HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2017 TOGETHER WITH REVIEW REPORT OF INDEPENDENT AUDITORS

(ORIGINALLY ISSUED IN TURKISH)

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REVIEW REPORT ORIGINALLY ISSUED IN TURKISH REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Hürriyet Gazetecilik ve Matbaacılık A.Ş.

Introduction

1. We have reviewed the accompanying consolidated statement of financial position of Hürriyet Gazetecilik ve Matbaacılık A.Ş. and its subsidiaries ("collectively referred as the "Group") as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated changes in equity, consolidated cash flows and other explanatory notes for the six-month period then ended. The management of the Group is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

2. We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the consolidated financial statements. Consequently, a review on the consolidated interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to conclude that the accompanying consolidated interim financial information of Hürriyet Gazetecilik ve Matbaacılık A.Ş. is not prepared, in all material respects, in accordance with TAS 34.

Other matter

4. The consolidated financial statements of Hürriyet Gazetecilik ve Matbaacılık A.Ş. as of 31 December 2016 and for the year then ended were audited and the consolidated interim financial information as of 30 June 2016 and for the six-month period then ended were reviewed by another audit firm whose audit report dated 29 March 2017 expressed an unqualified opinion and whose review report dated 16 August 2016 expressed a conclusion that no material non-compliance with respect to TAS 34 has come to their attention.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Gökhan Yüksel, SMMM
Partner

İstanbul, 16 August 2017

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Note references	(Reviewed) Current Period 30 June 2017	(Audited) Prior Period 31 December 2016
ASSETS			
Current assets		**287,306,858**	**286,251,146**
Cash and cash equivalents	4	31,743,967	24,295,720
Financial investment	6	66,932	111,500
Trade receivables			
-Trade receivables from related parties	33	35,300,525	32,593,103
-Trade receivables from non-related parties	8	195,835,338	204,353,838
Other receivables			
-Other receivables from non-related parties	9	2,349,248	2,106,069
Inventories	11	12,879,204	13,743,974
Prepaid expenses	20	4,549,666	4,519,587
Other current assets	21	4,581,978	4,527,355
Non-current assets		**587,147,658**	**647,424,741**
Financial investments	6	1,343,821	1,343,821
Other receivables			
-Other receivables from non-related parties	9	2,955,697	3,440,787
Financial investments accounted for using the equity method	12	9,982,016	7,368,572
Investment properties	13	220,359,144	227,665,717
Tangible assets	14	124,111,514	130,076,762
Intangible assets			
-Other intangible assets	15	226,883,446	277,201,815
Prepaid expenses long term		471,724	-
Deferred tax assets	31	1,040,296	327,267
Total assets		**874,454,516**	**933,675,887**

The accompanying notes form an integral part of these consolidated financial statements

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Note references	(Reviewed) Current Period 30 June 2017	(Audited) Prior Period 31 December 2016
LIABILITIES			
Current liabilities		**259,088,225**	**283,312,598**
Short-term borrowings	7	80,966,987	72,725,361
Short-term portion of long-term borrowings	7	55,639,878	75,259,960
Trade payables			
-Trade payables to related parties	33	17,289,024	26,164,835
-Trade payables to non-related parties	8	43,476,166	53,060,248
Payables on employee benefits	10	7,560,142	6,592,014
Other payables			
-Other payables to non-related parties	9	7,800,634	8,891,934
Derivative instruments	5	972,092	-
Deferred income	20	25,303,246	18,224,955
Current income tax liabilities	31	217,154	1,006,854
Short-term provisions			
-Short-term provisions for employment benefits	17	13,040,167	13,686,035
-Other short-term provisions	17	5,425,756	5,779,785
Other short-term liabilities	21	1,396,979	1,920,617
Non-current liabilities		**259,922,685**	**233,768,358**
Long-term borrowings	7	175,159,650	139,729,311
Deferred income	20	2,256,459	-
-Long-term provisions for employment benefits	19	43,636,374	45,199,424
Deferred tax liability	31	38,870,202	48,839,623
Total Liabilities		**519,010,910**	**517,080,956**

The accompanying notes form an integral part of these consolidated financial statement.

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Note references	(Reviewed) Current Period 30 June 2017	(Audited) Prior Period 31 December 2016
EQUITY			
Total equity		**355,443,606**	**416,594,931**
Equity attributable to equity holders of the parent company		**351,949,012**	**411,479,219**
Share capital	22	552,000,000	552,000,000
Inflation adjustment to share capital	22	77,198,813	77,198,813
Share premiums	22	76,944	76,944
Other comprehensive income and expenses that will not be reclassified subsequently to profit or loss			
- Gain (loss) on remeasurement			
- Gain (loss) on revaluation of property	22	71,169,629	71,169,629
- Gain (loss) on remeasurement of defined benefit plans	22	(17,590,552)	(17,590,552)
Other comprehensive income and expenses that may be reclassified subsequently to profit or loss			
- Currency translation differences	22	66,358,996	57,552,514
- Gain (loss) on hedging			
- Gain (loss) from cash flow hedges	22	(777,674)	-
Restricted reserves	22	191,532,907	187,166,210
Retained earnings		(520,461,036)	(443,630,506)
Net profit (loss) for the period		(67,559,015)	(72,463,833)
Non-controlling interests		**3,494,594**	**5,115,712**
Total liabilities		**874,454,516**	**933,675,887**

These consolidated financial statements as at and for the period ended 30 June 2017 were approved by the Board of Directors on 16 August 2017.

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Note references	(Reviewed) Current Period 1 January- 30 June 2017	(Not Reviewed) Current Period 1 April- 30 June 2017	(Reviewed) Prior Period 1 January- 30 June 2016	(Not Reviewed) Prior Period 1 April- 30 June 2016
Sales	23	274,398,298	143,019,478	290,658,208	152,428,765
Cost of sales (-)	23	(160,378,796)	(81,235,914)	(165,738,024)	(85,504,536)
Gros profit (loss)		**114,019,502**	**61,783,564**	**124,920,184**	**66,924,229**
General administrative expenses (-)	24	(49,575,939)	(23,734,475)	(51,967,903)	(23,593,904)
Marketing expenses (-)	24	(65,762,030)	(33,239,872)	(62,407,104)	(31,663,166)
Other operating income	26	15,150,666	5,276,000	28,839,104	19,757,701
Other operating expenses (-)	27	(15,902,939)	(3,708,218)	(24,364,835)	(14,476,846)
Operating profit (loss)		**(2,070,740)**	**6,376,999**	**15,019,446**	**16,948,014**
Share of (loss)/gain of investments accounted by equity method	12	(844,010)	(328,033)	(588,368)	(311,887)
Income from investing activities	28	5,578,110	2,643,962	7,650,666	6,612,174
Expenses from investing activities (-)	29	(62,705,721)	(62,248,636)	(47,078,289)	(47,072,407)
Operating (loss) / profit before finance expense		**(60,042,361)**	**(53,555,708)**	**(24,996,545)**	**(23,824,106)**
Finance expenses (-)	30	(22,400,650)	(10,788,350)	(26,808,515)	(18,863,637)
(Loss) / profit before tax		**(82,443,011)**	**(64,344,058)**	**(51,805,060)**	**(42,687,743)**
Tax income / (expense)		**12,894,044**	**14,896,562**	**7,130,450**	**3,282,216**
Current tax (expense) / income	31	(431,761)	(345,391)	(3,031,420)	(2,954,917)
Deferred tax income	31	13,325,805	15,241,953	10,161,870	6,237,133
Net profit (loss) for the period		**(69,548,967)**	**(49,447,496)**	**(44,674,610)**	**(39,405,527)**
Allocation of net profit (loss) for the period					
Attributable to non-controlling interests		(1,989,952)	(1,393,357)	(11,470,292)	(9,970,724)
Attributable to equity holders of the parent company	32	(67,559,015)	(48,054,139)	(33,204,318)	(29,434,803)
Loss per share (TRY)					
Attributable to shareholders of the parent company	32	(0.1224)	(0.0871)	(0.0602)	(0.0533)

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Note references	(Reviewed) Current Period 1 January- 30 June 2017	(Not Reviewed) Current Period 1 April- 30 June 2017	(Reviewed) Prior Period 1 January- 30 June 2016	(Not Reviewed) Prior Period 1 April- 30 June 2016
Other comprehensive income statement					
Net profit (loss) for the period		**(69,548,967)**	**(49,447,496)**	**(44,674,610)**	**(39,405,527)**
Other comprehensive income (expense) that will not be subsequently reclassified to profit and loss					
- Gain (loss) on revaluation of property		-	-	11,160,797	11,160,797
Other comprehensive income (expense) that will not be subsequently reclassified to profit and loss					
- Gain (loss) on revaluation of property, tax effect		-	-	(558,040)	(558,040)
Other comprehensive income (expense) that will be subsequently reclassified to profit and loss					
- Currency translation differences		9,175,316	(11,310,282)	19,823,894	(2,871,384)
- Other comprehensive income (expense) from cash flow hedges		(972,093)	(972,093)	(1,063,479)	1,152,410
Income taxes of other comprehensive income that will be subsequently reclassified to profit or loss					
- Other comprehensive income (expense) from cash flow hedges, tax effect		194,419	194,419	212,696	(230,482)
Other comprehensive income/ (expense) after income tax		**8,397,642**	**(12,087,956)**	**29,575,868**	**8,653,301**
Total comprehensive income/ (expense)		**(61,151,325)**	**(61,535,452)**	**(15,098,742)**	**(30,752,226)**
Allocation of total comprehensive income/ (expense)					
Attributable to non-controlling interests		(1,621,118)	(1,799,705)	(3,793,512)	(13,000,017)
Attributable to shareholders of the parent company		(59,530,207)	(59,735,747)	(11,305,230)	(17,752,209)

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated).

					Other comprehensive income (expense) that will be subsequently reclassified to profit or loss		Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss							
	Note references	**Share capital**	**Inflation adjusment to share capital**	**Share premiums**	**Hedge instrument gain (loss)**	**Currency translation differences**	**Gain (losses) on property revaluation**	**Gain (losses) on remeasurement of defined benefit plan**	**Restricted reserves**	**Retained earnings / (losses)**	**Net profit / (loss) for the period**	**Equity attributable to shareholders of the parent company**	**Non-controlling interests**	**Total equity**
Balances at 1 January 2016		**552,000,000**	**77,198,813**	**76,944**	**-**	**(15,308,843)**	**1,024,515**	**(15,355,484)**	**187,166,210**	**(383,832,770)**	**(30,499,114)**	**372,470,271**	**(19,251,048)**	**353,219,223**
Transfer		-	-	-	-	-	-	-	-	(30,499,114)	30,499,114	-	-	-
Dividend payments		-	-	-	-	-	-	-	-	-	-	-	(61,145)	(61,145)
Subsidiaries' dividend payments to non-group companies		-	-	-	-	-	-	-	-	-	-	-	*(61,145)*	*(61,145)*
Total comprehensive income / (expense)		-	-	-	(850,783)	12,426,565	10,323,306	-	-	-	(33,204,318)	(11,305,230)	(3,793,512)	(15,098,742)
- Other comprehensive income (expense)		-	-	-	*(850,783)*	*12,426,565*	*10,323,306*	-	-	-	-	*21,899,088*	*7,676,780*	29,575,868
-Net profit (loss) for the period		-	-	-	-	-	-	-	-	-	*(33,204,318)*	*(33,204,318)*	*(11,470,292)*	*(44,674,610)*
Balances at 30 June 2016		**552,000,000**	**77,198,813**	**76,944**	**(850,783)**	**(2,882,278)**	**11,347,821**	**(15,355,484)**	**187,166,210**	**(414,331,884)**	**(33,204,318)**	**361,165,041**	**(23,105,705)**	**338,059,336**
Balances at 1 January 2017	**22**	**552,000,000**	**77,198,813**	**76,944**	**-**	**57,552,514**	**71,169,629**	**(17,590,552)**	**187,166,210**	**(443,630,506)**	**(72,463,833)**	**411,479,219**	**5,115,712**	**416,594,931**
Transfer		-	-	-	-	-	-	-	4,366,697	(76,830,530)	72,463,833	-	-	-
Total comprehensive income / (expense)		-	-	-	(777,674)	8,806,482	-	-	-	-	(67,559,015)	(59,530,207)	(1,621,118)	(61,151,325)
-Other comprehensive income (expense)		-	-	-	(777,674)	8,806,482	-	-	-	-	-	8,028,808	368,834	8,397,642
-Net profit (loss) for the period		-	-	-	-	-	-	-	-	-	*(67,559,015)*	*(67,559,015)*	*(1,989,952)*	*(69,548,967)*
Balances at 30 June 2017	**22**	**552,000,000**	**77,198,813**	**76,944**	**(777,674)**	**66,358,996**	**71,169,629**	**(17,590,552)**	**191,532,907**	**(520,461,036)**	**(67,559,015)**	**351,949,012**	**3,494,594**	**355,443,606**

The accompanying notes form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Note reference	(Reviewed) Current Period 1 January- 30 June 2017	(Reviewed) Prior Period 1 January- 30 June 2016
CASH FLOWS FROM OPERATING ACTIVITIES		**(2,857,347)**	**(4,417,094)**
Net loss for the period		(69,548,967)	(44,674,610)
Profit / (Loss) continuing operations		(69,548,967)	(44,674,610)
Adjustments to reconcile profit / (loss) for the period		**98,560,684**	**84,402,428**
Adjustments related to depreciation and amortization expenses	14, 15	17,644,648	25,160,495
Adjustments related to impairment / (reversal)			
Adjustments related to impairment / (reversal) of receivables	*27*	*8,792,102*	*8,570,678*
Adjustments related to provision for impairment of inventories	*11*	*366,501*	*1,528,440*
Adjustments related to impairment (reversal) of other intangible assets	*29*	*56,614,730*	*47,078,290*
Adjustments related to impairment (reversal) of investment property	*13*	*2,300,400*	*(3,631,970)*
Adjustments related to provisions			
Adjustments related to (reversal) of provision for employment benefits	*19*	*5,436,175*	*2,024,324*
Adjustments related to litigation and legal provisions (reversal)	*17*	*1,553,716*	*(8,303,744)*
Adjustment related to other provisions (reversals)		*(424,030)*	*1,309,043*
Adjustment related to partipication share & expenses from other financial instruments		*-*	*(207,709)*
Adjustments related to interest (income) / expense			
Adjustments related to interest income	*26*	*(787,722)*	*(1,247,084)*
Adjustments related to interest expense	*30*	*21,425,546*	*19,360,602*
Unearned finance income due to term purchases	*26*	*(6,587,990)*	*(3,954,075)*
Unearned finance revenue due to term sales	*27*	*2,601,556*	*2,165,525*
Adjustments related to unrealized currency translation differences		2,213,243	(2,428,815)
Adjustment related to correction of value losses (gains)			
Adjustment related to fair value losses (gains) of derivative financial instruments		-	1,058,093
Adjustments related to undistributed profits of investments accounted at equity method			
Adjustments related to undistributed profits of associates	*12*	*844,010*	*588,368*
Adjustments related to tax (income) / expense	31	(12,894,044)	(7,130,450)
Adjustments regarding to (gain) / loss on sale of fixed assets			
Adjustments related to (gain) / loss on sale of tangible assets	*28, 29*	*(538,157)*	*(9,847)*
Adjustments related to profit (loss) reconciliation	14	-	2,472,264
Changes in working capital		**(24,322,176)**	**(43,056,436)**
Adjustments related to (increase) / decrease in trade receivables			
(Increase) / decrease in trade receivables from related parties		*(2,992,932)*	*(11,802,487)*
(Increase) / decrease in trade receivables from third parties		*(8,002,188)*	*(51,294,616)*
Adjusments related to (increase) / decrease in inventories		633,943	(2,227,497)
(Increase) / decrease in prepaid expenses		(30,079)	(891,748)
Adjustments related to increase / (decrease) in trade payables			
Increase / (decrease) in trade payables to related parties		*(8,875,811)*	*(2,377,387)*
Increase / (decrease) in trade payables to third parties		*(12,355,770)*	*21,285,226*
Increase / (decrease) in payables related to employee benefits	10	968,128	2,938,201
Increase / (decrease) in deferred income		7,078,291	11,973,508
Adjustments related to other increase / (decrease) in working capital			
(Increase) / decrease in other assets related to operating activities		*(652,414)*	*38,962*
(Decrease) / increase in other liabilities related to operating activities		*(93,344)*	*(10,698,598)*

The accompanying notes form an integral part of these consolidated financial statements.

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

	Note reference	(Reviewed) Current Period 1 January- 30 June 2017	(Reviewed) Prior Period 1 January- 30 June 2016
Cash generated from operations		**4,689,541**	**(3,328,618)**
Employment benefits paid	17, 19	(7,656,551)	(3,608,555)
Payments related to other provisions	17	(1,622,989)	-
Taxes returns / (payments)	31	(1,221,461)	531,439
Other cash inflows / (outflows)	8.26	2,954,113	1,988,640
CASH FLOWS FROM INVESTING ACTIVITIES		**8,752,314**	**2,397,155**
Cash inflows from sale of tangible intangible assets and investment properties			
Proceeds from sales of tangible intangible assets and investment properties	*13, 14, 15*	*1,713,591*	*1,612,539*
Cash outflows from purchase of tangible and intangible assets			
Purchases of tangible assets	*14*	*(3,940,645)*	*(3,703,679)*
Purchases of intangible assets	*15*	*(5,667,808)*	*(4,439,642)*
Cash inflows from sale of investment property	13	15,573,944	-
Dividends received	28	285,510	167,281
Interests received		787,722	8,760,656
CASH FLOWS FROM FINANCING ACTIVITIES		**1,447,262**	**(55,343,114)**
Cash inflows from borrowing			
Bank borrowings utilized		*143,938,549*	*83,965,639*
Cash outflow related to payments of debt			
Bank borrowings paid		*(128,924,733)*	*(121,718,939)*
Dividends paid		-	(61,145)
Interests paid	30	(13,611,122)	(17,561,436)
Other cash inflows / (outflows)	6	44,568	32,767
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF EXCHANGE RATE CHANGES		**7,342,229**	**(57,363,053)**
Effects of exchange rate changes on cash and cash equivalents		106,018	355,378
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**7,448,247**	**(57,007,675)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**5**	**24,295,720**	**86,987,420**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**5**	**31,743,967**	**29,979,745**

The accompanying notes form an integral part of these consolidated financial statements

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Hürriyet Gazetecilik ve Matbaacılık A.Ş. ("Hürriyet" or the "Company") was established in 1960 and is registered in Turkey. The Company undertakes journalism, printing, advertising, internet publishing activities and operates seven printing plants in Turkey with locations in İstanbul, Ankara, İzmir, Adana, Antalya, Trabzon and Germany.

Doğan Şirketler Grubu Holding A.Ş. ("Doğan Holding") is the majority ownership in the Company. Aydın Doğan and Doğan Family (Işıl Doğan, Arzuhan Yalçındağ, Vuslat Sabancı, Hanzade V. Doğan Boyner and Y. Begümhan Doğan Faralyalı) are ultimate shareholders of the Company.

As of 30 June 2017, the Group's average number of personnel is 1,844 (31 December 2016: 2,050).

The address of the registered office is as follows:

100. Yıl Mahallesi, 2264 Sokak No:1
34204 Bağcılar/İstanbul
Turkey

The Company is registered of the Capital Markets Board ("CMB") and its shares have been quoted on the Borsa İstanbul A.Ş. ("BİAŞ or "Borsa" or "BİST") since 25 February 1992. In accordance with the resolution numbered 21/655 on 23 July 2010 and amendment held on 30 October 2014 of CMB; according to the records of Central Registry Agency (CRA); shares representing 22.34% as of 30 June 2017 (31 December 2016: 22.34%) of Hürriyet are accepted as "in circulation". As of the date of the report, this ratio is 22.34% (Note 22).

Subsidiaries

The name of the Company's subsidiaries ("Subsidiaries"), the nature of the business and geographic segments are as follows:

Subsidiaries	Registered country	Geographic segment	Nature of business
Yenibiriş İnsan Kaynakları Hizmetleri Danışmanlık ve Yayıncılık A.Ş. ("Yenibiriş")	Turkey	Turkey	Internet publishing
Glokal Dijital Hizmetler Pazarlama ve Ticaret A.Ş. ("Glokal")	Turkey	Turkey	Internet publishing
Hürriyet Zweigniederlassung GmbH. ("Hürriyet Zweigniederlassung")	Germany	Europe	Newspaper publishing
Hürriyet Invest B.V. ("Hürriyet Invest")	Netherlands	Europe	Investment
Trader Media East ("TME")	Jersey	Europe	Investment
TCM Adria d.o.o.	Croatia	Europe	Investment
Mirabridge International B.V.	Netherlands	Europe	Investment
ZAO Pronto Akzhol	Kazakhstan	Russia and EE	Newspaper and internet publishing
TOO Pronto Akmola	Kazakhstan	Russia and EE	Newspaper and internet publishing
OOO Pronto Atyrau	Kazakhstan	Russia and EE	Newspaper and internet publishing
OOO Pronto Aktobe	Kazakhstan	Russia and EE	Newspaper and internet publishing
OOO Pronto Aktau	Kazakhstan	Russia and EE	Newspaper and internet publishing
OOO Pronto Baikal	Russia	Russia and EE	Newspaper and internet publishing
OOO Pronto Kazan	Russia	Russia and EE	Newspaper and internet publishing
OOO Pronto Oka	Russia	Russia and EE	Newspaper and internet publishing
OOO Utro Peterburga	Russia	Russia and EE	Newspaper and internet publishing
OOO Pronto Samara	Russia	Russia and EE	Newspaper and internet publishing
ID Impress Media Marketing LLC	Russia	Russia and EE	Publishing
OOO Rukom	Russia	Russia and EE	Internet publishing
OOO Pronto Media Holding	Russia	Russia and EE	Newspaper and internet publishing
OOO Rektcentr	Russia	Russia and EE	Newspaper and internet publishing
Publishing House Pennsylvania Inc.	United States of America	Russia and EE	Investment
OOO SP Belpronto	Belarus	Russia and EE	Newspaper and internet publishing
Publishing International Holding B.V.	Netherlands	Europe	Investment

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Joint Ventures	Registered country	Geographic segment	Nature of business
ASPM Holding B.V. ("ASPM")	Netherlands	Europe	Internet publishing
TOV E-Prostir	Ukraine	Europe	Internet publishing
SP Pronto Kiev	Ukraine	Europe	Newspaper and internet publishing

Associates

Associates of the Company, registered countries, nature of businesses, geographic segments are as follows:

Associates	Registered country	Geographic segment	Nature of business
Dogan Media International GmbH ("Dogan Media")	Germany	Europe	Newspaper publishing

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Preparation and presentation of financial statements

Statement of Compliance with TAS

The accompanying consolidated financial statements are prepared in accordance with 2016 TAS Taxonomy based on the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets" and Turkish Accounting Standarts ("TAS") and Turkish Financial Reporting Standarts ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"), which is developed by POA in accordance with paragraph 9(b) of Decree Law No.660 and announced to the public with Decree No: 30 dated 2 June 2016, subsequently further binded to CMB Decree No: 22/805 dated 15 July 2016 and announced to the public by CMB weekly bulletin No: 2016/22 dated 15 July 2016.

The Group has prepared its financial statements in accordance with TAS 34 "Interim Financial Reporting" in accordance with the CMB Communiqué Serial XII, No. 14.1 and announcements to this Communiqué, regarding the interim financial statements preparation and reporting for the interim period ended on 30 June 2017.

The Group maintain their books of account and prepare their statutory financial statements in TRY in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

These consolidated financial statements are based on the statutory records, which are maintained under historical cost basis except investment properties and derivative instruments, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Turkish Accounting Standarts.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

Adjustment to the financial statements in hyperinflationary periods

Based on the 17 March 2005 dated and 11/367 numbered decision of CMB, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB and POA requirements, effective from 1 January 2005. Accordingly, TAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied in accompanying consolidated financial statements for the accounting periods starting 1 January 2005.

2.1.2 Financial statements of Subsidiaries, Associates and Joint Ventures operating in foreign countries

Financial statements of subsidiaries, associates and joint ventures that are operating in foreign countries are prepared in accordance with applicable laws and regulations in countries in which they are registered and required adjustments and reclassifications are reflected for the purpose of fair presentation in accordance with the Group's accounting policies.

If the Group companies' functional currency is different from its presentation currency, the functional currency is translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates; and all resulting exchange differences are recognised as a separate component of equity and statements of comprehensive income (currency translation reserve).

When a foreign operation is partially disposed of or sold, exchange differences recorded in equity are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.1.3 Consolidation principles

The consolidated financial statements include the accounts of the parent company, Hürriyet, its Subsidiaries and its Joint Ventures (collectively referred as the "Group") on the basis set out in sections (a) to (d) below. The financial statements of the companies included in the consolidation are based on historical cost of the statutory records and for the purpose of fair presentation in accordance with the accounting policies described in Note 2.1.1 and Note 2.1.2 and application of uniform accounting policies and presentations; adjustments and reclassifications. Financial statements of consolidated entities are prepared in accordance with the TAS.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

Subsidiaries and joint ventures acquired or disposed of during the accounting period are included in the consolidation from the date at which the control of operations are transferred to the Group and excluded from the consolidation when the control is lost. Even if non-controlling interests result in a deficit balance, total comprehensive income is attributed to the owners and to the non-controlling interests.

Income and expenses of a subsidiary, acquired or disposed of the during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Accounting policies used in the preparation of these consolidated financial statements are summarized as below:

(a) Subsidiaries

Subsidiaries comprise entities which Hürriyet directly and indirectly controls. Control is achieved when the Group:

- Has power of over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to at least one of the elements of control listed above.

The Group considers all the relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, over vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made (including voting patterns at previous shareholders' meetings).

Subsidiaries are consolidated by full consolidation method by the date the Group takes the control. From the date the control is over, subsidiaries are excluded from the consolidation scope. Proportion of ownership interest represents the effective shareholding of the Group through the shares held by Hürriyet and/or indirectly by its subsidiaries.

The financial statements of profit or loss of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company and its subsidiaries is eliminated against the related equity. Intercompany transactions and balances between the Company and its subsidiaries are eliminated on consolidation. The dividends arising from shares held by Hürriyet in its subsidiaries are eliminated from equity and income for the period. In case of necessity, adjustments are made to the accounting policies in the financial statements of subsidiaries in order to comply with the Group's accounting policies.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

Changes in share capital of the Group's existing subsidiaries:

Changes in the Group's ownership interests in subsidiaries that do not result in the loss of control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TAS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TAS 39 "Financial instruments: recognition and measurement", when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The Subsidiaries and their effective ownership interests at 30 June 2017 and 31 December 2016 are as follows:

	Proportion of voting power held by Hürriyet and its Subsidiaries (%)		**Effective ownersihp interest (%)**	
Subsidiaries	**30 June 2017**	**31 December 2016**	**30 June 2017**	**31 December 2016**
Yenibiriş A.Ş.	100.00	100.00	100.00	100.00
Glokal	100.00	100.00	100.00	100.00
Hürriyet Zweigniederlassung	100.00	100.00	100.00	100.00
Hürriyet Invest	100.00	100.00	100.00	100.00
TME	97.29	97.29	97.29	97.29
ID Impress Media Marketing LLC	91.00	91.00	88.53	88.53
TCM Adria d.o.o. (1)	100.00	100.00	97.29	97.29
Mirabridge International B.V.	100.00	100.00	97.29	97.29
ZAO Pronto Akzhol	80.00	80.00	77.83	77.83
TOO Pronto Akmola	100.00	100.00	97.29	97.29
OOO Pronto Atyrau	80.00	80.00	77.83	77.83
OOO Pronto Aktobe (2)	-	64.00	-	62.26
OOO Pronto Aktau	80.00	80.00	77.83	77.83
OOO Pronto Baikal (3)	100.00	100.00	97.29	97.29
OOO Pronto Kazan (4)	72.00	72.00	70.05	70.05
OOO Pronto Oka (5)	100.00	100.00	97.29	97.29
OOO Utro Peterburga (5)	55.00	55.00	53.51	53.51
OOO Pronto Samara	100.00	100.00	97.29	97.29

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

	Proportion of voting power held by Hürriyet and its Subsidiaries (%)		Effective ownersihp interest (%)	
Subsidiaries	**30 June 2017**	**31 December 2016**	**30 June 2017**	**31 December 2016**
OOO Rukom (6)	100.00	100.00	97.29	97.29
OOO Pronto Media Holding	100.00	100.00	97.29	97.29
OOO SP Belpronto	60.00	60.00	58.37	58.37
OOO Rektcentr	100.00	100.00	97.29	97.29
Publishing House Pennsylvania Inc	100.00	100.00	97.29	97.29
Pronto Ust Kamenogorsk (7)	-	80.00	-	77.83
Publishing International Holding BV	100.00	100.00	97.29	97.29

(1) The subsidiary is in the process of liquidation as of 12 June 2017.
(2) The subsidiary was liquidated as of 7 June 2017.
(3) The subsidiary was liquidated as of 5 July 2017.
(4) The subsidiary is in the process of liquidation as of 30 November 2015.
(5) Subsidiaries ceased its operations before 2010.
(6) The subsidiary ceased its operations in 2012.
(7) The subsidiary was liquidated as of 22 February 2017.

Associates and joint ventures are recognized using the "equity method" in these consolidated financial statements. Under the equity method, an investment in associate or a joint venture is recognized in the consolidated statement of financial position at cost adjusted to recognize the Group's share of the profit or loss and other comprehensive income with the deduction of any impairment loss in the associate or a joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

Group and its associates or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Equity accounting method is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate or the significant influence of the Group ceases.

(b) Associates and joint ventures

Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Hürriyet and one or more other parties.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which only exists when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

In accordance with the amendments to TFRS 11 effective from 1 January 2013, joint ventures are started to be recognised under the equity method for which the details are presented below starting from this date and the related amendments are applied retrospectively and financial statements are restated accordingly.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but do not have control or joint control over those policies. Associates and joint ventures mentioned above are accounted for using the equity method of accounting. Under the equity method, an investment in associate or a joint venture is recognized in the consolidated statement of financial position at cost adjusted to recognize the Group's share of the profit or loss and other comprehensive income with the deduction of any impairment loss in the associate or a joint venture. Where the investment's share of losses in the associate or joint venture exceeds the Group's share in the associate or joint venture (including any long-term investments that, in substance, form part of the Group's net investment in the associate or joint venture), the exceeding portion of losses are not recognised. Consideration of additional loss is only possible in case the Group has been exposed to legal liability or has made to payments in the name of associate or joint venture.

Unrealized gains on transactions between the Group and its associates are restated in proportion to the Group's share in the associate and unrealized losses are also restated when there is no indication of impairment of the transferred asset. The Group ceases to use the equity method when they don't fall under obligations with respect to associates, the carrying value of the associates is zero or the significant influence of the Group is over.

(c) Non-controlling interests

The share of non-controlling interests over the net assets and operational results of subsidiaries are classified as "non-controlling interest" in the consolidated balance sheet and statement of profit or loss.

(d) Financial investments

Financial investments in which the Group and its subsidiaries, have less than 20%, or more than 20% direct or indirect participation but the Group has no significant influence over the related assets, or which are immaterial to consolidated financial statements are classified as available for sale financial assets. Available for sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be measured reliably are carried at cost less any allowance for impairment (Note 6).

2.1.4 Offsetting

Financial assets and liabilities will be presented in net in case of required legal claim, having objectives for net evaluations of mentioned assets and liabilities or in conditions where acquisition and fulfillment of obligations are hold simultaneously.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

2.1.5 Comparative information and restatement of prior period financial statements

The consolidated financial statements of the Group are prepared comparatively with the previous period to identify the financial position and performance trends. In order to maintain consistency, with current period consolidated financial statements. Comparative information is reclassified and significant changes are disclosed if necessary. Consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended are preapared comperatively with the financial statements prepared as at and the year then ended 31 December 2016. In the current period, in case of a necessity, prior period financial statements are reclassified in order to comply with the presentation of its current period consolidated financial statements and significant changes are explained.

2.1.6 Significant accounting policies and changes in accounting estimates and errors and restatement of previously reported financial statements

Changes in accounting policies arising from the first time adaptation of a new TAS are applied retrospectively or prospectively in accordance with the respective TAS transition requirements, if any. Where there are no transition requirements for any changes or optional significant changes in accounting policies and identified accounting errors, those are applied retrospectively and prior period financial statements are restated accordingly.

2.1.7 Amendments in International Financial Reporting Standards ("TFRS")

During the reporting period, there are no standards or interpretations affecting the Group's financial performance, balances, presentation or disclosure. However, below are the standards that are valid for the current period and have no impact on the financial statements of the Group and the standards and interpretations that are not yet effective and have not been early adopted by the Group.

a) The new standards, amendments and interpretations which are effective for the financial statements as of 30 June 2017:

- TAS 7, 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- TAS 12, 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruements measured at fair value.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

- Annual improvements 2014 - 2016;
- TFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

b) Standards, amendments and interpretations effective after 30 June 2017:

- TFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

- TFRS 9, 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- TFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- TFRS 15, 'Revenue from contracts with customers', effective from annual periods begining on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

- TFRS 16, ‘Leases’, effective from annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, ‘Revenue from Contracts with Customers’, is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- TFRS 4, ‘Insurance contracts’ regarding the implementation of TFRS 9, ‘Financial Instruments’, effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

  - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard - TAS 39.

- TAS 40, Investment property’ relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- Annual improvements 2014–2016;

  - TFRS 1, ‘First-time adoption of TFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
  - TAS 28, ‘Investments in associates and joint ventures’ regarding measuring an associate or joint venture at fair value effective 1 January 2018.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

- TFRS 22, 'Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

- TFRS 17, 'Insurance contracts', effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The above-mentioned standards are expected to be effective in 2017 and the following years. The Company has not yet determined the effects that may arise on the financial statements as a result of the application of such standards and expects to have no significant effect on the financial statements of such differences.

2.2 Summary of significant accounting policies

2.2.1 Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

a) A person or a close member of that person's family is related to a reporting entity if that person:

  i. has control or joint control over the reporting entity;
  ii. has significant influence over the reporting entity; or
  iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

  i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  iii. Both entities are joint ventures of the same third party.
  iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  vi. The entity is controlled or jointly controlled by a person identified in (a).
  vii. A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Under the guidance of the explanations mentioned above and also in compliance with TAS 24, Doğan Holding directly or indirectly has participation, including any entities under common control; real persons and/or legal entities that have direct or indirect individual or joint control over the company and their close family members (relatives up to second-degree) and legal entities having direct or indirect individual or joint control by them and legal entities having significant effect over the Company or their key management personnel; Company's subsidiaries and members of the Board of Directors, key management personnel and their close family members (relatives up to second-degree) and real persons and/or legal entities that are directly or indirectly controlled individually or jointly (Note 33).

2.2.2 Financial assets

In accordance with TAS 39, the Group classifies its financial instruments as "available-for-sale" and "loans and receivables". All financial assets are recognised at cost including transaction costs in the initial measurement.

The Group's "available for sale financial assets" comprise of quoted equity instruments and certain debt securities that are traded in an active market and they are measured at fair value. Unrealized gains or losses on an available-for-sale financial asset shall be recognised in equity, through the investments revaluation reserves and comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity shall be recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established (Note 6).

"Loans and receivables" are financial assets that have fixed or determinable payments and non-derivative financial assets that are not quoted in an active market.

2.2.3 Trade receivables and provision for doubtful receivables

The Group's trade receivables from providing goods or services to customers are carried at net of unrealized finance income ("unearned financial income due to sales with maturity"). Trade receivables, net of unrealized finance income, are calculated by discounting future cash inflows of receivables carried at the original invoice amount using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Effective interest method is calculating the present value in accordance with the compound interest basis. The rate determined by compound interest basis and applied in this method is named "effective interest rate". Short term receivables with indefinite interest rate are carried at cost unless the effect of imputing interest is significant (Note 8).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

Provision is allocated for receivables when the Group has an objective indication over the collectability. The Group also set allowance for the receivables which are overdue for more than one year unless there is no guarantee and collaterals taken or special agreement. The amount of the provision is the difference between the carrying amount and the recoverable amount. Recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collaterals discounted based on using the original effective interest rate of the trade receivable occurred. The management evaluates the possibility of reserving provision for doubtful receivables when the trade receivables are uncollectible and unguaranteed, in legal proceedings or due more than the regular commercial day terms.

If there is a partial or whole collection over the doubtful receivable amount subsequent to the allocation of provision for doubtful receivables, the collected portion is recognised as other income following the write-down of the total provision amount (Note 8, 26 and 27).

2.2.4 Impairment of assets excluding goodwill and intangible assets with indefinite useful lives

At each balance sheet date, the Group evaluates whether there are any indications that an asset other than goodwill or intangible assets with indefinite useful lives may be impaired. When an indication of impairment exists, carrying value of the assets is compared with the net realizable value which is the higher of value in use and fair value less costs to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment exists if the carrying value of an asset or a cash generating unit including that asset is greater than its recoverable amount. Impairment losses are recognised in the consolidated statement of income (Note 15).

2.2.5 Inventories

Inventories are valued at the lower of cost or estimated selling price less estimated costs necessary to make a sale. Cost elements included in inventory are purchase costs and other costs necessary to prepare the asset for its intended use. Cost elements included in inventories are materials, labor and production overheads. The unit cost of inventories is determined on the weighted average basis (Note 11).

When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down. The management evaluates the inventory impairment amount (if any) as of the balance sheet dates (Note 11).

Promotion materials

Assessment of impairment on promotion materials and determination of impairment amount is carried out by the Group management. Impairment amount is determined by considering the purchase dates and rates identified by management (Note 11).

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

2.2.6 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. As of the date of the report, the properties held for a currently undetermined future use by the Group management, have been classified as investment properties

Subsequent to initial recognition, at the end of each year when there is an indication of impairment, in accordance with the appraisal reports obtained from licensed real estate appraisal organizations under the Capital Market Legislation, investment properties are stated at fair value which reflects the market conditions as of the statement of financial position date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise. Deferred tax liability/asset has been calculated from all the temporary differences from investment properties.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in the period of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The difference between fair value and cost value, as of the date in which the change has occured, is recognized as revaluation fund under other comprehensive income (Note 13).

2.2.7 Property, plant and equipment

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses (Note 14). Depreciation is provided on property, plant and equipment on a straight-line basis (except land). The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Land and land improvements	8-20 years
Buildings	30-50 years
Machinery and equipment	3-15 years
Furniture and fixtures	3-15 years
Motor vehicles	5 years
Leasehold improvements	2-20 years

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

Useful life and depreciation are reviewed regularly and the Group also reviews the consistency of the useful life and depreciation method applied with the economic benefits to be obtained from the underlying assets.

Gains or losses on disposals of property, plant and equipment are determined with respect to the difference between collections received and carrying amounts of property, plant and equipment and are included in income and expenses from investment activities account, as appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset plus the residual value of the related assets.

Repair and maintenance expenses are charged to the consolidated statement of income as they are incurred. Capital expenditures that increase the present value of the future cash flows expected to be derived from property, plant and equipment by increasing its capacity is added to the cost of tangible fixed asset.

2.2.8 Intangible assets and amortisation

Intangible assets excluding goodwill and assets with infinite useful lives comprise trade names and licenses, customer lists, computer software and rights, internet domain names and other intangible assets. All trade names, customer lists and internet domain names have been identified as a result of independent valuations performed for the purchase price allocation related with the business combinations. Useful lives of certain trade names are determined to be indefinite. Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually (Note 15).

Estimated useful lives of the intangible assets with finite useful lives are as follows:

Trade names	20 years
Customer lists	9 and 18 years
Computer software and rights	5-15 years
Domain names	3-20 years
Other intangible assets	5 years

Intangible assets with finite useful lives are carried at their acquisition cost and amortised using the straight-line method over their estimated useful lives (Note 15).

Intangible assets with finite useful lives are evaluated for impairment losses and if the book value exceeds the recoverable value, a provision is reserved to decrease the book value to recoverable value. Recoverable amount is considered to be the higher of future net cash flows of the intangible asset or the fair value less costs to sell. Impairment losses are recognized immediately in the consolidated income statement (Note 29).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

The Group evaluates whether there are any indications that an asset other than goodwill or infinite life intangible assets may be impaired. When an indication of impairment exists, carrying value of the assets is compared with the net realizable value which is the higher of value in use and fair value less costs to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment exists if the carrying value of an asset or a cash generating unit including that asset is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell.

<u>Web page development costs</u>

Costs associated with developing web pages are capitalized and are amortized over their estimated useful lives (Note 15). Following the planning phase and operation; all costs are recognized as expense. Maintenance costs of web pages are accounted as operational expenses.

2.2.9 Significant accounting estimates, assumptions and decisions

Useful lives of intangible assets

Useful lives of some trademarks are expected to be indefinite by the Group management. Where useful life is definite, in case of useful lives of 20 years, such intangible assets' amortization would have increased by TRY 4,938,787 (30 June 2016: TRY 3,441,846) and their loss before tax would have increased by TRY 4,938,787 (30 June 2016: TRY 3,441,846).

Group amortizes trade names, customer lists and domain names with definite useful lives specified in Note 2.2.8.

If the useful lives of tradenames, customer lists and domain names differ from the management's estimates by 10%, the effects on the financial statements would be as follows:

- Had the useful lives been higher by 10%, amortization charges would have decreased by TRY 448,981 and loss before tax would have decreased by TRY 448,981 (30 June 2016: TRY 312,895) or

- Had the useful lives been lower by 10%, amortization charges would have increased by TRY 548,754 and loss before tax would have increased by TRY 548,754 (30 June 2016: TRY 382,427).

Impairment of intangible assets

The Group conducted intangible asset impairment analysis as of 30 June 2017 and 31 December 2016 according to the details occured as explained below:

The recoverable amounts of cash generating units have been calculated using value in use model. Value in use is measured based on estimated cash flows after tax using financial budgets covering five-year period and EBITDA (profit margin before budgeted interest, taxes, amortization and depreciation, impairment charges and other non-operating expenses) expectations play an important role in thes calculations.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

Discount rates and EBITDA margin increase rates for projected cash flows following the five-year period are as below:

	30 June 2017		31 December 2016	
	EBITDA margin rate (%)	Discount rate (%)	EBITDA margin rate (%)	Discount rate (%)
TME	44.1	18.0	42.9	18.0

The Group has set an impairment on intangible assets in consolidated financial statements as of 1 January - 30 June 2017 and 1 January - 31 December 2016 in the amount of TRY 56,614,730 and TRY 77,148,188. Impairment of intangibles occured because of the under budget performance of TME (Note 15, 29).

If the calculations performed and evaluated as in the current period; if the discount rate applied to cash flow projections on cash-generating units, will be higher for 1% from the management's estimates, as of
30 June 2017 the Group had to recognize more impairment amounting TRY 18,249,659 (31 December 2016: TRY 21,970,366) on the financial statements and the profit before taxes had to be increased by TRY 18,249,659 (31 December 2016: TRY 21,970,366).

If the EBITDA rate applied to cash flow projections on cash-generating units, will be higher for 5% from the management's estimates, as of 30 June 2017 the Group had to recognize more impairment amounting TRY 20,775,855 (31 December 2016: TRY 31,081,948) on the financial statements and the profit before taxes had to be increased by TRY 20,775,855 (31 December 2016: TRY 31,081,948).

2.2.10 Taxes

Taxation on income includes current period income taxes and deferred taxes. Current year tax liability consists of tax liability on period income calculated according to currently enacted tax rates and tax legislation in force as of balance sheet date and includes adjustments related to the previous year's tax liabilities. Turkish tax legislation does not permit a parent company to file a consolidated tax return for its subsidiary and its joint venture. Therefore, tax provisions, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities (Note 31).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they are related to income taxes levied by the same taxation authority (Note 31).

Current and deferred tax

Tax is included in the statement of profit or loss, unless it is related to an operation that is accounted directly under equity. Otherwise, tax is accounted under equity as well as the related transaction (Note 31).

2.2.11 Financial borrowings and borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the profit or loss as finance expense over the period of the borrowings. The borrowing costs which are directly related with the acquisition, manufacturing or production of a specialty good (means that a long period of time is required to make available for sale and use as purposed) are capitalized as a part of the related asset (Note 7).

2.2.12 Employment termination benefits

The Group is required to pay termination benefits to employees who is retired, whose employment is terminated without due causes in Labour Law, in accordance with the Law related with The Arrangement of the Relationships within the Employees in Press Sector (employees in media sector) and other laws. The total provision represents the present value of future probable obligation of the Group arising from the retirement of its employees regarding the actuarial projections.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

The provision for employment termination benefit represents the present value of the estimated total reserves of the future probable liability of the Group arising from the retirement of the employees measured in accordance with the Turkish Labour and Press Labour Laws (Note 19).

According to the amendment in TAS 19, the Group calculated employment benefit in accordance with the report prepared by the actuarial firm and recognised all actuarial loss and gains in the other comprehensive statement of profit or loss as of balance sheet date.

2.2.13 Provisions, contingent assets and liabilities

Provisions are recognised when the Group has a present legal or constructive obligation or a result of past events, it is probable that on outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Contingent liabilities are assessed continually to determine whether an outflow of resources comprising economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs except in the extremely rare circumstances where no reliable estimation can be made.

The Group has disclosed the contingent liability if it becomes probable, but no reliable estimation can be made on the amounts of resources comprising economic benefits.

Possible assets that arisen from past events and whose existence will be confirmed only by the Group occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the treated as contingent assets. A contingent asset is disclosed where an inflow of economic benefit is probable.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 17).

2.2.14 Share capital and dividends

Ordinary shares are classified as equity. Dividend income is recognised as income by the Group when right to obtain of dividend is generated in the consolidated financial statements. Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders (Note 22).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

2.2.15 Foreign currency transactions

Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements are presented in Turkish Lira, which is the functional currency of the Company.

Foreign currency transactions and balances

Income and expenses arising in foreign currencies have been translated into TRY at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the consolidated statement of income.

Foreign group companies

The results of Group undertakings using a measurement currency other than TRY are first translated into TRY by using the average exchange rate for the period. The assets and liabilities of such Group undertakings are translated into TRY by using the closing rate at the balance sheet date. Differences arising on retranslation of the opening net assets of such Group undertakings and differences between the average and period-end rates are included in currency translation reserve in the equity.

The Group has monetary receivables and payables from foreign operations which a group company has no intention or possibility to pay back. Foreign exchange differences arisen from these receivables accounted in currency translation differences under equity, and in case of sale of the subsidiary, the accumulated exchange differences will be classified to profit or loss.

A significant portion of the Group's foreign operations are performed in Russia, Europe and Eastern Europe countries (Note 3). Foreign currencies and exchange rates at 30 June 2017 and 31 December 2016 are summarized below:

Country	Currency	30 June 2017	31 December 2016
Russia	Ruble	0.0591	0.0573
Eurozone	Euro	4.0030	3.7099
United States of America	Dollar	3.5071	3.5192
Romania	New Leu	0.8741	0.8131
Kazakhstan	Tenge	0.0109	0.0106

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

2.2.16 Revenue recognition

Revenue is the fair value amount of sales of goods and services received or receivable which is resulted from Group's operations. Net sales represent the invoiced value of goods/services shipped less any trade discounts, rebates or commissions and are presented with the elimination of intercompany balances.

Revenue is initially recognized at the fair value of the consideration received or receivable when it can be measured reliably and when there is an inflow of economic benefits. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The interest rate used in discounting, is the rate to discount nominal amount of the receivable to the amortised cost of the related goods or services given (Note 23).

The difference between the fair value and the nominal amount of the consideration is recognized as financing income on the related periods (Note 26).

<u>Revenues from advertisement</u>

Revenues from advertisement are recognised on an accrual basis based on the time of publishing. Unpublished part of the advertisement is recorded as deferred revenue in balance sheet.

<u>Revenues from newspaper sales</u>

Revenues from newspaper sales are recognised on a matching principle at the time of delivery of the newspapers by the distribution company to the vendor at the invoiced values. Provision for newspaper sales returns is accounted at the time of delivery based on past experiences and other related information.

<u>Revenues from printing services</u>

Revenues from printing services arise from printing services given to Group companies and third parties by using Group's printing facilities. Related income is recognised on an accrual basis at the time of services given.

<u>Interest income</u>

Interest income is recognized on accruals basis in accordance with effective interest yield method.

<u>Rental income</u>

Rental income is recognized on an accrual basis.

<u>Other income</u>

Other income is recognized on an accrual basis.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

2.2.17 Barter agreements

The Group provides advertising services in return for advertisement and other products and services. When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a revenue generating transaction. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a revenue generating transaction. Revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. If the fair value of the goods or services received is not measured reliably, the revenue is measured at the fair value of the goods or services supplied, adjusted by the amount of any cash or cash equivalents transferred (Note 18). Barter agreements is recognized on an accrual basis.

2.2.18 Profit / (loss) per share

Profit / (loss) per share disclosed in the consolidated statements of income are determined by dividing net profit / (loss) for the period by the weighted average number of shares that have been outstanding during the period concerned (Note 32).

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares "bonus shares" to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by considering the retrospective effects of the issuances of the shares (Note 22).

2.2.19 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments without a significant risk over the change in their value, whose maturity at the time of purchase is three months or less (Note 4).

2.2.20 Subsequent events

In the case that events requiring a correction to be made occur subsequent to the balance sheet date, the Group makes the necessary corrections to the consolidated financial statements.

In the case that events not requiring a correction to be made occur subsequent to the balance sheet date, those events are disclosed in the notes of consolidated financial statement (Note 37).

2.2.21 Reporting of cash flows

In the statement of cash flows, consolidated cash flows during the period are classified under operating, investing or financing activities.

The cash flows raised from operating activities indicate cash flows due to the Group's operations.

The cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (investments in non-current assets and financial investments).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment.

Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and and bears no risk of change in present value and highly liquid with 3 months or less to maturity (Note 4).

2.2.22 Non-current assets held for sale and discontinued operations

Assets held for sale are operations that the Group disposes of or classified as available for sale and cash flows which can be treated as a part separately from the Group. Non-current assets held for sale and discontinued operations represents a separate major line of business or geographical area of operations; is part of single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The Group must evaluate its discontinued operations with the lower of carrying value and fair values less costs to sell.

Discontinued operations are components of an entity that either have been disposed of or represented as a major part of an entity separately from the Group's operations and cash flows. Operating results as of the Group has ceased its control over its disposal groups are presented separately under "discontinued operations" in the consolidated statement of profit or loss. Prior period consolidated statement of profit or loss is restated for comparative purposes and the results of discontinued operations are also classified under the "discontinued operations" account.

Gain/ (loss) and tax expense occurring from the sale are included to the results of operations of discontinued operations. Gain/ (loss) amount from the sale is calculated as the difference between the book value of net assets disposed and sales value.

2.2.23 Segment reporting

The chief operating decision maker of the Group is the Executive Committee and /or Board of Directors. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group has selected the geographical segment as the Group's primary segment reporting format based on the risks and returns in geographical areas reflecting the primary source of the enterprise's risks and returns (Note 3).

2.2.24 Derivative instruments and Hedge accounting

Derivative financial instruments, predominantly foreign currency and interest swap agreements and foreign currency forward agreements are initially recognised at their acquisition costs plus the transaction costs. Derivative financial instruments are subsequently remeasured at their fair value. All derivative financial instruments are classified as financial assets at fair value through profit or loss. Fair values of derivative financial instruments are obtained from quoted market prices or discounted cash flow models as appropriate. Based on positive or negative fair value, derivative financial instruments are carried as assets or liabilities respectively.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

Based on the fair value assessment, changes in the fair value of derivatives at fair value through profit or loss are included in the statement of profit or loss.

In the case of future cash flows being subject to cash flow hedges and related transactions being effective, the effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized directly in equity whereas the ineffective portion is recognized immediately in the statement of profit or loss.

If the cash flow hedge of a firm commitment or an expected forward transaction result in the recognition of an asset or liability, at the initial recognition of this asset or liability the gain or loss previously recognized under equity related to derivatives are included in the measurement of the initial amount of the asset or liability. In a hedge accounting that does not result in the recognition of an asset or liability, the amounts previously recognized under equity are transferred to statement of profit or loss in the period in which the hedged item has an effect on profit or loss. The changes in the fair value of derivatives that do not meet the criteria for hedge accounting are recognized in the statement of profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

According to valuation studies, changes in the fair value of derivatives at fair value through profit or loss are included in the statement of comprehensive income.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING

a) Segmental analysis for the period between 1 January - 30 June 2017:

	Turkey	Russia and EE	Europe	Total
Sales	241,317,867	15,401,044	17,679,387	274,398,298
Cost of sales (-)	(134,738,650)	(9,919,001)	(15,721,145)	(160,378,796)
Gross operating profit	**106,579,217**	**5,482,043**	**1,958,242**	**114,019,502**
Marketing expenses (-)	(58,401,586)	(7,360,444)	-	(65,762,030)
Losses from investments accounted by the equity method (-)	(844,010)	-	-	(844,010)
Net segment result	**47,333,621**	**(1,878,401)**	**1,958,242**	**47,413,462**
General administrative expenses (-)	-	-	-	(49,575,939)
Other operating income	-	-	-	15,150,666
Other operating expenses (-)	-	-	-	(15,902,939)
Finance expenses (-)	-	-	-	(22,400,650)
Income from investing activities	-	-	-	5,578,110
Expense from investing activities (-)	-	-	-	(62,705,721)
Loss before tax	-	-	-	**(82,443,011)**
Tax expenses for the period	-	-	-	(431,761)
Deferred tax income	-	-	-	13,325,805
Loss for the period	-	-	-	**(69,548,967)**

b) Segmental analysis for the period between 1 April - 30 June 2017:

	Turkey	Russia and EE	Europe	Total
Sales	125,487,801	8,801,811	8,729,866	143,019,478
Cost of sales (-)	(67,424,590)	(5,394,512)	(8,416,812)	(81,235,914)
Gross operating profit	**58,063,211**	**3,407,299**	**313,054**	**61,783,564**
Marketing expenses (-)	(30,947,261)	(2,292,611)	-	(33,239,872)
Losses from investments accounted by the equity method (-)	(328,033)	-	-	(328,033)
Net segment result	**26,787,917**	**1,114,688**	**313,054**	**28,215,659**
General administrative expenses (-)	-	-	-	(23,734,475)
Other operating income	-	-	-	5,276,000
Other operating expenses (-)	-	-	-	(3,708,218)
Finance expenses (-)	-	-	-	(10,788,350)
Income from investing activities	-	-	-	2,643,962
Expense from investing activities (-)	-	-	-	(62,248,636)
Loss before tax	-	-	-	**(64,344,058)**
Tax expenses for the period	-	-	-	(345,391)
Deferred tax income	-	-	-	15,241,953
Loss for the period	-	-	-	**(49,447,496)**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

c) Segmental analysis for the period between 1 January - 30 June 2016:

	Turkey	Russia and EE	Europe	Total
Sales	257,967,443	15,099,116	17,591,649	290,658,208
Cost of sales (-)	(140,408,475)	(9,545,193)	(15,784,356)	(165,738,024)
Gross operating profit	**117,558,968**	**5,553,923**	**1,807,293**	**124,920,184**
Marketing expenses (-)	(60,373,998)	(2,033,106)	-	(62,407,104)
Losses from investments accounted by the equity method (-)	(588,368)	-	-	(588,368)
Net segment result	**56,596,602**	**3,520,817**	**1,807,293**	**61,924,712**
General administrative expenses (-)	-	-	-	(51,967,903)
Other operating income	-	-	-	28,839,104
Other operating expenses (-)	-	-	-	(24,364,835)
Finance expenses (-)	-	-	-	(26,808,515)
Income from investing activities	-	-	-	7,650,666
Expense from investing activities (-)	-	-	-	(47,078,289)
Loss before tax	-	-	-	**(51,805,060)**
Tax expenses for the period	-	-	-	(3,031,420)
Deferred tax income	-	-	-	10,161,870
Loss for the period	-	-	-	**(44,674,610)**

d) Segmental analysis for the period between 1 April - 30 June 2016:

	Turkey	Russia and EE	Europe	Total
Sales	135,586,332	8,421,544	8,420,889	152,428,765
Cost of sales (-)	(72,010,023)	(5,477,928)	(8,016,585)	(85,504,536)
Gross operating profit	**63,576,309**	**2,943,616**	**404,304**	**66,924,229**
Marketing expenses (-)	(30,518,212)	(1,144,954)	-	(31,663,166)
Losses from investments accounted by the equity method (-)	(311,887)	-	-	(311,887)
Net segment result	**32,746,210**	**1,798,662**	**404,304**	**34,949,176**
General administrative expenses (-)				(23,593,904)
Other operating income				19,757,701
Other operating expenses (-)				(14,476,846)
Finance expenses (-)				(18,863,637)
Income from investing activities				6,612,174
Expense from investing activities (-)				(47,072,407)
Loss before tax				**(42,687,743)**
Tax expenses for the period				(2,954,917)
Deferred tax income				6,237,133
Loss for the period				**(39,405,527)**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

e) Segment assets:

	30 June 2017	31 December 2016
Turkey	597,874,180	574,755,125
Russia and EE	226,522,177	312,480,102
Europe	37,963,960	37,201,440
	862,360,317	**924,436,667**
Unallocated assets (i)	2,112,183	1,870,648
Investments accounted by the equity method (Note 12)	9,982,016	7,368,572
Total assets per consolidated financial statements	**874,454,516**	**933,675,887**

(i) Group's assets other than segment assets include prepaid taxes (Note 21), VAT receivables (Note 21), prepaid taxes and funds and deferred taxes assets (Note 31).

f) Segment liabilities:

	30 June 2017	31 December 2016
Turkey	84,103,324	82,300,721
Russia and EE	12,631,893	10,750,931
Europe	9,319,525	15,602,255
	106,054,742	**108,653,907**
Unallocated liabilities (i)	412,956,168	408,427,049
Total liabilities per consolidated financial statements	**519,010,910**	**517,080,956**

(i) Group's liabilities other than other segments liabilities is composed of financial borrowings (Note 7), other provisions (Note 17), employee termination benefits (Note 19), current tax liability and deferred tax liabilities (Note 31).

g) Property, plant and equipment, intangible assets and investment property purchases anddepreciation and amortization

Property, plant and equipment, intangible assets and investment property purchases:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Turkey	16,992,307	11,769,164	14,784,427	4,011,781
Russia and EE	3,175,722	1,487,853	1,921,036	903,785
Europe	11,586	10,379	33,145	11,114
Total	**20,179,615**	**13,267,396**	**16,738,608**	**4,926,680**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

Depreciation and amortization charges:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Turkey	12,138,386	5,821,308	16,379,888	7,901,919
Russia and EE	4,631,127	2,526,084	7,291,992	3,129,215
Europe	875,135	438,981	1,488,615	1,108,766
Total	**17,644,648**	**8,786,373**	**25,160,495**	**12,139,900**

h) Non-cash other expenses:

	1 January - 30 January 2017			
	Turkey	Russia and EE	Europe	Total
Impairment of intangible assets (Note 15)	-	(56,614,730)	-	(56,614,730)
Provision for impairment of investment property (Note 28, 29)	(2,300,400)	-	-	(2,300,400)
Provision of retirement pay and unused vacation (Note 17, 19)	(4,520,007)	(916,168)	-	(5,436,175)
Provision for doubtful receivables (Note 8, 27)	(8,195,958)	(596,144)	-	(8,792,102)
Provision of legal claims (Note 17, 27)	(1,553,716)	-	-	(1,553,716)
Provision of inventory impairment (Note 11)	(366,501)	-	-	(366,501)
	(16,936,582)	**(58,127,042)**	-	**(75,063,624)**

	1 January - 30 June 2016			
	Turkey	Russia and EE	Europe	Total
Impairment of intangible assets (Note 15)	(3,058,538)	(44,019,751)	-	(47,078,289)
Provision of retirement pay and unused vacation (Note 17, 19)	(2,915,530)	(776,576)	-	(3,692,106)
Provision for impairment of investment property (Note 26)	(3,631,970)	-	-	(3,631,970)
Expenses from financial instruments	(1,058,093)	-	-	(1,058,093)
Provision for doubtful receivables (Note 8, 27)	(7,820,702)	(749,976)	-	(8,570,678)
Provision of legal claims (Note 27)	(1,309,043)	-	-	(1,309,043)
Provision of inventory impairment (Note 11)	(1,528,440)	-	-	(1,528,440)
	(21,322,316)	**(45,546,303)**	-	**(66,868,619)**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 4 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
Cash	3,835,401	3,867,744
Banks		
- time deposits	19,062,243	17,233,880
- demand deposits	8,846,323	3,194,096
Total	**31,743,967**	**24,295,720**

Cash and cash equivalents included in the consolidated statements of cash flows as of 30 June 2017, 31 December 2016, 30 June 2016 and 31 December 2015 are as follows:

	30 June 2017	31 December 2016	30 June 2016	31 December 2015
Cash and banks	31,743,967	24,295,720	29,979,745	86,987,420
Total	**31,743,967**	**24,295,720**	**29,979,745**	**86,987,420**

The maturity analysis of time deposits is as follows:

	30 June 2017	31 December 2016
0-1 months	19,062,243	17,233,880
	19,062,243	**17,233,880**

The average interest rate for TRY time deposits is 13.75% as of 30 June 2017 (31 December 2016: 9.50%), for USD average interest rate is 0.60% (31 December 2016: None) and the interest rates are fixed.

NOTE 5 - DERIVATIVE INSTRUMENTS

Derivative instruments for hedging:

	30 June 2017	31 December 2016
Derivative instruments	972,092	-
Total	**972,092**	-

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 6 - FINANCIAL INVESTMENTS

Short-term financial investments:

The details of restricted bank balances at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
Restricted bank balances	66,932	111,500
Toplam	**66,932**	**111,500**

Long-term financial investments:

The details of available for sale financial assets balances at 30 June 2017 and 31 December 2016 are as follows:

	Share (%)	30 June 2017	Share (%)	31 December 2016
Doğan Faktoring A.Ş. ("Doğan Faktoring")	5.11	1,029,898	5.11	1,029,898
Coats İplik Sanayi A.Ş.	0.50	257,850	0.50	257,850
Other	<1	56,073	<1	56,073
Total		**1,343,821**		**1,343,821**

Since the financial assets in financial investments are not traded in the active market that are shown by deduction the provision for impairment on cost values.

NOTE 7 - CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

The details of financial liabilities at 30 June 2017 and 31 December 2016 are as follows:

Short-term borrowings:	30 June 2017	31 December 2016
Short-term bank borrowings	80,966,987	72,725,361
	80,966,987	**72,725,361**
Short term portion of long-term financial liabilities	55,639,878	75,259,960
Total	**136,606,865**	**147,985,321**

Long-term borrowings:	30 June 2017	31 December 2016
Long-term bank borrowings	175,159,650	139,729,311
Total	**175,159,650**	**139,729,311**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 7 - CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (Continued)

Bank borrowings:

The details of bank borrowings at 30 June 2017 and 31 December 2016 are as follows:

	Effective interest rate (%)		Original foreign currency		TRY	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Short-term bank borrowings						
- TRY	12.69	12.65	65,237,156	57,530,221	65,237,156	57,530,221
- Russian Ruble	13.15	13.20	265,000,000	265,093,164	15,729,830	15,195,140
Sub-total					**80,966,987**	**72,725,361**
Short-term portion of long-term bank borrowings						
- TRY	11.95	13.50	54,204,903	73,601,778	54,204,903	73,601,778
- Euro	5.71	3.75	358,475	446,961	1,434,975	1,658,182
Sub-total					**55,639,878**	**75,259,960**
Total short-term bank borrowings					**136,606,865**	**147,985,321**
Long-term bank borrowings						
- Euro	-	3.75	-	133,186	-	494,106
- Russian Ruble	12.25	-	275,700,000	-	16,364,553	-
- TRY	13.25	13.25	158,795,097	139,235,205	158,795,097	139,235,205
Total long-term bank borrowings					**175,159,650**	**139,729,311**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 7 - CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (Continued)

The repayment schedules of long-term bank borrowings are as follows:

Year	30 June 2017	31 December 2016
2018	56,364,553	99,563,489
2019	118,795,097	40,165,822
Total	**175,159,650**	**139,729,311**

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at balance sheet dates are as follows:

Period	30 June 2017	31 December 2016
Up to 6 months	74,480,352	17,971,871
6 -12 months	62,126,513	130,013,450
1 to 5 years	175,159,650	139,729,311
Total	**311,766,515**	**287,714,632**

Carrying value of the financial liabilities is considered to approximate their fair value since discount effect is not significant.

Group borrows loans on fixed interest rate. Distribution interest rates on loans are presented in Note 34.1 (i).

The Group's bank borrowings is none with variable interest rate as of 30 June 2017 (31 December 2016: None.).

NOTE 8 - TRADE RECEIVABLE AND PAYABLES

Short-term trade receivables net off of unearned finance income at 30 June 2017 and 31 December 2016 are as follows:

Short-term receivables from third parties:

	30 June 2017	31 December 2016
Trade receivables	243,628,848	240,202,004
Notes and cheques receivable	3,469,923	3,665,493
Credit cards receivables	2,037,786	7,071,215
Income accruals	988,274	2,216,013
Unearned finance income		
due from term sales	(2,360,104)	(2,780,744)
Less: Provision for doubtful receivables	(51,929,389)	(46,020,143)
Short-term trade receivables	**195,835,338**	**204,353,838**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 8 - TRADE RECEIVABLE AND PAYABLES (Continued)

According to a revocable factoring agreement signed with Doğan Factoring Hizmetleri A.Ş., trade receivables resulting from advertisements, amounting to TRY 133,310,045 (31 December 2016: TRY 137,135,478) are followed up by Doğan Factoring Hizmetleri A.Ş. ("Doğan Factoring"). Group has not transferred the risk of default of the above mentioned receivables and has continued to recognize its balance sheet. These receivables are related to commercial advertisements and classifieds. Weighted average maturity of the Group's sales followed up by Doğan Factoring is 106 days (31 December 2016: 111 days). The unearned finance income due from term sales related with the receivables followed up by Doğan Factoring is TRY 1,074,782 (31 December 2016: TRY 1,081,406) and the compound interest rate is 13.92% per annum (31 December 2016: 12.68%).

As of 30 June 2017 the average maturity days of trade receivables that are not followed by Doğan Faktoring are less than 4 months.

The movements of provision for doubtful receivables are as follows:

	2017	2016
1 January	**(46,020,143)**	**(50,359,674)**
Additions during the period (Note 27)	(8,792,102)	(8,570,678)
Collections during the period (Note 26)	2,954,113	1,988,640
Currency translation differences	(71,257)	501,934
30 June	**(51,929,389)**	**(56,439,778)**

Short term payables to third parties:

Trade payables at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
Short-term trade payables	36,882,314	48,999,963
Expense accruals	6,808,223	4,258,964
Unrealized financial expenses due to term purchases	(214,371)	(198,679)
Total	**43,476,166**	**53,060,248**

As of 30 June 2017, average turn over date of Group's trade payables is 37 days (31 December 2016: 38 days). As of 30 June 2017, unrealized financial expense due to term purchases is TRY 214,371 (31 December 2016: TRY 198,679) and the compound interest rate is 13.92% per annum (31 December 2016: 12.68%). The compound interest used in the calculations are defined as the effective interest rate; the rate the rate has been determined taking into consideration of data of The Central Bank of the Republic of Turkey.

Explanations about the nature and level of risks related to trade receivable and payables are provided in Note 34.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 9 - OTHER RECEIVABLE AND PAYABLES

Other short-term receivables from non-related parties

Other short-term receivables at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
Other receivables related sale of investment property [(1)]	1,741,523	1,449,526
Deposits and guarantees given	607,725	607,786
Due from personnel	-	48,757
Total	**2,349,248**	**2,106,069**

(1) The receivables arisen from the sale of the building located in Güvenevler district in Çankaya, Ankara.

Other long-term receivables from non-related parties

Other long-term receivables at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
Deposits and guarantees given	1,880,078	1,562,496
Other receivables related sale of investment property [(1)]	1,075,619	1,878,291
Total	**2,955,697**	**3,440,787**

(1) The receivables arisen from the sale of the building located in Güvenevler district in Çankaya, Ankara.

Other short-term payables at 30 June 2017 and 31 December 2016 are as follows:

Short term trade payables to third parties:

	30 June 2017	31 December 2016
Taxes payable	6,800,353	8,118,486
Deposits and guarantees received	612,351	636,625
Other payables	387,930	136,823
Total	**7,800,634**	**8,891,934**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 10 - PAYABLES REGARDING BENEFITS PROVIDED TO EMPLOYEES

Employee benefit payables as of 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
Social security premiums	3,130,556	5,376,706
Due to personnel	4,429,586	1,215,308
Total	**7,560,142**	**6,592,014**

NOTE 11 - INVENTORIES

	30 June 2017	31 December 2016
Raw materials and supplies	8,404,266	12,557,934
Finished goods and merchandise	6,889,352	3,225,408
Promotion materials (1)	4,748,522	5,181,097
	20,042,140	**20,964,439**
Provision for impairment of inventory	(7,162,936)	(7,220,465)
Total	**12,879,204**	**13,743,974**

(1) Promotion materials include promotion materials such as books, CDs and DVDs provided to readers.

Provision for impairment of promotion inventories, raw materials and supplies and finished goods and merchandise goods amounting to TRY 7,162,935 (30 June 2016: TRY 9,491,905) and their movement during the period are as follows:

	2017	2016
1 January	**(7,220,465)**	**(9,421,898)**
Provision for promotion inventories	(183,319)	(543,359)
Reversal of provision for promotion materials	374,297	444,021
Provision for raw materials and supplies	(183,182)	(985,081)
Reversal of provision for raw materials and supplies	49,733	1,014,412
30 June	**(7,162,936)**	**(9,491,905)**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 12 - INVESTMENTS ACCOUNTED BY THE EQUITY METHOD

As of 30 June 2017 and 31 December 2016, the corresponding portion of associate's and joint venture's current assets, non-current assets, short-term and long-term liabilities and shareholders' equity, which are consolidated with the equity method in accordance with TFRS 11 are as follows:

Associate	30 June 2017 percentage of shares, directly or indirectly owned by Hurriyet and its Subsidiaries (%)	31 December 2016 percentage of shares, directly or indirectly owned by Hurriyet and its Subsidiaries (%)
Doğan Media International GmbH ("Doğan Media")	42.42	42.42

Profit and loss resulting from transactions between the Group Companies and its associate are eliminated with the direct proportion of the ownership percentage.

As of 30 June 2017, the Group's share of financial statements which are valued by equity method, are as follows:

30 June 2017	Total assets	Total liabilities	Net assets	Net sales	Net loss for the period
Doğan Media	8,488,361	(1,493,655)	9,982,016	5,178,030	(844,010)
	8,488,361	**(1,493,655)**	**9,982,016**	**5,178,030**	**(844,010)**

The summary of Group's share of the financial statements of the investments accounted by the equity method at 31 December 2016 is as follows:

31 December 2016	Total assets	Total liabilities	Net assets	Net sales	Net loss for the period
Doğan Media	8,579,485	1,210,913	7,368,572	14,744,115	(391,280)
	8,579,485	**1,210,913**	**7,368,572**	**14,744,115**	**(391,280)**

The investments accounted by the equity method as of 30 June 2017 and 31 December 2016 are as follows:

	Share (%)	30 June 2017	Share (%)	31 December 2016
Dogan Media	42.42	9,982,016	42.42	7,368,572
		9,982,016		**7,368,572**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 12 - INVESTMENTS ACCOUNTED BY EQUITY METHOD (Continued)

The summary of Group's share in the financial statements of the investments accounted by the equity method at 30 June 2017 and 2016 is as follows:

	2017	2016
1 January	**7,368,572**	**6,566,895**
Loss from associates	(844,010)	(588,368)
Currency translation differences	3,457,454	228,163
30 June	**9,982,016**	**6,206,690**

NOTE 13 - INVESTMENT PROPERTY

The movements in investment property as of 30 June 2017 and 2016 are as follows:

Fair value:	Lands	Buildings	Total
1 January 2017	**172,682,904**	**54,982,813**	**227,665,717**
Additions [1]	-	10,571,162	10,571,162
Disposal [1]	-	(15,573,944)	(15,573,944)
Change in fair value adjustment (Note 28, 29)	(973,000)	(1,327,400)	(2,300,400)
Currency translation differences	-	(3,391)	(3,391)
30 June 2017	**171,709,904**	**48,649,240**	**220,359,144**

(1) Disposals and additions due from the sale of investment properties occurred via barter agreements.

The Group's rent income from investment properties amounted to TRY 1,758,468 as of 30 June 2017 (30 June 2016: TRY 1,709,775). The Group's direct operating expenses arising from the investment properties in the period amounted to TRY 63,476 (30 June 2016: TRY 116,799).

There is no collateral or mortgage on investment properties as of 31 December 2017 and 2016.

	Lands	Buildings	Total
1 January 2016	**65,940,285**	**20,996,821**	**86,937,106**
Additions [1]	-	8,595,287	8,595,287
Disposal [1]	-	(945,122)	(945,122)
Change in fair value adjustment	1,365,000	2,266,970	3,631,970
Currency translation difference	-	517,117	517,117
Transfer	-	21,500,000	21,500,000
30 June 2016	**67,305,285**	**52,931,073**	**120,236,358**

(1) Disposals and additions due from the sale of investment properties occurred via barter agreements.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 13 - INVESTMENT PROPERTY (Continued)

The information and fair value hierarchy level classification of lands and buildings are as follows 30 June 2017 and 31 December 2016:

		Fair valueas at reporting date		
	30 June 2017	**Level 1 TL**	**Level 2 TL**	**Level 3 TL**
Land	171,709,904	-	-	171,709,904
Building	48,649,240	-	-	48,649,240

		Fair valueas at reporting date		
	31 December 2016	**Level 1 TL**	**Level 2 TL**	**Level 3 TL**
Land	172,682,904	-	-	172,682,904
Building	54,982,813	-	-	54,982,813

The fair value of the Group's investment property as at 31 December 2016 has been arrived at on the basis of a valuation carried out by independent valuers not related to the Group. The valuer which is authorized by Capital Markets Board and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values of the lands were determined based on the market comparable approach that reflects recent transaction prices for similar properties.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment and related accumulated depreciation for the period ended 30 June 2017 are as follows:

	1 January 2017	Currency translation differences	Additions	Disposals	30 June 2017
Cost					
Land and land improvements	25,687,467	827,993	-	-	26,515,460
Buildings	99,088,044	2,698,717	775,909	-	102,562,670
Machinery and equipment	580,571,195	6,690,499	575,541	(117,781)	587,719,454
Motor vehicles	7,664,799	-	199,915	(987,266)	6,877,448
Furnitures and fixtures	48,641,305	371,041	452,044	(1,850,942)	47,613,448
Leasehold improvements	13,371,109	5,171	169,903	-	13,546,183
Other intangible assets	2,512,394	198,492	-	-	2,710,886
Construction in progress	748,547	1,387	1,767,333	(16,205)	2,501,062
	778,284,860	**10,793,300**	**3,940,645**	**(2,972,194)**	**790,046,611**
Accumulated amortization					
Land and land improvements	(604,691)	-	(14,188)	-	(618,879)
Buildings	(48,272,145)	(1,770,294)	(2,074,113)	-	(52,116,552)
Machinery and equipments	(545,365,544)	(6,616,761)	(6,028,960)	113,833	(557,897,432)
Motor vehicles	(2,182,455)	-	(620,998)	819,251	(1,984,202)
Furnitures and fixtures	(41,906,804)	(317,651)	(1,857,240)	1,593,531	(42,488,164)
Leasehold improvements	(8,683,218)	(5,148)	(727,191)	-	(9,415,557)
Other intangible assets	(1,193,241)	(96,538)	(124,532)	-	(1,414,311)
	(648,208,098)	**(8,806,392)**	**(11,447,222)**	**2,526,615**	**(665,935,097)**
Net book value	**130,076,762**				**124,111,514**

As at 30 June 2017 and 2016 there are no tangible fixed assest in machinery and equipment group which have been acquired through leasing.

At 30 June 2017, there are mortgages on property, plant and equipment amounting to TRY 20,015,000 (31 December 2016: TRY 24,114,350) (Note 18).
At 30 June 2017 depreciation expense amounting to TRY 8,496,965 (30 June 2016: TRY 12,928,103) is added to cost of sales (Note 23), amounting to TRY 2,950,257 (30 June 2016: TRY 2,626,935) is added to marketing, selling and distribution and general administrative expenses (Note 24).

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movements of property, plant and equipment and related accumulated depreciation for the period ended 30 June 2016 are as follows:

	1 January 2016	Currency translation differences	Additions	Disposals	Transfers [1]	Adjustments [2]	30 June 2016
Cost							
Land and land improvements	18,228,354	74,639	-	-	-	100,919	18,403,912
Buildings	173,155,205	532,216	224,885	-	(17,752,819)	(2,320,720)	153,838,767
Machinery and equipment	568,761,000	632,027	1,311,446	(31,277)	-	32,461	570,705,657
Motor vehicles	1,972,163	-	1,081,955	(206,865)	-	1,859,007	4,706,260
Furnitures and fixtures	46,797,304	484,297	1,014,147	(534,327)	-	(1,863,848)	45,897,573
Leasehold improvements	12,545,794	19,089	49,241	-	-	(7,010)	12,607,114
Other intangible assets	1,205,571	10,168	22,005	-	-	-	1,237,744
Construction in progress	198,845	92,935	-	-	-	(213,382)	78,398
	822,864,236	**1,845,371**	**3,703,679**	**(772,469)**	**(17,752,819)**	**(2,412,573)**	**807,475,425**
Accumulated amortization							
Land and land improvements	(728,959)	-	(17,958)	-	-	160,605	(586,312)
Buildings	(75,052,003)	(181,505)	(2,350,199)	-	7,413,616	321,205	(69,848,886)
Machinery and equipment	(513,868,610)	(600,949)	(10,486,075)	286	-	(400,796)	(525,356,144)
Motor vehicles	(1,699,363)	-	(189,131)	-	-	(1,228)	(1,889,722)
Furnitures and fixtures	(37,766,267)	(60,153)	(2,321,834)	361,184	-	(168,077)	(39,955,147)
Leasehold improvements	(5,965,091)	(14,111)	(87,409)	-	-	28,599	(6,038,011)
Other intangible assets	(814,833)	(5,244)	(102,432)	-	-	-	(922,509)
	(635,895,126)	**(861,962)**	**(15,555,038)**	**361,470**	**7,413,616**	**(59,692)**	**(644,596,731)**
Net book value	**186,969,110**						**162,878,694**

(1) Group, reclassified its building located in Izmir Alsancak to investment properties.
(2) Group, reviewed its intangible assets and made some corrections.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 15 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortization for the period ended 30 June 2017 are as follows:

	1 January 2017	Currency translation differences	Additions	Disposals	Impairment [1]	30 June 2017
Cost						
Trade names and licenses	252,465,044	5,941,542	-	-	(23,120,717)	235,285,869
Customer list	272,772,032	8,227,828	-	(4,199,732)	(33,494,013)	243,306,115
Computer software and rights	81,097,693	320,773	700,134	(2,186,459)	-	79,932,141
Internet domain names	31,402,701	376,074	3,153,380	(275,958)	-	34,656,197
Other intangible assets	3,120,353	-	1,814,294	-	-	4,934,647
	640,857,823	**14,866,217**	**5,667,808**	**(6,662,149)**	**(56,614,730)**	**598,114,969**
Accumulated amortization						
Trade names and licenses	(36,526,314)	(104,470)	(153,174)	-	-	(36,783,958)
Customer list	(232,937,961)	(6,829,201)	(2,316,484)	4,196,394	-	(237,887,252)
Computer software and rights	(72,557,815)	(145,948)	(2,067,489)	1,459,942	-	(73,311,310)
Internet domain names	(18,996,603)	(230,764)	(1,589,835)	275,958	-	(20,541,244)
Other intangible assets	(2,637,315)	-	(70,444)	-	-	(2,707,759)
	(363,656,008)	**(7,310,383)**	**(6,197,426)**	**5,932,294**	**-**	**(371,231,523)**
Net book value	**277,201,815**					**226,883,446**

(1) As disclosed in note 2.2.9, Group has reviewed the carrying value of intangible assets and recognized impairment.

As of 30 June 2017 the total cost of trademark and licenses with indefinite useful life is TRY 197,551,496 (31 Deceöber 2016: TRY 215,940,100). Indetermining the useful life of aforementioned assets as indefinite, stability of the sector, changes in the market demand for the products or services provides through these assets, control duration over assets and other legal classifications have been taken into account.

As of 30 June 2017 the amortization expenses amounting TRY 1,276,296 has been recognized in cost of goods sold (Note 23) and TRY 4,921,130 in general administrative and marketing expenses (30 June 2016: TRY 9,605,457).

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 15 - INTANGIBLE ASSETS (Continued)

The movements in intangible assets and related accumulated amortization for the period ended 30 June 2016 are as follows:

	1 January 2016	Currency translation differences	Additions	Disposals	Impairment (1)	Adjustments	30 June 2016
Cost							
Trade names and licenses	176,420,551	21,014,170	-	-	(28,476,904)	-	168,957,817
Customer list	204,506,950	22,058,669	-	-	(15,542,847)	-	211,022,772
Computer software and rights	69,630,856	729,113	2,654,655	(167,995)	(5,679,975)	(2)	67,166,652
Internet domain names	22,228,391	(3,489,194)	1,784,987	(417,990)	-	-	20,106,194
Other intangible assets	3,142,438	(647,345)	-	-	(17,500)	3,671	2,481,264
	475,929,186	**39,665,413**	**4,439,642**	**(585,985)**	**(49,717,226)**	**3,669**	**469,734,699**
Accumulated amortization							
Trade names and licenses	(21,127,428)	(1,120,665)	(517,606)	-	-	-	(22,765,699)
Customer list	(119,747,127)	(11,985,092)	(5,535,594)	-	-	-	(137,267,813)
Computer software and rights	(58,796,023)	(718,387)	(2,841,890)	167,995	2,638,937	(18,272)	(59,567,640)
Internet domain names	(10,795,038)	296,296	(677,539)	171,419	-	-	(11,004,862)
Other intangible assets	(2,409,339)	526,054	(32,828)	-	-	14,603	(1,901,510)
	(212,874,955)	**(13,001,794)**	**(9,605,457)**	**339,414**	**2,638,937**	**(3,669)**	**(232,507,524)**
Net book value	**263,054,231**						**237,227,175**

(1) As disclosed in note 2.2.9, Group has reviewed the carrying value of intangible assets and recognized impairment.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 16 - GOVERNMENT GRANTS

None (31 December 2016: None).

NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As of 30 June 2017 and 31 December 2016, short term provisions are as follows:

	30 June 2017	31 December 2016
Provision for unused vacation rights	13,040,167	13,686,035
Provisions for lawsuit and compensation	5,406,363	5,473,663
Provisions for promotion	19,393	306,122
Total	**18,465,923**	**19,465,820**

i. Provision for unused vacation rights

Short Term Provisions of Employment Termination Benefits:

Movements of provision for unused vacation rights during the periods ended at 30 June 2017 and 2016 are as follows:

	2017	2016
1 January	**13,686,035**	**12,181,762**
Additions during the period	2,169,862	882,754
Payments related to provisions	(2,827,188)	(572,076)
Currency translation differences	11,458	537,007
30 June	**13,040,167**	**13,029,447**

ii. Provision for lawsuit and compensation

The lawsuits against the Group amounted to TRY 13,867,002 (31 December 2016: TRY 14,402,645). The Group recognises provision related to cases when there is a legal or valid liability resulting from past event and it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimation can be made of the amount of the obligation. As a result of these analyses, as of 30 June 2017 the Group has set a provision of TRY 5,406,363 for lawsuits (31 December 2016: TRY 5,473,663).

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

As at 30 June 2017 and 31 December 2016, the Group's ongoing lawsuits are as follows:

	30 June 2017	31 December 2016
Legal lawsuits	13,067,611	13,632,489
Labor lawsuits	794,391	765,156
Commercial lawsuits	5,000	5,000
Total	**13,867,002**	**14,402,645**

Movements of provision for lawsuits for the periods ending 30 June 2017 and 2016 are as follows:

	2017	2016
1 January	**5,473,663**	**12,735,687**
Additions during the period (Note 27)	1,553,716	1,309,043
Currency translation differences	1,973	340,544
Payments and reversals related to provisions (Note 26)	(1,622,989)	(6,845,311)
30 June	**5,406,363**	**7,539,963**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 18 - COMMITMENTS

Group's collaterals/pledge/mortgage ("CPM") position as of 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017		31 December 2016	
	Foreign Currency	TRY Equivalent	Foreign Currency	TRY Equivalent
A. CPM's given in the name of its own legal personality				
-Collaterals				
TL	2,701,127	2,701,127	2,070,443	2,070,443
Euro	25,000	100,075	25,000	92,748
-Mortgages	-	-	-	-
Euro	5,000,000	20,015,000	6,500,000	24,114,350
B. Total amount of CPM's given on behalf of the fully consolidated companies (1)				
-Commitments	-	-	-	-
TL	2,857,505	2,857,505	357,505	357,505
US Dollar	2,500,000	8,767,750	-	-
Euro	-	-	-	-
Russian Ruble	860,000,000	50,800,200	85,000,000	4,872,200
C. Total amount of CPM's given on behalf of third parties for ordinary course of the business	-	-	-	-
D. Total amount of other CPM's given	-	-	-	-
i) Total amount of CPM's given on behalf of the majority shareholder	-	-	-	-
ii) Total amount of CPM's given on behalf of other group companies which are not in scope of B and C	-	-	-	-
TL	-	-	-	-
US Dollar	-	-	-	-
Euro	-	-	-	-
Other	-	-	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-	-	-
		85,241,657		**31,507,246**

(1) Commitments given regarding to the borrowings obtained for the main operations of the Group, that are intended to meet various financial needs of subsidiaries.

CPM's given by the Group

There are no CMP's given to third parties.

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 18 - COMMITMENTS (Continued)

Commitments and contingencies which the Management does not expect significant losses or liabilities are as follows:

Barter agreements:

The Group, as a common practice in the media sector, enters into barter agreements which involve the exchange of goods or services without cash collections or payments. As of 30 June 2017, the Group has unused publication of advertisements commitment amounting to TRY 8,244,971 (31 December 2016: TRY 6,362,724) within these barter contracts. The Group has TRY 3,141,060 amounted receivables (31 December 2016: TRY 14,739,254) which were invoiced and recognized to finanacial statements but not yet goods or services were received.

NOTE 19 - PROVISION FOR EMPLOYMENT BENEFITS

Provision for employment termination benefits at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
Provision for employment termination benefits	43,636,374	45,199,424
Total	**43,636,374**	**45,199,424**

Except the legal requirements other than Turkey in which the Group operates, there are no pension plans and benefits.

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires. The amount payable maximum equals to one month of salary is TRY 4,426.16 as of 30 June 2017 (31 December 2016: TRY 4,297.21 TRY) for each year of service. In employee termination benefits provision calculation Group has taked into consideration the ceiling amount TRY 4,732.48 which is effective from 1 July 2017 (31 December 2016: TL 4,426.16 effective from 1 January 2017).

On the other hand Group is liable to make payments to personnel who work for a minimum of 5 years and whose employment is terminated due to any cause in accordance with the regulations with regards to Employees Employed in the Press Sector. The maximum payable amount is 30 days’ salary for each year of service. Employment termination benefit liabilities are not subject to any funding and there are no legal requirements for funding of these liabilities.

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Group.

Employee termination benefits aren’t subject to any funding. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 Employee Benefits, requires companies to compute their liabilities by developing actuarial assumptions within defined benefit plans.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 19 - PROVISION FOR EMPLOYMENT BENEFITS (Continued)

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 30 June 2016, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

The main actuarial assumptions used in the calculation of the total provision for employment benefits are as follows:

Discount rate is applied as %11.20 (1) (31 December 2016: 11.20%), inflation rate applied as 6.50% (2) (31 December 2016: 6.50%) and rate of increase in wages applied as 6.50% (31 December 2016: 6.50%) in the calculation.

Age of retirement is based on considering the Company's historical operating data and taken as the average age of retirement from the Group

(1) The discount rate used in the calculation of severance pay determined as 11.20 which is long term government bond's compound interest rate.
(2) The maximum range of inflation rate which is declared by Central Bank of Turkey has been used in retirement pay provision calculation.

The movements in provision for employment termination benefits during the periods ended at 30 June 2017 and 2016 are as follows:

	2017	2016
1 January	**45,199,424**	**42,254,261**
Service cost during the period	1,312,434	1,141,570
Interest cost during the period	1,953,879	1,667,782
Payments and reversal of provisions during the period	(4,829,363)	(3,036,479)
30 June	**43,636,374**	**42,027,134**

NOTE 20 - PREPAID EXPENSES

Short term prepaid expenses at 30 June 2017 and 31 December 2016 are as follows:

Short-term prepaid expenses

	30 June 2017	31 December 2016
Prepaid expenses (1)	4,549,666	4,519,587
Total	**4,549,666**	**4,519,587**

(1) Prepaid expenses are mostly composed of the prepaid rents and insurance expenses.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 20 - PREPAID EXPENSES (Continued)

Short-term deferred income

	30 June 2017	31 December 2016
Deferred revenue (2)	18,024,920	11,232,874
Received Advance	7,278,326	6,992,081
Total	**25,303,246**	**18,224,955**

(2) Deferred revenue is comprised by the subscription service sales and will be recognized as revenue as soon as services are used.

Long-term deferred income

	30 June 2017	31 December 2016
Deferred revenue	2,256,459	-
Toplam	**2,256,459**	**-**

NOTE 21 - OTHER ASSETS AND LIABILITIES

Other Current Assets

Other current assets at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
Advances given to personnel	2,571,188	2,197,130
Value added tax ("VAT") receivables	659,864	903,626
Prepaid taxes and funds	412,023	639,755
Other	938,903	786,844
Total	**4,581,978**	**4,527,355**

Other Short-Term Liabilities

Other short-term liabilities at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
Advances received	974,919	1,446,189
Other	422,060	474,428
Total	**1,396,979**	**1,920,617**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 22 - EQUITY

The Company adopted the registered share capital system and set a ceiling on its registered share capital representing registered type shares with a nominal value of TRY 1. There are no privileged shares. The Company's historical authorised and paid-in share capital at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
Registered share capital	800,000,000	800,000,000
Issued share capital	552,000,000	552,000,000

Companies in Turkey may exceed the limit for registered share capital in case of issuance of free capital shares to existing shareholders.

Aydın Doğan and Doğan family (Işıl Doğan, Arzuhan Yalçındağ, Vuslat Sabancı, Hanzade V. Doğan Boyner and Y. Begümhan Doğan Faralyalı) are the ultimate parent of the Company.

Shareholders	30 June 2017	Share (%)	31 December 2016	Share (%)
Doğan Holding [1]	428,616,468	77.65	428,616,468	77.65
Other shareholders (BİAŞ and other shareholders)	123,383,532	22.35	123,383,532	22.35
Issued share capital	**552,000,000**	**100.00**	**552,000,000**	**100.00**
Adjustment to share capital	77,198,813	-	77,198,813	
Total	**629,198,813**	**100.00**	**629,198,813**	**100.00**

In accordance with the Capital Markets Board's (the "CMB") Resolution No: 31/1059 30 October 2014 and Resolution No. 21/655 issued on 23 July 2010, it is regarded that 22.34% of the shares are in circulaton in accordance with CSD as of 30 June 2017 (31 December 2016: 22.34%) (Note 1). Shares in circulation rate is 22.34% as of reporting date.

Adjustment to share capital represents the difference between balances which restatement effect of cash contributions to share capital equivalent purchasing power and balance before the inflation adjustment calculated.

Premium / (discounts) on shares

The share premium of public offering represents the difference between with the nominal amount and the sales amount.

	30 June 2017	31 December 2016
Premium / (discounts) on shares	76,944	76,944
Total	**76,944**	**76,944**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 22 - EQUITY (Continued)

Restricted reserves

Restricted reserves are reserves which are reserved from profit of previous period for particular purposes (for instance, to advantage from sales of investment in associates without subjecting to profit distribution) except dividend distribution or any purposes for necessity of law and agreement.

The legal reserves are appropriated out in accordance with the Article 519 of Turkish Commercial Code (TCC) and are used according to the procedures specified in this Article. Related amounts have to be classified in "Restricted Reserves" in accordance with the CMB Financial Reporting Standards.

In accordance with the CMB Financial Reporting Standards, Company's restricted reserves amounting to TRY 191,532,907 as of 30 June 2017 (31 December 2016: TRY 187,166,210) consist of legal reserves and gain on sales of real estate.

Restricted reserves	**30 June 2017**	**31 December 2016**
Gain on sales of real estate (1)	149,296,831	147,517,827
Composition restricted reserves	41,552,086	39,284,095
Gain on sale of subsidiary	683,990	364,288
Total	**191,532,907**	**187,166,210**

(1) With the decision taken by the Group management, the real estate profit with the amount of TRY 199,062,441 occurred in statutory records in 2012 from the sale of lands located in Gaziemir and Esenyurt in 2014 and Ankara Cinnah in 2016 amounting to TRY 149,296,831 that benefits from the exemption (75%) referred to in Article 5-1/e of the Corporate Tax Law will not be involved in allocation of profits for periods 1 January 2012 - 31 December 2012, 1 January 2014 - 31 December 2014, 1 January 2016 - 31 December 2016 in compliance with the Tax Legislation, Capital Market Legislation and any other fiscal legislations, and will be deposited in a special fund account in liabilities.

Accumulated other comprehensive (expenses) / income that will not be reclassified in profit and loss

Other comprehensive expenses occurred from the losses based on revaluation and measurement and which are not to be reclassified in profit or loss, are related with the defined benefit plans and summarized below.

	30 June 2017	**31 December 2016**
Revaluation gains of property	71,169,629	71,169,629
Remeasurement losses in defined benefit plans	(17,590,552)	(17,590,552)
Total	**53,579,077**	**53,579,077**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 22 - EQUITY (Continued)

Revaluation and remeasurement gain/(losses)

Land and buildings which has been followed as a tangible asset can be transferred to investment properties when the purpose of use chages. During the year of 2016, the Group has reclassfied their land and buildings as investment properties and carried at fair value method. With the first transfer in 30 June 2017, the Group had fair value increase amounting to TRY 71,169,629 (31 December 2016: TRY 71,169,629) and this amount is accounted under the equity as gain on revaluation of property.

Remeauserement Gains / (Losses) in Defined Benefit Plans

Provision for employment benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Group. Group recognized all actuarial gains and losses in other comprehensive income. Remeasurement loss recognized under equity in the balance sheet amounts to TRY 17,590,552 (31 December 2016: TRY 17,590,552).

Gains / (Losses) on hedging

Changes in the fair value of derivative financial instruments that are designated and protected as financial derivatives of future cash flows are recognized directly in equity and in the inactive portion of profit or loss statement.

Accumulated other comprehensive (expenses) / income that may be reclassified in profit and (loss)

	30 June 2017	**31 December 2016**
Currency translation differences	66,358,996	57,552,514
Gain/loss on hedging	(777,674)	-
Total	**65,581,322**	**57,552,514**

Capital Reserves and Retained Earnings

Subsequent to the first inflation adjusted financial statements, equity items such as; "Capital, Emission Premiums, Legal Reserves, Statutory Reserves, Special Reserves and Extraordinary Reserves" are carried at carrying value in the balance sheet and their adjusted values are collectively presented in equity.

Based on the declaration of CMB, "Paid-in Capital", "Restricted reserves appropriated from profit" and "Share Premiums" is required to present by their amounts in statutory accounts. Differences arising from inflation adjustments:

- If the difference is arising due to the inflation adjustment of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment to Share Capital" following "Paid-in Capital";

- If the difference is due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilized in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings". Other equity items shall be carried at the amounts valued in accordance with CMB Financial Reporting Standards.

Capital adjustment differences can only be included to capital.

NOTE 22 - EQUITY (Continued)

Dividend distribution

The company takes dividend distribution decision in general board by taking into account Turkish Commercial Code (TCC), Capital Markets Law (CMB) and Capital Market Regulations, Corporate Tax, Income Tax, other relevant legislations and relevant legislations of the Articles of Association of the Company and "Dividend Distribution Policy".

On the other hand,

a) In early adaption of TAS/ TFRS, retained earnings resulted from redrafting of comparative financial statements in line with regulations,
b) “Equity inflation adjustment differences” resulting from restricted reserves without any record preventing dividend distribution,
c) Retained earnings resulting from the adjustments of financial statements according to inflation for the first time, can be distributed to the shareholders as dividend.

Besides, in case "Equity Effect Related to the Share Purchase" account is in the consolidated financial statement of equity, aforementioned account item is not considered as discount or premium item while calculating the net distributable profit.

Disclosure of net profit after deducting accumulated losses in records, which are prepared in accordance with tax legislations of companies’ and Uniform Chart of Accounts published by T.C. Ministry of Finance, and other resources which may be subject to profit distribution in the financial statements has been decided by CBM and as of balance sheet date, total net amount that can be subject to profit distribution according to legal records is TRY 207,263,912.

The principles of presentation prepared in accordance with TAS and TFRS published by the CMB in accordance with the provisions of CMB’s Communiqué on Principles of Financial Reporting in Capital Markets (Communiqué No: II-14.1) are prepared in accordance with CMB’s According to the Consolidated Financial Statements belonging to the period of 01.01.2016 - 31.12.2016; “Net Period Profit” amounted to TRY 72,463,833 when “Deferred Tax Revenue” and “Tax Charge for the Period” and “Non-controlling interests other than Parent Company” are taken into consideration together; “Previous Years’ Losses” amounting to TRY 404,269,466 and “General Statutory Legal Reserves” amounting to TRY 2,267,990 calculated in accordance with the CMB profit share guide announced in the Weekly Bulletin dated 27.01.2014 and numbered 2014/2 of the CMB, "General Legal Reserves" and Institutions Tax Exemptions within the scope of Article 5-1 / e of the Tax Law and transferred to the Special Fund within the scope of related regulations of the CMB's profit distribution, when it is taken into consideration in the Real Estate Sales Profits of TRY 1,779,004, shareholders should be informed that no profit can be distributed as a result of taxation, In the financial records of the accounting period of 01.01.2016 - 31.12.2016, which is held according to the Uniform Chart of Accounts issued by the Ministry of Finance, there is a "Period Profit" amounting to TRY 58,320,431; "Net Profit for the Period" was calculated as TRY 52,664,076 after the "Term Tax Payment" amounting to TRY 5,656,355 was paid from this amount; from this point. As a result of the "General Legal Reserves" amounting to TRY 2,267,990 in accordance with paragraph (1) of Article 519 of the Turkish Commercial Code, tax exemptions will be granted and transferred to the Special Fund within the scope of Article 5-1 / e of the Corporate Tax Law. After deducting the “Real Estate Sales Profits” amounting to TRY 1,779,004, the remaining amount of TRY 48,617,081 has been decided to be offset against the “Previous Years’ Losses” amounting to TRY 7,304,272 and the “Net Profit for the Period” amounting to TRY 41,312,809 has been transferred to the "Extraordinary Reserves" account is given.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 23 - SALES AND COST OF SALES

Sales:

The detail of sales for the years ended 30 June 2017 and 2016 are as follows:

	2017		2016	
	1 January - 30 June	**1 April 30 June**	**1 January - 30 June**	**1 April- 30 June**
Advertisement sales	172,562,361	93,044,838	189,149,299	103,596,416
Circulation and publishing sales	92,673,455	44,174,751	93,144,664	46,936,902
Other	9,162,482	5,799,889	8,364,245	1,895,447
Net sales	**274,398,298**	**143,019,478**	**290,658,208**	**152,428,765**
Cost of sales	(160,378,796)	(81,235,914)	(165,738,024)	(85,504,536)
Gross profit	**114,019,502**	**61,783,564**	**124,920,184**	**66,924,229**

Cost of Sales:

The details of cost of sales for the years ended 30 June 2017 and 2016 are as follows:

	2017		2016	
	1 January - 30 June	**1 April 30 June**	**1 January - 30 June**	**1 April- 30 June**
Raw material	(67,569,091)	(33,016,377)	(65,572,986)	(35,565,529)
Paper	*(42,237,540)*	*(21,617,426)*	*(40,942,284)*	*(20,316,563)*
Printing and ink	*(16,100,317)*	*(8,570,602)*	*(16,344,461)*	*(12,283,504)*
Other	*(9,231,234)*	*(2,828,349)*	*(8,286,241)*	*(2,965,462)*
Personnel expenses	(57,999,200)	(30,590,951)	(53,731,055)	(28,035,364)
Amortization (Note 14,15)	(9,773,261)	(4,662,142)	(12,928,103)	(7,413,928)
News agency expenses	(4,741,726)	(2,268,981)	(6,078,377)	(3,198,789)
Distribution, storage and travel expenses	(3,167,697)	(1,577,712)	(2,676,971)	(1,452,992)
Fuel, electricity, water and office expenses	(2,443,706)	(1,212,315)	(4,439,552)	(2,714,116)
Commissions	(2,082,370)	(1,045,989)	(2,389,662)	(1,275,061)
Maintenance and repair expenses	(1,675,350)	(913,835)	(1,830,438)	(921,392)
Outsourced services	(1,619,631)	(830,930)	(2,223,355)	(967,292)
Communication	(1,484,699)	(762,274)	(1,525,591)	(1,011,746)
Rent expenses	(1,306,551)	(667,527)	(1,531,217)	(795,915)
Packaging expenses	(847,299)	(399,781)	(751,051)	(58,872)
Other	(5,668,215)	(3,287,100)	(10,059,666)	(2,093,540)
Total	**(160,378,796)**	**(81,235,914)**	**(165,738,024)**	**(85,504,536)**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 24 - GENERAL ADMINISTRATIVE AND MARKETING EXPENSES

a) General administrative expenses:

	2017		2016	
	1 January - 30 June	1 April - 30 June	1 January - 30 June	1 April - 30 June
Personnel expenses	(17,247,383)	(8,509,127)	(18,629,713)	(9,455,710)
Depreciation and amortization charges (Notes 14,15)	(7,597,533)	(3,951,175)	(12,090,429)	(4,640,772)
Rent expenses	(6,025,076)	(3,129,730)	(5,549,117)	(3,083,253)
Consultancy expenses	(5,458,746)	(2,465,838)	(5,258,272)	(2,497,850)
Fuel, electricity, water and office expenses	(3,036,055)	(1,520,515)	(1,786,297)	(830,332)
Maintenance and repair expenses	(2,247,739)	(959,887)	(2,271,315)	(1,090,024)
Tax and charges expenses	(1,705,929)	(123,057)	(1,025,762)	(530,584)
Transportation, storage and travel expenses	(1,166,749)	(536,164)	(1,297,282)	(369,563)
Communication expenses	(98,290)	(42,323)	(906,737)	(273,762)
Other	(4,992,439)	(2,496,659)	(3,152,979)	(822,054)
Total	**(49,575,939)**	**(23,734,475)**	**(51,967,903)**	**(23,593,904)**

b) Marketing expenses:

	2017		2016	
	1 January - 30 June	1 April - 30 June	1 January - 30 June	1 April - 30 June
Personnel expenses	(17,120,799)	(8,887,290)	(17,457,882)	(9,194,522)
Advertisement expenses	(16,183,513)	(8,384,668)	(14,769,292)	(6,192,772)
Transportation,storage and travel expenses	(15,437,063)	(7,677,386)	(12,608,672)	(6,716,295)
Promotion expenses	(7,978,155)	(3,485,500)	(7,334,376)	(3,331,447)
Consultancy expenses	(4,240,731)	(1,958,966)	(1,515,317)	(608,047)
Sponsorship expenses	(1,592,595)	(1,077,610)	(3,499,049)	(2,069,508)
Outsourced services	(1,319,615)	(727,298)	(1,032,656)	(468,061)
Depreciation and amortization charges (Notes 14,15)	(273,854)	(173,056)	(141,963)	(85,200)
Other	(1,615,705)	(868,098)	(4,047,897)	(2,997,314)
Total	**(65,762,030)**	**(33,239,872)**	**(62,407,104)**	**(31,663,166)**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 25 - EXPENSES BY NATURE

a) Expenses by nature

	2017		2016	
	1 January - 30 June	**1 April - 30 June**	**1 January - 30 June**	**1 April - 30 June**
Payroll expenses	(92,367,382)	(47,987,368)	(89,818,650)	(46,685,596)
Depreciation and amortization charges	(17,644,648)	(8,786,373)	(25,160,495)	(12,139,900)
Total	**(110,012,030)**	**(56,773,741)**	**(114,979,145)**	**(58,825,496)**

NOTE 26 - OTHER OPERATING INCOME

The details of other operating income for the periods ended at 30 June 2017 and 2016 are as follows:

	2017		2016	
	1 January - 30 June	**1 April- 30 June**	**1 January - 30 June**	**1 April- 30 June**
Finance income due from term sales	4,342,185	2,993,168	3,788,331	2,183,147
Income due from doubtful trade receivables (Note 8)	2,954,113	(440,448)	1,988,640	51,668
Foreign exchange gains	2,210,423	367,501	16,647,398	14,489,960
Finance income from trade and other receivables	2,036,535	1,093,606	3,725,241	1,095,578
Reversal of provisions (Note 17)	1,622,989	163,281	737,587	737,587
Interest income on bank deposits	787,722	388,798	1,247,084	577,130
Unrealized finance expense due from term purchases	209,270	209,270	165,744	165,744
Other	987,429	500,824	539,079	456,887
Total	**15,150,666**	**5,276,000**	**28,839,104**	**19,757,701**

NOTE 27 - OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended at 30 June 2017 and 2016 are as follows:

	2017		2016	
	1 January - 30 June	**1 April- 30 June**	**1 January - 30 June**	**1 April- 30 June**
Provision expense for doubtful receivables (Note 8)	(8,792,102)	(1,660,606)	(8,570,678)	(4,298,284)
Unrealized finance income due from term sales	(2,601,556)	(2,286,562)	(2,165,525)	(349,200)
Provision for lawsuits (Note 17)	(1,553,716)	762,396	(1,309,043)	(318,901)
Foreign exchange loses	(1,205,871)	(345,313)	(9,461,037)	(9,283,595)
Fines and compensation expense	(411,892)	(208,593)	(1,732,113)	(1,514,984)
Aids and donations	(188,804)	(132,107)	(157,778)	(132,909)
Other	(1,148,998)	162,567	(968,661)	1,421,027
Total	**(15,902,939)**	**(3,708,218)**	**(24,364,835)**	**(14,476,846)**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 28 - INCOME FROM INVESTING ACTIVITIES

The details of income from investing activities for the periods ended at 30 June 2017 and 2016 are as follows:

	2017		2016	
	1 January - 30 June	1 April- 30 June	1 January - 30 June	1 April- 30 June
Gain on fair value changes of the investment property (Note 13)	2,785,333	1,682,490	5,760,500	5,760,500
Rent income	1,758,468	923,616	1,709,775	729,102
Gain on sale of fixed assets	748,799	37,856	9,847	(46,196)
Dividend income (Note 33)	285,510	-	167,281	167,281
Foreign exchange gains	-	-	3,263	1,487
Total	**5,578,110**	**2,643,962**	**7,650,666**	**6,612,174**

NOTE 29 - EXPENSE FROM INVESTING ACTIVITIES

The details of expenses from investing activities for the periods ended at 30 June 2017 and 2016 are as follows:

	2017		2016	
	1 January - 30 June	1 April- 30 June	1 January - 30 June	1 April- 30 June
Provision for impairment of intangible asset (Note 15)	(56,614,730)	(56,614,730)	(47,078,289)	(47,078,289)
Loss on change in fair value of investment properties (Note 13)	(5,085,733)	(4,793,062)	-	-
Loss on sale of property, plant and equipments	(792,589)	(792,589)	-	-
Loss on sale of fixed assets	(210,642)	(48,255)	-	5,882
Other	(2,027)	-	-	-
Total	**(62,705,721)**	**(62,248,636)**	**(47,078,289)**	**(47,072,407)**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 30 - FINANCIAL EXPENSES

The details of financial expenses for the periods ended at 30 June 2017 and 2016 are as follows:

	2017		2016	
	1 January - 30 June	**1 April- 30 June**	**1 January - 30 June**	**1 April- 30 June**
Interest expense on bank loans	(21,425,546)	(10,368,849)	(19,360,602)	(11,059,687)
Credit comission, banking and factoring	(272,733)	5,870	(1,386,501)	(716,764)
Foreign exchange losses	(6,885)	71,588	(4,463,097)	(5,691,401)
Expenses of held for trading derivative instruments	-	-	(1,058,093)	(1,058,093)
Other	(695,486)	(496,959)	(540,222)	(337,692)
Total	**(22,400,650)**	**(10,788,350)**	**(26,808,515)**	**(18,863,637)**

NOTE 31 - INCOME TAXES

	30 June 2017	**31 December 2016**
Corporate and income tax payable	431,761	5,656,355
(Less): Prepaid taxes	(214,607)	(4,649,501)
Tax payables/(receivables)	**217,154**	**1,006,854**

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

The details of the effective tax laws in countries which Group has significant operations are stated below:

Turkey:

In accordance with Turkish Corporate Tax Law effective after 1 January 2006, has been amended by Law No. 5520 dated 13 June 2006, corporation tax is 20% for 2017 (2016: 20%). Corporation tax is payable on the total income of the companies after adjusting for certain disallowable expenses, corporate income tax exemptions (gain from associates' exemption, investment allowances etc.) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, having representative office in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital is not considered as a profit distribution.

NOTE 31 - INCOME TAXES (Continued)

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is to be declared by the 14th day of the second month following each calendar quarter end and is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (TURKSTAT WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled since 2005.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax authorities can review accounting records within five years and if they determine any errors on the accounting records, tax payable can be reassessed.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods. As publicly disclosed on 19 April 2011, the Company plans to make use of the requirements set out in relation to "Tax Base Increase" in Law No: 6111 "Restructuring of some receivables and Social Security and General Health Insurance Law and Other Law Amending Certain Laws and Decrees"; therefore, 50% of losses attributable to the periods that are subject to tax base increase will not be offset against the income to be obtained in 2010 and subsequent periods.

There are numerous exemptions in the Corporate Income Tax Law. This is one of the exceptions to the Company are described below:

Exemption for participation in subsidiaries

Dividend income from shares in capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificates and investment trusts shares) are exempt from corporate tax.

Issued premiums exemption

Gains from issued premiums derived from the disposal of sales at nominal values during incorporations and the capital increase of joint stock companies are exempt from corporate tax.

NOTE 31 - INCOME TAXES (Continued)

Exemption for participation into foreign subsidiaries

For companies participating in 10% or more of the capital of a non-resident limited liability or joint stock company, (except for those whose principal activity is financial leasing or investment property) for at least one year until the date of the income is generated and transferred to Turkey until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries being subject to corporate income tax, or alike, in their country of legal residence or business center at the rate of at least 15% (minimum corporate income tax applicable in Turkey for those whose principal activity is finance assurance or insurance).

Exemption for sale of participation shares and property

75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which has remained in assets more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in liabilities and it must be withdrawn from the entity for a period of 5 years. The sales consideration should be collected until the end of the second calendar year following the year the sale was realized.

According to the regulation, published in the 27659 numbered Official Gazette on August 1, 2010 based on Law No: 6009 through article 5, the phrase "regarding only the years 2006, 2007 and 2008" on temporary article 69 of Income Tax Law.193 has been revised which was abolished by The Constitutional Court decision numbered 2009/144 published in the Official Gazette on 8 January 2010. With respect to this revision, undeductible investment allowance due to insufficient income and deferred investment allowance amounts can be used without a year limitation. Investment allowance amount, which will be used in determination of the tax assessment, will not exceed 25% profit of the relevant year. In addition to this, 20% corporate tax rate will be applied on the income after the deduction of the allowance instead of 30%.

In accordance with Law No: 6009, which is related to the 25% threshold and requires the incentive amount that will be subject to investment incentive exemption in determining tax base cannot exceed 25% of the respective income, has been revoked based on the ground that it is contrary to the Constitution upon the Constitutional Court's resolution No: E. 2010/93 K. 2012/20 ("stay of execution") issued on 9 February 2012 and published in the Official Gazette No: 28208 on 18 February 2012. The related Constitutional Court's decision was published in the official Gazette No: 28719 as at 26 July 2013.

<u>Russian Federation</u>

The corporate tax rate effective in Russian Federation is 20% (2016: 20%). This rate can be reduced according to special tax incentives (Special economic zones, investors entering private investment contract, regional incentive programs etc).

Russian tax year is the calendar year and other fiscal year ends are not permitted. Profit tax is calculated on a year-to-date basis. Advance payments are made monthly, with different calculation methods for quarterly or monthly schedules subject to the taxpayer's choice. Tax returns are filed till the 28th of March, following the close of the financial year.

NOTE 31 - INCOME TAXES (Continued)

The amendments introduce changes to the requirements on utilisation of tax losses carried forward in the Russian Tax Code. In 2017-2020, taxable profits of any given year may be reduced by accumulated tax losses carried forward by no more than 50%. Additionally tax losses may now be carried forward realized after 2007 for an unlimited period, not for 10 years maximum as was the case previously. The Group is evaluating the possible effects of new tax regulations.

Tax refunds are technically possible but are very difficult to obtain in practice. Tax consolidations of tax reporting/payments by different legal entities (or grouping) are not permitted in Russia at present. Generally, dividend income payable to a foreign organization is subject to withholding tax at 15%. This standard rate may, however, be reduced under the provisions of applicable double tax treaty.

In Russian Federation the tax regulations are subject to various comments and change frequently. Regarding to TME's operations the interpretation of tax regulations by tax authorities may differ from the management.

Belarus

The corporate tax rate effective in Belarus is 18% (2016: 18%).

The tax period is the calendar year. Profit tax is calculated as progressive total. Advance payments are made quarterly, on the basis of either the previous year results or expected current year profits.The annual corporate tax declaration is due by 20 March of the following year. Tax loss carry forward is not allowed. Tax refunds are possible. Tax consolidations of tax reporting/payments by different legal entities (or grouping) are not permitted in Belarus at present. Generally, dividend income payable to a foreign organization is subject to withholding tax at 12%. This standard rate may, however, be reduced under the provisions of applicable double tax treaty. The Belarus tax regulations change frequently.

Kazakhstan

Under the Tax Code of the Republic of Kazakhstan companies shall pay the CIT on taxable income at a 20% rate (2016: 20%).

According to the Tax Code, taxable income is defined as the difference between gross annual income and deductible expenses provided for under the Tax Code taking into account adjustments made. Gross annual income is defined as any income, from domestic or foreign sources, that is received or accrued by a taxpayer during the tax period. This income may be in monetary, tangible or intangible form.

Deductible expenses should be directly associated with generating taxable income from activities performed by a company. An accrual method is applied with respect to income and expenses determination for CIT purposes. According to the tax legislation, losses may be carried forward for 10 years to be deducted from future taxable income.

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 31 - INCOME TAXES (Continued)

A tax period for CIT is a calendar year. A taxpayer is to forecast its expected taxable income and calculate advance monthly payments which are due not later than 25th day of each month of the reporting year. The annual CIT return is due by 30 March of the year following the reporting year. Should actual CIT liability be different from the initially estimated advances, taxpayers may correct their tax liabilities during the tax year but not later than 20 December of the reporting tax period. There are other special requirements relative to calculation of advance payments in the Tax Code. The following taxpayers shall be entitled not to calculate and make CIT advance payments:

- Taxpayers whose gross annual income after adjustments for the tax period preceding the previous tax period, did not exceed 325 times the monthly calculation index set by the law on the state budget and effective at January 1 of the relevant financial year;
- New taxpayers - during the tax period in which state registration (record of registration) was carried out with the justice authorities, and also during the subsequent tax period;
- Non-resident legal entities newly registered with the tax authorities as taxpayers, and operating in Kazakhstan through a permanent establishment (PE) without a branch or representative office – during the tax period in which registration with the tax bodies was carried out, and also during the subsequent tax period.

The tax rates at 30 June 2017, which are used in the calculation of deferred tax, taking each country’s tax legislations into consideration are as follows:

Country	**Tax Rate (%)**
Germany	28
Belarus	18
Russia	20
Kazakhstan	20
Holland	25

Deferred Tax

The Group recognizes deferred tax assets and liabilities based on temporary differences arising between the financial statements as reported for Turkey Financial Reporting Standards and financial statements prepared in accordance with the tax legislation. These differences usually result in the recognition of revenue and expenses in different reporting periods for the TFRS tax purposes.

Deferred taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming years under the liability method using tax rates enacted at the balance sheet dates.

Deferred tax assets and liabilities are presented in net in the consolidated financial statements of the Group, since they are presented in net in the financial statements of subsidiaries and joint ventures, which are each individual tax payers. Temporary differences deferred tax assets and deferred tax liabilities at the table below are presented based on gross amounts.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 31 - INCOME TAXES (Continued)

	30 June 2017	31 December 2016
Deferred tax liabilities	(38,870,202)	(48,839,623)
Deferred tax assets	1,040,296	327,267
Deferred tax liabilities, net	**(37,829,906)**	**(48,512,356)**

The temporary differences and deferred tax assets / (liabilities) using the enacted tax rates as of 30 June 2017 and 31 December 2016 are as follows:

	Total temporary differences		Deferred tax assets / (liabilities)	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Provision for retirement benefits and unused vacation rights	55,759,715	58,159,699	11,151,943	11,631,940
Difference between tax base and carrying value of trade receivables	24,293,375	19,828,019	4,858,675	3,965,604
Deferred income	2,537,535	2,525,842	507,507	505,168
plant and equipment and intangibles	(273,543,885)	(312,400,555)	(53,690,162)	(62,480,111)
Investing properties valuation differences	(135,428,037)	(146,744,326)	(6,402,067)	(7,337,216)
Other, net	28,720,990	26,011,297	5,744,198	5,202,259
Total	**(297,660,307)**	**(352,620,024)**	**(37,829,906)**	**(48,512,356)**

As of 30 June 2017, carry forward tax losses for which no deferred income tax asset was recognized amounted to TRY 281,205,250 (31 December 2016: TRY 264,682,045).

The maturity analysis of carry forward tax losses utilized is as follows:

	30 June 2017	31 December 2016
2016	-	1,895,260
2017	5,972,388	5,972,388
2018	2,215,343	2,215,343
2019	512,814	512,814
2021	704,455	-
Indefinite (*)	271,800,250	254,086,240
Total	**281,205,250**	**264,682,045**

(*) Under the new tax regulations in Russia, the 10-year time limit for companies to carry past year's losses in the following periods has been lifted.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 31 - INCOME TAXES (Continued)

The movements of net deferred tax liabilities for the periods ended 30 June 2017 and 2016 are as follows:

	2017	2016
1 January	**(48,512,356)**	**(42,647,166)**
Deferred tax income in consolidated income statement	13,325,805	10,161,870
Accounted in equity	194,419	(345,344)
Currency translation differences	(2,837,774)	(5,017,687)
30 June	**(37,829,906)**	**(37,848,327)**

The analysis of the tax expense / (income) for the periods ended at 30 June 2017 and 2016 are as follows:

	2017		2016	
	1 January - 30 June	1 April - 30 June	1 January - 30 June	1 April - 30 June
Current tax expense	(431,761)	(345,391)	(3,031,420)	(2,954,917)
Deferred tax income / (expense)	13,325,805	15,241,953	10,161,870	6,237,133
Total	**12,894,044**	**14,896,562**	**7,130,450**	**3,282,216**

The reconciliation of the current period tax expense in the consolidated statement of income for the periods ended at 30 June 2017 and 2016 and consolidated tax and the tax (income) / expense calculated with the current tax rate over income before tax and non-controlling interests are as follows:

	1 January - 30 June 2017	1 January - 30 June 2016
Loss before taxes and non-controlling interests	(82,443,011)	(51,805,060)
Current period tax calculated at the effective tax rates of countries	16,090,612	10,361,012
Expenses not deductible for tax purposes	(801,561)	(3,067,209)
Effect of adjustments unaccounted deferred tax	(3,288,577)	(2,991,940)
Income not deductible for tax purposes	(132,652)	1,729,143
Other, net	1,026,222	1,099,444
Tax (income) / expense	**12,894,044**	**7,130,450**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 32 - EARNINGS / (LOSS) PER SHARE

Loss per share as of 30 June 2017 and 2016 is as follows:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Net loss for attributable to equity holders of parent company	**(67,559,015)**	**(48,054,139)**	**(33,204,318)**	**(29,434,803)**
Number of ordinary shares in issue (with nominal value of TRY 1 each)	552,000,000	552,000,000	552,000,000	552,000,000
Loss per share from continued and discontinued operations attributable to equity holders of parent company	**(0.1224)**	**(0.0871)**	**(0.0602)**	**(0.0533)**

NOTE 33 - RELATED PARTY DISCLOSURES

i) Balances of related parties:

a) Short term trade receivables from related parties:

Trade receivables from related parties	**30 June 2017**	**31 December 2016**
Doğan İnternet Yayıncılığı ve Yatırım A.Ş. ("Doğan İnternet") (1)	18,636,649	16,782,647
Doğan Gazetecilik A.Ş. ("Doğan Gazetecilik")(2)	8,576,716	9,949,419
Doğan Dağıtım Satış ve Pazarlama A.Ş. ("Doğan Dağıtım")(3)	2,469,922	2,160,233
Doğan Media Int. GmbH ("Doğan Media")(4)	2,152,804	178,641
Doğan TV Holding A.Ş. ("Doğan TV Holding") (5)	1,484,391	1,105,193
Other	1,980,043	2,416,970
	35,300,525	**32,593,103**

(1) The balance is arising from sales of internet commercials to Doğan İnternet Yayıncılığı ve Yatırım A.Ş. through websites.
(2) Receivable arising from printing newspapers of Doğan Gazetecilik in the Group's printing houses.
(3) Receivables arising from the daily distribution of newspapers of the Group.
(4) Receivables arising from commercial advertising services.
(5) The balance arising from expenses invoiced to Hürriyet Gazetecilik ve Matbaacılık A.Ş. by Doğan TV Holding as a result of that Hürriyet share the same building with Doğan TV Holding.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 33 - RELATED PARTY DISCLOSURES (Continued)

b) Short term payables to related parties:

	30 June 2017	31 December 2016
Trade payables to related parties		
Doğan Media [(1)]	14,150,410	15,024,033
Doğan Dış Ticaret ve Mümessillik A.Ş. ("Doğan Dış Ticaret") [(2)]	619,870	4,660,436
Doğan Şirketler Grubu Holding A.Ş. ("Doğan Holding") [(3)]	601,463	324,254
Marlin Oto Kiralama Seyahat Hizmetleri A.Ş. ("Marlin Oto") [(4)]	592,976	-
Milta Turizm İşletmeleri A.Ş. ("Milta") [(5)]	-	2,473,919
DTES Elektrik Enerji Toptan Satış A.Ş. ("DTES") [(6)]	-	1,428,241
Other	1,324,305	2,253,952
	17,289,024	**26,164,835**

(1) Arising from the cash paid by Doğan Media International for the printing service.
(2) The Group's raw materials are provided by Doğan Dış Ticaret.
(3) Legal, information, and other consultancy services rendered from Dogan Holding.
(4) Grup renders car renting services from Marlin Oto. The Company was established on 27 December 2016.
(5) The Group rendered car rental services by barter agreement from Milta Turizm. The company was liquidated by the demerger on 9 March 2017.
(6) The Company provides electricity service for printing facilities.

ii) Significant transactions with related parties:

Transactions in related parties for the periods ended as of 30 June 2017 and 2016 are as follows:

a) Significant service and product sales to related parties:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Doğan Dağıtım [(1)]	55,200,490	27,710,557	49,454,093	24,717,252
Doğan İnternet Yayıncılığı [(2)]	18,498,898	10,274,821	15,992,460	9,301,815
Doğan Gazetecilik [(3)]	14,898,397	7,248,106	12,660,238	6,692,827
Other	3,109,082	1,558,605	5,361,338	2,864,393
	91,706,867	**46,792,089**	**83,468,129**	**43,576,287**

(1) The group makes the sales of daily newspapers to Doğan Dağıtım.
(2) The sales of internet commercials of the Group are carried out through Doğan İnternet.
(3) The newspapers owned by Doğan Gazetecilik are printed in the Group's printing houses.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 33 - RELATED PARTY DISCLOSURES (Continued)

b) Significant service and product purchases from related parties:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Doğan Dış Ticaret (1)	45,643,994	24,139,283	45,951,976	23,065,950
Doğan Dağıtım (2)	13,870,347	6,894,592	10,423,978	5,520,956
Doğan Haber Ajansı A.Ş. ("DHA") (3)	3,437,004	1,752,478	4,076,401	1,979,105
Marlin Oto (4)	1,763,020	1,506,104	-	-
Ortadoğu Otomotiv Ticaret A.Ş. ("Ortadoğu Otomotiv") (5)	1,723,394	899,603	2,564,666	1,142,367
Doğan İnternet (6)	1,706,194	963,091	2,948,462	1,785,527
Doğan Gazetecilik (7)	1,697,333	870,736	1,521,654	1,521,654
Doğan Holding (8)	1,624,243	838,238	2,029,169	1,090,243
Milta (9)	893,683	49,737	2,005,252	1,072,630
Doğan TV Digital Platform İşletmeciliği A.Ş. ("Doğan TV Digital") (10)	624,792	367,893	1,419,727	698,808
DTV Haber ve Görsel Yayıncılık A.Ş. ("Kanal D") (11)	91,329	91,329	848,226	18,448
Mozaik İletişim Hizmetleri A.Ş. ("Mozaik") (12)	1,088	752	604,435	300,246
Other	2,442,907	562,746	8,439,845	4,343,111
	75,519,328	**38,936,582**	**82,833,791**	**42,539,045**

(1) The Group's raw materials purchases.
(2) Group's newspaper distribution service purchases.
(3) The Group renders news services.
(4) Purchase balance is related to car rents. The related subsidiary was established on 27 December 2016.
(5) Office rent services.
(6) Group's advertisement sales and infrastructure service purchases.
(7) Purchase of rental and security services related to the building that the Group uses as its head office.
(8) Financial, legal, information technology and other consultancy services together with other services rendered from Doğan Holding A.Ş.
(9) The balance is arising from rental office and purchase of services from the company. The Company was liquidated on 15 March 2017 and the related balance includes transactions between 1 January and 15 March 2017.
(10) Group purchases internet access service from this company.
(11) Group's advertisement service purchases.
(12) Group purchases call center and D-Smart channel advertising services.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 33 - RELATED PARTY DISCLOSURES (Continued)

b) Other income from related parties

Other income	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Doğan Dağıtım	1,467,033	905,837	188,302	62,156
Doğan Dış Ticaret	1,114,122	602,828	742,923	371,461
Doğan Holding	583,046	283,889	16,945	16,945
DHA	515,575	184,783	-	-
Doğan Gazetecilik	270,089	250,025	42,328	22,831
Doğan İnternet	188,298	100,786	-	-
Diğer	810,792	473,145	718,645	440,169
	4,948,955	**2,801,293**	**1,709,143**	**913,562**

Amounting to TRY 4,948,955 of other income amounting to TRY 1,145,563 consists of rent income which Hürriyet gathers from the Group companies. (1 January - 30 June 2016: TRY 1,080,237)

Dividends income	1 January - 30 Haziran 2017	1 April 30 Haziran 2017	1 January - 30 Haziran 2016	1 April 30 Haziran 2016
Doğan Faktoring (1)	255,510	-	166,081	166,081
Coats İplik A.Ş.	30,000	-	1,200	1,200
	285,510	-	**167,281**	**167,281**

Financial expense:	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Doğan Faktoring	285,716	151,340	361,019	195,522
Milta	-	-	43,017	-
	285,716	**151,340**	**404,036**	**195,522**

(1) Invoicing and controlling of advertisements published in Hürriyet and collection of receivables from advertisements are conducted by Doğan Faktoring and the commissions paid for this service is recorded under financial expenses. According to a revocable factoring agreement signed with Doğan Factoring, trade receivables resulting from advertisements are followed up by Doğan Factoring.

iii) Key Management Personnel:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Salaries and other short term benefits	4,715,180	2,596,129	4,389,891	2,219,749
Post-emloyment benefits	36,629	-	788,902	209,132
	4,751,809	**2,596,129**	**5,178,793**	**2,428,881**

The Group determined the key management personnel as board of directors and executive committee. Benefits provided to key management personnel consist of wage, premium, health insurance, transportation and post-employment benefits.

NOTE 34 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

34.1 Financial Risk Management

(i) Interest rate risk

The Group's interest rate sensitive financial instruments are as follows:

	30 June 2017	31 December 2016
Financial instruments with fixed interest rate		
Bank deposits (Note 4)	19,062,243	17,233,880
Financial liabilities (Note 7)	311,766,515	287,714,632

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. The Group management uses interest bearing short term assets within natural policy context to stabilize the maturity of the interest bearing liabilities and assets. Furthermore, the Group hedges interest rate risks arising from floating rate borrowings, by limited use of derivatives, such as interest rate swaps.

Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. As of 30 June 2017 and 31 December 2016, the Group's borrowings at floating rates are predominantly denominated in US Dollars and Euros.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 34 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

(ii) Liquidity risk

The table below shows the liquidity risk arising from financial liabilities of the Group:

30 June 2017	Carrying value	Total contractual cash outflow	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
Financial liabilities						
Financial payables (Note 7)	311,766,515	369,188,361	33,153,523	142,538,757	193,496,081	-
Trade payables	-	-	-	-	-	-
-Related party (Note 33)	17,289,024	17,289,024	17,289,024	-	-	-
-Other (Note 8)	43,476,166	43,690,537	43,690,537	-	-	-
Other payables	-	-	-	-	-	-
-Other (Note 9)	7,800,634	7,800,634	7,800,634	-	-	-
Payables within employee benefits	-		-	-	-	-
-Due to personnel (Note 10)	4,429,586	4,429,586	4,429,586	-	-	-

31 December 2016	Carrying value	Total contractual cash outflow	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
Financial liabilities						
Financial payables (Note 7)	287,714,632	337,009,430	21,027,783	159,635,951	156,345,696	-
Trade payables						
-Related party (Note 33)	26,164,835	26,164,835	26,164,835	-	-	-
-Other (Note 8)	53,060,248	53,258,927	53,258,927	-	-	-
Other payables						
-Other (Note 9)	8,891,934	8,891,934	8,891,934	-	-	-
Payables within employee benefits						
-Due to personnel (Note 10)	1,215,308	1,215,308	1,215,308	-	-	-

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 34 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group aims maintaining flexibility in funding by keeping committed credit lines available.

Funding risk of current and future debt requirements is managed by continuance of sufficient and highly qualified creditor's access. The Group aims at maintaining cash and cash equivalents for the anticipated cash flows of raw material purchase for the subsequent six-months.

The liquidity table demonstrates the Group's net financial liabilities in accordance with the redemption schedule. Such amounts are undiscounted future cash flows of financial liabilities of the Group. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017, the Group has long-term bank borrowings amounting to TRY 175,159,650 (31 December 2016: TRY 139,729,311) (Note 7).

(iii) Credit Risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by limiting the credit amount of any individual counterparty. The credit risk is generally highly spread due to the large number of entities comprising the customer bases.

Aging analysis for trade receivables:

As of 30 June 2017 there are past due trade receivables amounting to TRY 108,975,152 which are not considered as doubtful receivables (31 December 2016: TRY 113,109,561). The Group does not foresee any collection risk for the delay up to one month due to sector dynamics and conditions. The Group restructures the trade receivables by applying due date differences which are due over one month and/or the Group does not foresee any collection risk since they are under coverage of guarantees such as mortgage, indemnity or guarantee notes. As of 30 June 2017, the amount of mortgage and indemnity received is TRY 8,142,616 for the related receivables (31 December 2016: TRY 10,369,175).

As of 30 June 2017 and 31 December 2016, aging analysis for trade receivables that are past due but not impaired are as follows:

	30 June 2017		31 December 2016	
	Related party	**Other receivables**	**Related party**	**Other receivables**
0-1 month	775,709	25,026,021	527,247	22,830,197
1-3 month	792,750	24,687,386	135,912	29,975,180
3-6 month	275,086	23,363,985	63,624	33,454,176
6-12 month	14,940	24,329,392	1,194,712	14,429,179
1-2 years	10,082	9,699,800	-	10,499,334
	1,868,567	**107,106,584**	**1,921,495**	**111,188,066**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 34 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

As of 30 June 2017 and 31 December 2016, aging analysis for trade receivables that are past due and impaired is as follows:

Impaired	**30 June 2017**	**31 December 2016**
Past due 0 - 3 months	-	2,479,033
Past due 3 - 6 months	-	138,420
Past due 6 months and over	51,929,389	43,402,690
Less: Provision for impairment (Note 8)	**(51,929,389)**	**46,020,143**

The balance of related party receivables that are past due and impaired as of 30 June 2017 is none (31 December 2016: None). There is no trade receivable which is not over due and impaired as of 30 June 2017 (31 December 2016: None).

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 34 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The Group's credit risk of financial instruments as of 30 June 2017 is as follows:

	Trade receivables		**Other receivables**		**Bank**	**Other**
30 June 2017	**Related party**	**Other**	**Related party**	**Other**	**deposits**	**assets**
Maximum credit risk exposure as of balance sheet date	**35,300,525**	**195,835,338**	**-**	**5,304,945**	**27,908,566**	**66,932**
- The part of maximum credit risk under guarantee with collateral	-	***22,429,952***	-	-	-	-
A. Net book value of financial assets that are not past due/impaired	33,431,958	88,728,754	-	5,304,945	27,908,566	66,932
- The part under guarantee with collateral	-	*14,287,336*	-	-	-	-
B. Net book value of financial assets that are renegotiated if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	1,868,567	107,106,584	-	-	-	-
- The part under guarantee with collateral	-	*8,142,616*	-	-	-	-
D. Net book value of impaired asset						
- Past due (gross carrying amount)	-	51,929,389	-	-	-	-
- Impairment (-)	-	(51,929,389)	-	-	-	-
- The part of net value under guarantee with collateral	-	-	-	-	-	-
- Not over due (gross carrying value)						
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral	-	-	-	-	-	-

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 34 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The Group's credit risk of financial instruments as of 31 December 2016 is as follows:

	Trade receivables		Other receivables		Bank	Other
31 December 2016	**Related party**	**Other**	**Related party**	**Other**	**deposits**	**assets**
Maximum credit risk exposure as of balance sheet date	**32,593,103**	**204,353,838**	**-**	**5,546,856**	**20,427,976**	**111,500**
- The part of maximum credit risk under guarantee with collateral	**-**	***13,126,721***	**-**	**-**	**-**	**-**
A. Net book value of financial assets that are not past due/impaired	30,671,608	93,165,772	-	5,546,856	20,427,976	111,500
- The part under guarantee with collateral	-	*2,757,546*	-	-	-	-
B. Net book value of financial assets that are renegotiated if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	1,921,495	111,188,066	-	-	-	-
- The part under guarantee with collateral	-	*10,369,175*	-	-	-	-
D. Net book value of impaired asset						
- Past due (gross carrying amount)	-	46,020,143	-	-	-	-
- Impairment (-)	-	(46,020,143)	-	-	-	-
- The part of net value under guarantee with collateral	-	-	-	-	-	-
- Not over due (gross carrying value)						
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 34 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

(iv) Foreign currency risk

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated liabilities to TRY. These risks are monitored by the analysis of foreign currency position.

The foreign exchange risk mainly arises from the impact of rate changes in the translation of the Group's foreign currency denominated borrowings which are obtained to fund capital expenditures in domestic and overseas operations (The risk is monitored in regular meetings). The Group maintains a certain portion of its excess cash and cash equivalents in foreign currency to minimize the currency risk exposure.

The Group's risk management policy for currency risk is to maintain sufficient liquid assets for the anticipated cash flows of raw material purchase and borrowing repayment amounts in each major foreign currency for the subsequent three to six months. However, this policy should be revised by the management when deemed necessary, according to market conditions.

TRY equivalents of assets and liabilities denominated in foreign currencies at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	**31 December 2016**
Assets	21,781,478	1,747,982
Liabilities	(9,056,162)	(2,333,503)
Net foreign currency position	**12,725,316**	**(585,521)**

Following exchange rates have been used in the translation of foreign currency denominated balance sheet items as of 30 June 2017: 3.5071 TRY= 1 US Dollar and 4.0030 TRY=1 Euro (31 December 2016: 31 December 2016: 3.5192 TRY= 1 US Dollar and 3.7099 TRY=1 Euro).

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 34 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The table summarizes the foreign currency position risk as of 30 June 2017 and 31 December 2016. The carrying amount of foreign currency denominated assets and liabilities of the Group are as follows:

30 June 2017	**TRY Equivalent**	**USD**	**Euro**	**Other**
1. Trade receivables	3,314,491	68,911	734,900	131,008
2a. Monetary Financial Assets (Cash, Banks included)	17,043,512	4,654,617	45,025	539,071
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	1,136,461	156,400	-	587,951
4. Current Assets (1+2+3)	**21,494,464**	**4,879,929**	**779,925**	**1,258,029**
5. Trade receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	287,014	-	-	287,014
8. Non-Current Assets (5+6+7)	**287,014**	-	-	**287,014**
9. Total Assets (4+8)	**21,781,478**	**4,879,929**	**779,925**	**1,545,043**
10. Trade Payables	7,711,443	1,966,681	152,414	203,984
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Financial Liabilities	1,344,719	124,100	13,998	853,456
12b. Other Non-Monetary Financial Liabilities	-	-	-	-
13. Current Liabilities (10+11+12)	**9,056,162**	**2,090,781**	**166,411**	**1,057,440**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary	-	-	-	-
Financial Liabilities	-	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-	-
17. Non-Current Liabilties (14+15+16)	-	-	-	-
18. Total Liabilities (13+17)	**9,056,162**	**2,090,781**	**166,411**	**1,057,440**
19. Net asset / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-
20. Net foreign currency asset liability position (9-18+19)	**12,725,316**	**2,789,148**	**613,514**	**487,603**
21. Net foreign currency asset / liability position of monetary items	-	-	-	-
(1+2a+5+6a-10-11-12a-14-15-16a)	**11,301,841**	**2,632,748**	**613,513**	**(387,361)**
22. Fair value of foreign currency hedged financial assets	-	-	-	-

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 34 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2016	**TRY Equivalent**	**USD**	**Euro**	**Other**
1. Trade receivables	1,663,342	37,085	413,174	-
2a. Monetary Financial Assets (Cash, Banks included)	54,551	7,833	7,274	-
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	30,089	8,550	-	-
4. Current Assets (1+2+3)	**1,747,982**	**53,467**	**420,448**	-
5. Trade receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-
9. Total Assets (4+8)	**1,747,982**	**53,467**	**420,448**	-
10. Trade Payables	1,753,365	97,219	375,146	19,478
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Financial Liabilities	580,138	160,000	4,600	-
12b. Other Non-Monetary Financial Liabilities	-	-	-	-
13. Current Liabilities (10+11+12)	**2,333,503**	**257,219**	**379,746**	**19,478**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary	-	-	-	-
Financial Liabilities	-	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-	-
17. Non-Current Liabilties (14+15+16)	-	-	-	-
18. Total Liabilities (13+17)	**2,333,503**	**257,219**	**379,746**	**19,478**
19. Net asset / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-
20. Net foreign currency asset liability position (9-18+19)	**(585,521)**	**(203,752)**	**40,702**	**(19,478)**
21. Net foreign currency asset / liability position of monetary items	-	-	-	-
(1+2a+5+6a-10-11-12a-14-15-16a)	**(615,610)**	**(212,302)**	**40,702**	**(19,478)**
22. Fair value of foreign currency hedged financial assets	-	-	-	-

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 34 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The Group is exposed to foreign currency risk of US Dollar, Euro, and other foreign currency.

30 June 2017	**Profit/Loss**	
	Foreign currency appreciation	**Foreign currency depreciation**
If the US dollar had changed by 10% against the TL		
USD net (liabilities) / assets	978,182	(978,182)
Hedging amount of USD	-	-
USD net effect on (loss) / income	**978,182**	**(978,182)**
If the EUR had changed by 10% against the TL		
Euro net (liabilities) / assets	245,590	(245,590)
Hedging amount of Euro	-	-
Euro net effect on (loss) / income	**245,590**	**(245,590)**
If other foreign currency had changed by 10% against the TL		
Other foreign currency net (liabilities) / assets	48,760	(48,760)
Hedging amount of other foreign currency	-	-
Other foreign currency net effect on (loss) / income	**48,760**	**48,760**

31 December 2016	**Profit/Loss**	
	Foreign currency appreciation	**Foreign currency depreciation**
If the US dollar had changed by 10% against the TL		
USD net (liabilities) / assets	(71,704)	71,704
Hedging amount of USD	-	-
USD net effect on (loss) / income	**(71,704)**	**71,704**
If the EUR had changed by 10% against the TL		
Euro net (liabilities) / assets	15,100	(15,100)
Hedging amount of Euro	-	-
Euro net effect on (loss) / income	**15,100**	**(15,100)**
If other foreign currency had changed by 10% against the TL		
Other foreign currency net (liabilities) / assets	(1,948)	1,948
Hedging amount of other foreign currency	-	-
Other foreign currency net effect on (loss) / income	**(1,948)**	**1,948**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 34 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

34.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in and to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders in accordance with the CMB regulations, issue new shares or sell assets to decrease borrowing. There are covenants related with the bank borrowings stated in Note 7 which the Group has to fulfill net debt / equity ratio as stated in the contracts of the related bank borrowings.

The net liability/total equity ratio at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	**31 December 2016**
Total liability (1)	311,766,515	287,714,632
Less: Cash and cash equivalents (Note 5)	(31,743,967)	(24,295,720)
Net liability	280,022,548	263,418,912
Equity	355,443,606	416,594,931
Net liability and Equity	635,466,154	680,013,843
Net liability / Total equity ratio	**0.44**	**0.39**

(1) It is calculated by subtracting long-term and short-term liabilities.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 35 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

30 June 2017	Loans and receivables (including cash and cash equivalents)	Available for sale financial assets	Financial liabilities at amortized cost	Hedging instruments	Fair value through profit or loss	Carrying Value	Note
Financial assets							
Cash and cash equivalents	31,743,967	-	-	-	-	31,743,967	4
Trade receivables							
from non-related parties	195,835,338	-	-	-	-	195,835,338	8
Trade receivables from related parties	35,300,525	-	-	-	-	35,300,525	33
Other receivables							
from non-related parties	5,304,945	-	-	-	-	5,304,945	9
Financial investments	66,932	1,343,821	-	-	-	1,410,753	6
Financial liabilities							
Financial borrowings	-	-	311,766,515	-	-	311,766,515	7
Trade payables							
to non-related parties	-	-	43,476,166	-	-	43,476,166	8
Trade payables to related parties	-	-	17,289,024	-	-	17,289,024	33
Employee benefit payables	-	-	7,560,142	-	-	7,560,142	10
Other payables							
to non-related parties	-	-	7,800,634	-	-	7,800,634	9
Other short-term liabilities	-	-	1,396,979	-	-	1,396,979	21
Derivative instruments	-	-	-	972,092	-	972,092	5

(*) The Group management considers the carrying amount of financial assets approximate their fair values.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 35 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (Continued)

31 December 2016	Loans and receivables (including cash and cash equivalents)	Available for sale financial assets	Financial liabilities at amortized cost	Hedging instruments	Fair value through profit or loss	Carrying Value	Note
Financial assets							
Cash and cash equivalents	24,295,720	-	-	-	-	24,295,720	4
Trade receivables							
from non-related parties	204,353,838	-	-	-	-	204,353,838	8
Trade receivables from related parties	32,593,103	-	-	-	-	32,593,103	33
Other receivables							
from non-related parties	5,546,856	-	-	-	-	5,546,856	9
Financial investments	111,500	1,343,821	-	-	-	1,455,321	6
Financial liabilities							
Financial borrowings	-	-	287,714,632	-	-	287,714,632	7
Trade payables							
to non-related parties	-	-	53,060,248	-	-	53,060,248	8
Trade payables to related parties	-	-	26,164,835	-	-	26,164,835	33
Employee benefit payables	-	-	1,215,308	-	-	1,215,308	10
Other payables							
to non-related parties	-	-	8,891,934	-	-	8,891,934	9
Other short-term liabilities	-	-	1,920,617	-	-	1,920,617	21

(*) The Group management considers the carrying amount of financial assets approximate their fair values.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 35 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (Continued)

Fair value of financial instruments

The fair value of financial assets and liabilities is assigned as below:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities are determined where there is no observable market data.

NOTE 36 - INTERESTS IN OTHER ENTITIES

Summary of the financial information of TME, a subsidiary over which the Group has non-controlling shares, are stated below according to TFRS 12. These summarized financial information represent the amounts without considering the related party eliminations.

	30 June 2017	30 December 2016
Current Assets	7,788,588	10,088,139
Non Current Assets	221,576,416	263,750,903
Current Liabilities	31,149,568	34,009,563
Non Current Liabilities (*)	57,341,457	50,897,822
Total Equity	140,873,979	188,931,657
	1 January- 30 June 2017	**1 January- 30 June 2016**
Revenue	15,401,044	15,099,115
Costs	(9,990,330)	(9,545,193)
Gross profit (loss)	**5,410,714**	**5,553,922**
Allocation of net loss for the period:		
Attributable to equity holders of the parent company	(61,344,728)	(41,558,221)
Attributable to non-controlling interests	344,596	(11,162,858)
Net profit (loss) for the period	**(61,000,132)**	**(52,721,079)**

(*) Non-current liabilities comprise deferred tax liabilities.

NOTE 37 - SUBSEQUENT EVENTS AFTER REPORTING PERIOD

Approval of Financial Statements

The consolidated financial statements for the period ended 30 June 2017 were approved by the Board of Directors on 16 August 2017. Other than Board of Directors has no authority to change financial statements.

Trader Media East Ltd:

It has been desided to sell fully or partially the TME and/or its subsidiaries and/or business units that the Group has 97.29% shares or find strategic partners as at 24 July 2017.

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