

Fitch Upgrades Hurriyet to 'BB'; Outlook Stable
14 Nov 2005 9:58 AM (EST)

Fitch Ratings-London-14 November 2005: Fitch Ratings has today upgraded Turkish newspaper group Hurriyet Gazetecilik ve Matbaacilik A.S's ("Hurriyet") Senior Unsecured local currency rating to 'BB' from 'BB-' (BB minus). Following the upgrade, the Outlook is now Stable. At the same time, Hurriyet's Senior Unsecured foreign currency rating is affirmed at 'BB-' (BB minus). Hurriyet's foreign currency rating continues to be constrained by the Sovereign Long-term foreign currency 'BB-' (BB minus) rating. Hurriyet's National Long-term rating is affirmed at 'A+(tur)'.

The upgrade reflects the domestic economy's return to stability, which would in turn benefit Hurriyet's ad revenues. The group has a strong position in the Turkish ad market with a 42% share. Total ad market for newspapers in Turkey reached USD269 million in H105 (31% growth). Newspapers continue to represent the second largest advertising medium, ensuring that it remains an attractive channel (some 35% of total Turkish advertising expenditure) for advertisers. Fitch expects Turkish GDP to grow 6% and advertising spending by more than 25% for end-2005, exceeding the pre-crisis level of USD396m in 2000. On the other hand, the ratings also reflect Fitch's continued concern about the company's reliance on cyclical ad revenues, which accounted for about 56% of total revenues during H105.

Increasing circulation trends (Hurriyet's average circulation increased by 6% versus 17% in the country), increase in newsprint consumption and prices have led to margin pressures in H105. However, the downside was limited by strong ad revenue growth and EBITDA margin of 27% in 1H05, which although down from 30% in 1H04, is strong for the current rating level. Improved advertising trend has yielded moderate consolidated (including 55%-owned Dogan Ofset and wholly owned Germany operations) 0.9x gross leverage (adjusted for vendor financing) as end-June 2005.

Hurriyet is Turkey's leading daily national newspaper, with strong positions in advertising and circulation revenues. Hurriyet is a subsidiary of Dogan Yayin Holding, which has 60% equity interest. The latter is controlled by Dogan Holding.

Contact: Raymond Hill, London, Tel: +44 (0)207 417 4314; Michael Dunning, +44 (0)207 417 6343.

Media Relations: Alex Clelland, London, Tel: +44 20 7862 4084.

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.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, www.fitchratings.com. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.