FitchRatings

FITCH: DOGAN YAYIN HOLDING REMAINS ON NEGATIVE WATCH

Fitch Ratings-London/Istanbul-10 January 2011: Fitch Ratings is maintaining Turkey-based Dogan Yayin Holding's (DYH) Long-term foreign and local currency Issuer Default ratings (IDRs) of 'B', respectively, on Rating Watch Negative (RWN).

The maintained RWN reflects the ongoing court process on the significant tax fines which have been levied on the company since 2008. Fitch acknowledges positive developments regarding the tax fines which if resolved in the short term will result in positive rating action given that there are currently adequate financial resources at the Dogan Holding level to service these obligations under the Agency's worst case scenario. In a worst case scenario, the total tax fines could amount to TRY2.52bn which Fitch expects to be covered by DH's cash-on-balance sheet of an estimated TRY3.5bn, including the EUR1bn proceeds from the sale of its 54.17% stake in Petrol Ofisi ('BB-'/RWP) completed in December 2010. In a worst case scenario, the exact structure under which this cash would be down-streamed to DYH is currently not clear; however for positive rating action to occur these funds would need to be subordinated to current unsecured creditors in the form of equity or subordinated shareholder loans.

DYH's rating could come under further pressure if tax fines are levied and any supporting cash from DH fails to materialise, or if the group is unable to reduce consolidated leverage as a result.

Of the total fines that have been tried in tax courts, TRY2.52bn worth of tax cases has been decided against Dogan TV & DYH. However, Fitch notes that an injunction request on the total fines has been granted and that the case will be discussed in higher courts. The agency takes comfort that the passage of a tax amnesty law currently being discussed in Parliament may apply to DYH's broadcasting subsidiary, Dogan TV, and potentially reduce substantially the outstanding tax penalties.

The ratings also reflect DYH's high consolidated leverage and related liquidity risk resulting from a string of acquisitions in 2005-2007. To reduce leverage, DH made two capital injections to increase DYH's paid-in capital to TRY1bn from TRY618m. It is also looking to dispose some of its media subsidiaries by Q111 and use the proceeds to reduce leverage at DYH. Fitch further notes that partial stake or asset sales and strategic partnerships are being considered. Likely assets sales are certain titles under Dogan Gazetecilik and/or Star TV & Kanal D TV stations.

Outside of the tax fines risk and the group's leverage, DYH's underlying creditworthiness is driven by the company's leading advertising market share in the Turkish media sector; the credit quality of its print business and main operating subsidiary, Hurriyet Gazetecilik ve Matbaacilik A.S. (Hurriyet; 'B+'/RWN), and improved operational performance of its broadcasting subsidiaries due to TV ad revenue growth. However, Fitch notes persisting cash outflows albeit at a slower pace from D-SMART, the company's digital platform venture.

DYH is owned by the Dogan Group through Dogan Sirketler Grubu A.S. (74.53%), the Dogan Family (2.3%) and Aydin Dogan Vakfi (0.67%), giving the Dogan Group a combined 77.5% equity holding and voting interests. The remaining 22.5% of DYH's shares are free float.

Fitch has made major improvements to its credit research on EMEA and AsiaPac corporates. To view these improvements, visit our 'Clear Thinking' web page at http://clearthinking.fitchratings.co.uk/Index.html.

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Additional information is available on www.fitchratings.com.

Applicable criteria, 'Corporate Rating Methodology, dated 16 August 2010, are available at www.fitchratings.com.

Applicable Criteria and Related Research:
Corporate Rating Methodology
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=546646