



We will continue to adhere to the principles
of corporate governance that have always
provided us with clear-cut guidance.

As international business standards dictate, we abide by the rules of corporate governance as we go about our routine business. We are fully aware that a company may only succeed in the long-term and sustain its state of affairs if it is capable of raising funds both from routine operations and from investors when further expansion is needed.

Dear shareholders, colleagues and business partners,
Frequent terrorist hits, especially in Iraq, and regional upheavals threaten global stability in the Middle East and West and Central Asia. Adding to these, uncertainties concerning the value of the dollar and the euro continue to be the sources of market volatility. The French and Dutch people's no vote in the referendum for the EU constitution will definitely have long term implications on the euro as well as on the EU itself.

The past year saw a sharply declining US dollar and volatility in oil prices but in the final analysis, the global economy has considerably improved. Supported by strong financial results and high profit, the revival of business investment is expected to continue in the USA and will hopefully resume in Europe. At the same time, consumer spending will increase after the recent retreat of oil prices to more tolerable levels. As job creation progressively escalates and monetary conditions remain favorable, there is reason to expect global economies to retain the momentum of recovery over the next two or three years.

The tension between China and Japan concerning the revived memories of reprehensible misbehavior of Japanese soldiers in China during the Second World War caused some social unrest in major cities across China in April of 2005. This could have impaired relations between China and Japan but thanks to wisdom adopted by both sides, the problems were alleviated. Both of these countries are major players in the global economy. In China, activity accelerated during the third quarter of 2004 following a desired slowdown in the first half of the year. Japan scored an impressive comeback with regard to exports resulting in a recovery of investment, employment and consumption. However, from a global standpoint, uncertainty still remains as to whether Europe will play a strong supportive role in this worldwide trend by promoting domestic demand.

At home, driven by buoyant private business investment and household consumption in 2004, the GDP reached a spectacular annual growth rate of 9.9%. It is likely to slow down to a more sustainable pace of about 6% in 2005 and 2006, with exports and domestic demand remaining robust. We expect that monetary and fiscal policies will be strictly adhered to while the ambitious structural reform agenda will be carefully implemented as domestic and international confidence continues to grow. Gains from this growth should be allocated to reduce public debt to improve fiscal sustainability and rein in the growing current account deficit.

A strong appreciation of the euro, in the context of worsening external trade imbalances, will not have a major impact on the Turkish economy. Many exporters have already converted into euro or have hedged themselves against further declines in the dollar. The weak dollar will actually help Turkey decrease external debt while the dollar-savers regain confidence in their own currency, assisting in the fight against the chronic inflation that has plagued the country for decades. The timing for the introduction of the new Turkish lira (YTL) could not have been more appropriate. Apart from making calculations easier, the YTL will instill all economic players with confidence in the local currency and help bring inflation down to one-digit figures.

Another major item on the agenda for some time has been the EU accession talks as an overwhelming majority of the Turkish people wish to join the EU as soon as possible. We believe Turkey has achieved much on the road to compliance with EU legislation and standards and now is the time for the EU to show its sincerity by keeping the negotiation period short for Turkey's full membership. When Turkey becomes an EU member state, possibly before 2015, both sides of this partnership will gain economic and political benefit. I believe that the real benefit for the Turkish people lie not in full membership but more in the actions taken to achieve greater democracy, a powerful legal structure and equitable social standards.

Certainly, the world has become a place where technology and globalization work hand-in-hand to narrow differences and remove obstacles between economies and cultures. It is not possible for Turkey to alienate herself completely from a potential shortage in the oil industry of a Latin American country. Similarly, markets in Latin American countries were obviously affected by the consecutive crises that we experienced in Turkey during 2000 and 2001. We need to play by global rules and be competitive in both domestic and global markets, only then will Turkey attract more direct foreign capital, resolve its capital deficiency problems and become a stronger player in the world economy.

One way to bring in direct capital is by forming international alliances and partnerships with leading companies around the globe. Any major multinational planning to contribute to the high-potential of the Turkish economy must have a competent local partner to effectively launch its products and services. As Doğan Holding, we have chosen to grow by international partnerships and strategic alliances.

We have set an example in this regard for other Turkish businesses. We sold a majority stake in Dışbank and its affiliated financial institutions to Fortis Bank. This milestone transaction is an evidence of the prospering Turkish economy where major players around the globe would now like to take a part. The proceeds we shall raise in the sale of these companies will again be invested in our existing businesses to turn us into a global player.

As international business standards dictate, we abide by the rules of corporate governance as we go about our routine business. We are fully aware that a company may only succeed in the long-term and sustain its state of affairs if it is capable of raising funds both from routine operations and from investors when further expansion is needed.

This will be possible if we strictly implement the four principles of good corporate governance: accountability, responsibility, transparency and fairness. These values create the trust between every stakeholder and all economic institutions.

Turkey has a relatively young and growing population when compared to many of the EU member states. This is an important strategic advantage for EU companies seeking a market for their products and services outside their native countries. As the composition of the population shifts from rural to urban areas, the need for education exponentially rises, sometimes beyond the reach of governmental budgets. We believe it is our responsibility to assist in the education of Turkey's youth by building schools and other training institutions. We also think that organizing cultural and artistic affairs are important because they contribute to the intellectual wealth of Turkish citizens. For this purpose, we have organized the Aydın Doğan International Cartoon Competition and the Aydın Doğan Awards, which have become annual events of long standing. As we continue to invest in Turkey's future, creating value for the Company and all stakeholders, fulfilling philanthropic obligations have become as important as ever.

I would like to express my gratitude once again to all members of our family – our stakeholders, business partners and employees. As we look forward to a more prosperous future full of even greater achievement, we believe that new synergy will develop to maintain our Group's position at the forefront of the Turkish business community.


Aydın Doğan
Chairman