



# Review of 1H10 Results

## Doğan Gazetecilik A.Ş.

August 23, 2010

 **Milliyet**

**POSTA**

 **VATAN**  
İNTERNETİN EN HIZLI YOKSÜLEN GAZETESİ

 **Radikal**

 **FANATİK**

 **Milliyet.com.tr**

 **arabam.com**

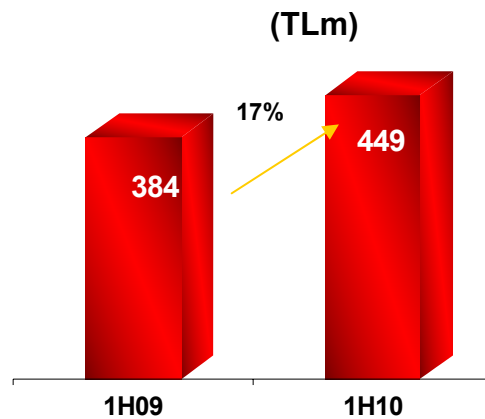
 **milliyetmlak.com**  
TÜRKİYE'NİN EN BÜYÜK EMLAK SİTESİ

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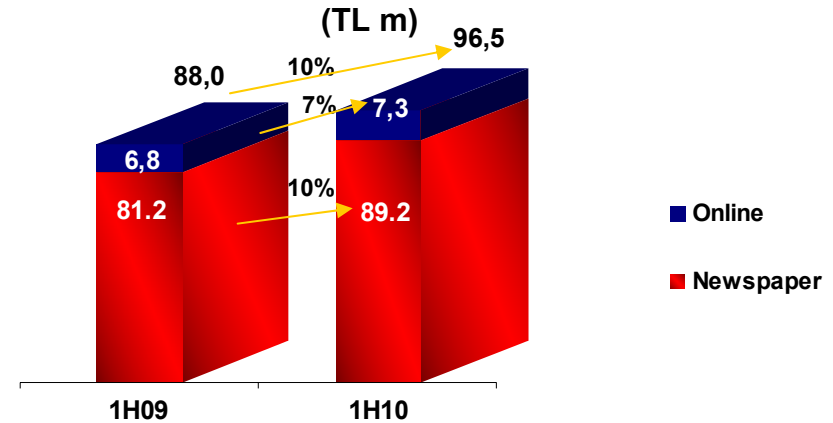
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## Newspapers – Turkey (Est)








## Doğan Gazetecilik Ad Growth\*



- Recovery in newspaper ad spend continued in 2Q10; newspaper ad spending increased by 17% in 1H10, yoy.
- Posta title outperformed the market and its ad revenues increased by 24% yoy.
- Milliyet title ad revenues were relatively in line with the market, whereas Doğan Gazetecilik's other titles underperformed the market.

- Average cover prices in 1H10 were around 16% higher compared to 1H09. Due to cover price increases, circulations were under pressure.

<b>Market Shares</b>	<b>1H09</b>	<b>1H10</b>	<b>Ch yoy</b>
<b>CIRCULATION MARKET SHARE</b>	<b>24.8%</b>	<b>23.1%</b>	<b>-1.7%</b>
<b>Doğan Gazetecilik Daily Average Circulation (000 units)</b>	<b>1,213</b>	<b>1,089</b>	<b>-10%</b>
 <b>Milliyet</b>	210	195	-7%
 <b>POSTA</b>	559	511	-9%
 <b>VATAN</b>	211	167	-21%
 <b>Radikal</b>	41	38	-7%
 <b>FANATİK</b>	192	177	-8%
<b>Nationwide average circulation (000 units)</b>	<b>4,894</b>	<b>4,709</b>	<b>-3.8%</b>

- In advertising revenues, Posta outperformed the market in 1H10. Overall, Doğan Gazetecilik ad revenues increased by 10%, as the remaining titles' performances were below the market.
- Cost cutting measures and cover price increases helped EBITDA to recover from a loss in 1H09 to a profit in 1H10.
- Mr. Servet Topaloğlu was appointed as the new CEO of Dogan Gazetecilik in February 2010
- Radikal title brandname and website domain name rights have been sold to Hurriyet based on the valuation report with a value of 5,095,000 TL excluding VAT.
- Posta.com.tr was launched at 2009-end with a strategy to differentiate from other news web sites.
- European publishing and distribution of Milliyet & Fanatik titles which have been published in Germany and distributed within Europe by Milliyet Verglas GMBH were ceased as of May 9, 2010.
- Tax settlement is concluded with the Tax Authority with a total amount of 10,224,305 TL (for the fiscal term of 2004-2008) and payment made in 2010. Currently, there is 948,012 TL outstanding tax issues (for the fiscal term of 2003) in legal process.

## News web sites are well positioned in the market



- Milliyet is the #2 online newsportal. (\*)
- Monthly Unique Visitors as of June 2010 was 20 mn, down by 4% vs. 2009-end. (\*\*)



- Ranked 5th newsportal in Turkey (\*)
- Monthly Unique Visitors as of June 2010 was 10 mn, up by 10% vs. 2009-end. (\*\*)



- Posta.com.tr was launched as of October 2009
- Ranked 10th newsportal as of June 2010. (\*)
- Monthly Page view as of June 2010 was 63 mn, up by 390% vs. 2009-end. (\*\*)
- Monthly Unique Visitors as of 2 mn June 2010, up by 233% vs. 2009-end. (\*\*)



- Ranked #1 in among web sites for sports in Turkey. (\*)
- Monthly Unique Visitors 8.7 mn as of June 2010, up by 42% vs. 2009-end. (\*\*)



- Third most visited real estate web sites in Turkey. (\*)
- Monthly Unique Visitors 1 mn as of June 2010, up by 2% vs. 2009-end. (\*\*)



- Market leader in Turkey in online Auto Category. (\*)
- Monthly Unique Visitors 2.6 mn as of June 2010, vs. same levels attained in 2009-end. (\*\*)

Quarterly Analysis (TL '000)	FY09	% Ch.			% Ch.		
		2Q09	2Q10	2Q10/09	1H09	1H10	1H10/09
Sales	350,364	90,041	96,569	7%	169,739	181,266	7%
Cost of sales	230,046	56,879	56,684	0%	121,961	108,162	-11%
Gross profit	120,318	33,162	39,885	20%	47,778	73,104	53%
Operating expenses	122,760	32,082	35,746	11%	58,846	69,485	18%
Ebit*	-2,442	1,080	4,139	n.m	-11,068	3,619	n.m
Ebit Margin	-0.7%	1.2%	4.3%		-6.5%	2.0%	
<b>Ebitda</b>	<b>6,696</b>	<b>3,346</b>	<b>6,352</b>	<b>90%</b>	<b>-6,011</b>	<b>8,001</b>	<b>n.m</b>
Ebitda Margin	1.9%	3.7%	6.6%		-3.5%	4.4%	
Net Profit	-16,255	1,895	1,592	-16%	-12,207	614	n.m
Net Profit Margin	-4.6%	2.1%	1.6%		-7.2%	0.3%	
<i>Amortised cost valuation income</i>	<i>1,709</i>	<i>283</i>	<i>447</i>	<i>58%</i>	<i>1,094</i>	<i>796</i>	<i>-27%</i>
<i>Depreciation &amp; amortisation</i>	<i>7,428</i>	<i>1,982</i>	<i>1,766</i>	<i>-11%</i>	<i>3,963</i>	<i>3,585</i>	<i>-10%</i>



\* EBIT figures are based on reported balances before other income /expenses and financial income /expenses

Revenues (TL '000)	FY09	2Q09	2Q10	2Q10/09 Ch (%)	1H09	1H10	1H10/09 Ch (%)
<b>Circulation Revenues</b>							
Revenue (TL '000)	167,587	42,327	39,732	-6%	80,984	83,177	3%
Circulation (000) (daily average sales)	1,181	1,127	1,047	-7%	1,213	1,089	-10%
<b>Advertisement Revenues</b>							
Revenue (TL '000)	164,129	43,494	51,398	18%	79,746	87,946	10%
<b>Internet Revenues</b>							
Revenue (TL '000)	14,137	3,504	3,919	12%	6,874	7,330	7%
<b>Other Revenues</b>							
Service and other (TL '000)	4,511	716	1,520	112%	2,135	2,813	32%
<b>Total Revenues</b>	<b>350,364</b>	<b>90,041</b>	<b>96,569</b>	<b>7%</b>	<b>169,739</b>	<b>181,266</b>	<b>7%</b>



Main reasons of the decrease in newspaper costs by 34% are the decline in circulation and 32% decline in newsprint costs per ton in USD terms and revaluation of USD against TL by 5%.

Costs	FY09	2Q10/09			1H10/09		
		2Q09	2Q10	Ch (%)	1H09	1H10	Ch (%)
<b>Cost of Sales (TL '000)</b>	<b>230,046</b>	<b>56,879</b>	<b>56,684</b>	<b>0%</b>	<b>121,961</b>	<b>108,162</b>	<b>-11%</b>
Newsprint costs	113,492	30,031	23,358	-22%	67,041	44,313	-34%
Printing & other costs	116,554	26,848	33,327	24%	54,919	63,849	16.3%
<b>Operating Expenses (TL '000)</b>	<b>122,760</b>	<b>32,082</b>	<b>35,746</b>	<b>11%</b>	<b>58,846</b>	<b>69,485</b>	<b>18%</b>
General & Administrative Expenses	27,222	6,881	7,099	3%	12,823	13,315	4%
Sales & Marketing Expenses	95,538	25,201	28,647	14%	46,023	56,170	22%
<b>Total Costs</b>	<b>352,806</b>	<b>88,961</b>	<b>92,430</b>	<b>4%</b>	<b>180,807</b>	<b>177,647</b>	<b>-2%</b>

Increase in sales & marketing expenses yoy is mainly due to promotion campaigns for Posta and Milliyet titles and related advertising and distribution expenses.

(TL '000)		2Q10/09			1H10/09		
Profitability	FY09	2Q09	2Q10	Ch (%)	1H09	1H10	Ch (%)
EBIT	(2,442)	1,080	4,139	283%	(11,068)	3,619	n.m
Other Income/(Expense) - net	(9,600)	(875)	1,522	n.m	(1,211)	1,866	n.m
Financial Income/(Expense) - net	(4,376)	3,147	(807)	n.m	(1,635)	(2,168)	n.m
Minority	(131)	1	(48)	n.m	(1)	(26)	n.m
<b>Profit before tax</b>	<b>(16,549)</b>	<b>3,353</b>	<b>4,806</b>	<b>43%</b>	<b>(13,913)</b>	<b>3,291</b>	<b>n.m</b>
Taxation	294	(1,458)	(3,213)	n.m	1,706	(2,677)	n.m
- Corporate tax	(2,275)	(36)	(2,554)	n.m	(74)	(2,571)	n.m
- Deferred tax	2,569	(1,422)	(659)	n.m	1,780	(106)	n.m
<b>Net Income</b>	<b>(16,255)</b>	<b>1,895</b>	<b>1,593</b>	<b>-16%</b>	<b>(12,207)</b>	<b>614</b>	<b>n.m</b>

<b>Investments &amp; Financing (TL '000)</b>	<b>FY09</b>	<b>1H10</b>	<b>ch%</b>
<b>CASH AND CASH EQUIVALENTS</b>	1,231	5,868	n.m
<b>S.T. BANK BORROWINGS</b>	20,015	23,979	19.8%
<b>L.T. BANK BORROWINGS</b>	-	-	-
<b>NET CASH / (NET DEBT)</b>	(18,784)	(18,111)	-3.6%
<b>INVESTMENTS</b>	1,603	838	-47.7%

- Recovery in ad market is expected in 2010; as already seen with strong 1H10 results.
- Posta title with its high reach in total readers is likely to continue to outperform in 2010.
- Vatan was relocated to the Company headquarters in July 2010, which will lead to further cost savings.
- Marketing and promotion campaigns in 2H10 will be parallel to 1H10.
- In addition to strong ad revenues, Vatan's relocation to company headquarters and Radikal title's sales will contribute positively to the profitability in 2010 and onwards.