Hürriyet

newspaper web mobile tablet

# Review of FY14 Results
# 10 March 2015

# FY14 Highlights

Biggest media brand in Turkey

Increased print ad market share – above average online revenue growth

Slight decline in circulation parallel to national trend and expectations

All costs under strict monitoring

Political and Economic Instability in Russia

# Biggest Media Brand in Turkey

Market Leader in Print Media for over 65 years

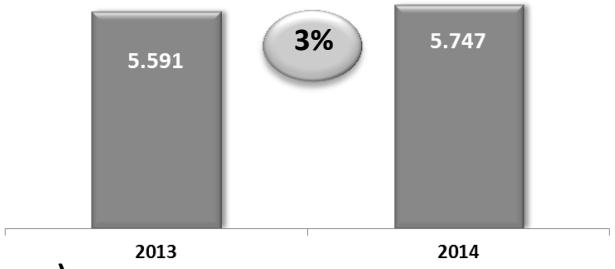
- Established, strong brand in print business: Hürriyet
- Market share over 35% in Turkish Print ad market; 7.7% in print circulations
- Power ratio over X4.5

Clear digital leader with well known content and e-business sites

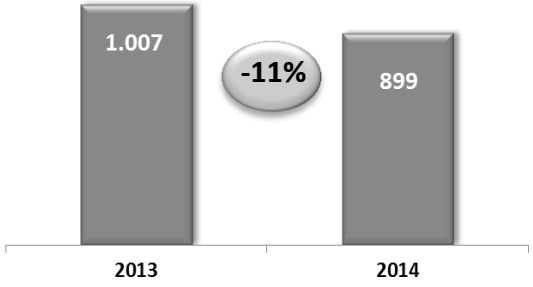
- Hurriyet.com.tr, radikal.com.tr, Bigpara.com, hurriyetaile.com, mahmure.com, webtv.hurriyet.com.tr
- Hurriyet Emlak, Yenibiriş, Yakala.co

# Turkish Ad Market

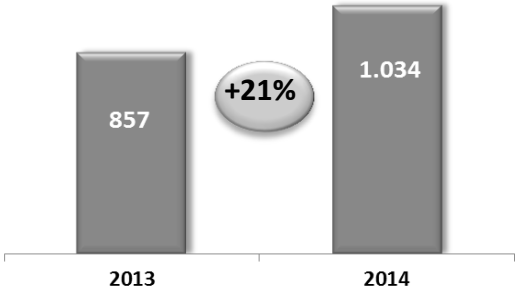
## Total Ad Market* (TL mn)



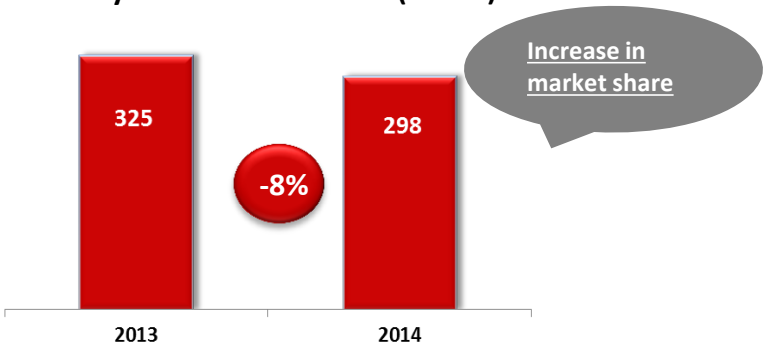

## Newspaper Ad Market (TL mn)



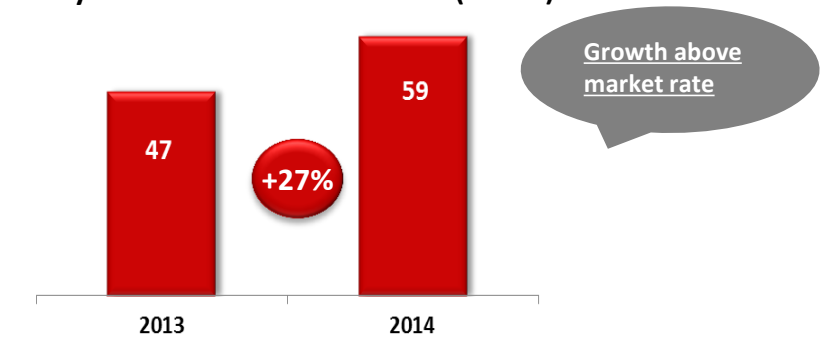

## Online Ad Market (TL mn)




## Hürriyet Print Ad Revenue (TL mn)*




## Hürriyet Domestic Online Ad Rev. (TL mn)



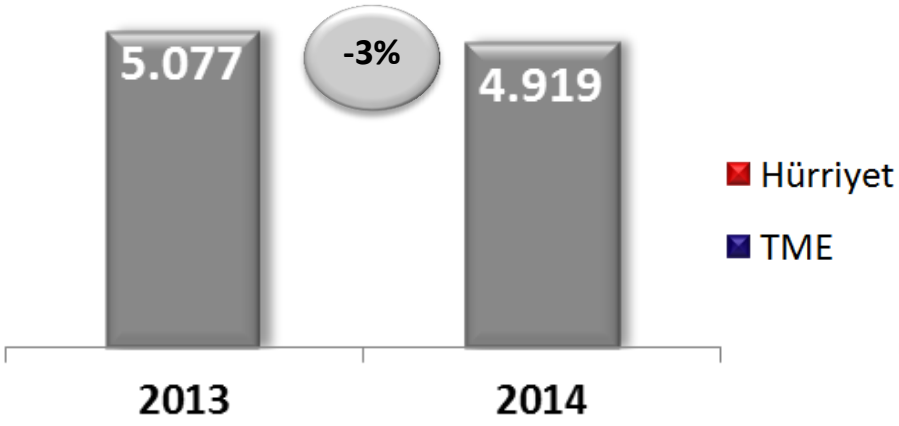

** Ad market statistics are estimates compiled by DYH ad platform, based on 25 national newspapers.*

*** Including Radikal print ad revenues (Radikal became digital only in June 2014 and its ad revenues are included in online revenues from July 2014 onwards). All **IFRS** adjustments are deducted from revenues.*

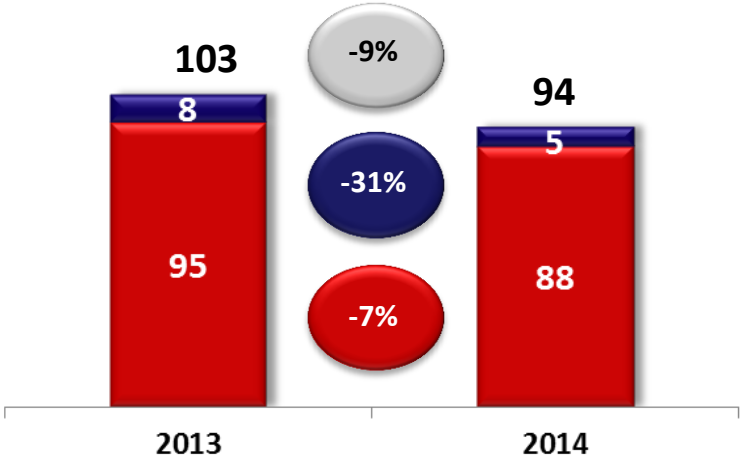
# National Newspaper Circulation & Hürriyet

Hürriyet

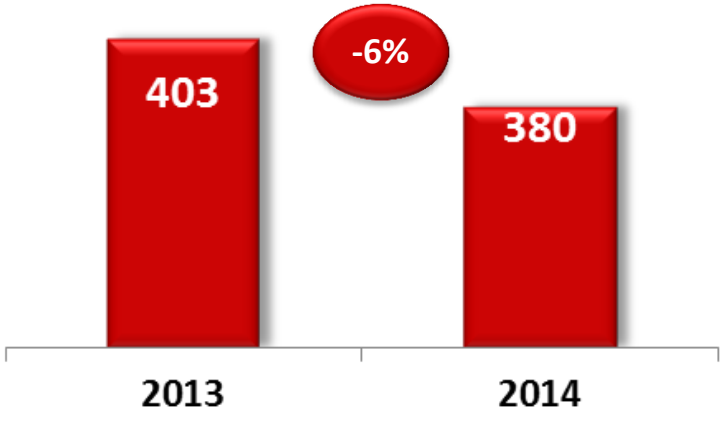
## National Circulation (000)*



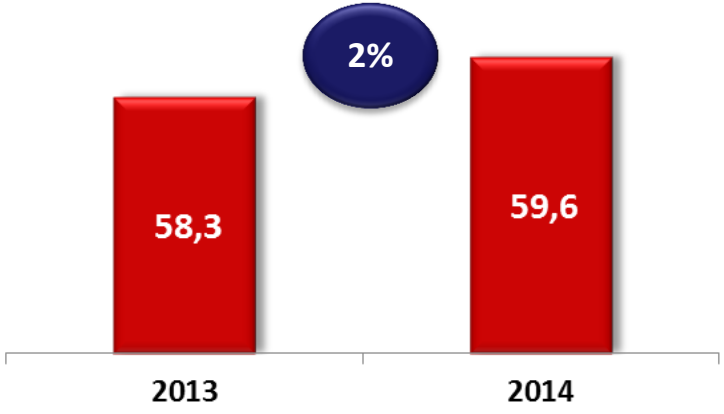

## Circulation Revenue (TL mn)




## Hürriyet Circulation (000)




## Average Cover Price (Kr)

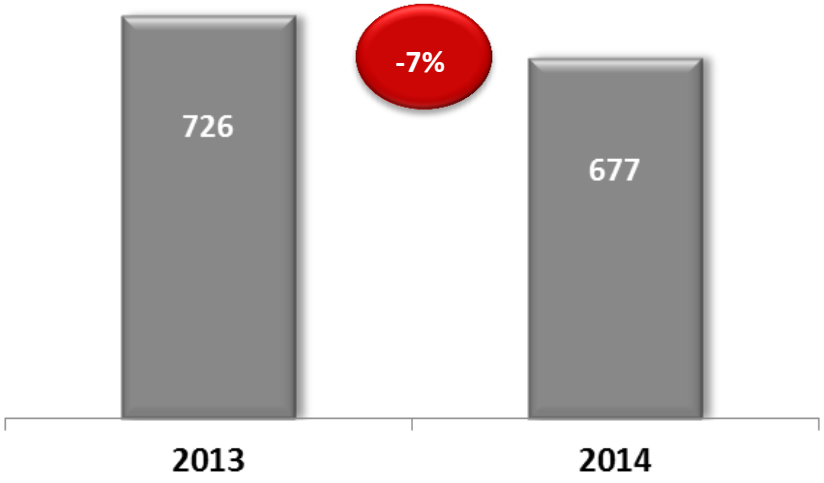





** Circulation figures are daily averages for related period. Total circulation figures are Dogan Dagitim estimates.*

# All costs under strict monitoring

## Production and Operating Expenses*

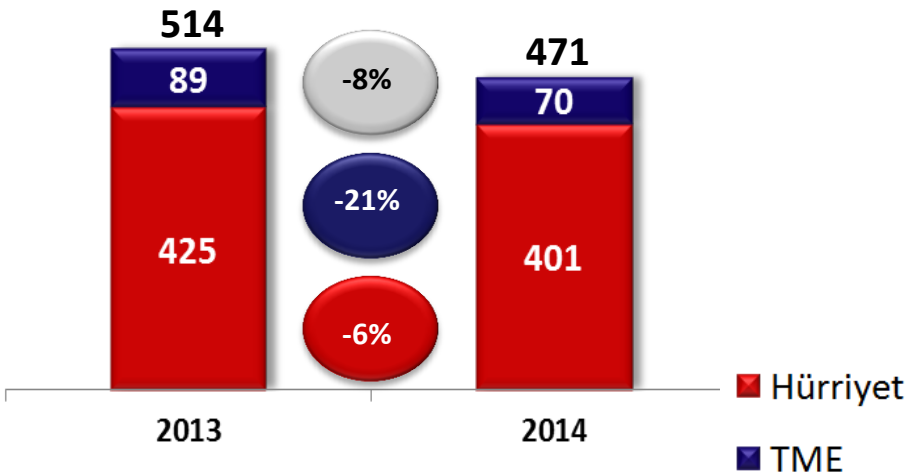



| | 2013 | 2014 | Change |
|---|---|---|---|
| Personnel | 259,4 | 252,5 | -3% |
| Raw material | 196,4 | 168,7 | -14% |
| Advertising, promotion and sponsorship | 79,8 | 70,7 | -11% |
| Transportation and travel | 42,3 | 38,8 | -8% |
| Other | 147,8 | 146,2 | -1% |
| Total Production and Operating Expense | 725,7 | 676,9 | -7% |

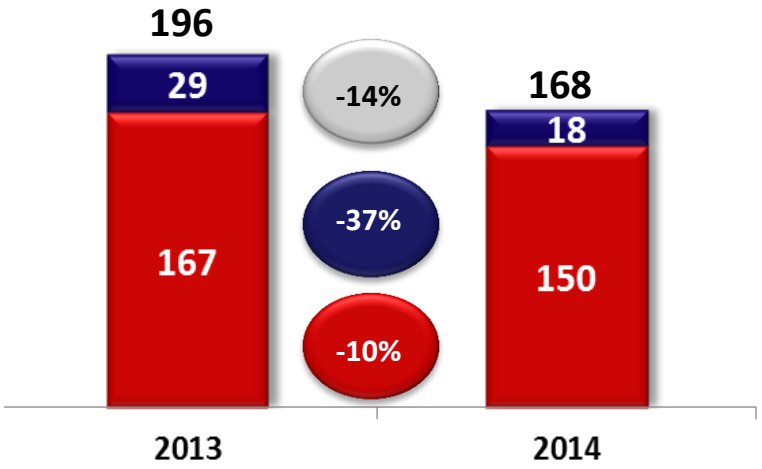
** Total of cost of goods sold, marketing & selling and general administrative expenses excluding depreciation*

# All costs under strict monitoring

## Production expenses (TL mn)




## Raw material costs (TL mn)




| Number of pages | 2013 | 2014 |
|---|---|---|
| Main newspaper | 38,5 | 36,3 |
| Supplements | 41,3 | 35 |

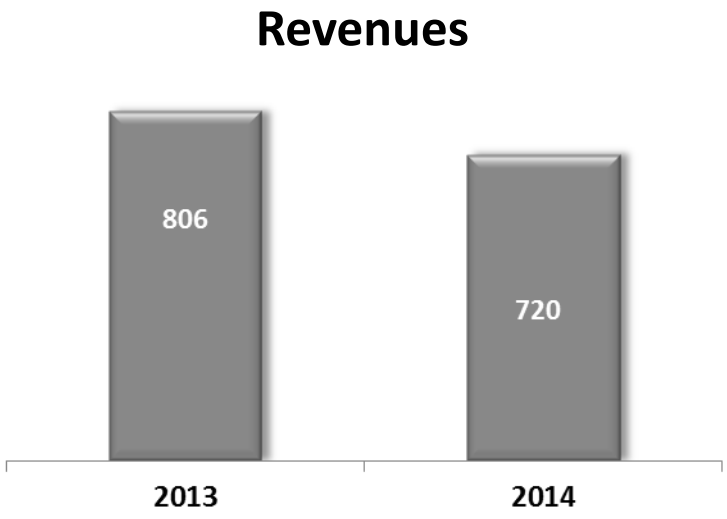
| Cost | 2013 | 2014 |
|---|---|---|
| Paper Cost (USD/ton) | 708 | 720 |

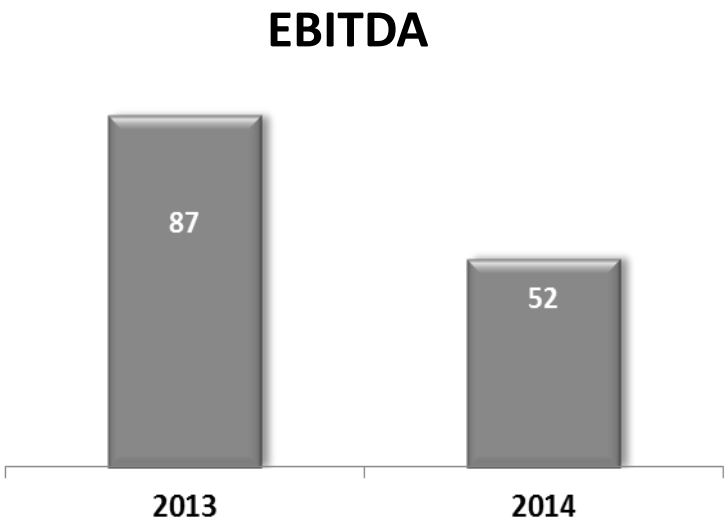
| Consumption | 2013 | 2014 |
|---|---|---|
| Paper Consumption (ton)* | 66,111 | 55,596 |

| Fx Rate | 2013 | 2014 |
|---|---|---|
| Average USD rate | 1,9033 | 2,1865 |

**Paper consumption contains only Hürriyet Newspaper's consumption*

# Revenues and EBITDA



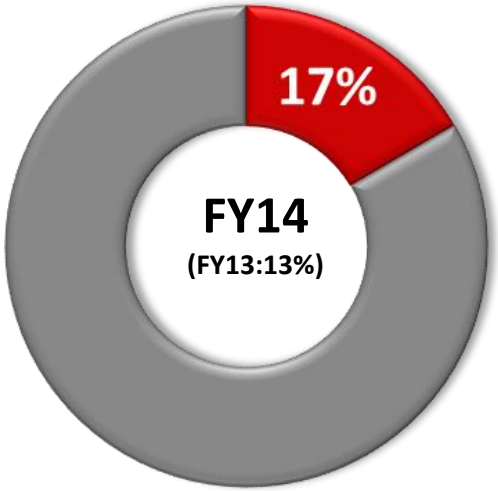




- Increase in online revenues continue to outperform market by 27% increase:
  - Domestic online revenues up 12,7 million TL
  - TME online revenues 3,0 million TL
- Offline ad revenues down 63,1 million TL (36,2 million TL from TME);
- 24.9 million TL of the decrease in printing revenues is due to sales of Doğan Ofset in July;
- The decrease in EBITDA is 35 million TL inspite of the 86 million TL decrease in revenues.

# Share of Online Ad Revenues (mn TL)

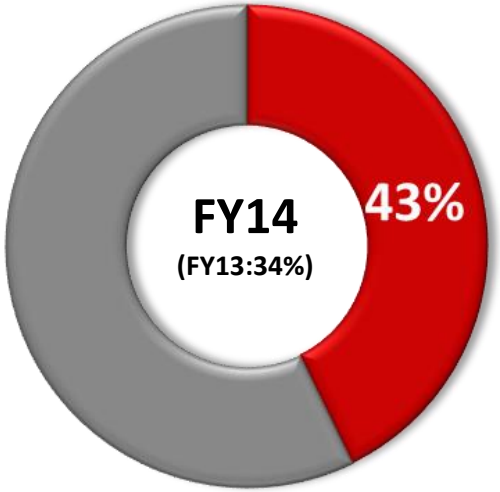
Hürriyet

**Hürriyet**



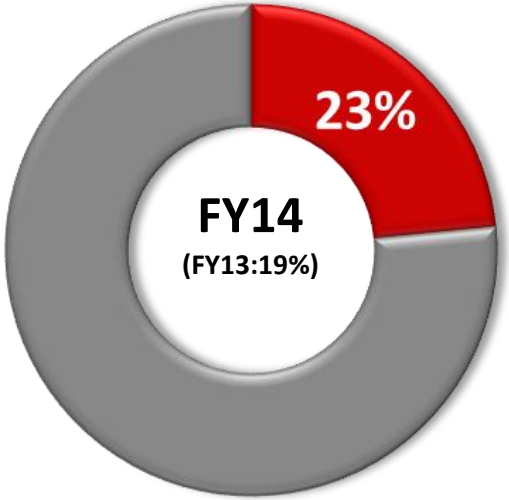

| Ad Revenue | 2013 | 2014 |
|---|---|---|
| **Online** | 47 | 59 |
| **Offline** | 325 | 298 |

**TME**




| Ad Revenue | 2013 | 2014 |
|---|---|---|
| Online | 57 | 54 |
| Offline | 108 | 72 |

**Consolidated**

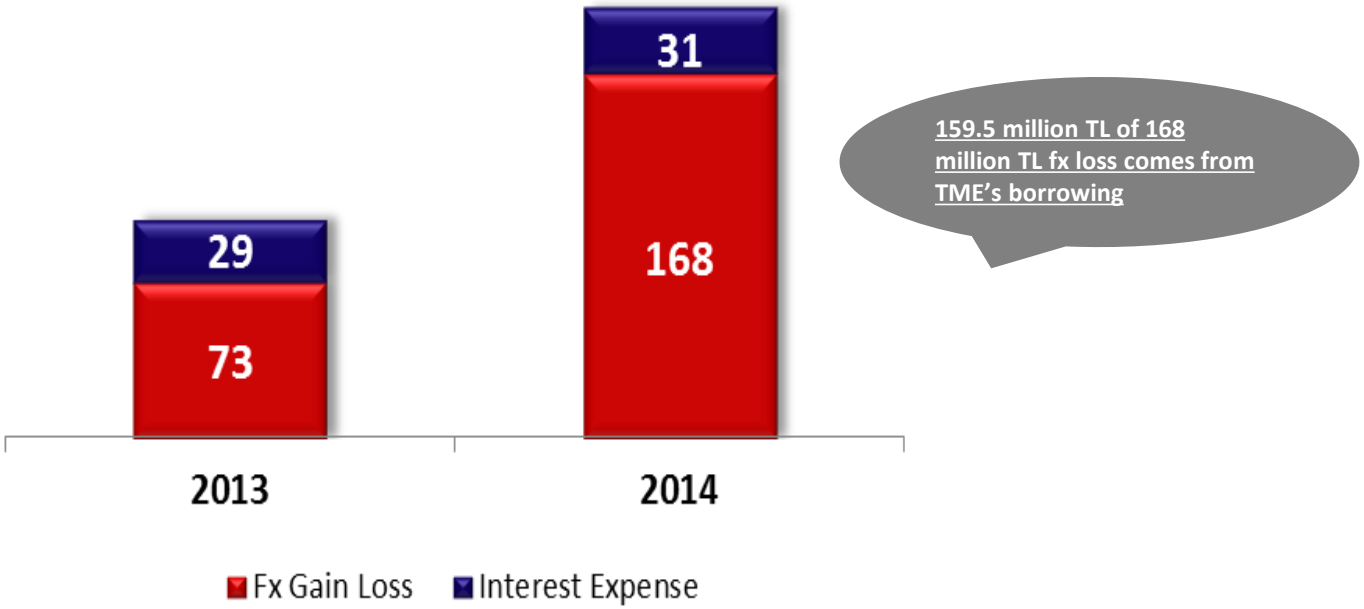



| Ad Revenue | 2013 | 2014 |
|---|---|---|
| Online | 104 | 113 |
| Offline | 433 | 370 |

# Political and Economic Instability in Russia

- Ruble devaluated severely against USD in 4Q14, reaching above 80 and closed the year at 56.26 Ruble/USD compared to 32.73 at 2013 year-end.
- The political instability in Russia was already affecting revenues, Ruble rate put extra stress on the financials and TME incurred 75.9 million TL impairment provision in addition to the fx loss recorded.

## Financial Expenses



# FY14 IFRS Results: Hürriyet excluding TME

| mn TL | 4Q14 | 4Q13 | YoY% Ch. | 2014 | 2013 | YoY% Ch. |
|---|---|---|---|---|---|---|
| **Total revenues** | **142,2** | **157,8** | **-9,9%** | **580,6** | **621,7** | **-6,6%** |
| *Ad revenues (print)* | 76,3 | 83,8 | **-8,9%** | 297,7 | 324,6 | **-8,3%** |
| *Ad revenues (online)* | 16,5 | 13,0 | **26,9%** | 59,2 | 46,6 | **27,0%** |
| *Circulation revenues* | 20,0 | 22,4 | **-10,7%** | 88,3 | 95,0 | **-7,1%** |
| *Printing revenues* | 20,8 | 32,2 | **-35,4%** | 100,4 | 128,1 | **-21,6%** |
| *Other revenues* | 8,7 | 6,3 | **38,1%** | 34,9 | 27,3 | **27,8%** |
| **Cost of sales** | **-94,8** | **-117,0** | **-19,0%** | **-401,0** | **-425,4** | **-5,7%** |
| **Operating expenses** | **-57,0** | **-53,5** | **6,5%** | **-176,2** | **-177,9** | **-1,0%** |
| *Marketing, sales and distribution* | *-34,6* | *-33,4* | **3,6%** | *-103,1* | *-112,2* | **-8,1%** |
| *General administrative* | *-22,4* | *-20,1* | **11,4%** | *-73,1* | *-65,7* | **11,3%** |
| **Operating profit** | **-9,6** | **-12,6** | **-23,8%** | **3,4** | **18,4** | **-81,5%** |
| **Other operating expenses (net)** | **-48,0** | **11,7** | | **-37,8** | **6,7** | |
| Depreciation | 11,4 | 12,0 | **-5,0%** | 44,7 | 47,7 | **-6,3%** |
| Amortised cost valuation income | 0,7 | 2,1 | **-66,7%** | 9,1 | 7,2 | **26,4%** |
| **Adj.EBITDA** | **2,5** | **1,5** | **66,7%** | **57,3** | **73,3** | **-21,8%** |
| EBITDA Margin | -2,6% | -3,7% | | 9,9% | 11,8% | |

# TME Standalone Financial Summary (IFRS, mn $)

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## Financial Summary (IFRS)

| (US$ millions) | 4Q14 | 4Q13 | Change* | 2014 | 2013 | Change* |
|---|---|---|---|---|---|---|
| **Revenue** | **12,6** | **22,7** | **(44,5%)** | **63,6** | **96,3** | **(34,0%)** |
| Russia | 9,8 | 18,7 | (47,6%) | 52,1 | 81,6 | (36,2%) |
| CIS | 2,8 | 4,0 | (30,0%) | 11,5 | 14,7 | (21,8%) |
| **Operating EBITDA** | **(0,7)** | **0,5** | | **(0,5)** | **8,1** | |
| - Corporate Cost | (0,7) | 0,8 | | (1,8) | (0,8) | 125,0% |
| **Consolidated EBITDA** | **(1,4)** | **1,3** | | **(2,4)** | **7,3** | |
| **Net (loss) from continuing operations** | **(42,7)** | **(1,7)** | | **(67,8)** | **(10,3)** | |
| **Operating EBITDA Margin %** | **(5,6%)** | **2,2%** | | **(0,8%)** | **8,4%** | |
| **Consolidated EBITDA Margin %** | **(11,1%)** | **5,7%** | | **(3,8%)** | **7,6%** | |

| (US$ millions) | 4Q14 | 4Q13 | Change* | 2014 | 2013 | Change* |
|---|---|---|---|---|---|---|
| **Online Revenue** | 5,7 | 7,8 | (26,9%) | 25,3 | 29,7 | (14,6%) |
| Share of total revenue | 45,2% | 34,4% | | 39,8% | 30,8% | |

*Change: Change is calculated in USD terms.

# Net Debt Position

| mn TL | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Cash and Equivalents | 57 | 47 |
| S.T Bank Borrowings * | 173 | 149 |
| L.T Bank Borrowings ** | 92 | 266 |
| **Net Debt** | **-209** | **-364** |
| Capex | 16 | 20 |

** Contains Supplier Loans of 2 million TL (2013: 7 million TL)*
***Contains Supplier Loans of 5 million TL in 2013. There is no long term supplier loans in 2014.*

Does not include 17,1 mn USD (36,6 mn TL) blocked deposit classified under other current assets

includes TME's net debt of 36,2 mn USD (31.12.2013: 61 mn USD).

| mn $ | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Cash and Equivalents | 24 | 22 |
| S.T Bank Borrowings | 75 | 70 |
| L.T Bank Borrowings | 40 | 125 |
| **Net Debt** | **-90** | **-173** |
| Capex | 7 | 10 |

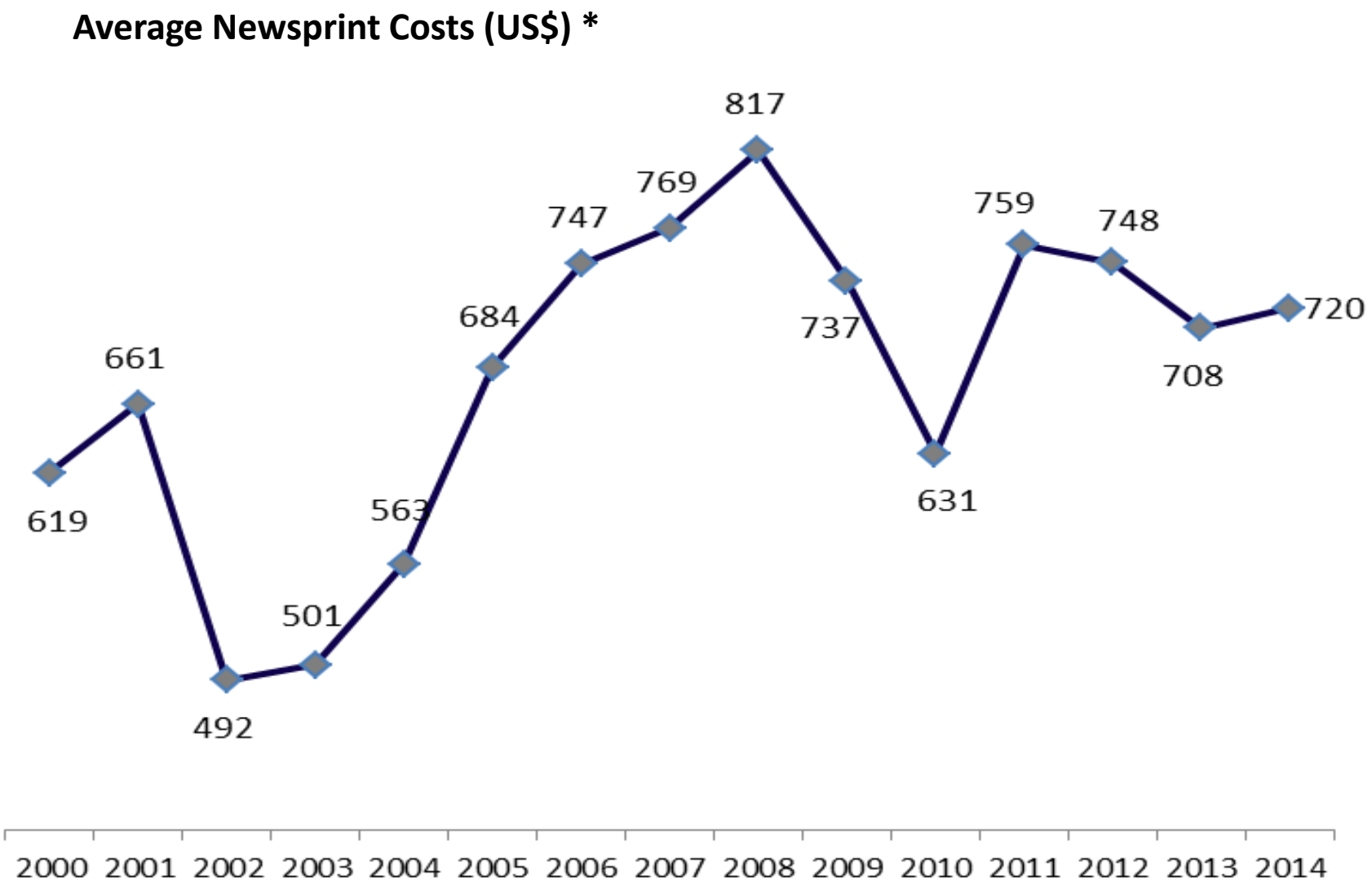
Net Debt continued to improve due to payment of bank loans by cash obtained from operations and final installments of Nurol notes receivables.

# Appendix

# FY14 Consolidated IFRS Results

| mn TL | 4Q14 | 4Q13 | YoY% Ch. | 2014 | 2013 | YoY% Ch. |
|---|---|---|---|---|---|---|
| **Total revenues** | **171,0** | **204,1** | **-16,2%** | **719,6** | **805,6** | **-10,7%** |
| *Ad revenues (print)* | 91,1 | 110,5 | **-17,6%** | 370,0 | 433,1 | **-14,6%** |
| *Ad revenues (online)* | 28,1 | 28,7 | **-2,1%** | 113,3 | 103,6 | **9,4%** |
| *Circulation revenues* | 21,2 | 24,3 | **-12,8%** | 93,7 | 102,8 | **-8,9%** |
| *Printing revenues* | 20,8 | 32,2 | **-35,4%** | 100,4 | 128,1 | **-21,6%** |
| *Other revenues* | 9,7 | 8,3 | **16,9%** | 42,1 | 37,9 | **11,1%** |
| **Cost of sales** | **-109,4** | **-139,5** | **-21,6%** | **-471,4** | **-514,4** | **-8,4%** |
| **Operating expenses** | **-79,2** | **-82,7** | **-4,2%** | **-275,2** | **-289,6** | **-5,0%** |
| *Marketing, sales and distribution* | *-41,3* | *-44,0* | **-6,1%** | *-134,3* | *-145,4* | **-7,6%** |
| *General administrative* | *-38,0* | *-38,7* | **-1,8%** | *-140,9* | *-144,2* | **-2,3%** |
| **Operating profit** | **-17,6** | **-18,1** | | **-27,0** | **1,6** | |
| **Other operating expenses (net)** | **-49,0** | **11,3** | | **-39,8** | **0,6** | |
| Income/loss from investments | -0,4 | -3,4 | | -2,5 | -7,2 | **-65,3%** |
| Financial expense (net) | -82,4 | -14,2 | **480,3%** | -129,7 | -56,3 | **130,4%** |
| Monetary gain/loss (net) | 0,0 | 0,1 | **-100,0%** | 0,0 | 0,1 | **-100,0%** |
| **Profit before tax** | **-149,4** | **-24,3** | **514,8%** | **-198,9** | **-61,3** | **224,5%** |
| Tax | -9,8 | -3,5 | **180,0%** | -3,2 | 7,1 | |
| **Net profit before minority** | **-159,2** | **-27,8** | **472,7%** | **-202,1** | **-54,2** | **272,9%** |
| Minority Interest | 16,6 | 10,3 | **61,2%** | 33,5 | 17,7 | **89,3%** |
| Profit/loss from discontinued op. | 0,0 | -22,4 | **-100,0%** | 0,0 | -24,6 | **-100,0%** |
| **Net profit** | **-142,6** | **-39,9** | **257,4%** | **-168,7** | **-61,1** | **176,1%** |
| Depreciation | 16,0 | 19,5 | -17,9% | 69,8 | 78,3 | -10,9% |
| Amortised cost valuation income | 0,7 | 2,1 | -66,7% | 9,1 | 7,2 | 26,4% |
| **Adj.EBITDA** | **-0,9** | **3,5** | | **51,8** | **87,1** | **-40,5%** |
| EBITDA Margin | -2,4% | -3,1% | | 7,2% | 10,8% | |

# Newsprint prices




* Including all costs and expenses like custom duties, transportation etc.

# Hürriyet's major advertisers

| Sectors | 2013 | 2014 |
|---|---|---|
| Real Estate | 18% | 16% |
| Retail | 10% | 11% |
| Tourism | 9% | 10% |
| Social | 8% | 9% |
| Automotive | 8% | 6% |
| Finance | 5% | 5% |
| Classifieds | 5% | 5% |
| Education | 4% | 4% |
| Textile | 3% | 4% |
| Entertainment, Culture, art & sports | 3% | 3% |
| **First 10 Total** | **72%** | **73%** |
| **Others** | **28%** | **27%** |

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