Ata Invest Research

Turkey

Dogan Holding

Attractive discount to NAV

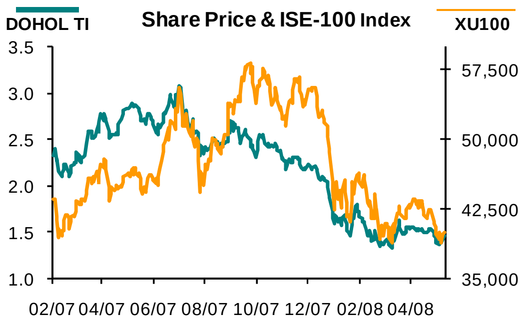
Stock Data 02/06/2008	DOHOL TI
Stock Price (YTL) :	1.48
Price range (12 months)	1.34-3.08
Average Daily Volume (YTL mn):	20.3
Market Cap (YTL mn) :	2,220
Target Market Cap (YTL mn) :	3,613
Target Share Price (YTL)	2.41
Upside Potential (%)	63%

Key Valuation Metrics

	2007A	2008E	2009E	2010E
P/E	8.43	15.95	9.01	7.73
Adj EV/Sales	0.32	0.18	0.17	0.17
Adj EV/EBITDA	6.03	3.41	3.02	2.76
ROE	11.1%	3.6%	6.0%	6.6%
EBITDA Margin	5.4%	5.6%	6.1%	6.6%
Net Margin	3.8%	1.1%	2.0%	2.3%

Ownership Structure	
Adil Bey Holding	52.00%
Aydin Dogan & Dogan Family	13.52%
Aydin Dogan Foundation	0.19%
Free Float	34.29%

Share Price Performance



Stock Performance	DOHOL	XU100	Rel %
1 m	-3.9%	-7.6%	4.0%
3 m	-4.5%	-10.4%	6.6%
YTD	-33.3%	-27.8%	-7.7%

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Rating: BUY

We valued Dogan Holding using sum-of-the-parts methodology and our target NAV analysis yields a valuation of YTL 4,516 mn. **Largely based on historical trends, we applied 20% haircut to the NAV result and arrived at a fair value of YTL 3,613 mn, indicating 63% lucrative upside potential. We maintain our "BUY" recommendation with a target share price of YTL 2.41.**

The stock has traded at an average discount of 26% since the beginning of 2006. **The average discount is 32% since the beginning of 2007 and the current 42% is significantly deeper** which we find it difficult to justify. Thus, current price levels appear to be a good entry point, with attractive discount to NAV ahead of new business opportunities.

Future growth: Internationalization & diversification… Dogan Holding's strategy is to expand its existence in core businesses both in Turkey and internationally in the region as well as examining vertical integration opportunities.

Casting for catalysts… Following the sale of a 34% stake in Petrol Ofisi back in May 06, Dogan Holding has been sitting on a massive net cash position (app US$1.2 bn) at the parent level, and eyeing new business opportunities which we believe could act as a catalyst for the share performance. These opportunities include power generation and electricity distribution through greenfield projects and privatization. The National Lottery and tender for toll motorway & bridges are the other privatization projects that is closely followed by Dogan Holding.

We believe the strong cash reserves would strengthen Dogan's chances in the upcoming opportunities and privatization tenders. Delay in privatization projects or overpaying are the risk factors. However, it is worth mentioning that being cash rich should also be considered positive during times of volatility which increases the resilience to the business portfolio.

In 2008, we forecast YTL 691 mn EBITDA, implying 25% growth, with an expected slight increase in the margin from 5.4% in 2007 to 5.6%. We particularly expect better margins in media segment as we expect the loss effect from new ventures in broadcasting to be reduced after having peaked in 2007 largely due to start up costs.

Meanwhile, the bottom line is forecasted to contract to YTL 139 mn which is attributable to non-operating items, i) the removal of one off gains in 2007, ii) FX losses on the back of short FX position at the consolidated level.

Consolidated Forecasts

YTL mn	2006	2007	2008E	2009E	2010E
Sales	11,984	10,310	12,295	12,250	12,255
EBITDA	604.6	554.0	691.0	746.5	811.4
Net Income	891.6	395.2	139.2	246.4	287.1
Net Debt	-582	-219	-190	-271	-355
Shareholders' Equity	3,390	3,758	3,947	4,219	4,477

Overview

Full exposure to media and energy…

Having completed some major transactions over the past 3-4 years, Dogan Holding is now fully exposed to the media and energy sectors, representing one of the most concentrated business portfolios among Turkish conglomerates. Dogan Yayin Holding (DYH) and Petrol Ofisi are the market leaders in their fields and they form the lion's share of the valuation, accounting for 95% of the NAV excluding net cash. Dogan Holding is eyeing new investments where the ability to enhance or create synergy with existing business lines is imperative. The table below shows the list of major transactions over the couple of years involving Dogan Group companies which we believe suggests a successful track record.

Dogan Group Major Transactions

Company	Sector	Date	Acquirer	Seller	Stake	Transaction Price	Implied Value
Petrol Ofisi	Energy	September 2005	Dogan Holding	Isbank	44.1%	US$ 616 mn	US$ 1,397 mn
	Energy	March 2006	OMV	Dogan Holding	34.0%	US$ 1,054 mn	US$ 3,100 mn
Star TV	Media	September 2005	Dogan Yayin Holding	SDIF tender	100%	US$ 307 mn	US$ 307 mn
Disbank	Finance	November 2005	Fortis	Dogan Holding	89.3%	€ 880 mn	€ 985 mn
Dogan TV	Media	November 2006	Axel Springer	Dogan Yayin Holding	25.0%	€ 375 mn	€ 1,500 mn
Trader Media East (TME)	Media	January 2007	Hurriyet	Minorities	67.3%	US$ 336 mn	US$ 499 mn
Ray Sigorta	Finance	March 2007	TBIH	Dogan Holding	58.2%	US$ 81.5 mn	US$ 140 mn
Dogan Gazetecilik*	Media	November 2007	Deutsche Bank	-	22.0%	US$ 88 mn	

Source: Ata Invest

** The deal was materialized through a paid-in capital increase where Deutsche Bank injected US$88 mn to Dogan Gazetecilik*

Future growth strategy: Internationalization and diversification in strategic business lines...

Following the sale of a 34% stake in PO back in May 06, Dogan Holding has been sitting on a massive net cash position (app US$1.2 bn) at the parent level, and eyeing new business opportunities.

Accordingly, Dogan Holding's strategy is to expand its existence in core businesses both in Turkey and internationally in the region, as well as examining vertical integration opportunities. In this respect, the acquisition of TME, a classified advertising specialist, establishment of a TV channel in Romania, new digital platform (D-Smart) in Turkey form the media leg of the strategic growth plans.

On the other hand, examining a refinery project in Ceyhan region, and initiating fuel distribution operations in Georgia are the expansion and vertical integration efforts in energy via PO. PO also bid for the oil exploration & development tender in Iran.

Apart from oil upstream investment plans via PO, Dogan Holding has also other plans in the energy sector at the parent level, including electricity

Overview

generation and electricity distribution through greenfield projects and privatization. The National Lottery and tender for toll motorway & bridges are the other privatization projects that is closely followed by Dogan Holding.

We believe the strong cash reserves would strengthen Dogan's chances in the upcoming opportunities and privatization tenders. However that does not necessarily mean that the conglomerate would bid irrationally in prospective tenders. Note that in the Tekel tobacco tender back in February 2008, the British American Tobacco submitted the highest bid with US$1.72 bn where Dogan Holding-CVCI-Tutsab consortium was eliminated before the final bargaining stage which started with a minimum US$1,660 mn price.

Power generation…

Given the potential risk of a supply shortage, Turkey needs to invest significantly to overcome the supply-demand imbalance.

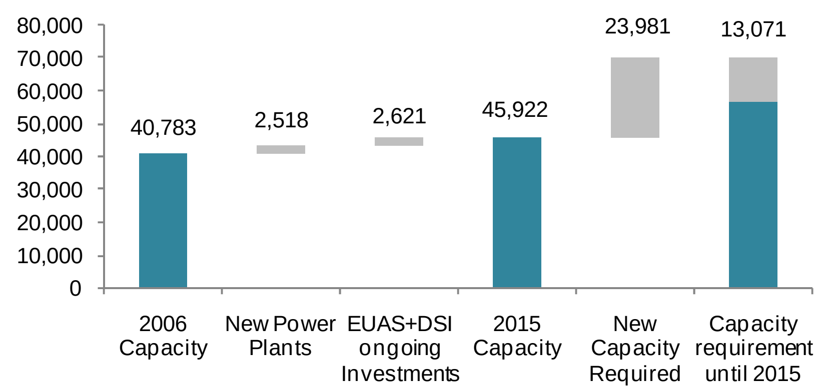
Investment Requirements of the Turkish Energy Sector (US$, mn)

Segment	Investment Requirement
Coal Exploration & Extraction	5,109
Oil	16,000
Natural Resources	2,700
Water	6,093
Generation	458
New Generation Facilities	91,276
Transmission	938
Distribution	6,000
Total	**128,574**

Source: The Ministry of Energy and Natural Resources (MENR)

Following the average annual growth rate of 6.6% between 1995-2004, the MENR projects 8.5% annual growth for the 2005-2015 period. While energy consumption peaked at 150 bn kWh in 2004, Energy consumption is projected to reach 499 bn kWh by 2020, necessitating a tripling in the existing capacity from the current 38,500 MW to 96,000 MW by 2020. It is estimated that the energy sector needs approximately US$130 bn of investment to meet the growing demand, which equates to an average US$5-6 bn annually. Most of these investments are expected to be spent on electricity generation.

Electricity Additional Capacity Requirements



Source: TEIAS

Overview

To this end, many Turkish groups are enthusiastic to enter the electricity generation segment and Dogan Holding is no exception. Dogan has joined forces with the Unit Investment, Anadolu and Dogus Groups in power generation. Licenses have been obtained for two projects with a total generation capacity of 630 MW where the expected investment cost is around US$1.2 bn. Group's longer term target is to reach a total generation capacity of 3,000 MW.

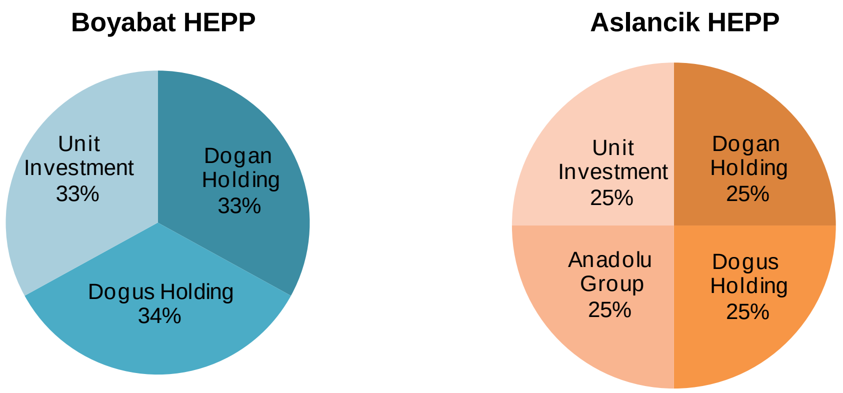
Power Generation Projects

Project	Installed Capacity	Generation	Fuel	Location	Construction Period	Expected Operation Date
Boyabat HEPP	510 MW	1.5 TWh	Hydro	Sinop*	54 months	November 2012
Aslancik HEPP	120 MW	418 GWh	Hydro	Giresun*	48 months	June 2012

**Both cities located in North Sea region.*

Source: Company Data

Shareholder Structure



Source: Company Data

Electricity distribution…

The privatization of electricity distribution starts with the tenders of Baskent and Sakarya-Kocaeli regions. Accordingly, the deadline for bidding is June 10th where the already-prequalified players was given the opportunity to examine the updated information regarding these two regions.

Note that the tenders for these regions were originally set for January 2007 before being postponed by the government. At that time, 24 consortiums were qualified for Baskent region electricity distribution, while the number of qualifiers for Sakarya-Kocaeli region was 30. Dogan Holding was qualified with Dogus-Anadolu-Unit-Dogan consortium for Sakarya-Kocaeli region and with Saray-Kantur-Dogan JV for Baskent region. At this stage, we do not know whether there would be revisions to these consortiums before the upcoming tenders. The aggregate electricity consumption of these two regions corresponds to 12.9% of Turkey's total consumption based on 2006 figures.

On the other hand, for Konya (Meram) and Erzurum-Kars (Aras) regions; the interested parties should apply for prequalification until July 18th and the deadline for submitting bids is September 15th for the parties who will have passed the prequalification stage successfully. These two regions account for 5.8% of Turkey's total consumption as of 2006.

Overview

Electricity Distribution Tenders

Region	# of Subscriber	Loss/ Theft Ratio	Net Consumption (MWh)	Share in total consumption	Informatory Process	Deadline for bidding
Baskent	2,847,668	9.6%	8,836,777	8.2%	April 30th -May 19th	June 10th
Sakarya	1,318,521	10.1%	4,995,212	4.7%	April 30th -May 19th	June 10th
Aras	691,346	29.4%	1,408,703	1.3%	May 5th - July 18th	September 15th
Meram	1,449,915	7.8%	4,830,047	4.5%	May 5th - July 18th	September 15th
4 Regions	6,307,450	-	20,070,739	18.7%		
Total 21 Regions	28,892,253	-	107,317,781			

Source: Privatization Administration, 2006 figures

National Lottery Privatization…

The Privatization Administration recently announced that the tender process for the National Lottery would commence in 2Q08. The privatization is expected to be based on a 10-year license with revenue sharing model. Based on media reports, National Lottery has 32% market share with an annual turnover of US$683 mn and US$189 mn net profit in 2007.

We believe the business fits Dogan's portfolio considering the potential synergies with media and distribution. There is significant upside in the lottery business to double the size of the market to US$ 2 bn through efficient marketing and wider product range.

Sports betting…

Dogan Yayin Holding, the media conglomerate of Dogan Group, signed a memorandum of understanding with Lottomatica for 50-50 potential strategic alliance in the forthcoming Iddaa tender. "Iddaa" is a sports betting game which is currently operated by Inteltek, a 55% subsidiary of Turkcell while 45% is owned by Greek based Intralot. At the end of February, Inteltek signed a contract with the Turkish State Organization, Spor Toto, to further continue its operations for up to a year, until March 2009.

In the meantime, a new tender will be held for the operation of sports betting in Turkey for up to 10 years. According to media reports, it is expected to be tendered until September 2008 and the winning party will be awarded the operations starting by March 2009 when the contract with Inteltek will expire. Iddaa currently includes soccer games however its scope could be extended with the inclusion of basketball, tennis and motor sports.

Toll motorways & bridges…

There are 2 bridges and 6 motorways in the privatization portfolio, which were used by 300 mn vehicles in 2007, leading to US$500 mn gross revenues. Bouygues, Autostrade, Abertis, Macquire and Brisa are the interested international players while Dogan Holding, Dogus Holding, Akfen, Global Yatirim Holding and Alarko Holding are the local players known to have interest to the business. The tenders will be based on the transfer of operational rights for expected 20-25 years period. Currently, the technical studies for the privatization strategy are in progress as there will likely be a series of amendments in legislation (tariffs, service standards etc) before the announcement of the tender documents.

Overview

Existing Business Lines: Media

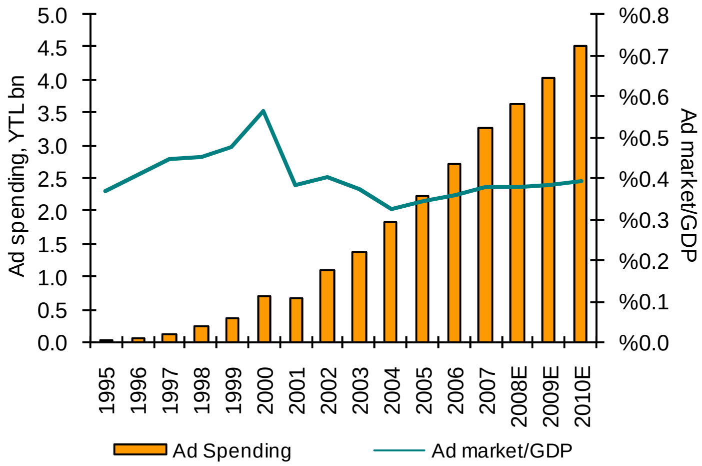
DYH: The undisputed leader in the domestic market…

Capturing 41.8% of the total ad market, in addition to respective 33.3% and 28% shares in newspaper circulation and prime time audience, Dogan Media is the leading player in domestic media. Hence, the group is well positioned to benefit from the prospects for the Turkish ad market. Turkey's ad market/GDP (0.38%) and per capita ad spending (US$25.6) figures are lower compared to its peers, supporting the growth potential of the market.

Ad market …

At the beginning of the year, ad market was expected to gain pace on the back of a better outlook driven by interest rate sensitive sectors where our domestic ad growth forecast was 19%. As our in-house GDP growth projection is revised downwards from initial 5.5% to 4%, we now expect 14% growth in advertising revenues in 2008. Accordingly, the total size of the ad market is projected to reach YTL 3.7 bn this year under our new macro assumptions. We maintain our high prospects for the ad market in the long run with expected double digit CAGR in the coming ten years.

Advertising Sector in Turkey



Source: Ata Estimates

We like DYH's growth strategy of expanding its business portfolio internationally to become a regional media player, and closely following new trends in broadcasting, where DYH has built strategic alliance with global players with an eye to benefiting from their media expertise.

Developments in print media…

The group acquired classified advertising specialist TME via Hurriyet to gain access to Central and Eastern European markets, leading to diversification. Meanwhile, DYH became partners with Deutsche Bank in domestic market via Dogan Gazetecilik.

Overview

Acquisition of Vatan conditionally approved…

The acquisition of daily Vatan was conditionally approved by the Competition Board. Accordingly, the condition on the approval is **“to sell Vatan in 2 years following the completion of the acquisition” with managing the financial problems** as Vatan has been facing some financial difficulties. In case the sale process fails, “Vatan” will be tendered under the supervision of the Competition Board. If the tender fails, Dogan will maintain the brand and rights related to Vatan for another 3 years.

Note that Dogan Gazetecilik had previously offered US$18 mn for the acquisition of daily “Vatan” which commands an estimated around 4% market share in national circulation with 220K daily copies year-to-date.

Circulation (‘000 daily)

Newspaper	**2006**	**2007**	**Share in DYH**	**Market Share**
Hurriyet	544	571	33%	11%
Gozcu	115	-	-	-
Referans	12	13	1%	0%
Turkish Daily News	4	4	0%	0%
Posta	636	635	37%	12%
Fanatik	241	230	13%	4%
Milliyet	281	233	14%	5%
Radikal	36	36	2%	1%
Dogan Yayin Holding	**1,869**	**1,722**	-	33%
Total Market	**5,148**	**5,170**		

Source: Dogan Yayin Holding

Based on unaudited FY2007 results, Bagimsiz Gazetecilik (the owner of Vatan) recorded YTL 14.7 mn loss in 2007 and the accumulated losses amount to YTL 53.4 mn. As a latest development, Dogan Gazetecilik decided to inject YTL 62 mn to Vatan through rights issue capital increase from YTL 8 mn to YTL 70 mn. Dogan Gazetecilik had YTL 104 mn (US$90 mn) net cash position at the end of 2007 and we understand that this is largely used for Vatan (transaction price+capital increase).

Broadcasting investments …

Having formed an alliance with Axel Springer in Dogan TV, DYH has continued its efforts in domestic broadcasting, investing in thematic channels and more importantly establishing a new digital platform to benefit from the changing trends in the market, while investments in Romania form the broadcasting leg of international expansion plans. DYH maintains the majority stake and control over these strategic alliances with international players, including Axel Springer, Deutsche Bank and Ringier.

The leading broadcaster in the Turkish market…

DYH’s two mainstream channels (Kanal D + Star TV) capture 30.4% and 28% audience shares from the prime time AB and prime time total audiences respectively. Total day audience shares stand at aggregate 23.6% for Kanal D and Star TV.

Kanal D enjoys a 1.68x power ratio, while Star TV’s ratio grew from 1.05x in 2006 to 1.26x in 2007, indicating signs of improved efficiency. Accordingly, Star TV is expected to offer a positive contribution to profitability in 2008.

Overview

How will the sale of ATV-Sabah affect the market?..

Turkuaz – owned by Calik Group – won the tender for the sale of ATV-Sabah with a US$1.1 bn bid, equal to the reference price set by the SDIF and recently completed the share transfer.

With exposure to the construction, energy and textile sectors, as well as its refinery investment plans, media is totally a new business line for Calik Group. Its media expertise is limited to regional TV broadcasting in Malatya, and hence it would be premature to comment on the issue, given that we lack information regarding its strategy in managing ATV & Sabah. Its strategy will have an important impact on the competitive environment, as becoming one of the market's major players.

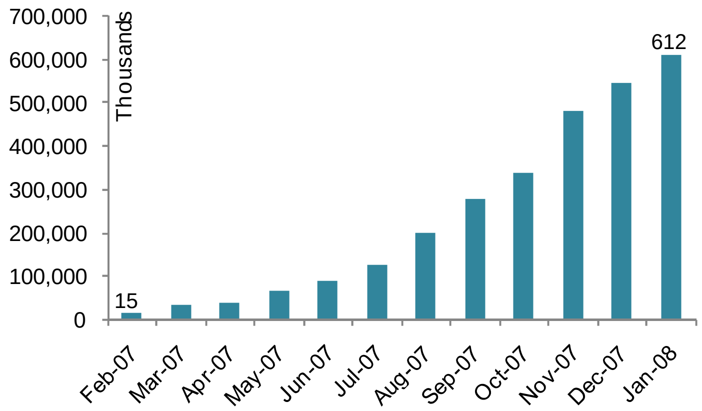
Changing trends in broadcasting…

DYH's long term strategic plans include projects such as interactive applications, telemarketing, local and international film distribution and TV broadcasting through the internet platform, in line with the new trends in broadcasting, which has become a more sophisticated and technologically intensive process.

D-Smart: new digital platform…

In order to benefit from the changing trends, DYH initiated a new digital platform and rapidly exceeded 600K subscribers by January 08. The management aims to expand its subscriber tally to 1.2 mn in 2008. We believe the broadcasting rights of the Super League will be a crucial factor in D-Smart's performance in the long term, which is currently held by the competitor platform Digiturk until the end of 2009-10 soccer season.

D-Smart # of Subscribers



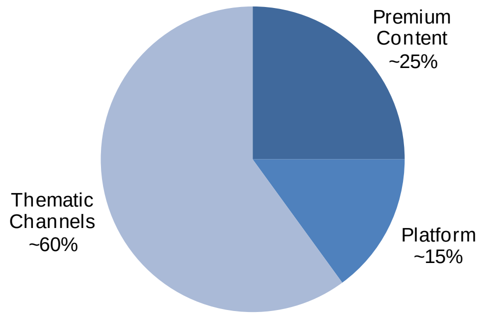
Source: Dogan Yayin Holding

D-Smart business model…

D-Smart is a low capex business setup and differs from the traditional digital platforms as it neither charges a monthly subscription fee nor subsidizes the setup boxes; its main revenue generation source is from advertising. In a 5-year business plan, digital platform expects to generate 60% of its revenues from advertising in thematic channels whereas premium content (Pay TV and pay-per-view revenues) and platform revenues (license fees, interactive revenues, betting etc) are expected to contribute 25% and 15% shares to the overall revenues respectively.

Overview

D-Smart: Expected Revenue Breakdown in 5-year Business Plan



Source: Dogan Yayin Holding

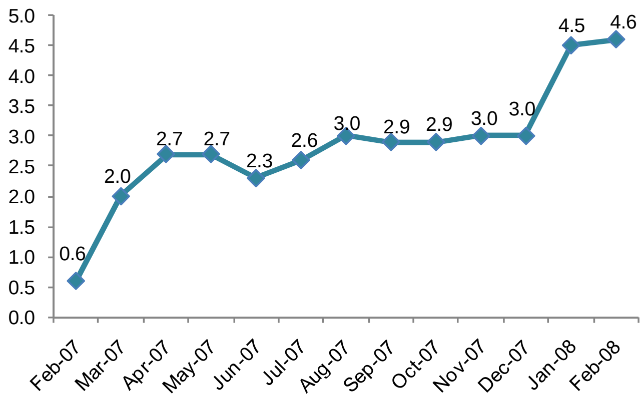
Seeking partners in digital broadcasting…

DYH recently announced its decision to start examining opportunities regarding the sale of a minority stake in D-Smart to international institutions, with a condition to maintain management control over the company. In doing so, the conglomerate aims to bring strategic and financial alliance opportunities to this particular business line.

Kanal D Romania…

DYH is active in the Romanian TV market through Kanal D Romania with its Swiss based partner Ringier. The TV channel entered operation in February 2007, and is currently writing losses associated with the start-up costs. The management expects the business to start generating a profit by 2009.

Kanal D Romania - Viewership Share, %



Source: Dogan Yayin Holding

The company expects to increase its audience share to 5-6% in 2008 from an average 2.9% in 2007 and as of February 2008, it is 4.6% in whole day viewership share. With expected 1-1.1x power ratio, the forecasted revenue stream is € 16 mn for 2008, up from € 5.2 mn in 2007.

Overview

Existing Business Lines: Energy

Dogan Holding became strategic partners with OMV via Petrol Ofisi (PO) since May 2006, which is the leading petroleum products distributor in Turkey. The deal between Dogan Holding and OMV covers an examination of opportunities in oil extraction, production and refining in addition to existing fuel distribution business which would help PO become a vertically integrated player in the energy market. Undoubtedly, refining forms the bulk of these vertical integration plans.

Pending refinery permit…

The opening of the BTC pipeline, with its capacity of 50 mn tons per annum is likely to bring dynamism to the Turkish petroleum market. Several groups plan to establish refineries on Turkey's south coast, including Calik-Indian Oil, Petrol Ofisi, Socar-Turcas and the Cevahir Group. Calik-Indian Oil's application was finalized, while the procedure is continuing on the other applications.

The Energy Market Regulatory Authority (EMRA) has prepared a draft law which regulates the disputes on license applications made on the same land. Accordingly, in case there are more than one license applications on the same land; the draft says that the preference right will be given to a party who holds property right there.

This also concerns PO. Having received the Environmental Impact Assessment from the Ministry of Environment and Forestry, PO submitted it to the EMRA to finalize its refinery investment licensing process. **The application has not been finalized yet as another group (Diler Insaat) has also applied to the EMRA to establish a power station on the same land where PO plans to build its refinery in Yumurtalik. The refinery permit is pending as the uncertainty in the procedure continues.** Diler Insaat has the property right on some part of the land where PO plans to build refinery. Hence; in case the draft comes into effect, we believe PO might look for another land or might negotiate with Diler.

Based on previous statements from company management, **PO plans to establish a refinery with an annual production capacity of 10 mn tons. Company's focus would be mainly on the production of more value added white products, such as jet fuel and diesel.** US$4.5 bn investment cost is estimated and the company targets to complete the refinery investment in less than 5 years.

Bidding for oil exploration in Iran…

As part of its vertical integration strategy, PO bid for the oil exploration & development tender in Iran through a consortium formed with OMV and Petropars. The tender was organized by the National Iranian Oil Company (NIOC) and the bid is conditional to the approval of NIOC for pre-qualification. The winning parties will have the right to explore in these fields, and a development process will be initiated in the event of a commercial discovery. According to information we gathered from NIOC's website, the minimum exploration expenditure for the 2 blocks that the consortium bid, amounts to € 21 mn and € 32 mn respectively.

International expansion to Georgia…

PO initiated its operations in Georgia, distribution of petroleum products and supplying jet fuel in Batumi Airport. PO also plans to start supply at Tbilisi airport. We believe Georgia is a good step for initiating international

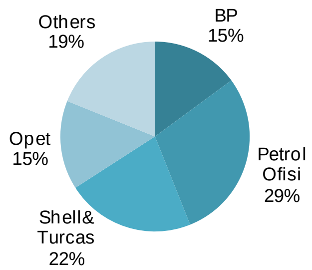
Overview

operations, with PO gaining a foot in the door in Georgia's high potential market. PO plans to establish a distribution network in Georgia starting with 8-9 stations in 2008.

Sustained market leadership…

As of 2007, PO is the clear market leader of the downstream segment, with a 29% share of white products sales (32.2% in 2006) and 32.7% in total sales (34.7% in 2006) according to PETDER data, which does not include jet fuel sales. This indicates a market share loss on the back of tougher competition, particularly from Shell-Turcas and Opet. We expect a slight decline in market share in 2008 but sales volume is expected to remain flat.

2007 White Products Market Share



Source: PETDER

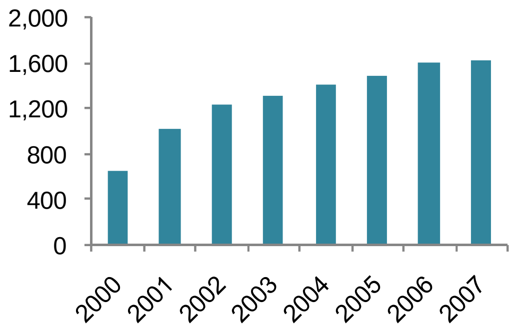
Nationwide network but a relatively low throughput…

PO has by far the widest network with 3,305 petrol stations as of 1Q08 with extensive geographical coverage together with its second brand, ERK. On the other hand, the average throughput per station is 1,650 m^3 for PO, less than its main rivals (3,380 m^3 for Shell, 2,228 m^3 for Opet and 4,651 m^3 for BP). This is due to PO's predominance in the relatively rural and sparsely populated regions, a legacy of being a state owned enterprise in the past.

Strategy to improve throughput by network rationalization…

PO is engaged in ongoing efforts to improve its average efficiency by divesting stations with low throughput and investing in new stations with high throughput and prime locations, mostly in large cities. Since becoming a private company in 2000, its strategy has shifted to one of concentrating on rebuilding its market share in urban areas. To this end, the average throughput per station improved from 666 m^3 in 2000 to a 1,650 m^3, though still remaining lower than its key main rivals.

PO - Throughput Figures (m^3)



Source: Petrol Ofisi, Ata Estimates

Valuation

Trading at a deep discount...

We valued Dogan Holding using a sum-of-the-parts methodology. Our target NAV analysis yields a valuation of YTL 4,516 mn for Dogan Holding. **Having applied a 20% haircut to the NAV, we arrived at a fair value of YTL 3,613 mn and YTL 2.41 target share price. We have a "BUY" recommendation based on 63% lucrative upside potential. Note that the average upside of our coverage universe currently stands at 40%.**

Stock performance …

Since the beginning of 2007, Dogan Holding's stock price decreased by 34% in YTL terms, underperforming the benchmark (ISE-100 Index) by significant 35%. Following the sale of a 34% stake of PO back in May 2006, the company has been sitting on a massive net cash position, which is around US$1.2 bn. The lack of new business opportunities since then (not to mention the acquisition of TME in print media) is one of the factors behind the poor stock performance, in our opinion. Other than that, we believe EMRA fine and tax investigation issues on Petrol Ofisi and contracting margins in the media business also took their tolls on the stock performance.

Share Performance of Listed Dogan Group Companies (in YTL)

	Bloomberg	Current	Absolute Performance		Relative Performance	
Company	**Code**	**Price**	**Since 2007**	**Since 2008**	**Since 2007**	**Since 2008**
Petrol Ofisi	PTOFS TI	5.70	46.7%	-5.8%	43.0%	30.4%
Dogan Yayin Holding	DYHOL TI	2.07	-57.8%	-56.5%	-58.8%	-39.8%
Hurriyet	HURGZ TI	2.04	-44.9%	-43.6%	-46.3%	-22.0%
Dogan Gazetecilik	DGZTE TI	2.15	7.0%	-34.5%	4.3%	-9.3%
Dogan Burda	DOBUR TI	2.08	-13.9%	-20.6%	-16.0%	9.9%
Milliyet Pazarlama	MIPAZ TI	1.26	-37.3%	-39.7%	-38.9%	-16.5%
Celik Halat	CELHA TI	3.70	25.7%	3.0%	22.5%	42.6%
Ray Sigorta	RAYSG TI	3.48	184.4%	-30.4%	177.3%	-3.7%
Ditas Dogan	DITAS TI	3.22	6.5%	2.5%	3.8%	42.0%
Dogan Holding	**DOHOL TI**	1.48	-33.6%	-33.3%	-35.3%	-7.7%
ISE-100		40,121	2.6%	-27.8%		

*Source: ISE, Ata Estimates *Relative to ISE-100*

Seeking catalysts...

Taking on new business opportunities could provide the catalyst that the stock requires. These opportunities include the electricity distribution tenders, power generation projects, the National Lottery and the privatization of toll motorways and bridges. **We believe the strong cash reserves would strengthen Dogan's chances in the upcoming opportunities and privatization tenders.**

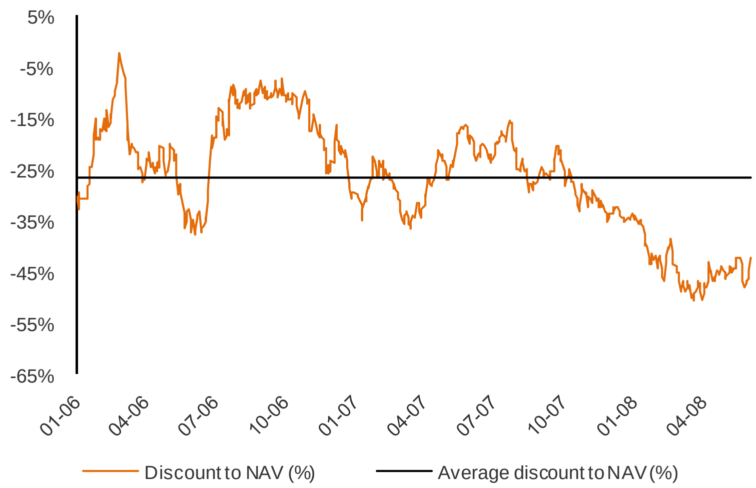
In our view, current price levels appear to be a good entry point, with attractive discount to NAV ahead of new business opportunities including power generation projects, electricity distribution tenders, the National Lottery and the privatization of toll motorways and bridges.

Valuation

An attractive discount to NAV...

We reckon it is typical for a conglomerate to trade at a discount to its NAV, and Dogan Holding is no exception. However we find it difficult to justify the current discount of 42%, which is notably above its historical averages of 26% and 32% since the beginning of 2006 and 2007 respectively. Thus, we believe the current price levels provide an attractive discount for investing.

Historical Discount to Current NAV



Source: Ata Estimates

NAV play...

Dogan Holding is fully concentrated on the media and energy sectors, representing one of the tidiest business portfolios among Turkish conglomerates. It is an NAV play, with subsidiaries are listed and Dogan Yayin Holding (DYH) and Petrol Ofisi (PO) form the bulk of the valuation, accounting for 96% of the NAV excluding net cash.

Given the approximate YTL 1.45 bn net cash position at the parent level, the current Mcap infers that the market values Dogan Holding's business portfolio at YTL 783 mn; however based on market values of DYH and PO, we compute that the sum of their contribution to Dogan Holding should be YTL 2.3 bn, testament to the upside potential of the stock. 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.

NAV comparison with peers (YTL mn)

Company	Current Mcap	Current NAV	Discount to CNAV	Average Discount*	Target NAV	Fair Value**	Upside Potential ***
Dogan Holding	2,220	3,856	-42.4%	26.5%	4,516	3,613	62.7%
Koc Holding	6,866	10,156	-32.4%	10.9%	13,863	12,477	81.7%
Sabanci Holding	8,172	11,199	-27.0%	17.7%	12,859	10,930	33.8%

Source: Ata Estimates
** Average discounts are based on Ata estimates starting from January 2006*
*** While setting our fair values for the conglomerates, we applied haircut to the target NAV analysis largely based on the historical averages, 10% to Koc Holding, 15% to Sabanci Holding and 20% Dogan Holding*
**** Upside potentials are based on fair values*

Valuation

DOGAN HOLDING CURRENT NAV (YTL, mn)

Company	Sector	Holding's Stake	Current Value	Valuation Method	Current NAV	Weight
Dogan Yayin Holding	Media	63%	1,280	Current Mcap	807	20.9%
Petrol Ofisi	Energy	54%	2,804	Current Mcap	1,500	38.9%
Milliyet Pazarlama	Trading	65%	46	Current Mcap	30	0.8%
Celik Halat	Steel cord	37%	56	Current Mcap	21	0.5%
Ditas Dogan	Auto spare parts	51%	32	Current Mcap	16	0.4%
Ray Sigorta	Insurance	20%	226	Current Mcap	45	1.2%
Listed Total					**2,419**	
Net Cash					1,437	37.3%
TOTAL NAV					**3,856**	
20% haircut					771	
Fair Value					**3,085**	
Current Mcap					2,220	
Actual Discount to NAV					-42.4%	
Discount to Fair Value					**-28.0%**	
Upside Potential to Fair Value					**38.9%**	

Source: Ata Estimates

DOGAN HOLDING TARGET NAV (YTL, mn)

Company	Sector	Holding's Stake	Target Value	Valuation Method	Target NAV	Weight
Dogan Yayin Holding	Media	63%	2,209	Net Asset Value	1,392	30.8%
Petrol Ofisi	Energy	54%	2,945	Discounted Cash Flow	1,575	34.9%
Milliyet Pazarlama	Trading	65%	46	Current Mcap	30	0.7%
Celik Halat	Steel cord	37%	56	Current Mcap	21	0.5%
Ditas Dogan	Auto spare parts	51%	32	Current Mcap	16	0.4%
Ray Sigorta	Insurance	20%	226	Current Mcap	45	1.0%
Listed Total					**3,079**	
Net Cash					1,437	31.8%
TOTAL NAV					**4,516**	
20% haircut					903	
Fair Value					**3,613**	
Current Mcap					2,220	
Actual Discount to NAV					**-50.8%**	
Discount to Fair Value					**-38.6%**	
Upside Potential to Fair Value					**62.7%**	

Source: Ata Estimates

Valuation

DOGAN YAYIN HOLDING NET ASSET VALUE ANALYSIS (YTL, mn)

Company	Holding's Stake	Current Value	Current NAV	Target Value	Target NAV	Valuation Method	Weight
Listed Participations							
Hurriyet	60.2%	859	517	1,418	854	DCF + Multiple analysis	24.0%
Dogan Gazetecilik	69.8%	215	150	215	150	Current Mcap	7.0%
Dogan Burda	42.6%	38	16	38	16	Current Mcap	0.8%
Listed Total			**683**		**1,020**		**31.8%**
Unlisted Participations							
Dogan TV Holding	74.5%	1,499	1,117	1,499	1,117	DCF	51.9%
Kanal D Romania	42.8%	63	27	63	27	2008E EV/Sales	1.3%
DMC	99.9%	14	14	14	14	2008E EV/EBITDA	0.6%
Yaysat	65.1%	85	56	85	56	2008E EV/Sales	2.6%
D&R	100%	72	72	72	72	2008E EV/EBITDA	3.4%
Dogan Platform	100%	15	15	15	15	2008E EV/Sales	0.7%
Dogan F. Trade	99.3%	37	37	37	37	2008E EV/EBITDA	1.7%
Ultra Cable TV	50.0%	10	5	10	5	2008E EV/Sales	0.2%
Dogan Egmont	50.0%	15	7	15	7	2008E EV/EBITDA	0.3%
Others			10		10	Various	0.5%
Unlisted Total			**1,360**		**1,360**		**63.2%**
Net Cash			347		347		16.1%
TOTAL NAV			**2,151**		**2,454**		
10% haircut			215		245		
Fair Value			**1,936**		**2,209**		
Current Mcap			**1,280**		**1,280**		
Actual Discount to NAV			-40.5%		-47.8%		
Discount to Fair Value			**-33.9%**		**-42.0%**		
Upside Potential to Fair Value			**51.2%**		**72.5%**		

Source: Ata Estimates

Financial Analysis

FY07 Financials…

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.

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, brining 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).

Financials

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.

Consolidated Forecasts

YTL mn	2005A	2006A	2007A	2008E	2009E	2010E
INCOME STATEMENT						
Revenues from Operations	**9,804**	**11,984**	**10,310**	**12,295**	**12,250**	**12,255**
Cost of sales	-8,971	-10,865	-9,175	-10,925	-10,831	-10,774
Gross profit	833.4	1,119	1,135	1,370	1,420	1,481
Operating expenses	-641.7	-869.4	-931.5	-1,096	-1,087	-1,081
Net operating profit	191.7	250.0	203.4	273.5	332.6	399.6
Depreciation	339.5	354.6	350.6	417.5	413.9	411.8
EBITDA	**531.3**	**604.6**	**554.0**	**691.0**	**746.5**	**811.4**
Net non-operating income	301.6	687.6	617.7	-87.5	19.8	6.3
Operating profit	493.3	937.6	821.2	186.0	352.4	405.9
Minority interests	-27.8	-85.2	-270.0	-16.4	-28.2	-37.9
Pre-tax income	465.5	852.4	551.2	169.6	324.3	368.0
Taxation	-77.9	39.2	-155.9	-30.4	-77.8	-81.0
Net earnings	**457.9***	**891.6**	**395.2**	**139.2**	**246.4**	**287.1**

** 2005 net income was adjusted for discontinued operations*

BALANCE SHEET	**2005A**	**2006A**	**2007A**	**2008E**	**2009E**	**2010E**
Total current assets	**3,171**	**4,332**	**4,588**	**4,818**	**4,742**	**4,707**
Cash & cash equivalents	958	2,385	2,376	2,256	2,162	2,126
Short term trade receivables	1,406	1,310	1,486	1,755	1,732	1,716
Inventories	638.1	526.2	594.9	723.4	731.9	742.9
Other current assets	168.7	110.6	131.4	83.2	116.5	122.3
Total long term assets	**5,136**	**3,553**	**4,480**	**4,506**	**4,624**	**4,772**
Long term financial assets	5.0	4.4	27.9	25.1	24.8	26.0
Goodwill	1,924	1,282	1,543	1,543	1,543	1,543
Fixed assets	2,982	2,101	2,722	2,804	2,890	3,028
Other long term assets	225.5	165.5	187.8	134.0	166.4	174.8
Total Assets	**8,307**	**7,885**	**9,068**	**9,324**	**9,367**	**9,480**
Total short term liabilities	**2,581**	**1,842**	**1,677**	**1,793**	**1,691**	**1,595**
Short term financial loans	1,402	561.1	648.1	615.7	540.6	471.0
Short term trade payables	976.4	1,020	875	1,026	1,003	983
Other short term liabilities	202.4	261.0	154.2	150.4	147.4	141.5
Total long term liabilities	**2,379**	**1,875**	**2,428**	**2,250**	**2,095**	**2,007**
Long term debt	1,470	1,241	1,509	1,450	1,350	1,300
Long term trade payables	362.4	442.4	578.7	520.8	510.4	490.0
Deferred tax liabilities	477.7	164.6	272.9	218.4	174.7	160.0
Other long term liabilities	68.0	26.7	67.9	61.1	59.9	57.5
Minority Interests	**693.4**	**778.9**	**1,206**	**1,334**	**1,362**	**1,400**
Total Shareholders' Equity	**2,655**	**3,390**	**3,758**	**3,947**	**4,219**	**4,477**
Total Liabilities + Equity	**8,307**	**7,904**	**9,068**	**9,324**	**9,367**	**9,480**

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