



# HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

BOARD OF DIRECTORS QUARTERLY REPORT FOR THE PERIOD  
ENDING 30 SEPTEMBER 2010

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## A. Information Related to Hürriyet Gazetecilik

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### 1. Operations, organization and communication information

Hürriyet Gazetecilik ve Matbaacılık A.Ş. (“Hürriyet” or “the Company”) has been established in 1960 and registered in Turkey. The company who has activities in the areas of newspaper, printing, advertisement and Internet publishing, has 7 printing plants in Istanbul, Ankara, Izmir, Adana, Antalya, Trabzon and Germany. On 29 March 2007, the company has purchased 67,30% shares of Trader Media East Limited (“TME”) through its subsidiary Hürriyet Invest B.V. established in the Netherlands. TME is a classified advertising company operating in Russia, CIS and Central Eastern European (CEE) countries through daily and weekly newspapers, magazines and internet sites mainly in the real estate, automotive and human resources sectors. The majority shareholder of Hürriyet is Doğan Yayın Holding A.Ş. established within the constitution of Doğan Şirketler Grubu Holdings A.Ş. (“Doğan Holding”).

#### The address of the registered office is as follows:

Hürriyet Medya Towers  
34212 Güneşli, Istanbul / Turkey

The company is registered to the Capital Market Board (“CMB”) and since 1992 its shares are in transaction in the Istanbul Stock Exchange (“ISE”). 40 % of the company capital is in the circulation in the ISE. 25,02 % of the shares of TME are in transaction in the London Stock Exchange as GDR.

#### Communication Information:

Hürriyet Gazetecilik ve Matbaacılık A.Ş. (Company Headquarters)

Hürriyet Medya Towers 34212 Güneşli, Istanbul

Phone: + 90 212 677 00 00

Fax: + 90 212 677 01 82

<http://www.hurriyetkurumsal.com>

#### Investor Relations Department:

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Investor Relations Director

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Phone: + 90 212 449 65 54

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## 2. Board of Directors

With the decision of the Company's Board of Directors dated 4 June 2010 and numbered 2010/27, the names, surnames and the qualifications of the members of our Board of Directors are as follows:

Name Surname	Title	Explanation
Vuslat Doğan Sabancı	Chairman	Non-Executive
Hanzade Vasfiye Doğan Boyner	Vice-Chairman	Non-Executive
Hakkı Hasan Yılmaz	Member	Executive
Kadri Enis Berberoğlu	Member	Executive
Soner Gedik	Member	Non-Executive
Ahmet Toksoy	Member	Non-Executive
Leonid Makaron	Member	Non-Executive
Kai Diekmann	Member	Independent
Ahmet Burak	Member	Independent

The detailed C.V's of our members of the Board of Directors can be found in our institutional website [www.hurriyetcorporate.com](http://www.hurriyetcorporate.com).

## 3. Audit Committee

With the decision of the Company's Board of Directors dated 4 June 2010 and numbered 2010/27, Soner Gedik and Ahmet Toksoy among the members of the Board of Directors are elected as members for the Audit Committee and the mentioned committee is authorised to fulfil the tasks determined by the conditions of announcement of the Capital Market Board Serial: X numbered 22.

The Audit Committee has presented to the Board of Directors, on 8 November 2010, their decision stating that the financial tables and reports for the interim period of 1 January – 30 September 2010 reflects the reality; the accounting principles of the company are convenient to IFRS and CMB standards and they are correct.

## 4. Corporate Governance Committee

With the decision of the Company's Board of Directors dated 4 June 2010 and numbered 2010/27, the names, surnames and the qualifications of the members of Corporate Governance Committee are as follows:

Name Surname	Title	Explanation
Ahmet Burak	The President	Independent member of Board of Directors
Ahmet Toksoy	Member	Member of Board of Directors
Murat Doğu	Member	Non-Executive

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#### 5. Board of Auditors

In the Ordinary General Assembly Meeting of our Company on 26 May 2010, in accordance with the Turkish Trade Law, Mehmet Yörük and Fuat Arslan are elected as the auditors for the activity period of the year 2010. Our auditors are not company partners and they are not part of the Executive Board.

#### 6. Company Managers

Names, surnames and the titles of the managers in charge during 1 January – 30 September 2010 period are as follows:

<b>Name Surname</b>	<b>Title</b>
Hakkı Hasan Yılmaz	Chairman, Executive Board
Kadri Enis Berberoğlu	Editor in Chief
Dursun Ali Yılmaz	Head of Financial Affairs Group
Ayşe Sözeri Cemal	Head of Advertising Group
Ayçin Bayraktaroğlu	Head of Marketing Group
Ahmet N. Dalman	Head of Information Technologies

Ayçin Bayraktaroğlu, Head of Marketing Group and member of Executive Comitee has resigned as of 30 September 2010.

#### 7. Capital Structure

The registered maximum capital limit of our company as of 30 September 2010 is TL 800 million, and the issued capital of our company is TL 552 million.

	<b>30 September 2010</b>	<b>Share (%)</b>	<b>30 September 2009</b>	<b>Share (%)</b>
Doğan Yayın Holding A.Ş.	367,411,200	66.56%	367,411,200	66.56%
Doğan Holding A.Ş.	61,216,800	11.09%	61,216,800	11.09%
Free float	123,372,000	22.35%	123,372,000	22.35%
Total	552,000,000	100%	552,000,000	100%

As of 30 September 2010, 6.56% (31 December 2009: 6.56%) of the shares in free float belongs to Doğan Yayın and 11.09% (31 December 2009: 11.09%) to main partner Doğan Holding.

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**B. Main developments for the period 1 January – 30 September 2010.**

Main Factors Effecting the Business Performance	30.09.2010 (9M 2010)	30.09.2009 (9M 2009)
Average daily net sales (Hürriyet newspaper)	453,000	481,000
Average page numbers (Hürriyet newspaper)	80	72
Newsprint utilised (tons)	61,166	56,542
Average newsprint price (USD/ton)	609	790
Inflation (year-on-year CPI change)	9.2%	5.3%
GDP growth (1H 2010 & 1H 2009)	%11.0	- %11.1
USD/YTL (average)	1,5143	1,5684
USD/YTL increase (compared to the same period of previous year)	-%3.4	%28.6

- As we have made public before; we had announced on 20.08.2010 that a part of the actions filed for the cancellation of the tax/fine notifications amounting to a total of 30.895.416,-TL, consisting of 12.292.166,-TL original tax and 18.603.250,-TL fine for loss of tax revenue, which have been served on our Company related to the fiscal terms 2004, 2005 and 2006 by the Tax Office, to which we are associated, have resulted against us, and that, however, of the remaining actions amounting to 26.459.613,-TL; the actions amounting to a total of 10.094.183,-TL comprising 4.037.673,-TL original tax and 6.056.510,-TL fine for loss of tax revenues have resulted “partially favourably and partially adversely”. As regards the part having resulted “partially favourably and partially adversely”; our Company’s lawyers have come to know that the part of 2.802.259,-TL of the 4.037.673,-TL original tax have resulted in favour , and the part of 1.235.414,-TL against us; that, however, the part of 4.821.096 TL of the fine for loss of tax revenue amounting to 6.056.510,-TL has resulted in favour, and the part of 1.235.414 TL against us. Regarding the part (2.470.828,-TL) having resulted against us, the legal objections shall be made in due time.
- The international rating establishment RiskMetrics group (ISS Corporate Services Inc.), which has the operating permission to realize rating in accordance with the Corporate Management Principles of the Capital Markets Board (CMB) in Turkey, has confirmed our corporate management rating degree as 8,5 out of 10 (84,69%) [2009: 8,5 out of 10 (84,31%)]. In the framework of the Principle Decision of the CMB related to the matter, the final rating degree is determined by weighting four sub-categories differently. In this scope, the distribution of our corporate management rating degree as per the sub-categories is as follows:

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Sub-categories	Weight	2009		2010	
		Degree Received	Degree Assigned	Degree Received	Degree Assigned
Shareholders	0,25	8,32	8,5	8,51	8,5
Public Clarification and Transparency	0,35	9,13	9,0	9,16	9,0
Beneficiaries	0,15	8,32	8,5	8,32	8,5
Board of Directors	0,25	7,63	7,5	7,56	7,5
<b>Total</b>	<b>1</b>	<b>8,43</b>	<b>8,5</b>	<b>8,47</b>	<b>8,5</b>

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## C. Activities for the 1 January – 30 September 2010 Interim Accounting Period

### 1. Advertising

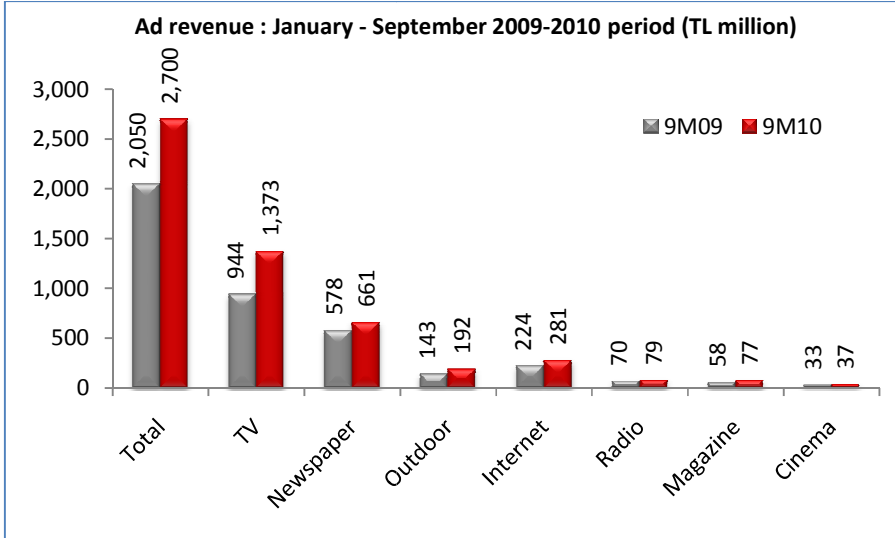
#### 1.1 Ad Sector in Turkey

It is estimated that advertisement expenditures in Turkey has increased by 32% in the first nine months of 2010 compared to the same period of the previous year and reached TL 2,700 million.

Ad revenue of the television sector, which had TL 944 million of ad revenues in January-September 2009 period, is estimated to have increased by approximately 45% and amount to TL 1,373 million in January-September 2010.

Meanwhile, ad revenue in the newspaper segment is estimated to be around TL 661 million during the first nine months of 2010, with an increase of 14% compared to the same period of last year.

During the period under consideration, all other advertising segments registered growth. The internet advertising is estimated to have increased by 26%, while to growth in magazine and radio advertising are estimated as 33% and 13% respectively.



Source: DYH ad platform

(\*) Newspaper ad market is estimated based on 28 national newspapers, out of the existing 45.



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## 1.2. Total Ad Revenue of Hürriyet Group

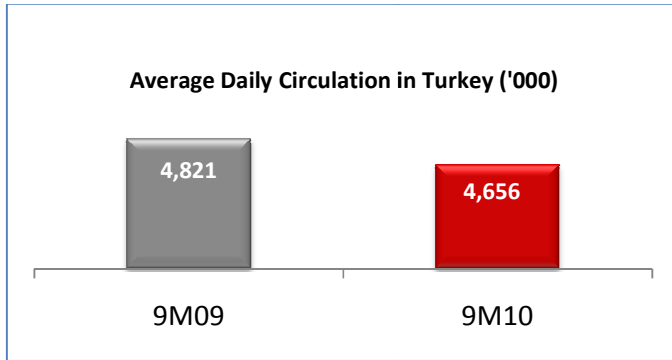
Total ad revenue of Hürriyet Group (Hürriyet, Referans, Hürriyet Daily News Newspapers and internet) has increased by 13.3% and amounted to TL 255.8 million in 9M10, compared to TL 225.7 million in 9M09.

## 1.3. Ad Revenue of TME

TME has realised TL 126.3 million of ad revenue in 9M10 (TL 140.5 million in 9M09), which reflects 10.1% decrease compared to 9M09.

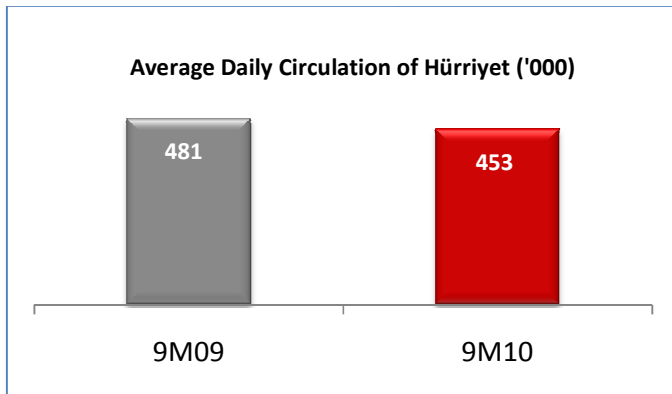
## 2. Circulation of Newspapers

### 2.1 Circulation in Turkey



According to Press Advertising Agency data, the average daily net newspaper sales in Turkey was 4,821,000 in 9M09 and it has declined to 4,656,000 in 9M10. This represents a 3.4% decline in circulation.

### 2.2 Circulation of Hürriyet



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In the first nine months of 2009, Hürriyet's average daily circulation was 481,000 and its market share was 9.9%. In the first nine months of 2010, Hürriyet's average daily circulation declined by 5.8% to 453,000. During this period, Hurriyet's circulation market share also decreased to 9.7%.

During the first nine months of 2010, there was no change in Hürriyet newspaper cover price.

Circulation revenue of Hurriyet rose to TL 68.2 million in 9M10 (2.6% increase), from TL 66.5 million in 9M09.

### **2.3 Circulation Revenue of TME**

The circulation revenue of TME has been TL 18.1 million in 9M10 (13.6% decrease), compared to TL 20.9 million in 9M09.

### **3. Earnings before interest, tax and depreciation (EBITDA)**

The consolidated earnings before interest, tax and depreciation (EBITDA), which was TL 116.0 million in the first 9 months of 2009, increased to TL 117.7 million in the same period of 2010. TL 22.0 million of the EBITDA in the first 9 months of 2010 stemmed from TME operations (TL 23.3 million in 9M09).

<b>Consolidated EBITDA (TL million)</b>	<b>9M10</b>	<b>9M09</b>	<b>change (%)</b>
NET SALES	587,3	578,9	1,4%
-Ad revenue	343,8	337,1	2,0%
-Internet revenue (online)	38,3	29,1	31,7%
-Circulation revenue	86,3	87,4	-1,3%
-Printing revenue	85,3	89,4	-4,6%
-Other revenues	33,6	35,9	-6,4%
COST OF GOODS SOLD	-351,7	-370,8	-5,2%
OPERATING EXPENSES	-186,4	-164,6	13,3%
OTHER OPERATING INCOME/EXPENSES (NET)	-9,0	-25,2	-64,4%
<b>OPERATING PROFIT</b>	<b>40,1</b>	<b>18,3</b>	
<b>EBITDA</b>	<b>117.7</b>	<b>116.0</b>	<b>1.5%</b>
EBITDA Margin	20.0%	20.0%	

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## **D. Summarised Financial Results and Profitability**

### **1. Main Financial Indicators**

According to the consolidated balance sheet and consolidated income tables dated 30 September 2010 of our company, audited by the independent auditors, main financial indicators are as follows:

<b>Main Financial indicators (million TL)</b>	<b>30.09.2010</b>	<b>31.12.2009</b>	<b>30.09.2009</b>	<b>Sep. 10 – Sep. 09 change (%)</b>
Current assets	344,4	539,0	581,2	-40,8%
Non-current assets	1.240,7	1.315,0	1.331,6	-6,8%
Total assets	1.585,0	1.854,9	1.912,9	-17,1%
Short-term liabilities	362,3	462,2	365,8	-0,9%
Long-term liabilities	407,8	474,1	591,8	-31,1%
Majority interest	814,9	917,6	955,3	-14,7%
Net sales	587,3	784,1	578,9	1,4%
Operating profit / loss	40,1	-5,9	18,3	119,0%
Net profit / loss	21,1	-35,1	4,9	327,6%

### **2. Financial Ratios**

The ratios related to the financial structure and the profitability of the company have been realised as follows:

<b>Financial ratios</b>	<b>30.09.2010</b>	<b>31.12.2009</b>	<b>30.09.2009</b>
Current ratio (Current assets/short-term liabilities)	0,95	1,17	1,59
Net sales /total assets	0,37	0,42	0,30
Foreign assets/ shareholder's equity	0,96	1,02	1,00
Operating profit/ total assets	0,025	-0,003	0,0096
Operating profit/ net sales	0,07	-0,01	0,032
Gross profit margin	0,40	0,36	0,36

### **E. Subsequent Events**

As we have made public before; a part of the cases filed for the cancellation of the tax/fine notifications amounting to a total of 30.895.416,-TL, consisting of original tax amounting to 12.292.166,-TL and fine for loss of tax revenue amounting to 18.603.250,-TL, served to our Company by the Tax Department, to which we are associated, related to the fiscal terms 2004, 2005 and 2006 (a total of 4.435.803,-TL consisting of 1.774.321,-TL original tax and

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2.661.482,-TL fine for loss of tax revenue), have resulted in favour of us, and the Tax Department has sent to our Company a tax/fine notification for a total of 7.311.475,-TL including default interest and judgment duty. This amount (7.311.475,-TL) is payable until September 3rd, 2010, and the necessary legal objections for the appeal of the case with the superior court shall be made in due time.

Of the said cases amounting to 30.895.416,-TL, of those cases amounting to 26.459.613,-TL remaining outside the cases amounting to 4.435.803,-TL expressed to have resulted in favour of us above; the cases amounting to 10.094.183,-TL comprising 4.037.673,-TL original tax and 6.056.510,-TL fine for loss of tax revenue, have resulted “partly in favour and partly contrary”. Related to this case result, the grounded decree has not been served to our Company yet, and a separate declaration shall be made to the public if the notice reaches our Company. Whereas the legal objections related to these case results shall be made with the superior court in due time.

Again, for the part of a total of 16.365.430,-TL comprising 6.480.172,-TL original tax and 9.885.258,-TL fine for loss of tax revenue of the same notifications, regarding the notices served to our Company by the relevant Tax Department, the court hearing of the objections made by us with the Tax-Courts have not been held yet.

The activities related to determining the counterpart amount to be provided (March 31, 2010: 15.847.750 TL), related to the original tax, tax fine and their estimate default interests, in accordance with our Company’s legal advisors and specialist opinions, are continuing, and detailed explanations related to the counterpart amount shall be included in our financial report dated 30.06.2010. Depending on the developments, it is always possible that there is a difference between the amounts to be realized and the amounts to be provided for as counterpart.

	<b>Tax</b>	<b>Tax fine</b>	<b>Total</b>	<b>Explanation</b>
Claims	12.292.166	18.603.250	30.895.416	
Against the Company	3.009.735	3.896.896	6.906.631	Including interest payments, TL 11.440.196 has been paid to Tax Office.
In favor of the Company	4.264.072	7.013.815	11.277.887	
Ongoing cases	5.018.359	7.692.539	12.710.898	