Fitch Places Dogan Yayin Holding on RWN on tax dispute

Fitch Ratings-London-Istanbul/London-30 March 2009: Fitch Ratings has today placed Turkey-based Dogan Yayin Holding's (DYH) Long-term local and foreign currency Issuer Default ratings (IDRs) of 'B+' on Rating Watch Negative (RWN).

The RWN is based on the TRY862 m tax fine on the sale of 25% Dogan TV Holding A.Ş. shares to Axel Springer and from the "cautionary attachment" that was issued by the tax authorities on DYH's stakes at its subsidiaries. The cautionary attachment relates to DYH's domestic bank accounts, the sale of its stakes in Hurriyet Gazetecilik (66.56%; 'BB-' (BB minus)/RWN), Dogan Gazetecilik (70.76%) and Dogan Burda (44.89%). The share certificates representing a 45.4% stake in Dogan TV Holding have also been linked to the same cautionary attachment by the Tax Office as collateral for the tax fine. Fitch understands that the company's day-to-day operations will not be affected by this, but the agency is concerned that the media sector in Turkey is becoming more politically sensitive.

While Fitch notes that, the claims of the tax office may be reversed by the tax court, the TRY862m fine would place a significant extra burden on internal cash flow and would greatly increase refinancing risk for the group in a worst case scenario. Such an event, were it to occur, would require direct support from Dogan Holding which currently has USD1bn net cash on its balance sheet. If this support is not forthcoming, then DYH would be downgraded to the 'CCC' category. However Fitch notes that the tax evasion charges by the tax authorities are expected to be settled in court, as is the common practice. This process can take up to one year. Citing a similar tax investigation on Petrol Ofisi ('BB-' (BB minus)/Stable), another Dogan group company, and regulatory fines imposed on the company for allegedly supplying fuel to unlicensed dealers, Fitch notes that the actual cash outflow was only a fraction of the tax penalty and the regulatory fine was overturned by the courts in 2007.

The RWN also reflects Fitch's concern that de-leveraging might be difficult to achieve in a significantly lower ad-spend environment in 2009 and, possibly, in 2010 due to the expected contraction in the Turkish economy. Fitch notes that DYH applied to the Capital Markets Board ("CMB") to increase its capital by TRY183m in November 2008, to be injected by Dogan Holding and Dogan Family, that will be used to reduce leverage.

Fitch aims to resolve the RWN in the next six months following a review of the group's annual results as well as further information and clarity on the developments relating to the cautionary attachment.

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