

Fitch Downgrades Dogan Yayin Holding to 'B' on Further Tax Fines

Fitch Ratings-London-Istanbul-10 September 2009: Fitch Ratings has today downgraded Turkey-based Dogan Yayin Holding's (DYH) Long-term foreign and local currency Issuer Default ratings (IDRs) to 'B' from 'B+' respectively. Both ratings remain on Rating Watch Negative (RWN). Fitch has simultaneously downgraded Hurriyet's, DYH's newspaper subsidiary, Long-term foreign and local currency IDRs to 'B+' from 'BB-' and both these ratings also remain on RWN. Hurriyet's National Long-term rating has been downgraded to 'A(tur)' from 'AA-(tur)' and remains on RWN.

The downgrades reflect Dogan TV Holding AS ("Dogan TV") (74.5% owned subsidiary of DYH) and related companies' receipt of tax fine notifications of TRY3.76bn (USD2.5bn) from the Ministry of Finance regarding their 2005-2007 financial accounts as of September 2009. Fitch understands that DYH will not set aside any provisions for these tax fines and there will be no related cash outflows in the mid-term. Fitch also understands that DYH will apply to the Ministry of Finance for the cancellation of the tax fines claiming that the tax reports are inaccurate with material errors. Furthermore, DYH will also apply for a settlement process with the Finance Ministry that may result in a substantial reduction in the original tax fine.

The Tax office may ask for collateral if the parties don't agree on the cancellation of the fine or on the settlement process. Fitch notes that the tax fine charges by the tax authorities have to be settled in court unless the tax fine on Dogan TV is cancelled or settled with the Ministry of Finance, as is common practice. In this instance, DYH's management will take the necessary legal steps against these claims. Fitch also notes that a "cautionary attachment" was already issued by the tax authorities on Dogan TV's share certificates, representing a 53% stake in Dogan TV Holding as collateral for the initial tax fine to DYH in March 2009 for TRY 862m (USD569m). Settlement process may take up to two months while the tax Court is expected to last more than one year until the end of 2010. However, the initial tax penalty may be resolved as soon as Q409 and will shed some light on the basis of the government's claims.

The RWN is based on the lack of visibility related to the tax fines at this stage and Fitch's concern that the escalating political pressure on the leading media player may result in additional tax fines that will also dent the company's capacity to manage its daily operations. The agency will continue to monitor developments on this front closely and notes that a final decision by the courts may be favourable to the company. Fitch's rating actions do not imply that the fines will be successfully levied, but reflect the scale of risk associated with such potential events. If the fines are incurred, DYH's ratings may be downgraded by several notches. Fitch is aware of other Turkish companies which have successfully contested such rulings, but also of other instances where the outcome has gone against the company.

The total amount of TRY4.6bn (USD3.1bn) in tax fines, if paid, would place a heavy burden on DYH's financial profile, and the potential payment of such a huge fine would not be possible even with direct support from Dogan Holding (DH) which currently has USD0.85bn net cash on its balance sheet. In such a scenario, it will be impossible for DYH to deleverage without the support of the parent company, and DYH's rating will come under further pressure if DH does not provide the required additional capital to its media business in a weak economic environment.

The downgrade of Hurriyet follows the downgrade of the parent company, DYH, as per Fitch's methodology for parent and subsidiary ratings (for further information, see the criteria report entitled "Parent and Subsidiary Rating Linkage" available at www.fitchratings.com). Hurriyet

is DYH's main operating subsidiary in publishing and is the key driver of DYH's creditworthiness.

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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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