TURKEY'S HURRIYET REMAINS ON NEGATIVE WATCH

Fitch Ratings-London/Istanbul-24 August 2009: Fitch Ratings has today maintained Hurriyet Gazetecilik ve Matbaacilik A.S.'s (Hurriyet) Long-term foreign and local currency Issuer Default ratings (IDRs), at 'BB-' respectively, on Rating Watch Negative (RWN). The Turkey-based newspaper group's National Long-term rating, of 'AA-(tur)', is also maintained on RWN.

The rating action reflects Hurriyet's leading market position in Turkey where it has a 10.0% share of daily newspaper sales and a 40% share of newspaper advertising revenue. Hurriyet's ratings also reflect its strong free cash flow (FCF) generation - USD52m in FY08 - despite declining EBITDA margins.

Hurriyet's Long-term foreign currency IDR is rated one-notch above the IDR of its parent company, Dogan Yayin Holding AS (DYH, 'B+'/Rating Watch Negative) and accounts for the fact that there are weaker links between DYH and Hurriyet due to dividend restrictions. The ratings also reflect the fact that DYH only has a 67% stake in Hurriyet (the rest is free float) and that although DYH's guarantee over Hurriyet's debt relates to the acquisition of TME, Hurriyet does not provide any cross-guarantees for other DYH group companies. (This approach is consistent with Fitch's 19 June 2007 Parent and Subsidiary Rating Linkage criteria report, and results in a one notch differential for Hurriyet's rating.)

Despite these factors, Hurriyet's exposure to DYH group-wide risks is a significant credit constraint on its ratings due to the rating linkage between the company and DYH. Hurriyet was placed on RWN on 2009 March following the placing of the parent company, Dogan Yayin Holding (DYH), on RWN in March 2009. A downgrade or upgrade of DYH's rating would have direct implications for Hurriyet's rating. Hurriyet is DYH's main operating subsidiary and is the key driver of DYH's creditworthiness.

Hurriyet's 2009 ad revenue will be affected by a forecasted 20% decline in ad revenue, lower newspaper circulation, and the depreciation of the lira versus the dollar. A 15% y-o-y fall in the number of pages will translate into lower newsprint costs in 2009, and lower marketing and personnel expenses will limit the decline in operating margins. Consequently, Fitch expects no pick-up in Hurriyet's EBITDA margins in 2009 despite management's continuing efforts to cut costs. Hurriyet's FCF remains strong due to limited capex requirements, but may decline in 2009 due to higher cash interest expenditure.

Hurriyet has limited refinancing risk of USD62.5m in 2009, as the company had a healthy consolidated cash position of USD147.2m as of May 2009. Its average debt maturity is still long-term, and mostly related to the TME acquisition. However, the company faces maturities of USD158m and USD134m in 2010 and 2011, respectively. Fitch notes that the restricted rights issue of TRY90m by DYH will boost the company's cash balance in H209. Hurriyet's credit metrics deteriorated in 2008 and the first half of 2009 due to the depreciation of the lira and the Russian rouble versus the dollar, and its impact on the operating margins of both companies. The company's credit metrics, including supplier loans, should return to below 3x net debt/EBITDA at FYE09 despite lower ad revenue and operating margins as management continues its cost-cutting efforts, and due to a fresh capital injection of TRY90m from DYH.

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Note to Editors: Fitch's National ratings provide a relative measure of creditworthiness for rated entities in countries with relatively low international sovereign ratings and where there is demand for such ratings. The best risk within a country is rated 'AAA' and other credits are rated only relative to this risk. National ratings are designed for use mainly by local investors in local markets and are signified by the addition of an identifier for the country concerned, such as 'AAA(tur)' for National ratings in Turkey. Specific letter grades are not therefore internationally comparable.

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