



# HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

**BOARD OF DIRECTORS QUARTERLY REPORT FOR THE PERIOD  
ENDING 30 SEPTEMBER 2008**

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## **A. Information Related to Hürriyet Gazetecilik**

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### **1. Operations, organization and communication information**

Hürriyet Gazetecilik ve Matbaacılık A.Ş. (“Hürriyet” or “the Company”) has been established in 1960 and registered in Turkey. The company who has activities in the areas of newspaper, printing, advertisement and Internet publishing, has 7 printing plants in Istanbul, Ankara, Izmir, Adana, Antalya, Trabzon and Germany. On 29 March 2007, the company has purchased 67,30% shares of Trader Media East Limited (“TME”) through its subsidiary Hürriyet Invest B.V. established in the Netherlands. TME is a classified advertising company operating in Russia, CIS and Central Eastern European (CEE) countries through daily and weekly newspapers, magazines and internet sites mainly in the real estate, automotive and human resources sectors. The majority shareholder of Hürriyet is Doğan Yayın Holding A.Ş. established within the constitution of Doğan Şirketler Grubu Holdings A.Ş. (“Doğan Holding”).

#### **The address of the registered office is as follows:**

Hürriyet Medya Towers  
34212 Güneşli, Istanbul / Turkey

The company is registered to the Capital Market Board (“CMB”) and since 1992 its shares are in transaction in the Istanbul Stock Exchange (“ISE”). 40 % of the company capital is in the circulation in the ISE. 25,02 % of the shares of TME are in transaction in the London Stock Exchange as GDR.

#### **Communication Information:**

Hürriyet Gazetecilik ve Matbaacılık A.Ş. (Company Headquarters)  
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## 2. Board of Directors

With the decision of the Company's Board of Directors dated 29 May 2008 and numbered 2008/24, the names, surnames and the qualifications of the members of our Board of Directors are as follows:

<b>Name Surname</b>	<b>Title</b>	<b>Explanation</b>
Aydın Doğan	Chairman	Non-Executive
Vuslat Doğan Sabancı	Vice-Chairman	Executive
Mehmet Ali Yalçındağ	Member	Non-Executive
Ertuğrul Özkök	Member	Executive
Soner Gedik	Member	Non-Executive
Ahmet Toksoy	Member	Executive
Cem M. Kozlu	Member	Independent
Kai Diekmann	Member	Independent
H. Hasan Yılmaz	Member	Independent

The detailed C.V's of our members of the Board of Directors can be found in our institutional website [www.hurriyetkurumsal.com](http://www.hurriyetkurumsal.com).

## 3. Audit Committee

With the decision of the Company's Board of Directors dated 29 May 2008 and numbered 2008/24, Hakkı Hasan Yılmaz and Soner Gedik among the members of the Board of Directors are elected as members for the Audit Committee and the mentioned committee is authorised to fulfil the tasks determined by the conditions of announcement of the Capital Market Board Serial: X numbered 16.

The Audit Committee has presented to the Board of Directors, on 10 November 2008, their decision stating that the financial tables and reports for the interim period of 1 January – 30 September 2008 reflects the reality; the accounting principles of the company are convenient to IFRS and CMB standards and they are correct.

## 4. Corporate Governance Committee

The Company's Board of Directors elected Hakkı Hasan Yılmaz, a member of the Board of Directors, to the Corporate Governance Committee, on 23 September 2008. Consequently, members of the Corporate Governance Committee increased to four, the names of the members being as follows:

<b>Name Surname</b>	<b>Title</b>	<b>Explanation</b>
Cem Kozlu	The President	Independent member of Board of Directors
H. Hasan Yılmaz	Member	Independent member of Board of Directors
Murat Doğu	Member	Non-Executive
Ahmet Özer	Member	Head of Strategy and Business Development Group

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## 5. Board of Auditors

In the Ordinary General Assembly Meeting of our Company on the 29 May 2008, in accordance with the Turkish Trade Law, Mehmet Yörük and Fuat Arslan are elected as the auditors for the activity period of the year 2008. Our auditors are not company partners and they are not part of the Executive Board.

## 6. Company Managers

Names, surnames and the titles of the managers in charge during January – September 2008 period are as follows:

<b>Name Surname</b>	<b>Title</b>
Vuslat Doğan Sabancı	Chairman, Executive Board
Ertuğrul Özkök	Editor in Chief
Ahmet Toksoy	Head of Financial Affairs Group
Ayşe Sözeri Cemal	Head of Advertising Group
Ahmet Özer	Head of Strategy and Business Development Group
Temuçin Tüzecan	Corporate Communications Coordinator

## 7. Capital Structure

The registered maximum capital limit of our company as of 30 September 2008 is YTL 800 million. With the decision of the Board of Directors dated 29 May 2008 and numbered 2008/23, the issued capital of our company has been increased from YTL 421.000.000 to YTL 460.000.000, with an increase of YTL 39.000.000, which will totally be covered by the “distributable period profit” of 2007 accounting period. The registration of the issued capital of YTL 460.000.000 has been published in the Turkish Trade Registration Newspaper dated 15 August 2008 and numbered 7128.

60% of our company belongs to Doğan Yayın Holding A.Ş. and the shares representing 40% of our capital are in transaction in the ISE. On 30 September 2008, 5,02% of the shares open to public belongs to Doğan Yayın and 4,83% to final main partner Doğan Holding. At the date of the report, through the purchases from ISE among the “open” status shares, Doğan Yayın and Doğan Holding have the shares equivalent to 7,56% and 5,20% of our company capital.

Taking into consideration the closing prices of ISE as of 30 September 2008, Hürriyet has a market value of USD 489 million.

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**B. Main developments for the period 1 January – 30 September 2008.**

Main Factors Effecting the Business Performance	30.09.2008 (9M 2008)	30.09.2007 (9M 2007)
Average daily net sales (Hürriyet newspaper)	521,000	591,000
Average page numbers (Hürriyet newspaper)	89	84
Newsprint utilised (tons)	78,464	84,466
Average newsprint price (USD/ton)	806	774
Inflation (year-on-year CPI change)	11,1 %	7.1 %
GDP growth (2008 estimation)	3.1 %	5.2 %
USD/YTL rate (close)	1,2316	1,2048
USD/YTL (average)	1,2191	1,3399
USD/YTL increase (compared to the same period of previous year)	-9,9%	-6,2%

The process of increasing the issued capital of our company by 9,26366%, from YTL 421.000.000 to YTL 460.000.000, the increase being totally covered by the “distributable period profit” of 2007 accounting period, has been completed as of 8 August 2008. The registration of the issued capital of YTL 460.000.000 has been published in the Turkish Trade Registration Newspaper dated 15 August 2008 and numbered 7128.

On July 23, 27 and 31, our company obtained 6 “Investment Incentive Certificates”, in the amount of USD 24,700,361, for the modernization of the printing plants located in İstanbul, Ankara, İzmir, Adana, Antalya and Trabzon. The completion time indicated on these Incentive Certificates is 2 years and all imports of machinery that will be made in accordance with said certificates during these two will be exempt of customs duty and VAT.

International credit rating agency Fitch Ratings affirmed Hurriyet's ratings as follows:

- Long-term foreign and local currency ratings at 'BB' with "stable" outlook.
- National long-term rating at 'AA(tur)' with "stable" outlook.

ISS Corporate Services Inc. ( Riskmetrics Group) which is an International Corporate Governance rating company and has appropriate permission to make corporate governance rating assessments in Turkey according to Capital Market Board (CMB) Corporate Governance Regulations, has increased our corporate governance rating from 8 (%79,67) to 8,5 (%83,21) out of 10. According to CMB decision on this topic, final rating is based on four sub-categories in different weights. Within this scope, our rating with respect to these sub-categories are indicated below:

Sub-Categories	Weight	2007		2008	
		Rate Obtained	Rate Assigned	Rate Obtained	Rate Assigned
Shareholders	0,25	7,90	8,00	8,32	8,50
Publicity Disclosure and transparency	0,35	8,71	8,50	9,11	9,00
Stakeholders	0,15	7,40	7,50	7,63	7,50
Board of Directors	0,25	7,34	7,50	7,63	7,50
<b>Total</b>	<b>1,00</b>	<b>7,97</b>	<b>8,00</b>	<b>8,32</b>	<b>8,50</b>

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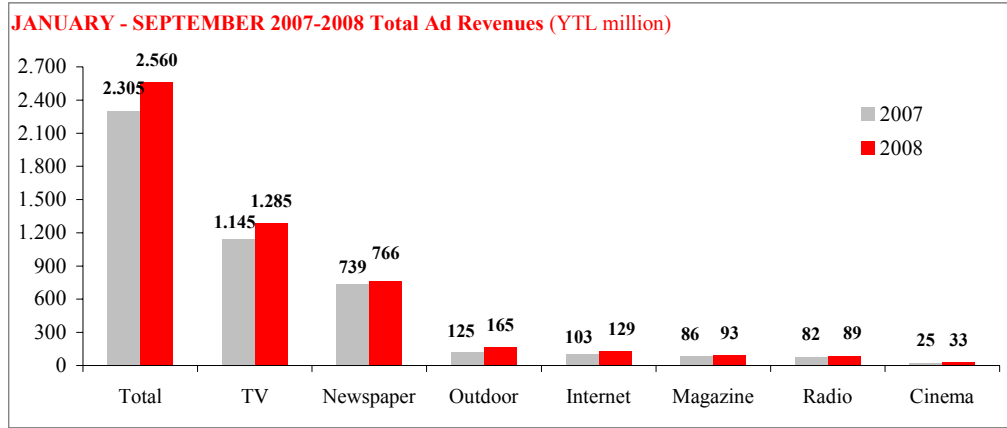
## C. Activities for the 1 January – 30 September 2008 Interim Accounting Period

### 1. Advertising

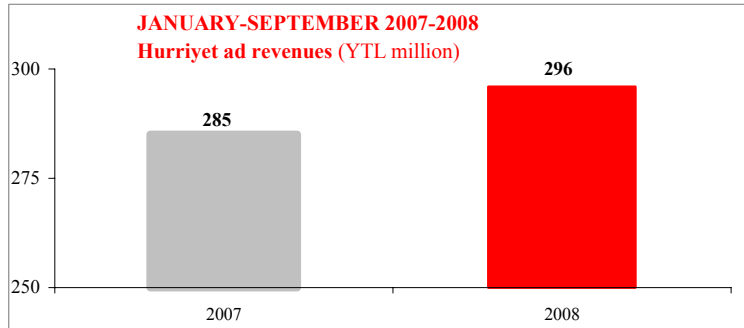
#### 1.1 Ad Sector in Turkey

It is estimated that advertisement expenditures in Turkey has increased by 11,1% in the first nine months of 2008 compared to the same period of the previous year and reached YTL 2,560 million.

The television sector, which had YTL 1,145 million of ad revenues in January-September 2007, increased its revenue by approximately 12,2% in January-September 2008 compared to the same period of last year. Meanwhile, the increase in the newspaper ad revenues is estimated to be around 3.6%. The internet sector is estimated to have increased its ad revenues by 25.2%, remaining as the highest growth sector in the first nine months of 2008.



#### 1.2 Ad Revenue of Hürriyet



Hürriyet achieved 3,9% growth in the ad revenues in the first nine months of 2008 compared to the same period of the previous year.

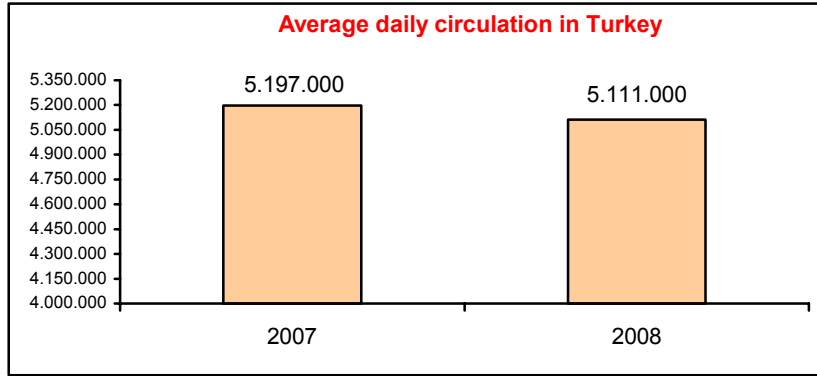
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### 1.3 Ad Revenue of TME

TME, which started to be consolidated under Hürriyet consolidated financial tables since the second quarter of 2007, has realised YTL 246.3 million of ad revenue in the first 9 months of 2008.

## 2. Circulation of Newspapers

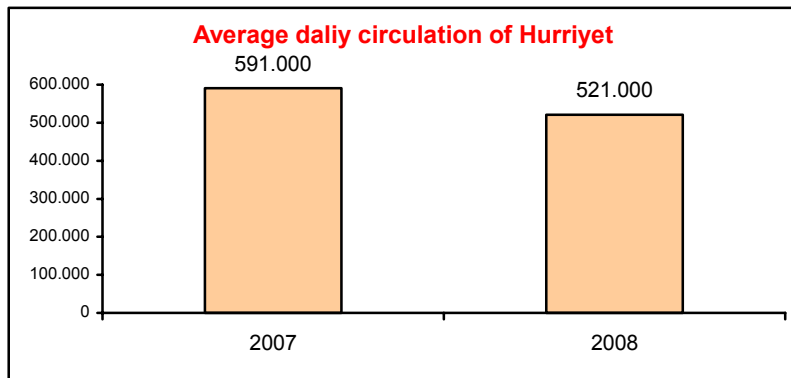
### 2.1 Circulation in Turkey



Note: The 2007 average national circulation excludes Gözcü circulation, a newspaper that was discontinued as of 2 April 2007.

According to Doğan Dağıtım data, the average daily net newspaper sales in Turkey was 5.197.000 in the first 9 months of 2007 and it has declined to 5.111.000 in the first 9 months of 2008. This represents a 1.7% decline in circulation.

### 2.2 Circulation of Hürriyet



In the first 9 months of 2007, Hürriyet's average daily circulation was 591,000, as a result of give-away type of promotions that were mostly offered in weekends. The resulting market share was 11.4%.



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In the first 9 months of 2008, average daily circulation of Hürriyet declined by 11.8% to 521,000. As a result, the market share was realized as 10.2%. The decline was due to the normalisation of the circulation paralel to the slowdown in promotions.

There has been no change in the cover price of Hürriyet newspaper in the first nine months of 2008. Compared to week days, Hürriyet newspaper sells 90 thousand more on Saturdays and 210 thousand more on Sundays.

Huriyet's circulation revenues amounted to YTL 57.3 million in the first 9 months of 2008, compared to YTL 62.6 million in the first 9 months of 2007.

### **2.3 Circulation Revenue of TME**

The circulation revenue of TME, which is consolidated under Hürriyet financial tables since the second quarter of 2007, has been YTL 25.8 milllion in the first 9 months of 2008, compared to YTL 18.6 million in the first 9 months of 2007.

### **3. Earnings before interest, tax and depreciation (EBITDA)**

The consolidated earnings before interest, tax and depreciation (EBITDA), which was YTL 137.4 million in the first 9 months of 2007, increased by 24.2 % in the first 9 months of 2008 and it has been realised as YTL 170.7 million. YTL 58.1 million of the EBITDA in the first 9 months of 2008 belongs to TME (YTL 46.8 million in the first 9 months of 2007).

<b>Consolidated EBITDA (YTL million)</b>	<b>2008 9M</b>	<b>2007 9M</b>	<b>change (%)</b>
NET SALES	770.5	659.4	16.8%
-Ad revenue	517.4	424.5	21.9%
-Internet revenue (online)	37.8	23.0	64.3%
-Circulation revenue	83.1	81.2	2.3%
-Printing revenue	89.4	97.0	-7.8%
-Other revenues	42.8	33.7	27.0%
COST OF GOODS SOLD	-444.8	-390.7	13.8%
OPERATING EXPENSES	-227.1	-183.8	23.6%
OTHER OPERATING INCOME/EXPENSES (NET)	54.9	-4.1	-
<b>OPERATING PROFIT</b>	<b>153.5</b>	<b>80.8</b>	<b>90.0%</b>
<b>EBITDA</b>	<b>170.7</b>	<b>137.4</b>	<b>24.2%</b>
EBITDA Margin	22.2%	20.8%	6.3%

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## **D. Summarised Financial Results and Profitability**

### **1. Main Financial Indicators**

According to the consolidated balance sheet and consolidated income tables dated 30 September 2008 of our company, **not audited by the independent auditors**, main financial indicators are as follows:

<b>Main Financial indicators (million YTL)</b>	<b>30.09.2008</b>	<b>30.09.2007</b>	<b>change (%)</b>
Current assets	557.5	444.1	25.6%
Non-current assets	1,402.6	1,187.3	18.1%
Total assets	1,960.1	1,631.4	20.1%
Short-term liabilities	289.6	164.7	75.8%
Long-term liabilities	715.2	734.2	-0.03%
Majority interest	955.3	727.6	31.3%
Net sales	770.5	659.4	16.8%
Operating profit	153.5	80.8	90.0%
Profit/ loss before tax (continued operations)	103.5	124.3	-16.7%
Minority interest	-20.3	-4.6	341.3%
Net profit/ loss	57.0	85.0	-32.9%

### **2. Financial Ratios**

According to the data of the first nine months of the last two years and being convenient to the announcement of the Capital Market Board Serial: XI numbered: 25, the ratios related to the financial structure and the profitability of the company have been realised as follows:

<b>Financial ratios</b>	<b>30.09.2008</b>	<b>30.09.2007</b>
Current ratio (Current assets/short-term liabilities)	1.92	2.69
Net sales /total assets	0.39	0.40
Foreign assets/ shareholder's equity	1.05	1.24
Financial expenses/ total assets	0.02	-0.03
Operating profit/ total assets	0.08	0.05
Operating profit/ net sales	0.20	0.12
Gross profit margin	0.42	0.41

### **E. Subsequent Events**

The cover price of Hurriyet for the weekend editions (Saturday and Sunday) has been increased by 20%, from 50 Ykr to 60 Ykr, as of 8 November 2008.