increased from YTL 58 mn to YTL 138 mn, contributing to the bottom line positively, as holding carries a consolidated short FX position, equivalent to YTL 1,112 mn.

On the other hand, some unexpected other non-operating expenses including provisions for lawsuits (YTL 46 mn) and doubtful receivables (YTL 26 mn) had negative impact to the net profitability.

Valuation...

Considering US\$1.2 bn (cYTL 1.5 bn) net cash position at the parent level, the current Mcap infers that the market values Dogan Holding's interests in media and energy only at app YTL 750 mn, however based on Mcaps of DYH and PO, we calculate their value to Dogan Holding at YTL 2.5 bn. From a different perspective, Dogan's Mcap only reflects the value from its listed subsidiaries, effectively meaning that the significant net cash is not priced in.

Dogan Holding trades at a 47% discount to its current NAV, significantly deeper than its historical discount which averages 25% since the beginning of 2006, which we find difficult to justify. Thus, in our view, current price levels appear to be a good entry point, with attractive discount to NAV ahead of new business opportunities including electricity distribution tenders, the National Lottery and the privatization of toll motorways and bridges.

Having applied 20% haircut to our target NAV, we arrive at a fair value of YTL 4,172 mn with 87% lucrative upside potential. "BUY" recommendation is maintained with YTL 2.78 target share price.

DOHOL Historical Discount to NAV



Source: Ata Estimates

Dogan Holding – Current NAV

Company	Holding's Stake	Current M.Cap.	Valuation Method	CNAV
		4,836		2,655
Dogan Yayin Holding	63.0%	1,645	Target NAV	1,037
Petrol Ofisi	53.5%	2,804	DCF	1,500
Milliyet Pazarlama	65.0%	55	Current Mcap	36
Celik Halat	37.1%	48	Current Mcap	18
Ditas Dogan	50.9%	24	Current Mcap	12
Ray Sigorta	20.0%	260	Current Mcap	52
Total (mn YTL)				2,655
Net cash				1,540
TOTAL NAV				4,195
20% Haircut				839
Fair Value				3,356
Current Mcap				2,235
Actual Discount to NAV				-46.7%
Discount to Fair Value				-33.4%
Upside Potential				50.2%

Source: Ata Estimates

Dogan Holding – Target NAV

Company	Holding's Stake	Target M.Cap.	Valuation Method	TNAV
		6,507		3,677
Dogan Yayin Holding	63.0%	2,996	Target NAV	1,888
Petrol Ofisi	53.5%	3,124	DCF	1,672
Milliyet Pazarlama	65.0%	55	Current Mcap	36
Celik Halat	37.1%	48	Current Mcap	18
Ditas Dogan	50.9%	24	Current Mcap	12
Ray Sigorta	20.0%	260	Current Mcap	52
Total (mn YTL)				3,677
Net cash				1,540
TOTAL NAV				5,217
20% Haircut				1,043
Fair Value				4,174
Current Mcap				2,235
Actual Discount to NAV				-57.2%
Discount to Fair Value				-46.5%
Upside Potential				86.7%

Source: Ata Estimates

Segmental Breakdown

	2007	2006	Growth YoY	4Q07	4Q06	3Q07	Growth YoY	Growth QoQ
Revenues (YTL mn)								
Media	2,632	2,075	27%	764	624	649	22%	18%
Energy	7,172	9,278	-23%	1,983	1,764	2,036	12%	-3%
Other	505	630	-20%	33	65	86	-49%	-62%
Total	10,310	11,984	-14%	2,781	2,453	2,771	13%	0%
Revenues Contribution (%)								
Media	26%	17%		27%	25%	23%		
Energy	70%	77%		71%	72%	73%		
Other	5%	5%		1%	3%	3%		
EBITDA (YTL mn)								
Media	270	238	13%	92	60	62	53%	49%
Energy	310	393	-21%	78	71	99	10%	-21%
Other	-24	-42	-42%	-9	-51	-1	-83%	1496%
Elimination	-1	15	-109%	-4	32	-1	n.m.	279%
Total	554	605	-8%	158	113	159	40%	-1%
EBITDA Contribution (%)								
Media	47%	38%		54%	46%	39%		
Energy	53%	62%		46%	54%	61%		
EBITDA Margin (%)								
Media	10.3%	11.5%		12.1%	9.7%	9.6%		
Energy	4.3%	4.2%		3.9%	4.0%	4.9%		
Total	5.4%	5.0%		5.7%	4.6%	5.8%		

Source: Ata Estimates

Balance Sheet (mn YTL)	2007/12	2006/12	Change %	9M07	9M06
Current Assets	4,588.2	4,331.6	5.9%	4,528.4	4,192.0
Liquid Assets	2,351.6	2,355.0	-0.1%	2,376.2	2,205.0
Marketable Securities	24.5	29.6	-17.3%	40.2	66.2
Short Term Trade Receivables	1,389.3	1,235.9	12.4%	1,266.4	1,309.0
Other Short-Term Receivables	100.5	74.3	35.2%	114.5	57.2
Inventory	594.9	526.2	13.1%	613.8	454.3
Other Current Assets	127.4	110.6	15.2%	117.3	100.3
Long Term Assets	4,480.2	3,553.0	26.1%	4,204.6	3,351.5
Long Term Trade Receivables	6.1	8.0	-24.2%	5.1	10.2
Other Long Term Receivables	7.6	3.8	101.3%	3.4	3.6
Long Term Financial Assets	27.9	4.4	535.5%	11.7	4.2
Tangible Fixed Assets	1,474.4	1,413.6	4.3%	1,442.2	1,343.8
Intangible Fixed Assets	2,790.2	2,014.8	38.5%	2,593.7	1,898.8
Other Long Term Assets	174.0	108.5	60.5%	148.5	91.0
Total Assets	9,068.4	7,884.6	15.0%	8,733.0	7,543.5
Short Term Liabilities	1,676.9	1,841.6	-8.9%	1,754.9	1,796.6
Short Term Financial Loans	648.1	561.1	15.5%	564.9	615.7
Short Term Trade Payables	867.4	1,002.7	-13.5%	931.8	891.1
Other Short Term Payables	2.9	5.1	-43.1%	0.8	1.1
Short Term Advances Received	4.3	11.8	-63.5%	26.1	12.6
Short Term Provisions	154.2	261.0	-40.9%	231.3	276.1
Long Term Liabilities	2,428.2	1,874.5	29.5%	2,168.4	1,653.2
Long Term Financial Loans	1,508.7	1,240.9	21.6%	1,446.3	1,239.2
Long Term Trade Payables	578.7	442.4	30.8%	510.1	331.9
Other Long Term Liabilities	0.0	0.0		0.0	0.0
Long-Term Advances Received	40.5	1.7	2249.8%	4.9	6.3
Provisions	300.3	189.5	58.5%	207.1	75.8
Shareholder's Equity	3,757.6	3,389.5	10.9%	3,718.6	3,352.6
Share Capital	1,500.0	1,500.0	0.0%	1,500.0	1,500.0
Adjustments to Share Capital	0.0	0.0		0.0	0.0
Premium in Excess of Par	0.6	0.6	0.0%	0.6	0.6
Revaluation Surplus of Fixed Assets	185.7	232.1	-20.0%	197.3	0.0
Income Reserves and Other SHE Items	1,425.4	676.6	110.6%	1,414.9	682.7
Current Year Income /(Losses)	395.2	891.6	-55.7%	356.9	873.9
Retained Earnings /(Acc. Losses)	250.7	88.6	183.1%	248.9	295.3
TOTAL LIABILITIES AND S.HOLDERS EQUITY	9,068.4	7,884.6	15.0%	8,733.0	7,543.5

Income Sheet	2007/12	2006/12	Change %	4Q07	4Q06
Net Sales	10,309.6	11,983.9	-14.0%	2,780.6	2,453.1
Cost Of Sales	-9,174.7	-10,864.5	-15.6%	-2,452.9	-2,196.2
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	1,134.9	1,119.4	1.4%	327.6	257.0
Operating Expenses	-931.5	-869.4	7.1%	-266.9	-235.5
NET OPERATING PROFITS	203.4	250.0	-18.6%	60.8	21.4
Inc.or Exp from Other Operations (Net)	366.7	846.8	-56.7%		
Financial Expenses	251.0	-159.2		55.2	82.8
Net Changes on Monetary Positions	0.0	0.0		0.0	0.0
MINORITY INTERESTS	-270.0	-85.2	217.0%	6.1	-16.9
INCOME BEFORE TAXES	551.2	852.4	-35.3%	71.7	39.7
Taxation on Income	-155.9	39.2		-33.3	-13.0
NET PROFIT AFTER TAXES	395.2	891.6	-55.7%	38.3	26.7

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